Letshego Holdings Limited

Consolidated Annual Financial Statements

For the year ended 31 December 2021

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Details

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
Matshidiso Kimwaga
Tower C, Zambezi Towers
Plot 54352
Central Business District
Gaborone, Botswana

Independent External Auditors
Ernst and Young
2nd Floor, Plot 22
Khama Crescent
Gaborone, Botswana

Transfer Secretaries
PricewaterhouseCoopers (Pty) Limited
Plot 50371
Fairground Office Park
Gaborone, Botswana

Attorneys and Legal Advisors
Armstrongs
Acacia House
Plot 53438
Cnr Khama Crescent Extension and PG Matante Road
Gaborone, Botswana

DIRECTORS' REPORT

The Directors have pleasure in submitting to the Shareholders their report and the audited consolidated financial statements of Letshego Holdings Limited (the Company) and its subsidiaries (together "the Group") for the year ended 31 December 2021.

Nature of business
Letshego Group is a retail financial services organisation involved in banking and microfinance activities in 11 African countries across East, West and Southern Africa. Six of the 11 operations have deposit-taking licenses with the rest being microfinance institutions. The Group's ambition is to increase its deposit taking capabilities across the footprint.

Stated capital
Stated capital of the Group at 31 December 2021 amounted to P882, 224,337 (31 December 2020: P872, 169,337).

On the 26 February 2021, 5,348,420 (prior year: 4,483,050) ordinary shares were issued in terms of the Group's Long Term Incentive Plan. These were issued from shares currently held as treasury shares and the remaining treasury shares at the end of the year were 9,222,720 (prior year: 14,571,140).

Dividends
An interim dividend of 7.3 thebe per share (prior year: 3.9 thebe per share) was declared on 12 August 2021.

A second and final dividend of 9.7 thebe per share (prior year: 8.3 thebe) was declared on 25 February 2022 and will be paid on or about 31 May 2022.

Directors
The following persons were directors of the Group:

Non-executive

Name	Details	Nationality
E.N Banda	Chairman	South Africa
S. Price		UK
H. Karuhanga		Uganda
Dr G.Somolekae		Botswana
R. N. Alam	Resigned 24 March 2022	USA
C. Lesetedi		Botswana
G. Van Heerde		South Africa
P. Odera		Kenya
A. Odubola		Nigeria
R. Hoekman	Appointed 22 January 2020	Holland
R. Mwaura	Appointed 02 December 2021	Kenya

Directors (continued)

Executive

Name	Position	Nationality
A.F. Okai	Group Chief Executive Officer - appointed 01 February 2020	Ghana
G.T Muteiwa	Group Chief Financial Officer – appointed 24 March 2020	Zimbabwe

Directors' shareholdings

The aggregate number of shares held directly by Directors at 31 December 2021 were at 33,405 (31 December 2020: 28,987). Full details of this shareholding are available at the registered office of the Company or at the office of the transfer secretaries.

Long Term Incentive Plan

The Group operates an equity-settled conditional Long-Term Incentive Plan (LTIP), which was approved by shareholders at an Extraordinary General Meeting held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. The estimation of shares to vest for a year is based on internal projections as to the specified non-market conditions being achieved. Shares are awarded in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the consolidated annual financial statements of Letshego Holdings Limited the "Group" that give a true and fair view, comprising the consolidated statement of financial position at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Botswana Companies Act.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The Directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe the businesses will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the consolidated annual financial statements give a true and fair view in accordance with International Financial Reporting Standards.

Approval of the consolidated annual financial statements:

The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 31 March 2022 and are signed on its behalf by:

E.N. BANDA	**A.F. OKAI**
CHAIRMAN	**GROUP CHIEF EXECUTIVE OFFICER**

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Independent Auditor's Report
To the Shareholders of Letshego Holdings Limited
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Letshego Holdings Limited and its subsidiaries (the Group) set out on pages 12 to 90, which comprise the consolidated statement of financial position at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letshego Holdings Limited at 31 December 2021, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (IESBA Code)* together with other ethical requirements that are relevant to our audit of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

The Key Audit Matters apply only to the audit of the consolidated financial statements.

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Key Audit Matter	How the matter was addressed in the audit
Impairment of Loans and Advances	
Loans and advances represent 74% of the Group's total assets. The associated impairment provisions are significant in the context of the consolidated financial statements in respect of IFRS 9, *Financial Instruments*. The estimation of credit losses is inherently uncertain and is subject to significant judgement and estimates. Furthermore, models used to determine credit impairments are complex, and certain inputs used in the models are not fully observable. Any model and data deficiencies are compensated for by applying overlays to the outputs. The calculation of these overlays is highly subjective. This estimation uncertainty is further increased by ongoing volatility in geographical sectors in which the Group operates. The expected credit loss models require the application of forward-looking information in determining key inputs such as economic variables that affect the output of the models. Forward looking information inherently involves judgement and estimates supported by historical experience and analysis in determining the inputs in the variables, that affect the Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Defaults (EAD) risk factors of the loan considering the loan portfolio as well as the forecasted values of those risk factors over a period of time depending on the expected life of the portfolio. *ECL Measurement basis* The ECLs are measured using the 3stage model which determines how the loss allowance for ECLs is measured and how the effective interest income on the financial asset is calculated. The ECL models require degree of judgement in determining Significant Increase in Credit Risk thresholds, classification of exposures between Stage 1 and Stage 2 and the degree of judgement applied by management in determining the forward-looking information that is an input into the ECL calculations. Given the combination of inherent subjectivity in the	With the support of our internal valuation specialists, we performed the following audit procedures amongst others: We obtained an understanding of the Group's credit policy and evaluated and tested the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment. We assessed the appropriateness of the models and methodologies against accounting standards and generally accepted industry principles. We reconciled the data from the core banking systems of each jurisdiction to the relevant ECL models. We evaluated the appropriateness of the forecasted information developed by management for each jurisdiction by comparing it against the relevant historical data in relation to the support measures implemented (payment holidays) due to the effects of COVID-19 on customers and taking into account the other macroeconomic factors of the various jurisdictions which we have benchmarked against external evidence. We reperformed the staging distribution for a sample of loans and advances to assess the accuracy of the staging applied in the models against the criteria indicated by management. We evaluated management's criteria used to allocate the loans and advances between stage 1, 2 or 3 in accordance with the guidance provided in IFRS 9. We evaluated the impact of COVID-19 support measures such as payment holidays on the staging of various types of portfolios and its effect on the ECL models. We have evaluated management's rationale for the variable overlays to the models, as well as whether additional overlays should be applied to the model

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 losses in accordance with IFRS 9, *Financial Instruments* as applicable to the Group's loans and advances to be a key audit matter in our audit of the consolidated financial statements. The disclosures associated with impairment of loans and advances are set out in the consolidated financial statements in note 1.3 Credit risk and note 4 Advances to Customers	and evaluated them against our understanding of the factors used based on independent data. 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.

Other Information

The directors are responsible for the other information. The other information comprises information included in the 93 paged document titled "Letshego Holdings Limited Annual Financial Statements for the Year ended 31 December 2021"which includes the Group Corporate Information, the Directors' report, the Directors' Responsibility Statement, the Five-Year Financial History, the Group Value Added Statement and the Analysis of Shareholding which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting processes.

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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.

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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
Gaborone
31 March 2022

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	31 December 2021 P'000	31 December 2020 P'000
ASSETS			
Cash and cash equivalents	3	1,413,500	1,043,864
Investment in securities	4	859,496	-
Advances to customers	5	11,875,595	10,161,534
Other receivables	6	413,411	263,202
Financial assets at fair value through profit or loss	7	826,092	140,804
Financial assets at fair value through other comprehensive income	8	71,499	59,408
Income tax receivable		134,767	102,633
Property and equipment	9	172,822	94,229
Right-of-use assets	10	98,756	131,703
Intangible assets	11	30,040	39,091
Goodwill	12	67,715	65,598
Deferred tax assets	27.1	95,748	124,139
Total assets		**16,059,441**	**12,226,205**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities at fair value through profit or loss	13	808,621	152,855
Customer deposits	14	1,175,586	664,393
Cash collateral	15	21,522	18,838
Trade and other payables	16	965,860	714,548
Lease liabilities	17	99,646	133,377
Income tax payable		96,268	103,057
Borrowings	18	7,380,768	5,649,561
Deferred tax liabilities	27.1	5,168	-
Total liabilities		**10,553,439**	**7,436,629**
Shareholders' equity			
Stated capital	19	882,224	872,169
Foreign currency translation reserve		(557,341)	(885,673)
Legal reserve	20	265,244	214,835
Fair value adjustment reserve		15,248	5,817
Share based payment reserve	21	39,907	31,295
Retained earnings		4,421,568	4,133,314
Total equity attributable to equity holders of the parent company		**5,066,849**	**4,371,757**
Non - controlling interests		439,152	417,819
Total shareholders' equity		**5,506,002**	**4,789,576**
Total liabilities and equity		**16,059,441**	**12,226,205**

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 P'000	31 December 2020 P'000
Interest income at effective interest rate	22	3,110,511	2,712,278
Interest expense at effective interest rate	23	(1,119,108)	(819,324)
Other interest expense	23.1	(12,569)	(31,640)
Net interest income		**1,978,834**	**1,861,314**
Fee and commission income	24	83,681	71,033
Other operating income	24.1	284,243	212,536
Operating income		**2,346,758**	**2,144,883**
Employee benefits	25	(546,241)	(493,497)
Other operating expenses	26	(670,969)	(595,308)
Net income before impairment and taxation		**1,129,548**	**1,056,078**
Expected credit losses	5	17,196	(25,771)
Profit before taxation		**1,146,744**	**1,030,307**
Taxation	27	(417,243)	(399,434)
Profit for the year		**729,501**	**630,873**
Attributable to :			
Equity holders of the parent company		671,554	575,718
Non - controlling interest		57,947	55,155
Profit for the year		**729,501**	**630,873**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss net of tax			
Fair value adjustment of financial asset	8	9,431	5,817
Foreign operations - foreign currency translation differences		329,824	(219,197)
Total comprehensive income for the year		**1,068,756**	**411,676**
Attributable to :			
Equity holders of the parent company		1,009,317	371,747
Non - controlling interest		59,439	45,746
Total comprehensive income for the year		**1,068,756**	**417,493**
Earnings per share			
Basic earnings per share – (thebe)	28	31.5	27.1
Diluted earnings per share – (thebe)	28	29.4	25.7

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Stated capital	Retained earnings	Share based payments reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Legal reserve	Non - controlling interests	Total
		P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Balance at 01 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									
Other comprehensive income		-	-	-	9,431	-	-	-	9,431
Foreign currency translation reserve		-	-	-	-	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		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**
Balance at 31 December 2020 - Restated		**862,621**	**3,823,280**	**24,304**	**-**	**(675,885)**	**195,793**	**390,823**	**4,620,936**
Total comprehensive income for the year									
Profit for the year		-	575,718	-	-	-	-	55,155	630,873
Other comprehensive income, net of income tax									
Other comprehensive income		-	-	-	5,817	-	-	-	5,817
Foreign currency translation reserve		-	-	-	-	(209,788)	-	(9,409)	(219,197)
Transactions with owners, recorded directly in equity									
Allocation to legal reserve	20	-	(19,042)	-	-	-	19,042	-	-
Recognition of share based payment reserve movement	21	-	-	16,539	-	-	-	-	16,539
New shares issued from long term incentive scheme	21	9,548	-	(9,548)	-	-	-	-	-
Dividends paid by subsidiary to minority interests		-	-	-	-	-	-	(18,750)	(18,750)
Dividends paid to equity holders	29	-	(246,642)	-	-	-	-	-	(246,642)
Balance at 31 December 2020		**872,169**	**4,133,314**	**31,295**	**5,817**	**(885,673)**	**214,835**	**417,819**	**4,789,576**

LETSHEGO HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 P'000	31 December 2020 P'000
OPERATING ACTIVITIES			
Profit before taxation		1,146,744	1,030,307
Adjustments for :			
- Interest income at effective interest rate		(3,110,511)	(2,712,278)
- Interest expense		1,131,677	850,964
- Amortisation of intangible assets	11	13,788	14,402
- Depreciation property and equipment	9	37,638	35,406
- Depreciation right-of-use assets	10	47,255	35,183
- Loss on disposal and write off of plant and equipment		2,324	683
- Loss on disposal and write off of intangible assets		138	-
- Impairment and write off charge	5	161,121	224,400
- Net foreign exchange differences		(215,203)	(238,697)
- Net change in market adjustments on foreign currency swaps		(21,316)	3,846
- Net change in market adjustments on interest currency swaps		(8,206)	(7,184)
- Long term incentive plan provision		18,667	16,539
Changes in working capital:			
Movement in advances to customers		(1,876,058)	(1,308,390)
Movement in other receivables		(150,209)	(15,206)
Movement in trade and other payables		251,312	160,776
Movement in customer deposits		511,193	237,720
Movement in cash collateral		2,684	(2,883)
Cash used in operations		**(2,056,962)**	**(1,674,412)**
Interest received		3,110,511	2,712,278
Interest paid		(1,116,747)	(837,911)
Income tax paid	27.3	(422,607)	(536,257)
Net cash flows used in operating activities		**(485,805)**	**(336,302)**
INVESTING ACTIVITIES			
Purchase of treasury bonds		(791,288)	-
Purchase of property and equipment	9	(112,908)	(41,200)
Purchase of intangible assets	11	(2,926)	(4,120)
Net cash flows used in investing activities		**(907,122)**	**(45,320)**
FINANCING ACTIVITIES			
Dividends paid to equity holders		(332,891)	(246,642)
Dividends paid to subsidiary non-controlling interest		(38,106)	(18,750)
Repayment of principal portion of lease liabilities		(48,039)	(36,833)
Repayment of interest portion of lease liabilities		(14,930)	(13,053)
Proceeds received from borrowings	18	2,817,052	1,273,785
Repayment of borrowings		(636,976)	(519,042)
Net cash generated from financing activities		**1,746,110**	**439,465**
Net movement in cash and cash equivalents		**353,183**	**57,843**
Movement in cash and cash equivalents			
At the beginning of the year		918,326	972,123
Movement during the year		353,183	57,843
Effect of exchange rate changes on cash and cash equivalents		83,785	(43,432)
At the end of the year	3	**1,355,294**	**986,534**

In the prior year, purchase of property and equipment and purchase of intangible assets were reflected as a combined amount. The separation of these in the current year was undertaken in order to provide information that is reliable and more relevant to the users of the financial statements.

In the prior year, repayment of principal and repayment of interest portions of lease liabilities were reflected as a combined amount. The separation of these in the current year was undertaken in order to provide information that is reliable and more relevant to the users of the financial statements.

LETSHEGO HOLDINGS LIMITED

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2021

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated and domiciled in Botswana. The address of the company is Tower C, Zambezi Towers, Plot 54352, Central Business District, Gaborone, Botswana. The consolidated financial statements of the Company as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a retail financial services organisation involved in banking and microfinance activities in 11 African countries across East, West and Southern Africa. Six of the 11 operations have deposit-taking licenses with the rest being microfinance institutions. The Group's ambition is to increase its deposit taking capabilities across the footprint.

The consolidated financial statements for the year ended 31 December 2021 have been approved for issue by the Board of Directors on 31 March 2022.

The following principal accounting policies, which are consistent with prior years except for the adoption of new / amended accounting standards, have been adopted in the preparation of these consolidated annual financial statements.

Statement of compliance

The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Botswana Companies Act.

Basis of preparation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").The consolidated annual financial statements are presented in Botswana Pula, which is the Group's reporting currency and the Company's functional currency. Except where indicated, financial information presented in Pula has been rounded to the nearest thousand.

The consolidated annual financial statements have been prepared on the historical cost basis except for certain financial instruments which are disclosed at fair value.

BASIS OF CONSOLIDATION

Investments in subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable are taken into account. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable assets acquired and liabilities assumed.

BASIS OF CONSOLIDATION (continued)

Business combinations (continued)
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:

PROPERTY AND EQUIPMENT (continued)

Computer equipment	3 years
Office furniture and equipment	4 – 5 years
Motor vehicles	4 years
Land and building	30 - 50 years

Land and buildings are stated on the historical cost basis and not depreciated as these assets are considered to have indefinite economic useful lives. Repairs and maintenance are recognised in profit or loss during the financial period in which these costs are incurred, whereas the cost of major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits will flow to the Group.

The residual value and useful life of each part of plant and equipment, if not insignificant, is reassessed annually. Depreciation costs are recognised on a 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

FOREIGN OPERATIONS' FINANCIAL STATEMENTS (continued)

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

LEASES (continued)

Lease liabilities (continued)
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.

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.

INTEREST INCOME (continued)

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.

EMPLOYEE BENEFITS (continued)

Payroll administration costs
Administration costs are charged by employers for payroll deduction facilities. These costs are set-off against recoveries made from clients. Where the Group is not able to recover in full such administration costs, they are recognised in profit or loss as incurred.

SHARE-BASED PAYMENT TRANSACTIONS
The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The Group also grants its own equity instruments to employees of its subsidiary as part of group share-based payment arrangements. The number of vesting awards is subject to achievement of specific performance metrics.

The grant date fair value of awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Group revises its estimate of the number of options expected to vest.

The Group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against retained earnings.

The proceeds received net of any attributable transaction costs are credited to stated capital when the options are exercised.

Determination of fair value of equity instruments granted
The share price of Letshego Holdings Limited (as quoted on the Botswana Stock Exchange) of the Group’s equity instruments at grant date is the estimated fair value of the share options granted. No adjustments are made for non-market vesting conditions as there are none. Therefore, no valuation techniques are used (Monte Carlo / Black Scholes etc.) as the quoted price at grant date is the fair value. The details of the Group’s Share Incentive Scheme are reflected in Note 21.

SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments. Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares arising from the Long Term Incentive Plan (LTIP) awards.

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.

FINANCIAL ASSETS AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)
Initial recognition and measurement (continued)

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

FINANCIAL ASSETS AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)

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 AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)
Subsequent measurement (continued)

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 ASSETS AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)
Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss
The Group may designate financial liabilities at fair value through profit or loss when either:
• the liabilities are managed, evaluated and reported internally on a fair value basis; or
• the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings including trade and other payables, customer deposits and cash collateral are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included as finance costs in profit or loss.

Financial liabilities at amortised cost includes borrowings, customer deposits, cash collateral and trade and other payables.

FINANCIAL ASSETS AND LIABILITIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities (continued)
Subsequent measurement (continued)

Financial liabilities at amortised cost (continued)

Borrowings and deposits from customers
Borrowings and customer deposits are the Group's sources of funding. These are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Trade and other payables
Liabilities for trade and other amounts payable, which are normally settled on 30 to 90 day terms, are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Cash collateral
Cash collateral consist of cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer. The cash collateral is set off against a loan balance only when the loan balance is deemed irrecoverable from the customer.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

FINANCIAL ASSETS AND LIABILITIES (continued)

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.

FINANCIAL ASSETS AND LIABILITIES (continued)

Identification and measurement of impairment for financial assets
At each reporting date the Group assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Group.

In assessing impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial asset. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

INSURANCE ARRANGEMENTS
The Group has credit and disability cover in place in most markets. Under this arrangement premiums are collected from customers and paid on to the insurer with the Group earning a fee or profit share. In addition, comprehensive insurance is in place in Namibia and Mozambique and profit from the underlying insurance arrangements is shared between the underwriter and the Group.

Cell captive accounting
A cell captive structure represents an agreement between an insurance entity and the Group to facilitate the writing of insurance business. The Group has entered into agreement with insurance providers under which the insurance provider set up an insurance cell within its legal entity, for example a corporate entity subscribes for a separate class of share. The arrangement provides that all claims arising from insurance contracts written by cell are paid out of the cell's assets, with any profit after deduction of the insurers' fees, allocation taxes and other costs payable to the Group. The net profit share is recognised as income in profit or loss.

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position and are included in borrowings. Changes in its fair value are recognised immediately in profit or loss.

IMPAIRMENT FOR NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying value for its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. For assets excluding goodwill, if there is an indication of impairment, the Group estimates the assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its recoverable amount.

GOING CONCERN

The Group management has assessed the ability of individual entities within the group to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

NON-CASH COLLATERAL

Non-cash collateral relates to MSE loans secured with non-financial assets such as motor vehicles, land and property. The determined fair value of these assets impacts computation of ECL.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16***

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

Refer to Note 1.3.3 for additional disclosure of information related to the IBOR Reform.

Covid-19-Related Rent Concessions beyond 30 June 2021 ***Amendments to IFRS 16***

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.* The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 *Insurance Contracts*
In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is still in the process of assessing the impact of this Standard on its operations.

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Reference to the Conceptual Framework – *Amendments to IFRS 3*
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are however not expected to have a material impact on the Group.

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.

Definition of Accounting Estimates - *Amendments to IAS 8 (continued)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - *Amendments to IAS 1 and IFRS Practice Statement 2*
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

1 FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

The Group continues to recover from the Covid-19 pandemic effects in 2021. The COVID-19 pandemic remained the top risk for the Group until end of the third quarter when a general decline in related case counts was experienced due to increased vaccinations. The outlook is considered to be promising subject to robust containment measures taken across the globe and by the Group in the effective management of both business and non business risks.

During the first quarter of the year, the Group's enhanced Enterprise Risk Management (ERM) Framework together with the supporting policies were approved by the Board. The roll out and implementation of the framework and policies across the Group stood at around 76% as at Year End with all the subsidiaries being at various levels of implementation.

With the enhanced ERM Framework, the Board is ultimately reposinsible for the effective management of risk across all the Group and is supported by the following Board Committees in achieving its mandate:

- Group Risk, Social and Ethics Committee
- Group Audit Committee
- Group Governance and Nominations Committee
- Group Remuneration Committee
- Group Strategy and Investment Committee

The Group Executive Committee through its OneExec meetings is fully involved in the activities of the Group and its subsidiaries and ensures that appropriate policies, controls, and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated. OneExec was supported by the following management committees during the year:

- Group Technology and Operations Committee
- Group Management Risk Committee
- Group Sustainability Committee
- Group Management Credit Portfolio Review Committee
- Group Balance Sheet Management Committee
- Group Corona Crisis Committee

In addition to the above committees, the Group Tax Committee was established during the last quarter of the year in line with Agile principles and will be responsible for the oversight of Tax Risk Management and Governance.

Top primary risks for the Group in 2021 are discussed in detail in the following sections below:

1.2 Strategic risk

Strategic risk refers to the current and/or prospective impact on the Group’s earnings, capital or business viability arising from adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

Enterprise Risk Management plays a critical role in assisting Management and the Board in aligning the overall Business Strategy to the vision and purpose.

The Board is responsible for approving the Group Transformational Strategy in line with the approved Group Risk Appetite Statement. In addition to understanding the possibility that strategy might not align to the vision and purpose, Management and the Board further consider the implications from the strategy chosen through enterprise risk management.

As part of the Group's Business Transformation Agenda, all primary risks have risk owner frameworks that are supported by policies per risk type. Below the policies are standards or guidelines and procedures to complete the hierachy of the documents under each primary risk.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk

In line with the enhanced Group's ERM framework, financial risk includes credit risk, liquidity risk, interest rate risk and foreign currency rate risk.

1.3.1 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Group is exposed to credit risk from a number of financial instruments such as loans and inter-bank transactions from its subsidiaries.

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

Letshego's Stage 3 coverage ratio ended the year at 73% (FY2020: 98%). Coverage was driven largely by a once-off reversal of P75 million provisions in East Africa. NPL levels in larger portfolio markets (Botswana and Namibia) stabilised, and led to an improved Loss Given Default ("LGD"). This, coupled with tight portfolio risk management processes, provides an opportunity for the Group to strengthen coverage levels further in 2022, with minimal impact on the Group's P&L.

Deduction at Source (DAS) loans remains the largest product portfolio, comprising 86% of the Group's overall lending portfolio (FY2020: 89%). Letshego's top profit-generating markets, Botswana, Namibia and Mozambique, performed well over the full year period, with NPL for the three markets' Deduction at Source portfolios aggregating at 4%.

Key metrics	YoY Trend	2021	2020
Growth in gross advances to customers (%)	↑	16%	9%
Loan loss rate (%)	↓	(0.1%)	0.3%
Non-performing loans as a percentage (%) of gross advances	↓	5.9%	5.3%
Stage 3 coverage ratio (%)	↓	73%	98%

	2021	2020
Loan loss rate % - cost of risk	**P'000**	**P'000**
Impairment (reversal)/expense	(17,196)	25,771
Average gross advances to customers	11,589,411	10,739,521
	(0.1%)	**0.3%**
***Non performing loans %**		
Non performing loans	729,146	560,474
Gross advances to customers	12,308,566	10,621,549
	5.9%	**5.3%**

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

Impairment

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

The annualised Loan Loss Rate (LLR) for FY 2021 was (0.1%), improving on the prior year (FY 2020: 0.3%) that included a once-off write back of P105.3 million from Ghana Mobile Loans. The full year LLR of -0.1% includes a write-back of P75million from a single party exposure in East Africa. Underlying LLR, that excludes once-offs in the year, is 0.5% compared to 1.8% underlying LLR (excluding once-offs) for 2020.

•Release of Single Exposure provisions of P76 million

The Group received solid assurance of recovery of the P76million loss taken in 2018 on the back of a high ticket size exposure in East Africa. The reversal of the 100% provision was made and this assurance of loan recovery led to overall Stage 3 NPL coverages moving from 98% in 2020 to 73% for full year 2021.

•Resilience against the COVID-19 pandemic

Letshego's most vulnerable product segment in pandemic conditions remains its marginal portfolio of Micro and Small Entrepreneurs (MSE), comprising 8% of the Group's total portfolio. Recovery of this segment remained gradual through the year following intermittent pandemic containment measures that prevailed across select countries in 2021. The Group's Deduction at Source portfolio remained resilient with public sector jobs largely unaffected despite pandemic conditions.

In an effort to mitigate risks associated with unpredictable pandemic environments, the Group is prudent in curtailing new loan growth in higher risk segments and geographies, while prioritising portfolio remediation and collection efforts

1 FINANCIAL RISK MANAGEMENT (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 the prior year. Write off point analysis was done in view of write off being a derecognition under IFRS 9 and this resulted in no change in policy.

Approach to managing credit risk

The Group has adopted a holistic approach to managing credit risk in line with its Group Enterprise Risk Management (ERM) Framework and ensures that credit risk management remains a key component of its integrated approach to the management of its financial risks. In view of the above, the Group Credit Risk Management Framewrok is implemented throughout the Group via Credit Risk Policies, Credit Risk Standards, Credit Risk Process and systems designed and established according to the Group's nature of business and level of sophistication of its operations. The credit risk management systems enable the Group and its subsidiaries to clearly identify, assess, monitor and control credit risk and ensure that adequate capital resources are available to cover the risks underwritten.

Credit risk mitigation

The Group offers credit insurance to all its clients, which covers the repayment of the outstanding capital balances on the loan to Group in the event of death or permanent disability of the customer. In addition, comprehensive insurance cover is in place in certain markets covering such risks as loss of employment, employer default, absconding and even temporary disability. Further to this, for part of the customer advances portfolio that is not extended through deduction from source, the Group applies credit scoring and customer education in advance of the extension of credit to customers and conducts regular reviews of the credit portfolio.

• Group writes off loans which have remained in the loss category for four consecutive quarters.
• Group will restructure loans (modify contractually agreed terms) to increase the chances of full repayment of credit exposure in certain instances.
• Restructuring is expected to minimise future risk of default. Examples are where clients are in financial difficulty, either caused by external or internal factors such as disability/ death/ theft/ accidents/ changes in Government policies.
• Restructured loans are treated as non-performing, for provision purposes only, until 6 consecutive payments have been received.
• No loan may be restructured more than twice (system controlled). Loans restructured a second time are classified as "loss" and provisions raised accordingly.
• There are no additional charges applied to restructured loans.
• Customers cannot take a 'top up' loan if they are in arrears.

The Group does rephase (re-age) accounts where instalments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Rephasement involves altering the end date of the loan but not the number of repayments or the loan amount.

The Group adheres to rules / legislation around affordability. In most countries in which the Group operates an independent 'central registry' or 'gatekeeper' ensures that affordability rules are adhered to in addition to internal controls in place.

Credit risk stress testing

The Group recognises possible events or future changes that could have a negative impact on the credit portfolios and affect the Group's ability to generate more business. Stress testing is an integral part of our overall risk management and governance culture across the Group. This feeds into the decision making process at management and Board level.

The overlay approach followed by the Group is outlined below:

General steps considered by the Group in considering impairment

The following illustrates the steps that the Group follows in calculating impairment of financial assets:
1. Establish the appropriate definition of default
2. Determine the level of assessment (individual vs. collective assessment)
3. Determine indicators/measures of significant increase in credit risk
4. Define the thresholds for significant increase in credit risk
5. Determine whether the "low credit risk assumption" will be applied to certain loans
6. Identify relevant forward-looking information and macro-economic factors
7. Identify appropriate sources of relevant forward-looking information and macro-economic factors
8. Incorporate forward-looking information and multiple scenarios in staging assessments of loans
9. Stage loans based on the forward-looking assessment of significant increase in credit risk
10. Determine the method to be used for measuring Expected Credit Losses
11. Determine the estimation period – the expected lifetime of the financial instrument
12. Establish the respective Probability of Default for loans in Stage 1 and Stage 2
13. Calculate the Exposure at Default
14. Identify relevant collateral and credit enhancements
15. Develop calculations for Loss Given Default (incorporating collateral and credit enhancements)
16. Consider the time value of money and calculate Expected Credit Losses
17. Identify modifications that occurred during the period and determine if each modification results in derecognition or no derecognition
18. Calculate the modification gain or loss and include the modified loan (or new loan)
19. Establish and document the appropriate processes, internal controls and governance for estimating Expected Credit Losses (ECL)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements taken into consideration are as below:

Determining a significant increase in credit risk since initial recognition (SICR)

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (Stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (Stage 2) or which are credit impaired (Stage 3). Group will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments.

Indicators of SICR include any of the following:
• 30 days past due rebuttable presumption;
• historical delinquency behaviour of accounts that are up to date and accounts in 1-30 days category
• significant adverse changes in business, financial and/or economic conditions in which the client operates, including for example retrenchment of the customer, closure of the sponsoring employer, etc.

Two types of PDs are considered under IFRS 9:
o 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.
o 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

Diagram 1

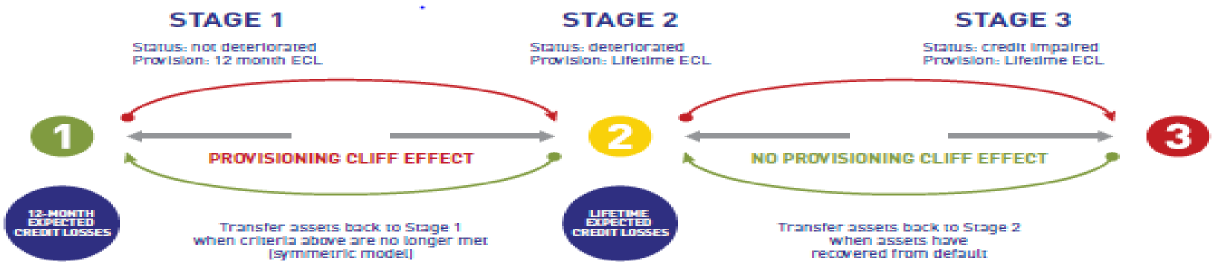
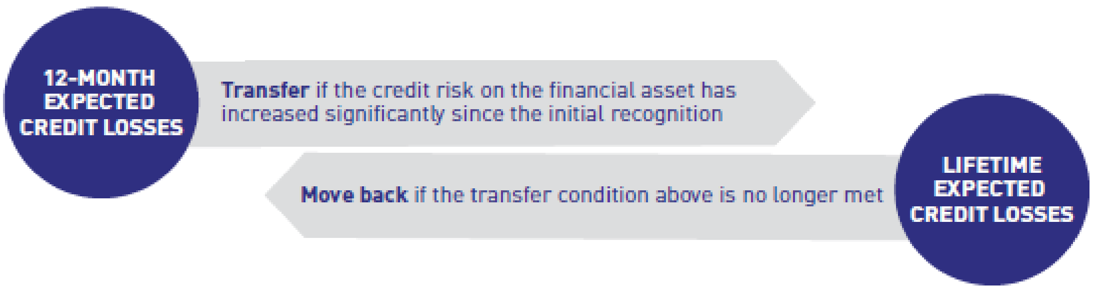


Diagram 2



• **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)

1.3.1 Credit risk (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 macro economic 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:

o the credit obligation is placed on non-accrued status;
o 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);
o the Group sells the credit obligation or receivable at a material credit related economic loss;
o 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;
o the Group has filed for the obligor’s bankruptcy in connection with the credit obligations; and
o the obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation’s repayment.

There is a rebuttable presumption within IFRS 9 that default does occur once a loan is more than 90 days past due. The Group has adopted this presumption.

Discounting
Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised.

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).

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk

(a) Advances to customers

31 December 2021	Gross advances P'000	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Net advances P'000	Security held P'000
Southern Africa	8,894,072	(64,025)	(12,020)	(145,234)	8,672,793	-
East and West Africa	3,545,229	(66,788)	(98,173)	(177,465)	3,202,803	(21,522)
	12,439,300	**(130,813)**	**(110,193)**	**(322,699)**	**11,875,595**	**(21,522)**

31 December 2020	Gross advances P'000	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Net advances P'000	Security held P'000
Southern Africa	7,862,559	(63,468)	(18,335)	(138,001)	7,642,755	-
East and West Africa	2,876,962	(150,153)	(55,100)	(152,930)	2,518,779	(18,838)
	10,739,521	**(213,621)**	**(73,435)**	**(290,931)**	**10,161,534**	**(18,838)**

Security held relates to cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer (note 15).

(b) Other financial assets	31 December 2021 P'000	31 December 2020 P'000
Cash and cash equivalents	1,413,500	1,043,864
Investment in securities	859,496	-
Other receivable accounts	413,411	263,202
	2,686,407	**1,307,066**

Below is a summary of the expected credit losses as at 31 December 2021:

Operating Segments 31 December 2020 P'000	IFRS 9 ECL Provisions at 31 December 2021				IFRS 9 ECL Provisions at 31 December 2020			
	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2021	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2020
Financial assets								
Botswana	29,302	3,420	73,873	**106,595**	21,799	4,010	85,075	**110,884**
Namibia	9,483	618	24,362	**34,463**	16,752	9,690	16,429	**42,871**
Mozambique	9,788	1,303	8,259	**19,350**	13,423	1,614	9,090	**24,127**
Lesotho	11,520	793	9,367	**21,680**	7,789	769	10,756	**19,314**
Eswatini	3,932	5,886	29,373	**39,191**	3,704	2,252	16,653	**22,609**
Kenya	9,338	3,118	36,600	**49,056**	88,182	5,604	43,778	**137,564**
Rwanda	2,493	368	202	**3,063**	1,144	727	766	**2,637**
Uganda	8,569	2,918	19,195	**30,682**	13,028	3,522	22,559	**39,109**
Tanzania	19,141	1,062	29,429	**49,632**	15,966	3,304	25,221	**44,491**
Nigeria	2,169	8,146	20,469	**30,784**	2,631	2,388	15,091	**20,110**
Ghana	25,078	82,561	71,570	**179,209**	29,203	39,555	45,513	**114,271**
Total	**130,813**	**110,193**	**322,699**	**563,705**	**213,621**	**73,435**	**290,931**	**577,987**

Expected Credit Losses remained low as business credit quality remained resilient during Covid-19 and Loan loss rates remained within Group Appetite. Full year impairment (IS) was a write back of P17.2 million compared to a charge of P25.8 million in 2020. This was driven by improvement in asset quality in highly concentrated markets like Botswana and a release of P75 million for one Single Exposure Limit in Kenya (refer to Note 5) that had been absorbed at 100% provisions loss in 2018. This recovery has led to overall stage 3/NPL coverages moving from 98% in 2020 to 73% for full year 2021.

The annualized loan loss rate (LLR) for FY 2021 is (0.1%), normalized LLR excluding the indicated Kenya single exposure recovery is slightly higher at 0.5% compared to 0.3% 2020 normalised position. Good progress has been attained in enhancing credit processes and frameworks within individual subsidiaries and therefor leading to a more balanced control environment.

Portfolio indicators are holding strong on the back of enhanced credit risk management capabilities and strengthened credit risk governance and improving risk infrastructure. Group asset quality has deteriorated with non-performing loans (NPLs) rising to 5.9% (December 2021) compared to 5.3% (December 2020). While there is a rise in NPLs across the Group, the increase is more pronounced in East and West Africa which have higher risk products in the MSE portfolios. Our NPL impairment coverage ratio was 75% as NPL levels stabilized and improved in high exposure markets like Botswana and Namibia leading to an improved LGD outcome. In addition, this was further accelerated by tight management of our impairment expense and this provided an opportunity to strengthen coverage levels further into 2022 with minimal impact on P&L.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

For the reporting year December 2021, the Group Impairment coverage remained stable at 4.6% compared to 5.4% in Dec 2020. Major shift of overall impairment coverage is mainly driven by improvement in asset quality, writeback on a Single exposure asset in East Africa and inclusion of collateral for MSE secured loans in the ECL models.

Measure	FY2021	FY2020	FY2019	FY2018	FY 2017
Gross Loan Book Balance in P'm	12,439	10,740	9,833	9,542	8,171
Portfolio at risk – 30 days	9.2%	8.3%	10.0%	10.4%	9.9%
Portfolio at risk – 90 days (NPL)	5.9%	5.3%	6.9%	7.1%	6.8%
Post Write off Recoveries in the year in P'm	207	199	184	147	140
Loan loss rate – actual	(0.1%)	0.3%	1.7%	4.1%	3.1%
Loan loss rate – excl. once-off items	0.6%	1.8%	1.7%	2.0%	2.5%
Non-performing loan coverage ratio	75%	98%	112%	115%	70%

Overall Expected Credit Losses in December 2021 closed at P574 million, which is a decrease from P578 million in December 2020 . This is in line with improvement in asset quality driven by material once off write back on single high exposure asset in East Africa (P75 million, refer to Note 5). Letshego had taken a 100% provision in 2018 on this asset dispite it being current and cash covered.

As at 31 December 2021, the Group did not pass any additional provisions as management actions were adequate to address any future Covid-19 induced losses. The impact of the Covid-19 pandemic is a significant matter for current year reporting. The outbreak affected most businesses across the continent and the world at large. Letshego's operations were also affected as a result of the lockdowns introduced by governments to protect their citizens from the pandemic, although the impact was curbed by the nature of Letshego's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro to Small Enterprises (MSE) and 3% informal loans. During 2021, no governments in our countries of operation retrenched employees and a 98% collection rate was maintained for the DAS book.

During the 2021, Covid-19 has resulted in the slowdown of most economies in Africa as the impact of the third wave and delays in vaccinations continued to impact the continent. Letshego’s Medium-to-Small Enterprises (MSE) segment in East and West Africa suffered the greatest impact. As part of mitigation measures to sustain the portfolio, the Group introduced Covid -19 related collection and recovery strategies especially in the MSE portfolios in Uganda, Kenya and Tanzania which were done on a case-by-case basis . Uganda is the only portfolio that had accounts in repayment holiday as at December 2021 amounting to P9.1 million. These are mainly from the Education sector and MSE.

Below is a summary of the accounts offered repayment holiday at 31 December 2021:

	As at 31 December 2021		As at 31 December 2020	
In BWP '000	No of Accounts	**Balance**	No of Accounts	**Balance**
MSE Total	159	9,117	1	274
DAS Total	-	-	-	-
Grand Total	**159**	**9,117**	**1**	**274**

Based on the sensitivity analysis done at the end of 31 December 2021, a 5% increase in LGD and PD will result in additional expected credit losses of P5million - P10 million. Alternatively a 5% decrease in LGD and PD will result in a release of expected credit losses of P5 million - P10 million.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

The loss allowance recognised in the period is impacted by a number of factors, as described below:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" or "step down" between 12-months and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on measurement of ECL due to changes in PDs, EADs, and LGDs in the period arising from regular refreshing of inputs into models;
- Impact on the measurement of ECL due to changes made to models and assumptions;

Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;

- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets and were written off during the period.

The following table depicts changes in the gross carrying amount of the consumer and microfinance portfolio to explain their significance in the loss allowance for the same portfolio as discussed above:

	ECL Staging				
31 December 2021	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Purchased Credit Impaired P'000**	**Total P'000**
Loss allowance:					
At 1 January	**213,621**	**73,435**	**290,931**	**-**	**577,987**
Transfers:					-
Transfers from Stage 1 to Stage 2	(12,257)	12,257	-	-	-
Transfers from Stage 1 to Stage 3	(51,758)	-	51,758	-	-
Transfers from Stage 2 to Stage 3	-	(34,666)	34,666	-	-
Transfers from Stage 3 to Stage 2	-	(1,677)	1,677	-	-
Transfers from Stage 2 to Stage 1	(1,614)	1,614	-	-	-
New assets originated or purchased	161,824	-	-	-	161,824
Payments or assets derecognised	(179,004)	59,230	119,069	-	(704)
Write-offs	-	-	(175,402)	-	(175,402)
	130,813	**110,193**	**322,699**	**-**	**563,705**

	ECL Staging				
31 December 2020	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Purchased Credit Impaired P'000**	**Total P'000**
Loss allowance:					
At 1 January	**148,664**	**92,123**	**520,617**	**-**	**761,404**
Transfers:					
Transfers from Stage 1 to Stage 2	(9,524)	9,524	-	-	-
Transfers from Stage 1 to Stage 3	(55,508)	-	55,508	-	-
Transfers from Stage 2 to Stage 3	-	(37,029)	37,029	-	-
Transfers from Stage 3 to Stage 2	-	(2,123)	2,123	-	-
Transfers from Stage 2 to Stage 1	(1,947)	1,947	-	-	-
New assets originated or purchased	142,823	-	-	-	142,823
Payments or assets derecognised	(10,887)	8,993	83,471	-	81,577
Write-offs	-	-	(407,817)	-	(407,817)
	213,621	**73,435**	**290,931**	**-**	**577,987**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk

	At 31 December 2021 (IFRS 9)	At 31 December 2020 (IFRS 9)
	P'000	P'000
Gross advances to customers	**12,439,300**	**10,739,521**
Of which Stage 1	10,993,504	9,652,640
Of which Stage 2	677,666	496,482
Of which Stage 3	768,130	590,399
Expected credit loss provisions	**(563,705)**	**(577,987)**
Of which Stage 1	(130,813)	(213,621)
Of which Stage 2	(110,193)	(73,435)
Of which Stage 3	(322,699)	(290,931)
Net advances to customers	**11,875,595**	**10,161,534**
Of which Stage 1	9,439,020	9,439,020
Of which Stage 2	423,046	423,046
Of which Stage 3	299,468	299,468
Impairment (ECL) Coverage Ratio	**5%**	**5%**
Stage 3 Coverage Ratio	**73%**	**98%**

Expected credit losses: Stress Testing and Sensitivity Analysis

As a predominately Government Deduction at Source (DAS) retail business, Letshego was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that governments had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends.

Model recalibrations are performed at two points, in April and October every year. In addition, Macroecomic factors are updated to align to Fitch Solutions revised forecasts at every re-caliberation period

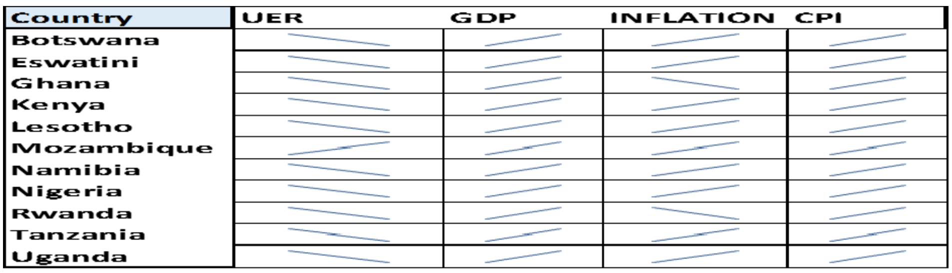
Loss given default (LGD)

LGDs between April 2021 and October 2021 have decreased as countries experience high recoveries as economics start to recover. We were therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake. The Group reduced outcome period for accounts in NPL to be used for LGD by 12 months. This gives most recent defaults more time to collect. in addition, two countries (Kenya and Uganda) have implemented a collateralized LGD for collateralized accounts under the MSE segment.

Probability of default (PD)

Since PD's are modelled using a Point-In-Time (PIT) approach, each account is assigned an individual PD. This creates a distribution of PDs for each portfolio. When creating shocks for a portfolio of PIT PD's, a standard margin of adding and subtracting static numbers would not be suitable for creating scenarios. Therefore, an approach using percentiles is used to create a cap and a floor for the distributions. A lower percentile is used as the cap for upside, and a higher percentile is used as a floor for downside.

Macroeconomic analysis



Macroeconomic Indicators: 2020 - 2021

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Macroeconomic analysis (continued)

Inflation

With the exception of Ghana and Rwanda, all subsidiaries' headline Inflation rates have increased year on year. However, the consumer price index (CPI) has increased across all the subsidiaries.

Gross domestic product (GDP)

Gross Domestic Product (GDP) has turned the curve for all subsidiaries, showing a forecasted recovery in economies across sub-Saharan countries

Unemployment rate (UER)

Unemployment rates have reduced for all countries save for Mozambique and Nigeria which increased and remain flat respectively

Country	UER	GDP	INFLATION	CPI
Botswana				
Eswatini				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Tanzania				
Uganda				

The Government Deduction at Source (DAS) portfolio is the largest portfolio and constitutes more than 88% of the total loan portfolio. Against downturn macroeconomic conditions due to pressure from the Covid-19 pandemic and the third wave,Governments were reluctant to retrench enabling clients to continue to honor their financial obligations.

Influence of economic variables on estimate of ECL

A behavioural scorecard is used to incorporate forward looking macroeconomic variables into lifetime PDs. A weighted score is calculated based on the outlook of economic conditions of each country and is updated when there is a change. These weighted scores are used to convert 12-month PDs into Lifetime PDs for accounts in Stage 2 (Stage 3 PD is standard at 100%).

A macro-induced regression analysis is used to model a Macro-Induced (MI) LGD for accounts in Stage 2 and 3. This involves identifying how economic conditions influence recovery rates and applying this to forecasted economic outlooks.

Expected credit losses: Forward looking

Macro economic forward looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate in line with Fitch Solutions' revised outlook for the period ending 31 December 2021.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the period ending 31 December 2021.

BWP'000	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
	ECL	ECL	Impact	ECL	Impact	ECL	Impact
Consumer	256,809	28,597	(228,212)	221,239	(35,570)	287,777	30,967
MSE	148,276	4,657	(143,619)	54,302	(93,974)	63,967	(84,309)
Informal	168,926	21,847	(147,079)	493,939	325,013	232,586	63,661
Total	**574,011**	**55,101**	**(518,910)**	**769,480**	**195,469**	**584,329**	**10,319**

**The probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used are 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio.*

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Expected credit losses: Forward looking (continued)

The total weighted impact of P35.9m is distributed to operating subsidiaries as follows:

Country	Base ECL	Probability Weighting	Impact BWP'000
	BWP'000	BWP'000	
Botswana	106,595	103,649	(2,946)
Eswatini *	39,190	41,391	2,201
Ghana	189,515	181,689	(7,826)
Kenya	49,056	49,890	834
Lesotho	21,680	24,335	2,655
Mozambique	19,350	26,454	7,104
Namibia	34,463	35,958	1,495
Nigeria	30,784	32,820	2,036
Rwanda	3,063	3,519	456
Tanzania	49,633	52,710	3,077
Uganda	30,682	31,913	1,231
Group	**574,011**	**584,330**	**10,319**

The Group, therefore estimates an additional ECL impact of P10.3 million as at December 2021 should the Group not have any mitigation in place. Full ECL disclosures can be read in conjuction with 31 December 2020 financial statements and only where there has been significant changes disclosure were noted above.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Credit quality

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

The annualised Loan Loss Rate (LLR) for FY 2021 was -0.1%, improving on the prior year (FY 2020: 0.3%) that included a once-off write back of P105.3 million from Ghana Mobile Loans. The full year LLR of -0.1% includes a write-back of P75 million from a single party exposure in East Africa (refer to Note 5). Underlying LLR, that excludes once-offs in the year, is 0.5% compared to 1.8% underlying LLR (excluding once-offs) for 2020.

The table below presents an analysis of the Group's gross advances based on the customer segments to which the Group is exposed:

Formal:	- these are government and non-government payroll deduction at source.
Micro finance:	- micro and small entrepreneurs mainly associated with health, housing, agriculture and education segments.
Informal:	- short-term loans via mobile platforms

Analysis of exposure by segment as at 31 December 2021

	Formal	Micro finance	Informal	Total gross advances
	P'000	P'000	P'000	P'000
Southern Africa	**8,824,726**	**58,109**	**11,237**	**8,894,072**
Botswana	2,990,321	35,790	-	3,026,112
Namibia	3,198,250	-	-	3,198,250
Mozambique	1,789,702	-	-	1,789,702
Lesotho	352,248	-	-	352,248
Eswatini	494,205	22,319	11,237	527,761
East and West Africa	**1,911,007**	**919,042**	**715,179**	**3,545,229**
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	-	174,259
Ghana	979,367	3,758	715,179	1,698,304
Gross advances	**10,735,734**	**977,151**	**726,416**	**12,439,300**
Impairment provision	(130,813)	(110,193)	(322,699)	(563,705)
Net advances	**10,604,921**	**866,958**	**403,717**	**11,875,595**

Analysis of exposure by segment as at 31 December 2020

	Formal	Micro finance	Informal	Total gross advances
	P'000	P'000	P'000	P'000
Southern Africa	**7,800,352**	**56,211**	**5,996**	**7,862,559**
Botswana	2,908,735	28,395	-	2,937,130
Namibia	2,714,213	-	-	2,714,213
Mozambique	1,268,176	-	-	1,268,176
Lesotho	428,787	-	-	428,787
Eswatini	480,441	27,816	5,996	514,253
East and West Africa	**1,686,792**	**877,160**	**313,010**	**2,876,962**
Kenya	239,832	497,611	-	737,443
Rwanda	514	32,795	-	33,309
Uganda	289,459	128,840	-	418,299
Tanzania	305,379	153,933	-	459,312
Nigeria	92,310	59,253	-	151,563
Ghana	759,298	4,728	313,010	1,077,036
Gross advances	**9,487,144**	**933,371**	**319,006**	**10,739,521**
Impairment provision	(372,343)	(129,295)	(76,349)	(577,987)
Net advances	**9,114,801**	**804,076**	**242,657**	**10,161,534**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

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.

The table below presents an analysis by geographic location of the credit quality based on staging:

31 December 2021	**Expected Credit Loss**			
Southern Africa	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
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	10,213	59,726	93,114
Micro finance	19,384	5,659	69,378	94,421
Informal	24,228	82,302	48,362	154,892
	66,787	**98,173**	**177,466**	**342,426**
Total Portfolio				
Formal	68,488	18,272	170,048	256,809
Micro finance	36,459	8,884	102,933	148,276
Informal	25,866	83,037	49,717	158,620
	130,814	**110,193**	**322,699**	**563,705**

31 December 2020	**Expected Credit Loss**			
Southern Africa	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
Formal	62,107	17,821	122,852	202,780
Micro finance	471	228	14,402	15,101
Informal	890	286	747	1,923
	63,468	**18,335**	**138,001**	**219,804**
East and West Africa				
Formal	109,726	5,490	54,347	169,563
Micro finance	27,153	12,822	74,219	114,194
Informal	13,274	36,788	24,364	74,426
	150,153	**55,100**	**152,930**	**358,183**
Total Portfolio				
Formal	171,833	23,311	177,199	372,343
Micro finance	27,624	13,050	88,621	129,295
Informal	14,164	37,074	25,111	76,349
	213,621	**73,435**	**290,931**	**577,987**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 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

31 December 2021	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
As at 1 January 2021	**9,652,640**	**213,621**	**496,482**	**73,435**	**590,399**	**290,931**	**10,739,520**	**577,987**
New assets originated or purchased	1,681,551	74,650	555,960	77,715	11,969,917	318,384	14,207,428	470,749
Payments and assets derecognised	(1,437,917)	(160,896)	(1,135,944)	11,668	(12,991,269)	(75,464)	(15,565,130)	(224,692)
Changes to PD and LGD rates	1,118,019	16,228	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**	**130,814**	**677,666**	**110,193**	**768,130**	**322,699**	**12,439,300**	**563,705**

31 December 2020	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
As at 1 January 2020	**8,642,478**	**148,664**	**464,671**	**92,123**	**725,739**	**520,617**	**9,832,888**	**761,404**
New assets originated or purchased	1,476,454	121,905	407,316	51,791	9,200,307	287,040	11,084,077	460,736
Payments and assets derecognised	(1,366,212)	4,138	(925,789)	(24,641)	(10,055,785)	(154,932)	(12,347,786)	(175,435)
Changes to PD and LGD rates	981,656	26,500	590,880	(10,783)	1,005,623	(76,618)	2,578,159	(60,901)
Write offs	(81,736)	(87,586)	(40,596)	(35,055)	(285,485)	(285,176)	(407,817)	(407,817)
As at 31 December 2020	**9,652,640**	**213,621**	**496,482**	**73,435**	**590,399**	**290,931**	**10,739,520**	**577,987**

The table below presents an analysis by geographic location of the credit quality of advances based on arrears:

31 December 2021	Up-to-date	1-30 days past due	31-60 days past due	61-90 days past due	91 or more days past due	Total Gross advances
Southern Africa	P'000	P'000	P'000	P'000	P'000	P'000
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	58,109
Informal	7,856	1,244	547	235	1,355	11,237
	8,084,147	**242,053**	**127,409**	**65,920**	**374,542**	**8,894,072**
East and West Africa						
Formal	1,572,872	106,145	34,844	20,989	176,159	1,911,007
Micro finance	604,244	98,114	43,687	37,446	135,550	919,042
Informal	548,616	53,236	38,437	31,995	42,895	715,179
	2,725,732	**257,495**	**116,968**	**90,430**	**354,604**	**3,545,229**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

31 December 2020	Up-to-date	1-30 days past due	31-60 days past due	61-90 days past due	91 or more days past due	Total Gross advances
Southern Africa	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Formal	7,306,536	218,892	102,985	49,087	122,852	7,800,352
Micro finance	8,213	16,804	15,669	1,123	14,402	56,211
Informal	4,353	592	188	116	747	5,996
	7,319,102	**236,288**	**118,842**	**50,326**	**138,001**	**7,862,559**
East and West Africa						
Formal	1,507,402	84,509	23,855	16,679	54,347	1,686,792
Micro finance	623,535	117,808	37,011	24,587	74,219	877,160
Informal	242,206	17,688	14,070	14,682	24,364	313,010
	2,373,143	**220,005**	**74,936**	**55,948**	**152,930**	**2,876,962**

LGD represents an estimate of the percentage of EAD that will not be recovered, should the obligor default occur and below is an analysis by segments. However, in Southern Africa, Letshego Namibia and Letshego Mozambique have credit insurance in place and this is included as part of recoveries in the LGD calculations. Informal loans used a rate of 100% for both Letshego Ghana and Letshego Eswatini informal loans.

Segments	**2021 LGD**	**2020 LGD**
Southern Africa	65%	65%
East and West Africa	80%	88%

PD represent an estimate of the probability that balances in less than 90 days categories would fall into default (91 or more days past due).

Stage 1 - 12 month PD		
31 December 2021	**PD 0**	**PD 1**
Southern Africa	1%	3%
East and West Africa	11%	20%

Stage 1 - 12 month PD		
31 December 2020	**PD 0**	**PD 1**
Southern Africa	1%	4%
East and West Africa	8%	16%

Lifetime PD				
31 December 2021	**PD 0**	**PD 1**	**PD 2**	**PD 3**
Southern Africa	1%	3%	26%	33%
East and West Africa	11%	20%	41%	43%

Lifetime PD				
31 December 2020	**PD 0**	**PD 1**	**PD 2**	**PD 3**
Southern Africa	1%	4%	28%	36%
East and West Africa	8%	16%	38%	41%

PD 0 - up to date
PD 1 - 1 - 30 days past due
PD 2 - 31 - 60 days past due
PD 3 - 61 - 90 days past due

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Financial assets renegotiated

Restructuring

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring a previously overdue/delinquent loan is reset to current/normal status and managed together with other similar accounts. There are Group restructuring policies in place and these are kept under continuous review.

31 December 2021	Total gross advances	Restructured loans	Expected Credit Loss held on Restructured loans	Restructured
	P'000	P'000	P'000	%
Southern Africa	8,894,072	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**

31 December 2020	Total gross advances	Restructured loans	Expected Credit Loss held on Restructured loans	Restructured
	P'000	P'000	P'000	%
Southern Africa	7,862,559	10,067	8,506	0.1
East and West Africa	2,876,962	108,168	95,475	3.8
	10,739,521	**118,235**	**103,981**	**1.1**

Rephasing

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

Rephased loans analysis

31 December 2021	Total gross advances	Rephased loans	Expected Credit Loss held on Rephased loans	Rephased
	P'000	P'000	P'000	%
Southern Africa	8,894,072	523,168	156,950	5.9
East and West Africa	3,545,229	219,191	65,757	6.2
	12,439,300	**742,359**	**222,708**	**6.0**

31 December 2020	Total gross advances	Rephased loans	Expected Credit Loss held on Rephased loans	Rephased
	P'000	P'000	P'000	%
Southern Africa	7,862,559	455,287	81,156	5.8
East and West Africa	2,876,962	119,111	22,949	4.1
	10,739,521	**574,398**	**104,105**	**5.3**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Liquidity risk

Managing liquidity risk is an integral part of the Group's business operations. Liquidity risk arises when the Group is unable to generate sufficient cash flows to meet its obligations as they fall due or obligations are met in a way that is not sustainable. The Group liquidity could be affected by various factors, both internal and external. These include customer withdrawals, unexpected market disruptions that cause short-term and liquid assets become illiquid, failure by funders to roll over borrowed facilities or recalling existing loan facilities, credit events, natural disasters and adverse publicity among others.

The Group manages liquidity risk in line with relevant regulatory requirements and the set internal risk appetite. The Group has put in place adequate and sufficient liquidity risk mitigating controls which are frequently reviewed and monitored by an independent team.

The below measures are in place to manage liquidity risk.

- Adequate liquidity policies and procedures approved by the Board of Directors.
- Regular Cash flow budgeting and forecasting.
- Key liquidity ratios.
- Stress testing.
- Actual versus contractual cash flow analysis.
- Diversification of funding base.
- Matching loans and borrowings tenures.
- Adequate contingency liquidity.
- Adequate liquidity buffer.
- Structurally sound statement of financial position.
- Enhanced foreign currency management.

The Group's measures in place ensures, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring losses above the set risk appetite or risking adverse impact on the Group's reputation.

Overall, there is a sound and robust liquidity management process to measure, monitor and manage liquidity exposures which ensure business sustainability and market confidence in the Group. The Group will continuously forecast and analyze liquidity risk using different time horizons, to ensure that the Group is able to meet its obligations optimally.

The Group's liquidity risk framework includes internally determined liquidity limits aimed at ensuring business objectives are met and regulatory requirements complied with. The liquidity risk appetite is measured with reference to stressed net contractual and contingent outflows for a variety of stress scenarios and is used to determine the liquidity buffer. Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group's liquidity at risk. The stress tests take account of both internal and external scenarios separately and on an aggregate basis. The stress scenario testing enables preparation of an operationally robust contingency funding plan.

31 December 2021

Contractual maturities of financial liabilities	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
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	139,961
Borrowings	3,110,312	4,416,920	315,610	7,842,842
	5,472,700	**4,932,041**	**549,650**	**10,954,392**

31 December 2020

Contractual maturities of financial liabilities	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Financial liabilities at fair value through profit or loss	144,649	8,206	-	152,855
Customer deposits	664,393	-	-	664,393
Cash collateral	18,838	-	-	18,838
Trade and other payables	593,717	-	-	593,717
Lease liabilities	38,208	64,523	108,964	211,695
Borrowings	2,549,739	3,195,907	1,100,291	6,845,937
	4,009,544	**3,268,636**	**1,209,255**	**8,487,435**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risk

Market risk is the risk of decline in the Group's earnings or value of its holdings of financial instruments due to variations in market prices, which include currency exchange rates, interest rates and credit spreads. Market risk management is aimed at optimising return on risk while ensuring exposures are within the set risk appetite. Market risk exists wherever Letshego Holdings Limited (the Group) or its subsidiaries have trading, banking or investment positions. Market risk is proactively managed and regularly reported. The reports highlight key focus areas based on exposures which include breaches on set limits.

The key objective is to provide assurance that losses resulting from market risk will not materially reduce the Group capital and earnings.

Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognized assets and liabilities are managed through use of forward contracts and through borrowings denominated in the relevant foreign currencies.

Foreign exchange gain for the year ended 31 December 2021 was P2.4 million (foreign exchange loss for the year ended 31 December 2020: P18.6million).

Interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in prevailing levels of market interest. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate risk management methodologies across the Group are designed to identify, measure, monitor and control interest rate risk in line with the operating model which exposes the Group to various interest rate risks including endowment risk, repricing risk, optionality risk, basis risk and yield curve risk.

31 December 2021

Buckets P'm	**< 1 month**	**1 - 12 months**	**1 - 3 years**	**> 3 years**	**Total**
Rate sensitive assets					
Short term investments	138,025	-	-	-	138,025
Loans and advances to customers	436,403	1,420,514	3,622,363	6,396,315	11,875,595
	574,428	1,420,514	3,622,363	6,396,315	12,013,620
Rate sensitive financial liabilities					
Customer deposits	262,568	717,279	195,739	-	1,175,586
Borrowings	2,442,597	3,816,832	501,132	620,207	7,380,768
	2,705,165	4,534,111	696,871	620,207	8,556,354
Gap	**(2,130,737)**	**(3,113,597)**	**2,925,491**	**5,776,109**	**3,457,266**
Cumulative Gap	**(2,130,737)**	**(5,244,334)**	**(2,318,842)**	**3,457,266**	

1 FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risk (continued)

Interest rate risk (continued)

31 December 2020

Buckets P'm	**< 1 month**	**1 - 12 months**	**1 - 3 years**	**> 3 years**	**Total**
Rate sensitive assets					
Short term investments	-	-	-	-	-
Loans and advances to customers	318,988	534,493	4,778,633	4,529,420	10,161,534
	318,988	534,493	4,778,633	4,529,420	10,161,534
Rate sensitive financial liabilities					
Customer deposits	64,930	599,463	-	-	664,393
Borrowings	2,242,608	2,055,704	838,445	512,804	5,649,561
	2,307,538	2,655,167	838,445	512,804	6,313,954
Gap	**(1,988,550)**	**(2,120,674)**	**3,940,188**	**4,016,616**	**3,847,580**
Cumulative Gap	**(1,988,550)**	**(4,109,224)**	**(169,036)**	**3,847,580**	

Market risk framework and governance
The ALM / Treasury Risk Framework outlines or discloses the methodology by which the Group identifies, measures, monitors, controls and reports on its market risk profile for every operation overseen by the Group. Effective board oversight of the Group's exposure to Market Risk is the cornerstone of an effective market risk management process. The Board and Senior Management understands the nature and level of market risk assumed by the Group and its subsidiaries and how this risk profile fits within the overall business strategies.

The Group has an effective market risk framework which include: -

The Board of Directors
The Board of directors undertake the ultimate responsibility and ensure that: -

- Approved market risk policies and procedures in place are effective and adequate.
- Acceptable market risk limits are aligned to the overall objectives.
- To formulate and approve broad business strategies and policies that govern or influence the market risk of the institution.
- They understand and assess the performance of senior management in monitoring and controlling market risks in compliance with the institution's board approved policies.

Senior Management
The senior management are charged with implementing all approved policies that govern market risk and developing procedures for effective management of the risks. Therefore, the senior management is responsible for: -

Appropriate limits on risk taking;

- Adequate systems and standards for measuring market risk;
- Standards for valuing positions and measuring performance;
- A comprehensive market risk reporting and review process.
- Effective internal controls.

Interest rate benchmark reform

Overview
A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has borrowings that reference to USD LIBOR, EURIBOR and JIBAR.

The Group considers its risk exposure arising from IBOR reform to predominantly stem from its 3-month USD LIBOR, 6-month USD LIBOR and 3-months JIBAR exposures. While it is expected that most reforms affecting the Group's LIBOR settings will be completed by 2023, following publications by the ICE Benchmark Administration (the administrator of LIBOR), it is however anticipated that JIBAR will only be discontinued at some future date to be determined by the South Africa Reserve Bank (as the administrator of JIBAR).

The Group does not consider there to be risk arising from IBOR reform in respect of EURIBOR as at 31 December 2021. This is because the calculation methodology of EURIBOR changed during 2019 and the reform of EURIBOR appears to be complete. In July 2019, the Belgian Financial Services and Markets Authority (as the administrator of EURIBOR) granted authorisation with respect to EURIBOR under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR after 1 January 2021 for both existing and new contracts. Since the EUR Risk Free Rate Working Group has not contemplated the cessation of EURIBOR, the Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

How the Group is managing the transition and associated risks
The Group is in the process of preparing to amend contractual terms in response to IBOR reform and there is still uncertainty over the timing and the methods of transition for some of the IBOR settings that the Group is exposed. The Group anticipates that IBOR reform will have some operational, risk management and accounting impacts across its business entities in Botswana, Kenya, Ghana, Namibia and Eswatini.

The main risks to which the Group is exposed as a result of IBOR reform are Operational. For example, the renegotiation of loan contracts through bilateral negotiation with funders, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the Reform. On the other hand, the Group's Financial Risk is predominantly limited to interest rate risk.

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform as at 31 December 2021:

	USD LIBOR	**JIBAR**	**TOTAL**
	P'000	**P'000**	**P'000**
Non-derivative financial liabilities			
Debt securities in issue	1,915,540	554,436	2,469,976
	1,915,540	**554,436**	**2,469,976**

The table above represents the exposures to interest rate benchmark reform by balance sheet account, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2021. Balances reported at amortised cost are disclosed at their gross carrying value, prior to any expected credit losses that may be held against them.

	USD LIBOR P'000	**JIBAR P'000**	**TOTAL P'000**
Derivatives held for risk management			
Total return swap	-	335,575	335,575
Cross currency swaps	877,923	-	877,923
	877,923	**335,575**	**1,213,498**

The table above represents the derivative exposures to interest rate benchmark reform, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2021. Derivatives are reported by using the notional contract amount and where derivatives have both pay and receive legs with exposure to benchmark reform, the notional contract amount is disclosed for both legs.

1.3.3 Market risks (continued)

Currency risk

The following table shows the assets and liabilities of the Group in the respective currencies (Pula equivalent) at the reporting date.

31 December 2021	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	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 cash equivalents	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	**1,413,500**
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	-	-	-	-	-	-	-	-	-	-	-	-	826,062	-		**826,062**
Financial assets at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	71,499	-	-	**71,499**
Right-of-use assets	-	2,120	4,173	827	5,894	1,901	12,070	5,885	1,535	2,595	6,530	-	-	55,226	-	**98,756**
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	510,374	3,649,693	375,939	531,959	477,465	2,052,477	711,519	83,976	170,540	2,059,716	37	1,731,651	3,201,750	52	**15,558,319**
Financial liabilities at fair value through profit or loss	76,753	-	-	-	-	-	-	-	-	-	-	-	518,030	-	-	**594,783**
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	-	506,567	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	-	373	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	-	1,024,970	3,417,121	-	**10,138,519**
Net exposure	(107,698)	365,797	1,728,573	371,874	482,856	261,979	1,290,806	255,086	59,145	109,083	400,052	37	706,681	(215,370)	52	**5,419,800**
Exchange rates at 31 December 2020 - 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	

31 December 2020	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 cash equivalents	1,519	17,267	346,901 -	641	71,410	22,019	169,879	45,007	18,347	22,228	196,919	172	25,518	107,251	68	1,043,864
Advances to customers	-	491,644	2,671,342	409,473	418,821	382,883	1,244,049	603,878	30,672	135,453	962,765	-	-	2,810,554	-	10,161,534
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	140,804		140,804
Financial assets at fair value through OCI	-	-	-	-	-	-	-	-	-	-	-	-	-	59,408	-	59,408
Right-of-use assets	-	1,317	6,846	1,379	4,872	4,011	11,873	6,339	765	1,774	13,742	-	-	78,785	-	131,703
Other receivables	-	5,011	134,563	197	4,544	5,903	22,887	1,545	2,056	105	32	-	-	38,653	-	215,496
Total assets	1,519	515,239	3,159,652	410,408	499,647	414,816	1,448,688	656,769	51,840	159,560	1,173,458	172	25,518	3,235,455	68	11,752,809
Financial liabilities at fair value through profit or loss	76,753	-	-	-	-	-	-	-	-	-	-	-	75,080	1,022	-	152,855
Customer deposits	-	-	137,822	-	45,273	-	363,390	-	17,889	48,967	51,052	-	-	-	-	664,393
Cash collateral	-	-	-	-	-	4,452	-	14,386	-	-	-	-	-	-	-	18,838
Borrowings	349,659	200,642	619,796	21,537	-	161,968	149,607	361,445	309	-	531,166	-	101,845	3,056,277	95,310	5,649,561
Trade and other payables	49	7,281	105,749	4,271	14,107	6,372	17,841	105,522	2,425	5,337	265,817	-	-	58,946	-	593,717
Total liabilities	426,461	207,923	863,367	25,808	59,380	172,792	530,838	481,353	20,623	54,304	848,035	-	176,925	3,116,245	95,310	7,079,364
Net exposure	**(424,942)**	**307,316**	**2,296,285**	**384,600**	**440,267**	**242,024**	**917,850**	**175,416**	**31,217**	**105,256**	**325,423**	**172**	**(151,407)**	**119,210**	**(95,242)**	**4,673,445**
Exchange rates at 31 December 2020 - mid: BWP 1.00 =	1.36	1.36	1.36	1.36	214.87	338.21	6.92	10.11	91.47	35.66	1.84	0.07	0.09	1.00	0.08	

1 FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk exists in all products and business activities.

These risks are managed by the Group in accordance with a framework approved by the Board of Directors covering:
• Effective Board and Senior Management oversight at both Group and country level;
• Sound risk management practices that are in line with best practice and local regulations in the countries in which the Group operates;
• Effective segregation of duties across the footprint;
• Established processes in risk identification, assessment, controls and monitoring;
• Fostering an improved risk awareness culture; and
• Operational risk appetite.

Group’s approach to managing operational risk
The Group's approach to managing operational risk is to implement simple and appropriate fit for purpose operational risk practices that assist the originators of risk events to understand their inherent risk and reduce their risk profile, in line with the Group's risk appetite, while maximizing on shareholder value.

Operational risk framework and governance
The Operational Risk Management Framework outlines the overall risk management approach for Operational Risk in the Group, provides the mechanism for the overall operational risk strategic direction and ensures that an effective operational risk management and measurement process is adopted throughout the Group. This framework is maintained by the Group Chief Risk Officer and formally reviewed after every two years in line with the Group’s risk appetite. Furthermore, the approval authority for this framework and revisions thereto is mandated to the Group Risk, Social and Ethics Committee.

The ultimate responsibility for operational risk management rests with the Board of Directors. To discharge this responsibility, the Group Risk and Social Ethics Committee (GRSEC) understands the major aspects of the Group’s operational risk as a distinct category of risk that must be managed and is required to approve the operational risk strategy as part of a comprehensive risk management strategy for the Group. GRSEC meets on a quarterly basis to review all other major risks including operational risks. At management level, the Group Management Risk Committee reviews and monitors significant operational risk events and ensures that the control environment is adequate to prevent recurrence.

It is the responsibility of the Risk Owners to ensure that the risk culture, oversight and resources deployed are such that there is a capability to ensure adherence to the relevant policies, standards and procedures. The Risk Owners’ purpose is to ensure the quality, integrity and reliability of operational risk management and internal control and to provide an opinion accordingly.

The management and measurement of operational risk
The operational risk framework forms the basis for the embedding of operational risk management into the day-to-day business processes and practices. This framework includes qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures.

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the risk owners and control owners.

The Group conducts risk assessments in line with the Group’s risk appetite based on core objectives and processes. The Risk Identification and Control Process Manual is being enhanced to cover the Group Operational Risk processes in detail and seeks to embed a process by which key operational risk events, key causes and key controls are identified, assessed and reported in a consistent and structured manner within the Group.

The enhanced Group Operational Risk framework comprises several elements of which the Risk and Control Self Assessments (RCSAs), Key Risk Indicators (KRI) and Incident Management (IM) are the primary components.

Risk and Control Self Assessments (RCSAs)
The purpose of the RCSA process is to identify and effectively manage operational risks that could jeopardise the achievement of business objectives. The RCSA process identifies the appropriate controls to mitigate risk, and allows the Group Risk Owners and Control Owners to rate the level of inherent as well as residual risk taking consideration of the adequacy and effectiveness of controls.

All key functions under the Group are compelled to perform RCSAs at least once a year with oversight from Group Operational Risk and use Risk Registers to assess daily risks and report to Group EXCO through the Group Chief Risk Officer on a monthly basis.

Key Risk Indicators (KRIs)
Key Risk Indicators (KRI's) are defined by the Group as indicators that provide early warning of a change in risk exposure and highlight control weaknesses or potential failures. All key functions within the Group are required to establish relevant measures (qualitative and quantitative) which will enable them to regularly monitor their exposure to operational risk. KRIs are reviewed by management annually or when necessary and are identified for key business processes. The Group Operational Risk Function oversees the quality of KRIs and provides some level of challenge to those that appear incomplete or are inconsistent with the risk profile.

1 FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational risks (continued)

Impact of Covid-19 to the Group Operations

The global outbreak of Covid 19 in the first quarter of 2020 evolved rapidly with cycles of waves and varriants through to the last quarter of 2021. The pandemic caused major disruptions to both social and economic activities in all sectors across the world including in the markets where the Group operates.

The Group did not record material operational losses or service disruptions during the year. The Group's contingency measures and crisis management strategy deployed since 2020 proved effective in keeping the Group business and operations resilient and its emplyees safe in 2021. on health and Safety, The group contained employee infection rates way below national averages. The Group Corona Crisis Committee (CCC) was in force throughout the year and effected policy and operational responses as the pandemic evolved. The Group achieved significant milestone in 2021, attaining employee vaccination rates >80% by Dec 2021 and only recordning one

Covid 19 Pandemic still presents a significant uncertanity to the Group business. Potential for outbreaks of new waves and varriants of the virsu is stilll high. The Group will continue to work with authoriries to support initiatives that will accelarate vaccinations nationally. The Group Cororna Crisis Committe will remain in force in 2022 to monitor and respond to any emerging pandemic risks and oversee policy actions.

Incident management

The incident management process is supported by the Incident Management Policy and procedures. Management and Staff proactively and appropriately manages incidents to minimize their impact. The Group maintains a complete records of all risk events, perform impact assessment and review risk and controls. In 2021,the Group implemented a program of incident and audit socialization across the subsidaries. A material incident in one department or subsidiary is shared across the functions and subsidaries for awareness and control self assessment.

Business continuity management and Crisis Management

The Group established an adhoc Corona Crisis Committee (CCC) at Group and subsidiary levels from the year 2020 in response to the pandemic as part of its overall Business Continuity Management (BCM) framework. The responsibilities of the Committee was overseeing the identification, management and mitigation of pandemic risks in an all inclusive manner, providing strategic leadership and making appropriate recommendations in response to emerging crisis, testing of the pandemic management strategy, and establishmnet of policy and framework. The Group achieved stong business and operational resilience across its footprints since the onset of the pandemic.

Group Operational Risk Profile

In 2021, inherent operational risk of the Group was rated high with a residual risk of moderate. Although the Group operational losses for 2021 were way below the approved risk appetite of <2% of profit before tax, The Group remained exposed to potential operational risks resilience and health & safety due to the prevailing pandemic envoronment in the year. The residual risk rating of the Group Operationall is expected to remain stable at moderate in te next 12 months.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value disclosed by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value, if the carrying amount is a reasonable approximation of fair value.

	Carrying amount					Fair value			
	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
31 December 2021									
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	-	826,062	-	-	826,062	-	826,062	-	826,062
	71,499	826,062	-	-	897,561	-	826,062	71,499	897,561
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,413,500	-	1,413,500	-	1,413,500	-	1,413,500
Investment in securities	-	-	859,496	-	859,496	-	859,496	-	859,496
Advances to customers	-	-	11,875,595	-	11,875,595	-	11,875,595	-	11,875,595
Other receivables	-	-	330,411	-	330,411	-	330,411	-	330,411
	-	-	14,479,002	-	14,479,002	-	14,479,002	-	14,479,002
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	-	594,783	-	-	594,783	-	594,783	-	594,783
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

	Carrying amount					Fair value			
31 December 2020	Fair value - through OCI P'000	Fair value - through profit and loss P'000	Financial Assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	59,408	-	-	-	59,408	-	-	59,408	59,408
Financial assets at fair value through profit or loss	-	140,804	-	-	140,804	-	140,804	-	140,804
	59,408	140,804	-	-	200,212	-	140,804	59,408	200,212
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,043,864	-	1,043,864	-	1,043,864	-	1,043,864
Advances to customers	-	-	10,161,534	-	10,161,534	-	10,161,534	-	10,161,534
Other receivables	-	-	222,846	-	222,846	-	222,846	-	222,846
	-	-	11,428,244	-	11,428,244	-	11,428,244	-	11,428,244
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	-	152,855	-	-	152,855	-	152,855	-	152,855
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	605,680	605,680	-	605,680	-	605,680
Customer deposits	-	-	-	664,393	664,393	-	664,393	-	664,393
Cash collateral	-	-	-	18,838	18,838	-	18,838	-	18,838
Borrowings	-	-	-	5,649,561	5,649,561	-	5,649,561	-	5,649,561
	-	-	-	6,938,472	6,938,472	-	6,938,472	-	6,938,472

The carrying amount of items measured at amortised cost approximate their fair values.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value

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

Financial assets - Level 3	31 December 2021 P'000	31 December 2020 P'000
Opening balance	65,225	59,408
Gain included in other comprehensive income	9,431	5,817
	74,656	**65,225**

Sensitivity of fair value measurements to changes in unobservable market data.

Based on the above a change in the value per share (based on company valuation), which is usually conducted during a cash subscription of shares, changes by 1% - 5% will result in a fair value gain or loss of P0.7m and P3.6m respectively. Where the fair value of this investment does not materially vary to its carrying value, gains or losses will not be recognised.

The following tables show the valuation techniques used in measuring fair values, as well as significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique		Significant unobservable inputs
Financial assets and liabilities at fair value through profit or loss	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO and USD risk free rates.
Fair value - through other comprehensive income	Since market values are not available from an observable market, as this is an investment in private equity, the recent transaction price has been considered as an approximation to fair value. The investment has been valued based on the recent price per share determined during a rights issue that occurred in 2021. The inputs include the number of shares and the price per share	Level 3	Based on the value from a company valuation that was done during a rights issue that took place in the current year

Financial instruments not measured at fair value

Type	Valuation technique		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.

Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

1.6 Summary of all financial risks and potential impact

The table below summarises each of the risks raised in this note, along with the anticipated impact should the risks crystallise.

	31 December 2021 P'000	31 December 2020 P'000
Interest rate risk		
Average cost of borrowings	*9.4%*	*9.9%*
Effect of increase in average borrowing cost by 1%		
- increase in interest expense	51,950	35,110
Effect on profit before tax	*4.5%*	*3.4%*
Currency risk		
Effect of BWP appreciation by 1%		
- Effective movement in foreign exchange rates	(6,893)	(3,840)
- Effect on profit before tax	*(0.6%)*	*(0.4%)*

Summary

Impact of all above risks on profit before tax:

The impact of changes in variables in the opposite direction would be equal and opposite to the values shown above. The Group constantly evaluates these key risks through the process of governance, devises responses to risks as they arise, that are approved by the Group Balance Sheet Management Committee and Board of Directors.

2 USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Significant judgements made by management in the application of International Financial Reporting Standards occur mainly on loans and advances, impairments and share based payment calculations. Judgement is also applied to the valuation of goodwill recognised and probability of having sufficient taxable profits against which deferred tax assets may be utilised.

2.1 Impairment of advances to customers

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group regularly reviews its loan portfolio (note 5) and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

The below summarises the sensitivity analysis on impairment losses for changes in LGD and PD :

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**	**492,407**

December 2020	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1: 12-month ECL allowance	213,621	212,235	172,601	388,204	107,184
Stage 2: Lifetime ECL allowance – not credit-impaired	73,435	69,100	24,873	72,521	22,222
Stage 3: Lifetime ECL allowance – credit-impaired	290,931	308,946	236,611	293,617	251,930
Total	**577,987**	**590,281**	**434,085**	**754,342**	**381,336**

The sensitivity analysis has been calculated to show the impact of a 5% increase or decrease in the LGD and PD rates on the provision level. Therefore, based on the above, an increase in LGD or PD would have an adverse impact to Group profits. Measures are in place as per the risk governance framework to address this including portfolio management, which is inclusive of collection and recoveries, strategic focus and the risk appetite framework (note 1.3.1).
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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:
  o rationale as to why overlay is appropriate is provided
  o documentation of methodology and data used in determining the overlay is in place
  o persistent overlays to be incorporated into the ECL model at a future date where applicable

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 53% (2020: 55%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate.

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 53% (2020: 55%) vesting probability.

	31 December 2021 P'000	31 December 2020 P'000
Impact of a 10% deviation	7,444	5,690
Impact of a 25% deviation	18,611	14,225
Impact of a 50% deviation	37,222	28,451

In the event that more than 55% of the shares vest the impact would be adverse to profit. In the event that less than 55% of the shares vest, the impact would be favourable to profit.

2.3 Deferred tax asset

The Group has recognised a deferred tax asset of P96 million (2020: P124 million) which arises from tax losses and other temporary differences that are available to set-off against future taxable income and other deductible temporary differences. The Group expects to generate sufficient taxable profits to utilise the deferred tax assets based on historical probability trends, management's plan on future business prospects and through the use of various tax planning opportunities which are available to the Group. In addition, the Group reviews the carrying amount of the deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax asset movement on tax losses	31 December 2021 P'000	31 December 2020 P'000
Opening balance	-	6,102
Recognised during the year	5,583	-
Utilised during the year	-	(6,102)
Written off	-	-
Tax losses fallen away	-	-
Balance at the end of year	**5,583**	**-**

Summary of LHL Company tax losses recognised	Year of expiry		
December 2021	2026	6,301	-
		6,301	**-**

2.4 Income tax expense

The Group is subject to income taxes in various jurisdictions. The Group applies significant judgement in identifying uncertainties over income tax treatments in line with IFRIC 23. Since the Group operates in multinational environments, it assessed whether the interpretation had an impact on its consolidated financial statements. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.5 Estimating the incremental borrowing rate used in lease liabilities

The Group applied judgement in determining the interest rate implicit in its lease liabilities. The Group uses its incremental borrowing rate, which reflects what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for similar financed transactions (where and when available), and is required to make certain entity specific estimates, such as the adjustments to the rates for the subsidiaries' stand-alone credit rating and country specific risks.

USE OF ESTIMATES AND JUDGMENTS (continued)

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.

2.7 Goodwill

As required by IAS 36 Impairment of assets, the goodwill was assessed for impairment at year end. This goodwill arose from acquisition of Letshego Holdings Namibia Limited, Letshego Tanzania Limited, Letshego Kenya Limited and Letshego Ghana Plc. For the purpose of assessing goodwill for impairment, the relevant entities are considered to be cash generating units. Such impairment assessment was done using a discounted cash flow model incorporating budgets approved by those charged with governance. Cash flows beyond the period covered by approved budgets were forecasted based on projected growth rates for the relevant cash generating unit. The evaluation was based on a five year strategy and terminal value.

In light of the current economic factors as a result of Covid-19 the Group assessed the recoverable amount of goodwill for the entities and determined that they were profitable with positive growth expected, indicating sufficient headroom to cushion against any future variations or pressures.

The recoverable amount of the cash generating units was determined with reference to the value in use. The growth rate is estimated based on past experience and anticipated future growth. The discount rate used is the weighted average cost of capital adjusted for specific risks relating to the entity. Refer to note 11 for the carrying value of each cash generating unit at the reporting date.

The table below shows the discount and growth rates used in calculating the value in use of each cash generating unit:

	31 December 2021		31 December 2020	
Entity	**Discount rates**	**Long term growth rates**	**Discount rates**	**Long term growth rates**
Letshego Holdings Namibia Limited	18%	5%	22%	4%
Letshego Tanzania Limited	25%	4%	24%	6%
Letshego Kenya Limited	19%	6%	19%	6%
Letshego Ghana Plc	22%	9%	26%	7%

Key assumptions used in value in use calculations and sensitivity to change in assumptions

The calculation of value in use for each cash generating unit is most sensitive to:
- discount rates
- inflation rate
- long term growth rates used to extrapolate cash flows beyond the forecast period

USE OF ESTIMATES AND JUDGMENTS (continued)

2.7 Goodwill (continued)

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.

3 CASH AND CASH EQUIVALENTS

	31 December 2021 P'000	31 December 2020 P'000
Cash at bank and in hand	1,217,269	850,076
Statutory cash reserve	58,206	57,330
Short term investments	138,025	136,458
	1,413,500	**1,043,864**
Cash and cash equivalents for the purpose of the statement of cash flow	**1,355,294**	**986,534**

Short term investments constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 3% - 12% per annum (31 December 2020: 1% - 5.0%). Cash at bank is held with reputable financial institutions with good credit standing. Statutory cash reserve relates to cash held by the Central Bank for the respective subsidiaries based on the average customer deposits and therefore not available for day to day operations.

P108 million (2020: P40 million) of the borrowings in Ghana are secured by lien over Treasury Bills and Government instruments. The aggregated value of these Treasury Bills and Government instruments is P135 million (2020: P39 million).

4 INVESTMENT SECURITIES

	31 December 2021 P'000	31 December 2020 P'000
Government and Corporate bonds : 2 - 5 year fixed rate notes	832,116	-
Government and Corporate bonds : Above 5 year fixed rate notes	27,380	-
	859,496	**-**

Treasury bonds are classified as financial assets at amortised cost as the business model is to hold financial assets to collect contractual cash flows representing solely payments of principal and interest. These were issued by the Central Bank, Government and Corporates in Ghana and Namibia. The expected credit loss for these instruments were assessed to be insignificant through the application of a low credit risk exemption on the instruments.

Interest income generated from the government and corporate bonds during the year amounted to P17.5 million (2020: P1.8 million).

5 ADVANCES TO CUSTOMERS

	31 December 2021 P'000	31 December 2020 P'000
Gross advances to customers	12,439,300	10,739,521
Less : Expected credit losses	(563,705)	(577,987)
- Stage 1	(130,813)	(213,621)
- Stage 2	(110,193)	(73,435)
- Stage 3	(322,699)	(290,931)
Net advances to customers	**11,875,595**	**10,161,534**
Maturity analysis		
Maturing within one year	1,217,280	853,482
Maturing after one year within five years	9,683,392	5,333,124
Maturing after five years	1,538,627	4,552,915
Total gross advances to customers	**12,439,300**	**10,739,521**

Certain advances to customers are pledged as security to borrowings as set out in note 18.

	31 December 2021 P'000	31 December 2020 P'000
Impairment of advances		
Balance at the beginning of the year	577,987	761,404
Impairment charge for the year	(4,820)	(174,155)
Impairment on informal loans	(9,462)	(9,262)
Balance at the end of the year	**563,705**	**577,987**

An analysis of net advances by credit risk, including related impairment provisions, is contained in Note 1.3.1 to these financial statements.

	31 December 2021 P'000	31 December 2020 P'000
Charges to profit or loss		
Amounts written off	175,403	407,817
Recoveries during the year	(178,317)	(198,629)
Expected credit losses reversed during the year	(14,282)	(183,417)
	(17,196)	**25,771**

In 2014 Letshego Kenya Limited (LKL) entered into an agreement with the share ownership trust of a local bank to enable the employees of the local bank to participate in the bank's employee share ownership scheme. The arrangement resulted in the recognition of a separate financial asset and financial liability in the accounting records of LKL. The local bank subsequently went into receivership and following this, in 2018, the LKL Board of Directors approved the recognition of a provision for impairment of loans and advances amounting to BWP75 million, having been a full provision of the outstanding financial asset at the time of reporting on 31 December 2018.

During the current financial year, LKL received correspondence from the liquidator of the local bank confirming that LKL had a legally enforceable right to offset the financial asset (which was amounting to BWP75 million) and financial liability initially recognised upon entering into the lending arrangement (which was now amounting to BWP94 million). According to the correspondence received from the liquidator of the local bank, the ability for LKL to set off the financial asset and financial liability was on condition that (i) an agreement in regard to this settlement is executed between the liquidator and LKL, and (ii) LKL pays over the remaining portion of financial liabilty, after the offsetting arrangement, to the liquidator of the local bank by 6 April 2022. Upon receipt of the correspondence, LKL decided to take up its right to offset the financial instruments, which resulted in LKL owing an obligation of BWP19 million to the liquidator of Chase Bank (following the set off). In light of the recoverability of the loans that had been previously impaired, the LKL Board of Directors adjusted the previous accounting estimate recognised in the accounting records and released the entire loan impairment provision previously held of BWP75 million to profit or loss as at 31 December 2021.

		31 December 2021 P'000	31 December 2020 P'000
6	**OTHER RECEIVABLES**		
	Deposits and prepayments	89,437	46,951
	Receivable from insurance arrangements	269,544	168,029
	Withholding tax and value added tax	880	755
	Deferred arrangement fees	29,767	19,418
	Settlement and clearing accounts	19,742	23,619
	Other receivables	4,041	4,430
		413,411	**263,202**

Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Foreign currency swaps	826,092	140,804
	826,092	**140,804**

This relates to short term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure 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.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Balance at the beginning of the year	59,408	53,591
Fair value gain recognised through other comprehensive income	12,091	5,817
	71,499	**59,408**
Fair value gain recognised through other comprehensive income - net of tax	9,431	5,817
% shareholding	1.5%	2.3%

The Group entered into a strategic partnership with a financial services organisation in 2016 and at the time acquired a 2.3% shareholding at P53.6 million. A fair value assessment is performed annually.

A valuation of the financial services organisation was carried out internally during the current year, following a cash subscription of shares in the organisation by a new shareholder. Management assessed the Group's investment and determined its value to be P71.5 million. This resulted in a fair value gain, net of tax, of P9.4 million (2020: P5.8 million) recognised above.

9 PROPERTY AND EQUIPMENT

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**

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 2020	13,110	109,616	84,249	17,710	7,100	231,785
Additions	1,938	19,680	10,138	-	9,444	41,200
Transfers	539	(5,190)	4,561	-	(5,243)	(5,333)
Disposals	(353)	(127)	(2,426)	-	-	(2,906)
Forex translation	(994)	(4,497)	(2,408)	(1,915)	(909)	(10,723)
Balance at 31 December 2020	**14,240**	**119,482**	**94,114**	**15,795**	**10,392**	**254,023**
Accumulated depreciation						
Balance at 1 January 2020	7,338	67,505	58,300	(1,029)	-	132,114
Charge for the year	2,406	21,673	11,327	-	-	35,406
Disposals	82	(119)	(2,186)	-	-	(2,223)
Forex translation	(679)	(2,088)	(2,736)	-	-	(5,503)
Balance at 31 December 2020	**9,147**	**86,971**	**64,705**	**(1,029)**	**-**	**159,794**
Net book value at 31 December 2020	**5,093**	**32,511**	**29,409**	**16,824**	**10,392**	**94,229**

Work in progress comprises of assets acquired but not yet commissioned for use relating to strategic projects.

10 RIGHT OF USE ASSETS

Cost	Property P'000	Total P'000
Balance at 1 January 2021	202,979	202,979
Additions	26,328	26,328
Adjustment on lease modification	(33,911)	(33,911)
Forex translation	2,300	2,300
Balance at 31 December 2021	**197,696**	**197,696**
Accumulated depreciation		
Balance at 1 January 2021	71,276	71,276
Charge for the year	47,255	47,255
Adjustment on lease modification	19,310	19,310
Forex translation	(38,901)	(38,901)
Balance at 31 December 2021	**98,940**	**98,940**
Net book value at 31 December 2021	**98,756**	**98,756**

The lease modification relates to the Group's lease at its head office building in Gaborone, Botswana and emanated from a change in the agreed duration of occupation of the premises on 1 June 2021. The alteration of the contractual lease term, as at the indicated date, constituted a change in the scope of the lease, which was not part of the original conditions of the lease, and therefore required a lease modification to be accounted for.

10 RIGHT OF USE ASSET (CONTINUED)

	Property P'000	Total P'000
Cost		
Balance at 1 January 2020	96,869	96,869
Additions	111,863	111,863
Forex translation	(5,753)	(5,753)
Balance at 31 December 2020	**202,979**	**202,979**
Accumulated depreciation		
Balance at 1 January 2020	35,433	35,433
Charge for the year	35,183	35,183
Forex translation	660	660
Balance at 31 December 2020	**71,276**	**71,276**
Net book value at 31 December 2020	**131,703**	**131,703**

11 INTANGIBLE ASSETS

	Computer Software P'000	Brand value P'000	Core deposit P'000	Total P'000
Cost				
Balance at 1 January 2021	101,738	4,080	9,258	115,076
Additions	2,926	-	-	2,926
Disposals	(138)	-	-	(138)
Forex translation	4,747	21	66	4,834
Balance at 31 December 2021	**109,273**	**4,101**	**9,324**	**122,698**
Accumulated amortisation				
Balance at 1 January 2021	65,812	2,883	7,290	75,985
Charge for the year	12,684	392	712	13,788
Transfers	(284)		-	284
Disposals		-	-	-
Forex translation	3,169	-	-	3,169
Balance at 31 December 2021	**81,381**	**3,275**	**8,002**	**92,658**
Net book value at 31 December 2021	**27,892**	**826**	**1,322**	**30,040**

	Computer Software P'000	Brand value P'000	Core deposit P'000	Total P'000
Cost				
Balance at 1 January 2020	93,988	4,031	9,456	107,475
Additions	4,120	-	-	4,120
Transfer from work in progress	5,333	-	-	5,333
Disposals	-	-	-	-
Forex translation	(1,703)	49	(198)	(1,852)
Balance at 31 December 2020	**101,738**	**4,080**	**9,258**	**115,076**
Accumulated amortisation				
Balance at 1 January 2020	53,140	2,413	6,701	62,254
Charge for the year	13,343	470	589	14,402
Disposals	-	-	-	-
Forex translation	(671)	-	-	(671)
Balance at 31 December 2020	**65,812**	**2,883**	**7,290**	**75,985**
Net book value at 31 December 2020	**35,926**	**1,197**	**1,968**	**39,091**

	31 December 2021 P'000	31 December 2020 P'000

12 GOODWILL

	31 December 2021 P'000	31 December 2020 P'000
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22,537	22,489
Letshego Tanzania Limited	2,066	1,886
Letshego Kenya Limited	32,885	31,349
Letshego Ghana Plc	10,227	9,874
	67,715	**65,598**
Movement in goodwill		
Balance at the beginning of the year	65,598	65,598
Effect of exchange rate changes	2,117	-
Balance at the end of the year	**67,715**	**65,598**

Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. The Group assesses the recoverable amount of goodwill in respect of all cash generating units to determine indications of impairment.

The Group performed its annual impairment assessment as at 31 December 2021 (31 December 2020 for the prior year) for all the above cash generating units and no indications of impairment were noted.

13 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 P'000	31 December 2020 P'000
Foreign currency swap	808,621	144,649
Interest currency swap	-	8,206
	808,621	**152,855**

In the current year P333.3 million relates to short term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure on currency risk (the respective assets are disclosed in note 7).

13 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Letshego Holdings Limited, Letshego Financial Services (Proprietary) Limited Botswana and Letshego Kenya Limited entered into currency swap agreements with financial institutions in respect of foreign currency denominated funding listed below. The currency swap hedges the variable factor of the capital and interest coupons payable on these. Management evaluates the effective cash flow and applicable payments on the capital and coupon payments and discounts these to calculate the fair value of the currency swap.

Entity	Currency	P'000
Letshego Holdings Limited	USD	41,583
Letshego Financial Services (Proprietary) Limited Botswana	USD	15,750
Letshego Kenya Limited	USD	3,000

The fair value on interest rate swaps at 31 December 2021 is Nil (2020: P8.02 million favourable) and this movement was recognised through profit or loss.

14 CUSTOMER DEPOSITS	31 December 2021 P'000	31 December 2020 P'000
Demand accounts	38,501	106,384
Savings accounts	395,319	107,669
Call and term deposits	741,766	450,340
	1,175,586	**664,393**

These are deposits from customers and are short-term in nature.

		31 December 2021 P'000	31 December 2020 P'000
15	**CASH COLLATERAL**		
	Balance at the beginning of the year	18,838	21,721
	Raised/(utilised) during the year	2,684	(2,883)
	Closing balance	**21,522**	**18,838**

Cash collateral represents payments made by customers as security for loans taken. The amounts are refundable upon the successful repayment of loans by customers or are utilised to cover loans in the event of default.

		31 December 2021 P'000	31 December 2020 P'000
16	**TRADE AND OTHER PAYABLES**		
	Insurance premium payable	142,839	146,530
	Payroll related accruals	14,400	14,204
	Staff incentive accrual (note 16.1)	87,888	75,968
	Accruals (note 16.2)	29,295	58,167
	Guarantee funds	546,039	291,961
	Other payables	124,493	94,818
	Value added tax/withholding tax payable	20,906	32,900
		965,860	**714,548**

Guarantee funds relates to deposits received by the Group from a strategic partner for the funding of the mobile loans in Ghana. Trade and other payables relates to clearing accounts and unpaid supplier invoices at the reporting date and due to the short - term nature, their carrying amount approximates their fair value.

		31 December 2021 P'000	31 December 2020 P'000
16.1	**Movement in staff incentive accrual**		
	Balance at the beginning of the year	75,968	75,968
	Current period charge (note 25)	74,905	75,053
	Paid during the year	(62,985)	(75,053)
	Balance at the end of the year	**87,888**	**75,968**
16.2	**Movement in accruals**		
	Balance at the beginning of the year	58,167	58,167
	Paid during the year	(28,872)	-
	Balance at the end of the year	**29,295**	**58,167**

17	**LEASE LIABILITIES**	**Carrying amount at 01 January 2021**	**Additions**	**Adjustment on lease modification**	**Interest expense**	**Cash payments**	**Forex translation**	**Carrying amount at 31 December 2021**
	Lease liabilities	133,377	26,328	(14,601)	14,930	(62,969)	2,581	99,646

	LEASE LIABILITIES	**Carrying amount at 01 January 2020**	**Additions**	**Adjustment on lease modification**	**Interest expense**	**Cash payments**	**Forex translation**	**Carrying amount at 31 December 2020**
	Lease liabilities	**64,760**	111,863	-	13,053	(49,886)	(6,413)	133,377

	2021 P'000	2020 P'000
The following are the amounts recognised in profit or loss:		
Depreciation expense of right of use asset	47,255	35,183
Interest expense on lease liabilities	14,930	13,053
Expense relating to short-term leases	6,638	7,325
Expense relating to low value assets	1,414	2,852
	70,237	**58,413**
Total cash outflows relating to leases were as follows:		
Leases accounted for under IFRS 16	62,969	49,886
Short-term leases	6,638	7,325
Leases relating to low value assets	1,414	2,852
	71,021	**60,063**

The Group has entered into commercial leases for premises and operating equipment. The leases have an average life of between one and five years. The Group elected not to recognise assets and liabilities with a lease term of up to 12 months and low value leases for operating equipment. There are no restrictions placed upon the lessee by entering into these. The Group's leases are mainly non-cancellable and refer to the ageing of future lease payments as at 31 December 2021:

Refer to Note 10 for details of the lease modification indicated above.

		31 December 2021 P'000	31 December 2020 P'000
18	**BORROWINGS**		
	Commercial banks	3,015,603	2,588,765
	Note programmes	2,070,285	1,555,891
	Development Financial Institutions	2,294,880	1,339,680
	Pension funds	-	165,225
	Total borrowings	**7,380,768**	**5,649,561**
	Contractual maturity analysis		
	Maturing within one year	3,586,061	2,074,631
	Maturing after one year within three years	1,910,533	2,514,968
	Maturing after three years	1,884,174	1,059,962
	Total borrowings	**7,380,768**	**5,649,561**
	Contractual interest on borrowings to maturity at reporting date	462,074	1,196,376
	Total contractual cash flows on interest bearing loans and borrowings	**7,842,842**	**6,845,937**
	Movement in borrowings		
	Balance at the beginning of the year	5,649,561	4,966,785
	Finance obtained from third parties	2,817,052	1,273,785
	Repayment of borrowings	(636,976)	(519,042)
	Effect of exchange rate changes	(448,869)	(71,967)
	Balance at the end of the year	**7,380,768**	**5,649,561**

Note programmes

The Group has issued medium term note programmes of P1.9 billion (2020: P1.6 billion) of which P28 million (2020: P350 million) are listed on the Johannesburg Stock Exchange, P918 million (2020: P853 million) on the Botswana Stock Exchange, P576 million (2020: P484 million) on the Ghana Stock exchange and P171million (2020: nil) listed on the Namibian Stock Exchange at the reporting date.

Security

P1.2 billion (2020: P2.3 billion) of the borrowings are secured by the advances to customers of:

• Letshego Financial Services (Pty) Limited (Botswana). During 2020 the advances of Letshego Micro Financial Services Namibia (Pty) Limited were part of the Security Sharing Arrangement. These were however removed from the structure in May 2021.

• Letshego Holdings Limited. The aggregated net advances to customers of the above is P2.9 billion (FY 2020 P4.34 billion, inclusive of Namibia) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:

• Bad debts ratio
• Cash collection ratio
• Capitalisation ratio and
• Secured property ratio

The Group has complied with all the above debt covenants for **both current and prior periods.**

P3.7 billion (2020: 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.

P404 million (2020 P419 million) relates to loans that are secured by a corporate guarantee from Letshego Financial Services (Pty) Limited Botswana. This relates to debt owed by Letshego Holdings Limited.

Interest rate

P2.2 billion (2020: P2.2 billion) of the borrowings are at fixed interest rates. P5.2 billion (2020: P3.4 billion) are loans issued at variable interest rates, including rates linked to each country's prime lending rate, 3 months JIBAR, 3 months US Libor, 182 days T-bill and 3 months Bank of Botswana's rates.

19 STATED CAPITAL

	31 December 2021 P'000	31 December 2020 P'000
Issued: 2,144,045,175 ordinary shares of no par value (2020: 2,144,045,175) of which 9,222,720 shares (2020: 14,571,140) are held as treasury shares	**882,224**	**872,169**

31 December 2021	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2,129,474	14,571	2,144,045
Shares issued during the year ('000)	5,348	(5,348)	-
Number of shares at the end of the year ('000)	**2,134,822**	**9,223**	**2,144,045**

31 December 2020	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2,124,991	19,054	2,144,045
Shares issued during the year ('000)	4,483	(4,483)	-
Number of shares at the end of the year ('000)	**2,129,474**	**14,571**	**2,144,045**

In terms of the Group LTIP (note 21), 5.348 million shares (2020: 4.483 million) vested at Group level during the current year and were issued from the treasury shares. Therefore the number of shares in issue increased to 2,135 million (2020: 2,129 million) and shares held as treasury shares reduced to 9.223 million (2020: 14.571 million).

Every shareholder shall have one vote for every share held subject to the rights of the holders of any shares entitled to any priority, preference or special privileges. All dividends shall be declared and paid to the members in proportion to the shares held by them respectively.

CAPITAL MANAGEMENT

The Group monitors its capitalisation levels using metrics including Return on Equity, Capitalisation ratio (Total equity/total assets), Capital Adequacy ratio, Debt to Equity ratio and forecasts of asset and profitability performance. The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position are:

• To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
• To maintain a strong capital base to support the development of its business.

The Group's shareholders' equity consists of stated capital and reserves. The Group uses its shareholders' equity and long term borrowings to fund growth and monitors the adequacy of its capital using internal benchmarks as well as external benchmarks set by funders and regulators in the countries of operations A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

	31 December 2021	31 December 2020
Capitalisation ratio	31%	35%
Return on equity	14%	13%
Debt to equity	145%	118%

Certain subsidiaries are regulated for capital requirements by the respective in-country regulators. Group maintains sufficient capital in its subsidiaries in order to meet the requirements of local jurisdictions. These are monitored constantly and actions are taken as and when required. During the year the subsidiaries have complied with the capital requirements.

20 LEGAL RESERVE

	31 December 2021 P'000	31 December 2020 P'000
Balance at the beginning of the year	214,835	195,793
Movement for the period – allocated from retained earnings	50,409	19,042
Balance at the end of the year	**265,244**	**214,835**

Legal reserve relates to non-distributable reserves and may be used to increase capital. This is applicable to the following:

- Letshego Financial Services Mozambique	Central Bank regulation requires a 30% transfer of annual profits.
- Letshego Bank (Namibia) Limited	The reserve represents the difference between provisions computed as per IFRS 9 and provisions calculated as per the regulatory approach.
- Letshego Ghana Plc	Central Bank regulation requires a 50% transfer of annual profits.
- Letshego Tanzania Limited	Where the provisions computed in accordance with International Financial Reporting Standards (IFRS) are less than those required by Regulations, a special non-distributable reserve shall be created through an appropriation of distributable reserves to eliminate the shortfall.
- Letshego Uganda Limited	Microfinance regulator requires a transfer of annual profits to be based on the difference between provisioning per IFRS 9 and as per the regulator.

21 SHARE INCENTIVE SCHEME

Performance shares granted as Long Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the Holding Company. The incentive is subject to Group performance conditions which are based on criteria set by the Group Remuneration Committee. These are aimed at alignment of the interests of staff with shareholder interests. They apply over a specified period of time and are pegged to a continued employment condition. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

The Group does not have a past practice of cash settlement for these share options and therefore accounts for them as an equity-settled plan.

As at 31 December 2021, 149,027,569 total awards were outstanding (2020: 108,526,021) at grant date share prices of P1.65, P0.71 and P0.75 for 2019, 2020 and 2021 awards, respectively (31 December 2020: P1.88, P1,65 and P0.71 for 2018, 2019 and 2020 awards respectively).

	31 December 2021		31 December 2020	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	**Fair values**	**No. of awards**
Outstanding at the beginning of the year	P1.88/P1.65/P0.71	108,526,020	P2.13/P1.88/P1.65	39,618,700
Granted during the year	P0.75	59,168,876	P0.71	72,385,263
Sign on awards		-	P0.71/P0.86/P0.90	10,313,857
Exercised during the year	P1.88	(5,348,420)	P2.13	(4,483,050)
Forfeited due to not meeting performance	P1.88	(4,375,980)	P2.13	(3,667,950)
Forfeited due to resignations	P1.88/P1.65/P0.71	(8,942,927)	P1.88/P1.65/P0.71	(5,640,800)
Outstanding at the end of the year	**P1.65/P0.71/P0.75**	**149,027,569**	**P1.88/P1.65/P0.71**	**108,526,020**

The weighted average share price at the date of exercise of these options was P0.75 (2020: P0.84)

Movement in share based payment reserve	**31 December 2021 P'000**	**31 December 2020 P'000**
Opening balance	31,295	24,304
Charge during the year (note 24)	18,667	16,539
New shares issue from treasury shares during the year	(10,055)	(9,548)
Closing balance	**39,907**	**31,295**

The award is indexed to the Group's share price on the Botswana Stock Exchange and does not accrue notional dividends during the vesting period. The awards vest in two equal amounts at 112 months from the date of award.

		31 December 2021 P'000	31 December 2020 P'000
22	**INTEREST INCOME AT EFFECTIVE INTEREST RATE**		
	Advances to customers	2,588,409	2,426,509
	Interest income on risk informal / mobile loans	92,879	78,346
	Interest income on non-risk informal / mobile loans	387,166	185,271
	Interest income from deposits with banks, including investment securities	42,057	22,152
		3,110,511	**2,712,278**
23	**INTEREST EXPENSE AT EFFECTIVE INTEREST RATE**		
	Overdraft facilities and term loans	731,942	634,053
	Interest adjustment on non-risk informal / mobile loans	387,166	185,271
		1,119,108	**819,324**
23.1	**OTHER INTEREST EXPENSE**		
	Interest expense on leases	14,930	13,053
	Foreign exchange loss / (gain)	(2,361)	18,587
		12,569	**31,640**
		1,131,677	**850,964**

Interest expense has been disaggregated and presented as interest expense at effective interest rate and other interest expense.

		31 December 2021 P'000	31 December 2020 P'000
24	**FEE AND COMMISSION INCOME**		
	Administration fees - lending	68,310	64,443
	Credit life insurance commission	15,371	6,590
		83,681	**71,033**
24.1	**OTHER OPERATING INCOME**		
	Early settlement fees	53,805	42,156
	Income from insurance arrangements	200,664	153,925
	Market adjustment gain on interest currency swaps	13,226	7,184
	Sundry income	16,548	9,271
		284,243	**212,536**
25	**EMPLOYEE BENEFITS**		
	Salaries and wages	411,292	361,782
	Staff incentive (note 16.1)	74,905	75,053
	Staff recruitment costs	1,861	2,184
	Staff pension fund contribution	31,538	28,669
	Directors' remuneration – for management services (executive)	7,978	9,270
	Long term incentive plan	18,667	16,539
		546,241	**493,497**

26 OTHER OPERATING EXPENSES

	31 December 2021 P'000	31 December 2020 P'000
Accounting and secretarial fees	764	641
Advertising	26,656	22,078
Audit fees	6,661	5,732
- Audit services	6,514	5,575
- Covenant compliance fees	147	157
Bank charges	8,693	10,497
Computer expenses	13,139	17,005
Consultancy fees	49,805	59,650
Corporate social responsibility	1,689	4,912
Collection commission	75,909	61,033
Direct costs	36,844	50,305
Direct costs - informal loans	23,922	22,969
Depreciation and amortization - property & equipment, intangible assets	51,426	49,808
Depreciation - right of use	47,255	35,183
Directors' fees – non executive	9,850	8,581
Directors' fees – subsidiary boards	9,253	7,746
Government levies	31,024	27,142
Insurance	16,798	18,688
Insurance - customer short term	55,194	-
Office expenses	22,500	23,161
Short term leases - property	6,638	7,325
Rental expense for low value assets	1,414	2,852
Other operating expenses	91,156	80,668
- Entertainment	305	338
- IT costs	6,454	8,000
- Loss on disposal of plant and equipment, intangible assets	2,324	683
- Loss on disposal of intangible assets	138	-
- Motor vehicle expenses	8,516	6,554
- Printing and Stationery	7,996	7,745
- Repairs and Maintenance	6,060	4,292
- Storage costs	2,848	2,271
- Subscriptions and licenses	8,099	5,919
- Other expenses	48,416	44,866
Payroll administration costs	1,093	2,086
Professional fees	34,596	24,972
Telephone and postage	32,418	32,995
Travel	16,272	19,279
	670,969	**595,308**

27 TAXATION

	31 December 2021 P'000	31 December 2020 P'000
Amounts recognised in profit or loss		
Current taxation	**383,684**	**379,679**
- Basic taxation	299,704	278,929
- WHT tax credits adjustments	86,653	78,766
- * Release of prior years tax provision	(2,673)	(14,401)
- Under provision in respect of prior years	-	36,385
Deferred tax	**33,559**	**19,755**
- Origination and reversal of temporary differences	33,559	19,755
- Under provision in respect of prior years	-	-
	417,243	**399,434**

**This relates to a release of a tax provision of P14.4 million in respect of a tax exposure for an East African subsidiary based on revised tax assessments.*

27 TAXATION (continued)

		31 December 2021 P'000	31 December 2020 P'000
27.1	**Deferred taxation**		
	Balance at the beginning of the year	124,139	143,894
	Current year movement	(33,559)	(19,755)
	Balance at the end of the year	**90,580**	**124,139**
	Deferred tax assets	95,748	124,139
	Deferred tax liabilities	(5,168)	-
		90,580	**124,139**

The Group expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management judgement on future business prospects.

Deferred taxation arises from temporary differences on the following items:		
Property and equipment	3,560	(7,480)
Lease liability	5,320	22,164
Right of use asset	(9,471)	(21,889)
Share based payment provision	10,334	5,998
Staff incentive provision	12,095	20,746
Expected credit losses	69,680	100,971
Taxation losses	5,583	-
Leave pay provision	580	1,979
Net deferred (income)/expenditure	4,747	538
Prepayments	(13,211)	(2,591)
Unrealised exchange loss / (gain)	6,069	3,703
Provisions	4,426	-
Financial assets at fair value	(9,132)	-
	90,580	**124,139**

27.2	**Reconciliation of current taxation**		
	Profit before taxation	1,146,744	1,030,307
	Tax calculated at Botswana statutory rate of 22%	252,284	226,668
	Foreign income taxed at 15%	4,457	8,899
	Effect of tax rates in foreign jurisdictions	44,262	55,274
	Expenses and revenues not deductible for tax purposes	32,260	7,843
	WHT tax credits adjustments	86,653	78,766
	Release of prior year provision	(2,673)	(14,401)
	Under provision in respect of prior year	-	36,385
		417,243	**399,434**

27.3	**Reconciliation of income tax paid**		
	Opening balance - net of receivables and payables	424	157,002
	Income tax charge for the year	**383,684**	**379,679**
	- Tax charge per profit or loss	417,243	399,434
	- Movement in deferred tax asset	(28,391)	(20,560)
	- Movement in deferred tax liabilities	(5,168)	805
	Closing balance - net of receivables and payables	38,499	(424)
	Income tax paid	**422,607**	**536,257**

28 EARNINGS PER SHARE

The calculation of basic earnings per share is based on after taxation earnings attributable to ordinary shareholders and the weighted average number of shares in issue during the period as follows:

	31 December 2021 P'000	31 December 2020 P'000
Earnings attributable to ordinary equity holders of the parent	**671,554**	**575,718**
Weighted number of shares:		
At beginning of year	2,128,295	2,124,991
Effect of shares issued (31 December 2021 - 5,348 million shares : 31 December 2020 - 4,483 million shares)	4,513	3,304
Weighted number of shares at end of year	2,132,808	2,128,295
Basic earnings per share (thebe)	**31.5**	**27.1**

The calculation of diluted earnings per share is based on after taxation earnings attributable to ordinary shareholders and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:

	31 December 2021 P'000	31 December 2020 P'000
Weighted number of shares:		
Weighted number of shares at end of year	2,132,808	2,128,295
Dilution effect - number of shares (note 21)	149,028	177,433
	2,281,836	2,305,728
Diluted earnings per share (thebe)	**29.4**	**25.0**

28.1 HEADLINE EARNINGS PER SHARE

Headline earnings per share is calculated based on offsetting once off specific provisions. Refer to the Group's calculations below:

31 December 2021	**Gross**	**Tax**	**Net**
Earnings attributable to ordinary equity holders of the parent	-	-	**671,554**
Disposal and write off of plant and equipment	2,324	(697)	**1,627**
Disposal and write off of intangible assets	138	(41)	**97**
Headline earnings	**2,462**	**(739)**	**673,277**
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 2020.

31 December 2020	**Gross**	**Tax**	**Net**
Earnings attributable to ordinary equity holders of the parent	-	-	**575,718**
Disposal and write off of plant and equipment	683	(205)	478
Headline earnings	**683**	**(205)**	**576,196**
Headline earnings per share (thebe)			**27.1**
Diluted headline earnings per share (thebe)			**25.0**

29 DIVIDEND PAID

		31 December 2021 P'000	31 December 2020 P'000
Previous year final dividend paid during the year		177,049	163,624
Interim dividend paid		155,842	83,018
Total dividend paid to equity holders		**332,891**	**246,642**
Dividends per share : Interim (thebe)	- paid	7.3	3.9
: Final (thebe)	- proposed	9.7	8.3

30 SEGMENT INFORMATION

Following the introduction of the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Chief Executive Officer (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assessing performance. Operating segments are reviewed and reported geographically to the CODM. All reported segments used by the Group meet the definition of a reportable segment.

The Group operates in eleven countries, namely Botswana, Namibia, Mozambique, Lesotho, Eswatini, Kenya, Rwanda, Uganda, Tanzania, Nigeria, Ghana and offering Deduction at source (DAS), MSE and Informal loans to its customers. There were no changes in the reportable segments during the year.

The performance of the Holding Company is evaluated using proportionate consolidation and its financing and its income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arms-length basis in a manner similar to transactions with third parties. No operating segments have been aggregated to form the following reportable operating segments:

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30 SEGMENT INFORMATION (continued)

30.1 Reportable segments

31 December 2021	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	679,181	538,209	414,016	89,916	88,414	139,548	8,604	159,364	140,382	73,916	233,885	(218,677)	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

31 December 2020	Botswana	Namibia	Mozambique	Lesotho	Swaziland	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company or eliminations	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	652,661	489,087	314,075	85,240	77,949	159,475	6,112	134,659	145,826	61,892	187,040	(169,133)	2,144,883
Profit / (loss) before taxation	471,412	333,581	197,177	60,845	29,992	60,803	614	21,669	64,682	5,935	115,732	(332,135)	1,030,307
Taxation - consolidated													(411,295)
Profit - consolidated													619,012
Gross Advances to customers	2,937,130	2,714,213	1,268,176	428,787	514,252	737,442	33,309	418,300	459,312	151,564	1,077,036	-	10,739,521
Impairment provisions	(110,884)	(42,871)	(24,127)	(19,314)	(22,609)	(137,564)	(2,637)	(39,109)	(44,491)	(20,110)	(114,271)	-	(577,987)
Net Advances	2,826,246	2,671,342	1,244,049	409,473	491,643	599,878	30,672	379,191	414,821	131,454	962,765	-	10,161,534
Total assets	2,990,027	3,253,380	1,470,446	418,628	524,822	714,571	54,682	445,039	583,025	167,920	1,213,506	390,159	12,226,205
Borrowings	1,257,184	1,076,369	199,468	245,757	319,341	372,997	12,696	291,989	18,234	1,860	683,704	1,169,962	5,649,561
Total liabilities	1,376,416	1,333,001	604,966	258,504	332,572	504,844	34,070	309,802	112,469	62,515	1,048,203	1,459,267	7,436,629

LETSHEGO HOLDING LIMITED

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30 SEGMENT INFORMATION (continued)

30.2 Disaggregated revenue information

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	(110,636)	**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)	(68,176)	**(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)	8,814	**(12,569)**
Net interest income	**573,850**	**363,084**	**366,280**	**89,832**	**77,038**	**114,747**	**7,613**	**155,154**	**133,128**	**73,360**	**194,745**	**(169,998)**	**1,978,835**
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	(55,129)	**284,243**
Operating income	**679,181**	**539,234**	**415,988**	**89,916**	**88,414**	**139,548**	**8,604**	**159,364**	**143,836**	**73,916**	**233,885**	**(225,126)**	**2,346,759**
31 December 2020													
Interest income at effective interest rate	700,749	439,348	421,610	112,479	90,815	175,141	9,491	171,367	140,881	60,240	474,637	(84,479)	**2,712,278**
Interest expense at effective interest rate	(106,922)	(71,749)	(141,691)	(27,488)	(32,980)	(48,959)	(2,884)	(37,607)	(7,521)	640	(298,265)	(43,899)	**(819,324)**
Other interest expense	(2,463)	(1,201)	(3,548)	(257)	(570)	(1,217)	(787)	(1,802)	(1,124)	20	(5,819)	(12,872)	**(31,640)**
Net interest income	**591,364**	**366,398**	**276,371**	**84,733**	**57,265**	**124,965**	**5,819**	**131,958**	**132,235**	**60,900**	**170,554 -**	**141,249**	**1,861,314**
Fee and commission income	-	101	23,319	-	-	27,837	(96)	-	4,263	989	14,620	-	**71,033**
Other operating income	61,297	123,315	14,385	507	20,684	6,674	390	2,701	9,327	3	1,867	(28,613)	**212,536**
Operating income	**652,661**	**489,814**	**314,075**	**85,240**	**77,949**	**159,475**	**6,112**	**134,659**	**145,826**	**61,892**	**187,040 -**	**169,862**	**2,144,883**

31 RELATED PARTY TRANSACTIONS

Relationships:

Letshego Holdings Limited	Parent Company
Subsidiaries	Refer to note 34

The Group identifies a related party if an entity or individual:

- directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the entity (this includes parent companies and subsidiaries);
- has an interest in the entity whether it gives it significant control or not;
- has control over the entity;
- is an associate company, joint venture or is jointly controlled; or
- is a member of key management personnel of the Group. Key management personnel comprise the executive directors.

31.1 Related party transactions

The Company 'Letshego Holdings Limited' is listed on the Botswana Stock Exchange. The Group partnered with Sanlam (SEM) to be its preferred insurance provider by offering innovative stand alone and embedded insurance solution. Sanlam owns 58% of Botswana Insurance Holdings Limited (BIHL) which is a shareholder of Letshego Holdings Limited and there were no transactions with BIHL. However loans and advances of Letshego Financial Services Botswana (Pty) Ltd are insured through Botswana Life Insurance Limited which is a subsidiary of BIHL and no commission is earned.

Letshego Holdings Limited also provides guarantees to its subsidiary companies for purposes of credit enhancement at collateral for borrowings enterest into by the subsidiaries. Refer to Note 18 for details of loan guarantees that were in place as at the reporting date.

	31 December 2021 P'000	31 December 2020 P'000
31.2 Compensation paid to key management personnel (executive directors)		
Paid during the period		
- Short-term employee benefits	7,978	9,270
	7,978	**9,270**

A total of 7,840,198 ordinary shares, at an exercise value of BWP5.9 million, were granted to Executive Directors in terms of the Long Term Incentive Scheme (LTIP) for the 31 December 2021 financial year (2020: nil).

32 CAPITAL COMMITMENTS

	31 December 2021 P'000	31 December 2020 P'000
Authorised by the directors:		
- Not contracted for	**311,169**	**188,988**

P121.7 million of the P311 million Capital Commitments for the following year relates to expenditure earmarked for the Group's internally developed digital retail financial services platform. The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Group's internal resources.

33 SUBSEQUENT EVENTS

Dividend declaration

A second and final dividend of 9.7 thebe per share (prior year: 8.3 thebe per share) was declared on 26 February 2022 and will be paid on or about 31 May 2022.

Outlook post year-end

Covid-19 Pandemic

Improved distribution of vaccines and boosters across most sub Saharan markets has enabled economies to maintain relative levels of resilience and maintain open and active markets to support economic recoveries. Letshego has evolved its Pandemic Response Plan by providing support for the initiatives that delivered vaccines to all its employees, as well as creating a safe and healthy working environment by mandating that all on-premises employees are vaccinated.

From a macroeconomic perspective, Sub-Saharan Africa is on baseline basis, expected to continue on an economic recovery trajectory in 2022. However, the pace of economic recovery will be slower in the near term as recurring pandemic waves disrupt domestic activity, supply chain bottlenecks continue, and debt burden increase. Elevated geopolitical tensions globally do pose material downside risks to the global economic prospects generally, with pronounced impact on commodity dependent Sub Saharan economies. Inflation pressure, prevailing since 2020 is expected to continue through to the first half of 2022. We expect Governments to review monetary policies to stem inflation. Policy rates are expected to rise in 2022, with currencies under pressure in the near term. The Group remains alert to the fluidity of the macro economic environment and continues to effect forward looking management actions.

33 SUBSEQUENT EVENTS (continued)

Outlook post year-end (contnued)

Impact of Russia – Ukraine war

The ongoing Russia and Ukraine conflict poses significant downside risk to Global economic prospects for 2022 and 2023. The Group assumes a scenario of a lengthy conflict and resultant international response lasting more than six months from the onset of the conflict. In this scenario, Group identifies energy and commodity crisis, food insecurity, aggravated supply chain bottlenecks and heightened risk of cyber war as the immediate ramification of the conflict. Global GDP growth is likely to weaken by at least three percentage points below the baseline forecast for 2022 and only likely to pick up baseline growth trend in the fourth quarter of 2023. Sub Saharan Africa, already trailing global GDP growth since 2021, is also expected to record a disrupted growth momentum in 2022 into 2023 with contraction of at least two percentage points off the baseline forecasts. Beyond energy and commodity crisis, the Group expects costs of agricultural inputs such as fertilizers to rise signicantly, potentially severing Agricultural production for Sub Saharan economies that are agriculture driven. Commodity exporting countries in Sub Saharan countries may become alternative supply sources for Oil & Gas and metals during the period of the conflict but the impact may not be fully offset by the overall stressed global trading conditions and expected run away inflation.

The Group is closely monitoring the stress scenario and constantly simulating impact on its strategy for proactive management response as the conflict evolves.

34 INVESTMENTS IN SUBSIDIARY COMPANIES

The Group determines control over any operating entity largely by virtue of power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to effect the amount of the investor's returns. Details of subsidiaries of the Group are shown below:

Subsidiary company	Country of incorporation	Nature of business	31 December 2021 % holding	31 December 2020 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
Letshego Ghana (Plc)	Ghana	Unsecured consumer lending and deposit licensed	100	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending and deposit licensed	98	98
Letshego Holdings Namibia Limited	Namibia	Unsecured consumer lending and deposit licensed	78	78
ERF 8585 (Pty) Limited	Namibia	Property	100	100
Letshego Microfinance Bank Nigeria (Proprietary) Limited	Nigeria	Unsecured consumer lending and deposit licensed	100	100
Letshego Financial Services Swaziland Limited	Eswatini	Unsecured consumer lending	85	85
Letshego Tanzania Limited (Faidika)	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (Tanzania) Limited	Tanzania	Unsecured consumer lending and deposit licensed	100	100
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Unsecured consumer lending and deposit licensed	100	100

Group Structure

The Group has an intermediate holding company structure in Mauritius and will continue to explore its ownership structure over the years. This does not result in any change in the ultimate ownership of the subsidiaries, it will however allow for a more tax efficient movement of dividends within the Group.

34.1 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 tie back to the segment report (note 30) as it includes an investment property in Namibia.

	31 December 2021 P'000	31 December 2020 P'000
Summarised statement of financial position		
Assets	4,068,106	3,182,318
Liabilities	2,070,605	1,558,691
Net assets	**1,997,501**	**1,623,627**
Accumulated non-controlling interest	**390,119**	**373,881**
Summarised statement of profit or loss and other comprehensive income		
Revenue	630,141	497,570
Profit for the year	226,791	233,849
Profit allocated to non-controlling interest	**49,894**	**52,766**
Dividends paid to non-controlling interest	**31,755**	**16,542**
Summarised statement of cash flows		
Cash flows from operating activities	(527,593)	(60,046)
Cash flows used in investing activities	(6,496)	(2,172)
Cash flows from financing activities	400,637	298,131
	(133,452)	**235,914**

34.1 Non-controlling interest (NCI) (continued)

Non-controlling interest in the below markets are not material to the Group and their carrying values were as follows:

Non-controlling interest	31 December 2021 P'000	31 December 2020 P'000
Letshego Financial Services Lesotho	6,920	8,005
Letshego Financial Services Mozambique, SA	2,674	1,512
Letshego Financial Services Swaziland Limited	28,780	28,732
Letshego Uganda Limited	10,658	5,689
	49,032	**43,938**
Total accumulated non-controlling interest	**439,151**	**417,819**

Significant restrictions
The Group does not have significant restrictions on its ability to access or use its assets to settle liabilities.

35 INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

The table below shows the types of entities that the Group does not consolidate but in which it holds an interest:

Type	Nature and purpose	Interest held by the Group
Comprehensive insurance through cell captive arrangement ("cell captive")	To mitigate against the Group's credit risk in Mozambique and Namibia	The cell captive declares a profit share to Mozambique and Namibia

	31 December 2021 P'000	31 December 2020 P'000
Total assets	218,201	145,897
Total liabilities	95,288	56,295
Net assets	**122,913**	**89,602**

The cell captive is not consolidated as the Group does not have control over these entities. The net assets of the cell captive are included as part of other receivables (receivable from insurance arrangements) and payables (insurance premium payable) as disclosed in note 6 and note 15. There are no significant risks, nor expected changes therein, associated with the Group's interest in the cell captive.

36 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

As at 31 December 2021	Within 12 months P'000	After 12 months P'000	Total P'000
Assets			
Cash and cash equivalents	1,413,500	-	1,413,500
Investment in securities	-	859,496	859,496
Advances to customers	1,856,917	10,018,678	11,875,595
Other receivables	413,411	-	413,411
Financial assets at fair value through profit or loss	370,433	455,659	826,092
Financial assets at fair value through other comprehensive income	71,499	-	71,499
Income tax receivable	134,767	-	134,767
Property and equipment	-	172,822	172,822
Right-of-use assets	-	98,756	98,756
Intangible assets	-	30,040	30,040
Goodwill	-	67,715	67,715
Deferred tax assets	-	95,748	95,748
Total assets	**4,260,527**	**11,798,914**	**16,059,441**
Liabilities			
Financial liabilities at fair value through profit or loss	362,599	446,022	808,621
Customer deposits	979,847	195,739	1,175,586
Cash collateral	21,522	-	21,522
Trade and other payables	965,860	-	965,860
Lease liabilities	20,901	78,745	99,646
Income tax payable	96,268	-	96,268
Borrowings	6,259,429	1,121,339	7,380,768
Deferred tax liabilities	-	5,168	5,168
Total liabilities	**8,706,426**	**1,847,013**	**10,553,439**
Net	**(4,445,899)**	**9,951,900**	**5,506,002**

36 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

As at 31 December 2020	Within 12 months P'000	After 12 months P'000	Total P'000
Assets			
Cash and cash equivalents	1,043,864	-	1,043,864
Advances to customers	853,481	9,308,053	10,161,534
Other receivables	263,202	-	263,202
Financial assets at fair value through profit or loss	140,804	-	140,804
Financial assets at fair value through other comprehensive income	59,408	-	59,408
Income tax receivable	102,633	-	102,633
Property and equipment	-	94,229	94,229
Right-of-use assets	-	131,703	131,703
Intangible assets	-	39,091	39,091
Goodwill	-	65,598	65,598
Deferred tax assets	-	124,139	124,139
Total assets	**2,463,392**	**9,762,813**	**12,226,205**
Liabilities			
Financial liabilities at fair value through profit or loss	152,855	-	152,855
Customer deposits	664,393	-	664,393
Cash collateral	18,838	-	18,838
Trade and other payables	714,548	-	714,548
Lease liabilities	38,208	95,169	133,377
Income tax payable	103,057	-	103,057
Borrowings	4,298,312	1,351,249	5,649,561
Deferred tax liabilities	-	-	-
Total liabilities	**5,990,211**	**1,446,418**	**7,436,629**
Net	**(3,526,819)**	**8,316,395**	**4,789,576**

LETSHEGO HOLDINGS LIMITED

GROUP VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	31 December 2021 P'000	31 December 2020 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	3,110,511	2,712,278
Cost of services	(1,131,677)	(850,964)
Value added services	1,978,834	1,861,314
Fee and commission income	83,681	71,033
Other operating income	284,243	212,536
Other operating costs	(621,775)	(545,500)
Impairment of advances	17,196	(25,771)
	1,742,179	**1,573,612**
Value allocated		
To employees		
Staff costs	546,241	493,497
To expansion and growth		
Retained income	396,610	384,231
Depreciation	35,406	35,406
Amortisation	13,788	14,402
Deferred tax	33,559	-
	479,363	434,039
To Government		
Taxation	383,684	399,434
To providers of capital		
Dividends to shareholders	332,891	246,642
	1,742,179	**1,573,612**

Summary	%	%
Employees	31.4	31.4
Expansion and growth	27.5	27.6
Government	22.0	25.4
Providers of capital	19.1	15.7
	100.0	**100.0**

FIVE YEAR FINANCIAL HISTORY

STATEMENTS OF FINANCIAL POSITION

	2021 December P'000	2020 December P'000	Restated 2019 December P'000	Restated 2018 December P'000	2017 December P'000
Assets					
Cash and cash equivalents	1,413,500	975,656	1,035,513	1,188,402	492,367
Investment in securities	859,496	68,208	-	-	-
Advances to customers	11,875,595	10,161,534	9,071,484	8,698,831	7,768,904
Other receivables	413,411	263,202	247,996	252,491	201,605
Income tax receivable	826,092	140,804	-	-	17,967
Financial assets at fair value through profit or loss	71,499	59,408	53,591	53,591	-
Financial assets at fair value through other comprehensive income	134,767	102,633	82,741	44,829	53,591
Property and equipment	172,822	94,229	99,671	80,532	92,061
Right-of-use assets	98,756	131,703	61,436	-	-
Intangible assets	30,040	39,091	45,221	45,488	55,340
Goodwill	67,715	65,598	68,233	106,229	122,280
Deferred tax assets	95,748	124,139	144,699	201,088	156,655
Total assets	**16,059,441**	**12,226,205**	**10,910,585**	**8,960,770**	**7,821,786**
Liabilities					
Financial liabilities at fair value through profit or loss	808,621	152,855	15,390	13,902	-
Customers deposits	1,175,586	664,393	426,673	497,718	228,432
Cash collateral	21,522	18,838	21,721	27,028	27,319
Trade and other payables	965,860	714,548	553,772	492,584	261,751
Lease liabilities	99,646	201,994	64,760	-	-
Income tax payable	96,268	103,057	239,743	232,132	182,879
Borrowings	7,380,768	5,649,561	4,966,785	5,315,417	3,984,607
Deferred tax liabilities	5,168	-	805	3,205	5,290
Total liabilities	**10,553,439**	**7,505,246**	**6,289,649**	**4,690,278**	**4,690,278**
Shareholders' equity					
Stated capital	882,224	872,169	862,621	862,621	849,845
Foreign currency translation reserve	(557,341)	(885,673)	(675,885)	(653,010)	(680,417)
Legal reserve	265,244	214,835	195,793	73,519	39,607
Fair value adjustment reserve	15,248	5,817	-	-	-
Share based payment reserve	39,907	31,295	24,304	18,089	38,840
Retained earnings	4,421,568	4,133,314	3,823,280	3,454,814	3,709,308
Total equity attributable to equity holders of the company	**5,066,849**	**4,371,757**	**4,230,114**	**3,957,183**	**3,693,353**
Non-controlling interests	439,152	417,819	390,823	333,462	313,309
Total shareholders' equity	**5,506,002**	**4,789,576**	**4,620,936**	**4,290,645**	**4,006,662**
Total equity and liabilities	**16,059,441**	**12,294,823**	**10,910,585**	**8,980,923**	**8,696,940**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2021	2020	2019	2018	2017
Interest income at effective interest rate	3,110,511	2,712,278	2,974,839	2,718,257	2,252,636
Interest expense	(1,131,677)	(850,964)	(923,814)	(709,558)	(470,630)
Net interest income	**1,978,834**	**1,861,314**	**2,051,025**	**1,782,006**	**1,610,767**
Fee and commission income	83,681	71,033	59,451	30,735	38,596
Other operating income	284,243	212,536	273,018	267,421	234,169
Total income	**2,346,758**	**2,144,883**	**2,383,494**	**2,054,771**	**1,845,108**
Employee benefits	(546,241)	(493,497)	(454,023)	(390,177)	(367,057)
Other operating costs	(670,969)	(595,308)	(622,737)	(589,996)	(446,952)
Operating income before impairment	**1,129,548**	**1,056,078**	**1,306,734**	**1,240,762**	**1,128,219**
Expected credit losses / impairment expense	17,196	(25,771)	(169,101)	(361,491)	(237,149)
Operating income before taxation	**1,146,744**	**1,030,307**	**1,137,633**	**1,003,613**	**947,570**
Taxation	(417,243)	(399,434)	(411,295)	(495,091)	(322,367)
Profit for the year	**729,501**	**630,873**	**726,338**	**681,246**	**610,070**
Appropriations					
Dividends	(332,891)	(246,642)	(161,499)	(463,289)	(321,607)
Retained income	**396,610**	**384,231**	**564,839**	**217,957**	**288,463**
Attributable to :					
Equity holders of the parent company	671,554	575,718	652,239	604,481	566,487
Non-controlling interests	57,947	55,155	74,099	76,765	43,583
	729,501	**630,873**	**726,338**	**681,246**	**610,070**

The supplementary information presented does not form part of the annual financial statements of the Group, and is unaudited.

LETSHEGO HOLDINGS LIMITED

ANALYSIS OF SHAREHOLDING

FOR THE YEAR ENDED 31 DECEMBER 2021

Top ten shareholders		**31 December 2021 Shares held ('000) Number**	**%**
• Botswana Life Insurance Limited	Resident	597,236	27.9%
• Botswana Public Officers Pension Fund	Resident	552,137	25.8%
• ADP I Holding 2	Non-resident	180,484	8.4%
• Hitesh Anadkat	Non-resident	63,053	2.9%
• Citi Kuwait Investment Authority	Non-resident	56,183	2.6%
• Business Doctor Investment Limited	Non-resident	51,339	2.4%
• BIFM Professional Local Equity Fund	Resident	38,469	1.8%
• Debswana Pension Fund	Resident	38,095	1.8%
• BIFM Market Linked Fund	Resident	36,281	1.7%
• The Bank of New York Mellow SA/NV as Custodian or Trustee for: Frontaura Global Frontier Fund LLC	Non-resident	32,195	1.5%
		1,645,471	**76.7%**
Other corporate entities, nominees and trusts and individuals		489,351	22.8%
Treasury shares		9,223	0.4%
		2,144,045	**100%**

		31 December 2020 Shares held ('000) Number	**%**
• Botswana Life Insurance (Pty) Ltd	Resident	597,236	27.9
• African Alliance	Resident	293,820	13.7
• Botswana Insurance Fund Management Limited (BIFM)	Resident	274,698	12.8
• ADP I HOLDING 2	Non-resident	180,484	8.4
• Allan Gray	Resident	88,763	4.1
• Investec	Resident	66,163	3.1
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd - Kuwait Investment Authority	Resident	47,870	2.2
• Business Doctor Investment Limited	Non-resident	47,684	2.2
• The Bank of New York Mellon	Non-resident	44,480	2.1
• Hitesh Anadkat	Non-resident	39,885	1.9
		1,681,083	**78.4**
Other corporate entities, nominees and trusts and individuals		448,391	20.9
Treasury shares		14,571	0.7
Total		**2,144,045**	**100.0**

Directors' shareholdings	**31 December 2021 Shares held Number ('000)**	**%**	**31 December 2020 Shares held Number ('000)**	**%**
• Hannington Karuhanga	33	0.0	29	0.0
	33	**0.0**	**29**	**0.0**