LETSHEGO HOLDINGS LIMITED
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

TABLE OF CONTENTS

DIRECTORS' REPORT
For the year ended 31 December 2021

The Board of Directors is pleased to present their report to Shareholders together with the reviewed condensed consolidated financial statements for the year ended 31 December 2021.

1 **Financial results**

The condensed consolidated financial statements adequately disclose the results of the Group's operations for the year ended 31 December 2021.

2 **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 per share) was declared on 25 February 2022 and will be paid on or about 31 May 2022.

3 The below is the change that took place during the current year:

Directors name		
Appointments		**Dates**
Rose Mwaura	Non-executive Director	Appointed 02 December 2021

4 **Independent auditors**

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

5 **Company secretary and registered office**

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

6 **Transfer secretaries**

PricewaterhouseCoopers (Pty) Ltd
Plot 50371
Fairgrounds Office Park
Gaborone, Botswana

7 **Attorneys and legal advisors**

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

8 **Company registration**

Registration Number: UIN BW00000877524

STATEMENT OF DIRECTORS' RESPONSIBILITY
For the year ended 31 December 2021

The directors of Letshego Holdings Limited are responsible for the condensed consolidated financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of these condensed consolidated financial statements using the framework principles, the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34, 'Interim financial reporting'.

All companies within the Group maintain systems of internal control which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of the Group's assets. The directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the condensed consolidated financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditors conduct an examination of the condensed consolidated financial statements in conformity with International Standards on Review Engagements. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors and the Board Audit Committee.

The Board of Directors have reviewed and approved the accompanying condensed consolidated financial statements, set out on pages 5 to 25, for issue on 03 March 2022 and signed on their behalf by:

....	....
E Banda	**A F Okai**
Group Board Chairman	**Group Chief Executive**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	At 31 December 2021 (Reviewed) P'000	At 31 December 2020 (Audited) P'000
ASSETS			
Cash and cash equivalents	2	1,413,500	975,656
Investment in securities	3	859,496	68,208
Advances to customers	4	11,875,595	10,161,534
Other receivables	5	413,411	263,202
Financial assets at fair value through profit or loss	6	612,254	140,804
Financial assets at fair value through other comprehensive income	7	71,499	59,408
Income tax receivable		134,767	102,633
Property, plant and equipment	8	172,822	94,229
Right-of-use assets	9	98,756	131,703
Intangible assets	10	30,040	39,091
Goodwill	11	67,715	65,598
Deferred tax assets		95,748	124,139
Total assets		**15,845,603**	**12,226,205**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities at fair value through profit or loss	12	594,783	152,855
Customer deposits	13	1,175,586	664,393
Cash collateral	14	21,522	18,838
Trade and other payables	15	965,860	714,548
Lease liabilities	16	99,646	133,377
Income tax payable		96,268	103,057
Borrowings	17	7,380,768	5,649,561
Deferred tax liabilities		5,168	-
Total liabilities		**10,339,601**	**7,436,629**
Shareholders' equity			
Stated capital	18	882,224	872,169
Foreign currency translation reserve		(557,341)	(885,673)
Legal reserve		265,244	214,835
Fair value adjustment reserve		15,248	5,817
Share based payment reserve		39,907	31,295
Retained earnings		4,421,568	4,133,314
Total equity attributable to equity holders of the parent company		**5,066,850**	**4,371,757**
Non-controlling interests		439,152	417,819
Total shareholders' equity		**5,506,002**	**4,789,576**
Total liabilities and equity		**15,845,603**	**12,226,205**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	12 months ended 31 December 2021 (Reviewed) P'000	12 months ended 31 December 2020 (Audited) P'000
Interest income at effective interest rate	19	3,110,511	2,712,278
Interest expense at effective interest rate	20	(1,119,108)	(819,324)
Other interest expense	20.1	(12,569)	(31,640)
Net interest income		**1,978,834**	**1,861,314**
Fee and commission income	21	83,681	71,033
Other operating income	22	284,243	212,536
Operating income		**2,346,758**	**2,144,883**
Employee costs	23	(546,241)	(493,497)
Other operating expenses	24	(670,969)	(595,308)
Net income before impairment and taxation		**1,129,548**	**1,056,078**
Expected credit losses	25	17,196	(25,771)
Profit before taxation		**1,146,744**	**1,030,307**
Taxation		(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 interests		57,947	55,155
Profit for the year		**729,501**	**630,873**
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Fair value adjustment of financial asset	7	9,431	5,817
Foreign currency translation differences arising from foreign operations		329,824	(219,197)
Total comprehensive income for the year		**1,068,756**	**417,493**
Attributable to :			
Equity holders of the parent company		1,009,317	371,747
Non-controlling interests		59,439	45,746
Total comprehensive income for the year		**1,068,756**	**417,493**
Weighted average number of shares in issue during the year (millions)		2,134	2,128
Dilution effect - number of shares (millions)		149	99
Number of shares in issue at the end of the year (millions)		2,144	2,144
Basic earnings per share (thebe)		31.5	27.1
Fully diluted earnings per share (thebe)		29.4	25.7

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Stated capital P'000	Retained earnings P'000	Share based payment reserve P'000	Fair value reserve of financial assets at FVOCI P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interest P'000	Total P'000
Balance at 1 January 2020	**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	-	(19,042)	-	-	-	19,042	-	**-**
Recognition of share based payment reserve movement	-	-	16,539	-	-	-	-	**16,539**
New shares issued from long term incentive scheme	9,548	-	(9,548)	-	-	-	-	
Dividends paid by subsidiary to minority interests			-	-	-	-	(18,750)	**(18,750)**
Dividends paid to equity holders		(246,642)	-	-	-	-	-	**(246,642)**
Balance at 31 December 2020 - Audited	**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 from legal reserve	-	(50,409)	-	-	-	50,409	-	-
Recognition of share based payment reserve movement	-	-	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	-	(332,891)	-	-	-	-	-	(332,891)
Balance at 31 December 2021 - Reviewed	**882,224**	**4,421,568**	**39,907**	**15,248**	**(557,341)**	**265,244**	**439,152**	**5,506,002**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	12 months ended 31 December 2021 (Reviewed) P'000	12 months ended 31 December 2020 (Audited) 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, depreciation, right of use assets and disposals		101,143	85,674
: Impairment and write off charge		161,121	224,400
Movement in working capital and other changes		(1,482,111)	(1,153,479)
Cash used in operations		(2,051,937)	(1,674,412)
Interest received		3,110,511	2,712,278
Interest paid		(1,119,108)	(837,911)
Income tax paid		(425,271)	(536,257)
Net cash flows used in operating activities		(485,805)	(336,303)
Investing activities			
Purchase of treasury bills		(791,288)	(68,208)
Purchase of property, plant and equipment		(112,908)	(41,200)
Purchase of intangible assets		(2,926)	(4,120)
Net cash flows used in investing activities		(907,122)	(113,528)
Financing activities			
Dividends paid to equity holders and subsidiary non-controlling interest		(370,997)	(265,392)
Payment of capital and interest on leases	16	(62,969)	(49,886)
Finance obtained from third parties		2,817,052	1,273,785
Repayment of borrowings		(636,976)	(519,042)
Net cash flows generated from financing activities		1,746,110	439,465
Net movement in cash and cash equivalents		353,183	(10,365)
Cash and cash equivalents at the beginning of the year		918,326	972,123
Effect of exchange rate changes on cash and cash equivalents		83,785	(43,432)
Cash and cash equivalents at the end of the year	2	**1,355,294**	**918,326**

SEGMENTAL REPORTING
For the year ended 31 December 2021

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. All operating segments used by the Group meet the definition of a reportable segment.

The Group's geographical operating segments are reported below:

Reportable segments 31 December 2021	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company and 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	**3,149,434**	**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**	**15,845,603**
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	**1,475,064**	**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**	**10,339,601**

SEGMENTAL REPORTING (CONT'D)
For the year ended 31 December 2021

Reportable segments 31 December 2020	Botswana	Namibia	Mozambique	Lesotho	Eswatini	Kenya	Rwanda	Uganda	Tanzania	Nigeria	Ghana	Holding company and 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													(399,434)
Profit - consolidated													**630,873**
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**

SIGNIFICANT ACCOUNTING POLICIES
For the year ended 31 December 2021

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Tower C, Zambezi Towers, Plot 54352, Central Business District (CBD), Gaborone, Botswana. The condensed consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors as well as provision of loans to MSE entities.

The condensed consolidated financial statements for the year ended 31 December 2021 have been approved for issue by the Board of Directors on 25 February 2022.

Basis of preparation

These condensed consolidated financial statements for the year ended 31 December 2021 have been prepared using the framework principles, the recognition and measurement principles of IFRS and contain the presentation and disclosures required by IAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRS and the accounting policies adopted are consistent with those of the previous financial year, expect for the adoption of new standards outlined below.

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

New Standards, Interpretations and Amendments adopted by Group

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021:

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

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to the RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Group may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Group may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Group reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Group is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

Refer to Note 31.3 for related IBOR Reform disclosures on risks related to non-derivative financial instruments and derivatives identified at 31 December 2021.

Several other amendments apply for the first time in 2021, but do not have an impact on the condensed consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Use of judgements and estimates

The preparation of 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 recognized 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated annual financial statements of the Group for the year ended 31 December 2020.

Goodwill impairment assessment

Key assumptions in the assessment of goodwill include inflation rates, long-term growth and discount rates. Goodwill was assessed for Namibia, Ghana, Kenya and Tanzania at 31 December 2021. All subsidiaries were profitable with positive growth rates expected, and indicated sufficient headroom to cushion against any future variations or pressures. Based on current information, we do not know of any material impact of changes to business operations that may arise.

Deferred tax asset recoverability

The two main areas of judgement on deferred tax recoverability, relate to the timing differences on portfolio provisions and recognition of deferred tax assets on tax losses. Based on our assessments and financial forecast beyond December 2021 the Group expects to generate sufficient taxable profits and utilise these temporary differences and tax losses before they fall away.

Expected credit losses

The high level of uncertainties due to the unpredictable outcome of this pandemic make it difficult to estimate the financial effects of the outbreak. The significant estimates and judgements applied to determine the financial position at 31 December 2021 have been included as part of the accounting policies of the Group. The estimates applied, relating to the calculation of Expected Credit Losses, were based on forward looking factors referencing a range of forecast economic conditions as at that date.

The impact of Covid-19 in December 2021 is implicitly incorporated in the forecast macroeconomic variables used in LGD and PD modeling, for base case ECL. However, given the severity of the third wave and the resurgence of the new variants, Letshego Group expect a downside scenario in some of our markets. Therefore, based on our standard stress testing weightings, the worst case / downturn scenario has been assigned the heaviest weighting for all the portfolios' probability weighted expected credit losses (PWECL).

All forward-looking statements in these condensed consolidated financial statements expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the business environment and the future financial performance of Letshego Holdings Group and actual results may differ materially from those expressed in the forward-looking statements.

The estimates relating to the calculation of ECL are based on forward-looking factors referencing a range of forecast economic conditions. The unpredictable and evolving outcomes of this pandemic therefore make it difficult to estimate the financial effects of the outbreak.

	Upside assumptions	**Downside assumptions**
Probability of default	A distribution of PDs for each portfolio was constructed and all the PDs were capped at the 25th percentile of each Portfolio's PD distribution, or better	A distribution of PDs for each portfolio was constructed and all the PDs were floored at the 75th percentile of each Portfolio's PD distribution, or worse
Loss given default	The LGDs for each portfolio were reduced by 10%	The LGDs for each portfolio were increased by 10%

1 Financial Instruments

1.1 Expected credit losses as at 31 December 2021

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

Operating Segments 31 December 2021 P'000	IFRS 9 ECL Provisions at 31 December 2021 - (Reviewed)				IFRS 9 ECL Provisions at 31 December 2020 - (Audited)			
	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 remains low as business credit quality remains resilient during covid-19 and Loan loss rate remains within Group Appetite. Full year impairment (IS) is a write back of P6.9 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 P76 million for one Single Exposure Limit in Kenya that had been absorbed at 100% provisions loss in 2018 . This recovery has lead to overall stage 3/NPL coverages moving from 92% in 2020 to 75% for full year 2021 .
The annualized loan loss rate (LLR) for FY 2021 is -0.1%, normalized LLR excluding Chase bank 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's was 75% as NPL levels stabilize and improve 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.

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, write back on a Single exposure asset in East Africa and inclusion of collateral for MSE secured loans ECL models .

Measure	FY2021	FY2020	FY2019	FY2018	FY 2017
Gross Loan Book Balance in P'm	12,438	10,740	9,833	9,542	8,171
Portfolio at risk – 30 days	9.2%	8.3%	10.0%	10.4%	9.9%
Portfolio at risk – 90 days (NPL)	5.9%	5.3%	6.9%	7.1%	6.8%
Post Write off Recoveries in the year in P'm	207	199	184	147	140
Loan loss rate – actual	-0.1%	0.3%	1.7%	4.1%	3.1%
Loan loss rate – excl. once-off items	0.6%	1.8%	1.7%	2.0%	2.5%
Non-performing loan coverage ratio	75%	98%	112%	115%	70%

Overall Expected Credit Losses in December 2021 closed at P564 million, which is a decrease from P578 million in December 2020 . This is in line with improvement in asset quality driven by material once off write back on single high exposure asset in East Africa (P76 million). Letshego had taken a 100% provision in 2018 on this asset despite it being current and cash covered .

As at 31 December 2021, the Group did not pass any additional provisions as management actions were adequate to address any future Covid-19 induced losses The impact of the Covid-19 pandemic is a significant matter for current year reporting. The outbreak affected most businesses across the continent and the world at large. Letshego's operations were also affected as a result of the lockdowns introduced by governments to protect its 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 were 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 and these amounted to P9.1 million. These were mainly from the Educational sector and 100% of the MSE portfolio.

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 P5 million - P10 million. Alternatively a 5% decrease in LGD and PD will result in a release of expected credit losses of P5 million - P10 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2021

1 Financial Instruments (continued)

1.2 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	10,862,691	9,439,020
Of which stage 2	567,473	423,046
Of which stage 3	445,431	299,468
Impairment (ECL) Coverage Ratio	**5%**	**5%**
Stage 3 Coverage Ratio	**73%**	**98%**

1.3 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. Additionally Macroeconomic factors are updated to align to Fitch Solutions revised forecasts at every recaliberation period

Loss given default (LGD)

LGDs between April 2021 and Oct 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. Additionally 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.

1.4 Macroeconomic analysis

IMF raised its 2022 Global GDP growth forecast by 0.5% to 4.9% but retained 2021 projection at 6.0% . We are therefore expecting further divergence in economic recovery due to uneven vaccine access and policy support . IMF for SSA is projecting sustained recovery in economic activities in 2021-
2022. This is supported by :
1) improvement in the global economy and
2) And a sharp rise in commodity prices .

Unemployment rate in the formal sector to decline slowly in 2021 /2022. Jobs in the informal sector will rebound faster with continued relaxation of Covid restictions and availability of vaccines.

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

Macroeconomic Indicators: 2020 - 2021

1 Financial Instruments (continued)

1.4 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-Saharain countries.

Unemployment rate

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 macroeconomi 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 on estimate of ECL

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

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

1.5 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 inline with Fitch Solutions' revised outlook for the year ending 31 December 2021.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the year 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 in the last reporting cycle were 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio.Refreshed asssessment used the higher end of risk weightings hence as at December 2021 the weightings used are 30%,20%,50%.*

1 Financial Instruments (continued)

1.5 Expected credit losses: Forward looking (continued)

The total weighted impact of P10.3m 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**	**584,328**	**10,317**

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.

	At 31 Dec 2021 (Reviewed) P'000	At 31 Dec 2020 (Audited) P'000
2 Cash and cash equivalents		
Cash at bank and in hand	1,217,269	850,076
Statutory cash reserve	58,206	57,330
Short term investments	138,025	68,250
	1,413,500	975,656
Cash and cash equivalents for the purpose of the statement of cash flows	1,355,294	918,326

Statutory cash reserve relates to cash held by the Central Bank for the respective deposit taking subsidiaries based on a percentage of the average customer deposits and therefore are not available for day to day operations.

3 Investment securities		
Government and Corporate bonds : 2 - 5 year fixed rate notes	832,116	68,208
Government and Corporate bonds : Above 5 year fixed rate notes	27,380	-
	859,496	68,208

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.

4 Advances to customers		
Gross loans and 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

5 Other receivables		
Deposits and prepayments	82,120	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	11,358	4,430
	413,411	263,202

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

6 Financial assets at fair value through profit or loss		
Foreign currency swap	607,234	140,804
Interest rate currency swaps	5,020	
	612,254	140,804

This relates to 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 11.

The P5.02 million relates to currency swap agreements with a local financial institution in respect of foreign currency denominated funding denominated in US Dollars and Euro. The currency swap hedges the variable factor of the capital and interest coupons payable on these funding lines.

7 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 at	9,431	5,817

The Group entered into a strategic partnership with a financial services organisation in 2016 at P53.6 million. A fair value assessment is performed annually. During the a company valuation of the financial services organisation was carried out during a rights issue and based on this the value of the Group's investment was P71.5 million. This resulted in a fair value gain of P12.09 million recognised in the current year.

8 Property, plant and equipment

	Carrying amount at 01 Jan 2021	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2021
Motor vehicles	5,093	2,750	-	(595)	(2,643)	704	5,309
Computer equipment	32,511	15,218	446	(305)	(24,378)	2,219	25,711
Office furniture and equipment	29,409	10,283	-	(1,424)	(10,617)	2,562	30,213
Land and building	16,824	-	-	-	-	62	16,886
Work in progress	10,392	84,657	(715)	-	-	369	94,703
	94,229	112,908	(269)	(2,324)	(37,638)	5,916	172,822

At the end of Q4 the Group Head Office and Botswana subsidiary relocated to new offices located at the Central Business District (CBD) - Zambezi Towers. At the end of the year the relocation and office renovations were on-going and therefore the assets was not in a condition necessary for it to be capable of operating in the manner intended by Management and therefore all related costs to this project form part of work in progress.

	Carrying amount at 01 Jan 2020	Additions	Transfers	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2020
Motor vehicles	5,772	1,938	539	(435)	(2,406)	(315)	5,093
Computer equipment	42,111	19,680	(5,190)	(8)	(21,673)	(2,409)	32,511
Office furniture and equipment	25,949	10,138	4,561	(239)	(11,327)	327	29,409
Land and building	18,739	-	-	-	-	(1,915)	16,824
Work in progress	7,100	9,444	(5,243)	-	-	(909)	10,392
	99,671	41,200	(5,333)	(682)	(35,406)	(5,221)	94,229

9 Right-of-use assets

	Carrying amount at 01 Jan 2021	Additions	Modifications	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2021
Property	131,703	26,328	(14,601)	-	(47,255)	2,581	98,756
	131,703	26,328	(14,601)	-	(47,255)	2,581	98,756

During the current year there was a remeasurement of the Head-office lease liability due to a revision of the lease terms of the new Head Office. This resulted in the modication adjustment noted above.

	Carrying amount at 01 Jan 2020	Additions	Modifications	Disposal	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2020
Property	61,436	111,863	-	-	(35,183)	(6,413)	131,703
	61,436	111,863	-	-	(35,183)	(6,413)	131,703

10 Intangible assets

	Carrying amount at 01 Jan 2021	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 31 Dec 2021
Computer software	35,926	2,926	284	(138)	(12,684)	1,578	27,892
Brand value	1,197	-	-	-	(392)	21	826
Core deposit	1,968	-	-	-	(712)	66	1,322
	39,091	2,926	284	(138)	(13,788)	1,665	30,040

	Carrying amount at 01 Jan 2020	Additions	Transfers	Disposal	Amortization charge	Forex translation	Carrying amount at 31 Dec 2020
Computer software	40,848	4,120	5,333	-	(13,343)	(1,032)	35,926
Brand value	1,618	-	-	-	(470)	49	1,197
Core deposit	2,755	-	-	-	(589)	(198)	1,968
	45,221	4,120	5,333	-	(14,402)	(1,181)	39,091

	At 31 Dec 2021 (Reviewed) P'000	At 31 Dec 2020 (Audited) P'000
11 Goodwill		
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22,537	22,489
Letshego Tanzania Limited	2,066	1,886
Letshego Kenya Limited	32,885	31,349
AFB Ghana Plc	10,227	9,874
	67,715	**65,598**

The Group performs its impairment test annually. The Group assesses the recoverable amount of goodwill in respect of all cash generating units in order to determine indications of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2020. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies.

In light of current economic factors, as a result of Covid-19, the Group performed an impairment assessment as at 31 December 2021 for all the above cash generating units and no indications of impairment were noted.

	At 31 Dec 2021 (Reviewed) P'000	At 31 Dec 2020 (Audited) P'000
12 Financial liabilities at fair value through profit or loss		
Foreign currency swaps	594,783	144,649
Interest rate currency swaps	-	8,206
	594,783	152,855

In the current year P594.8 million relates to foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amounts in another currency to reduce its exposure on currency risk (the assets is disclosed in note 5).

13 Customer deposits		
Demand accounts	38,501	106,384
Savings accounts	395,319	107,669
Call and term deposits	741,766	450,340
	1,175,586	664,393
14 Cash collateral		
Cash collateral on loans and advances	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.

15 Trade and other payables	**At 31 Dec 2021 (Reviewed) P'000**	**At 31 Dec 2020 (Audited) P'000**
Insurance premium payable	142,839	146,530
Payroll related accruals	14,400	14,204
Staff incentive accrual	87,888	75,968
Other provisions	29,295	58,167
Guarantee funds	546,039	291,961
Trade and other payables	124,493	94,818
Value added tax / withholding tax payable	20,906	32,900
	965,860	714,548

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

16 Lease liabilities	**Carrying amount at 01 Jan 2021**	**Additions**	**Modifications**	**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

During the current year there was a remeasurement of the Head-office lease liability due to a revision of the lease terms of the new Head Office. This resulted in the modication adjustment noted above.

	Carrying amount at 01 Jan 2020	**Additions**	**Modifications**	**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

Refer to the 31 December 2020 annual financial statements for the full year movements.

	31 Dec 2021 (Reviewed) P'000	**31 Dec 2020 (Audited) P'000**
The following are the amounts recognised in the 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
Total amount recognised in the profit or loss	70,237	58,413

17 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
	7,380,768	5,649,561

18 Stated capital		
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

In terms of the Group's long term incentive plan, shares of P10.06 million (December 2020: P9.55 million) vested at Group level during the year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTD.)
For the year ended 31 December 2021

		12 months ended 31 Dec 2021 (Reviewed) P'000	12 months ended 31 Dec 2020 (Audited) P'000
19	**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	42,057	22,152
		3,110,511	2,712,278
20	**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
20.1	**Other interest expense**		
	Interest expense on leases	14,930	13,053
	Foreign exchange (gain) / loss	(2,361)	18,587
		12,569	31,640
		1,131,677	850,964
21	**Fee and commission income**		
	Administration fees - lending	68,310	64,443
	Credit life insurance commission	15,371	6,590
		83,681	71,033
22	**Other operating income**		
	Early settlement fees	53,805	42,156
	Income from insurance arrangements	200,664	153,925
	Market to market gain on foreign currency swaps	13,226	7,184
	Sundry income	16,548	9,271
		284,243	212,536
23	**Employee costs**		
	Salaries and wages	411,292	361,782
	Staff incentive	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
24	**Other operating expenses**		
	Accounting and secretarial fees	764	641
	Advertising	26,656	22,078
	Audit fees	6,661	5,732
	- Audit services	6,514	5,575
	- Covenant compliance fees	147	157
	Bank charges	8,693	10,497
	Computer expenses	13,139	17,005
	Consultancy fees	49,805	59,650
	Corporate social responsibility	1,689	4,912
	Collection commission	75,909	61,033
	Direct costs	36,844	50,305
	Direct costs - informal loans	23,922	22,969
	Depreciation and amortization	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 fees - customer short term	55,194	-
	Office expenses	22,500	23,161
	Rental expense for low value assets	6,638	7,325
	Short term leases	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 and intangible assets	2,462	683
	- 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

	12 months ended 31 Dec 2021 (Reviewed) P'000	12 months ended 31 Dec 2020 (Audited) P'000
25 Expected credit losses		
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

26 Contingent liabilities

There are no significant contingent liabilities as at 31 December 2021.

27 Capital commitments

At 31 December 2021 the commitments for capital expenditure under contract amounted to P15m (2020: P32m).

28 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 59% 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.

	12 months ended 31 Dec 2021 (Reviewed) P'000	12 months ended 31 Dec 2020 (Audited) P'000
Compensation paid to key management personnel (executive directors)		
Paid during the period		
- Short-term employee benefits	7,978	9,270
	7,978	9,270

In terms of the Long Term Incentive Scheme there were no awards that vested and were granted to executive directors relating to the 31 December 2021 and 2020 financial years.

29 Events occurring after reporting date

Dividend declaration

A final dividend of 9.7 thebe per share was declared on 25 February 2022.

30 Outlook post year-end

Sub-Saharan Africa, in which all the Group's footprints are, is 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. Rising 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. Currencies will be under pressure in the near term. Group remains alert to the fluidity of the macro economic environment and continues to craft forward looking management actions.

31 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from financial instruments:
- credit risk
- liquidity risk
- market risk
- operational risk

Approach to managing credit risk

The Board of Directors is ultimately responsible for the management of credit risk and has delegated responsibility for the oversight of credit risk to the Group Risk Management Committee and Country Management Committees. It is the responsibility of Group Credit Risk and each CEO to ensure that the Group's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay is complied with at all times. The Group manages credit risk in accordance with its credit risk policies, guidelines and procedures which provide for the maintenance of a strong culture of responsible lending that promotes inclusive finance. Full details of the Group credit risk disclosures should be read in conjunction with the group's annual financial statements as at 31 December 2020. In response to Covid -19, key procedures and processes were revised to address additional challenges arising from the pandemic. These include the following:

- Revision of credit risk appetite and alignement of concentration risk and tolerance levels
- Monthly stress testing
- Revised collections and recoveries strategies inclusive of relationship officers and direct sales agents
- Stakeholder relationship management for government DAS book
- Regulatory relationship management
- Weekly and monthly portfolio quality reviews

Interest rate risk

Governments, including their central banks, have instituted measures to mitigate against the economic effects of the Covid-19 pandemic. A key lever used by those central banks has been the reduction in interest rates to stimulate their economies and these policies have a significant effect on the Group's performance.

The Group's loans and advances to customers, which are contractually fixed-rate in nature, however are noted to behaviourally reprice annually as most of the Group's customers apply for loan top-ups every year. This gives the Group the opportunity to reprice the loans provided to customers in line with changes to reference rates and market conditions. The Group's borrowings amounted to P7.4 billion at 31 December 2021, 63% of which have a variable interest rate.

The Group conducted a sensitivity analysis to assess the impact that a 100 basis points adjustment to reference floating rates would have on the Group's net interest margin. The monthly impact of a 1% increase in floating reference rates of borrowings would result in a P3.9 million monthly decrease in net interest margin. The annualised impact would amount to P46.5 million decrease in net interest margin. Conversely, a reduction of 1% would lead to an increase in net interest margin of a similar value.

The table below shows the effect on profit before taxation, of changes in reference rates from December 2021, assuming the level of borrowings remains the same.

Country	Impact on Profit
	BWP
Botswana	1,953,390
Ghana	665,747
Mozambique	163,753
Namibia	890,818
Swaziland	97,675
Uganda	106,598
Total	**3,877,981**

Average cost of borrowings during Dec 2021 was 9%. Annualised impact of increase in borrowing costs ranging between 2% - 3% due to uncertainties would be P93.1m – P139.6m. This would impact Profit before tax for the period ended 31 December 2021 by 13% - 20%.

Currency risk

Most currencies recovered against the Pula in the first half of 2021 following the waves of COVID-19 pandemic as well as Global political and economic developments.

The Group actively manages foreign currency exposures. At half year there were positions in foreign currency that were converted into alternate currencies on short term deliverable basis to manage the risk of negative foreign currency movement against the base currency (Botswana Pula). These were ZAR and USD positions translated into Pula and disclosed in the annual financial statements as foreign currency swaps.

The Group's main foreign currency exposure is to the South African Rand (ZAR) on both assets and liabilities. The ZAR appreciated by 3% against the BWP from the end of 2020 to 31 December 2021. This impacted the Group's profits by less than 1%. If the ZAR depreciated by 10% - 15% during 2021, this would have resulted in foreign exchange gains of P33m – P50m. Similarly if the ZAR appreciated at the same levels, the impact on the Group's Profit before taxation would an decrease of P33m – P50m.

Other risks

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These should be read in conjunction with the Group's annual financial statements as at 31 December 2020. There have been no changes in the risk management department or in any risk management policies since 31 December 2020.

31.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The following should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

The Board has established the Group Audit and Risk Committee ("GARC"), Group Remuneration Committee ("Remco"), Investment Committee, Group Executive Committee ("Exco") and subsidiary companies' Country Management Committees ("CMC") which are responsible for developing and monitoring Group risk management policies in their respective areas. All Board committees have both executive and non-executive members, apart from the Exco which comprises of executive directors and senior management and reports regularly to the Board of Directors and its sub-committees on their activities.

The Group's Enterprise Risk Management framework is established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

31 FINANCIAL RISK MANAGEMENT

31.2 Financial assets and liabilities measured at fair value

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 includes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

- 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 techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Reconcilation of fair value measurement categorises within level 3 of the fair value hierachy

	31 December 2021 P'000	31 December 2020 P'000
Financial assets - Level 3		
Opening balance	59,408	53,591
Total gain in other comprehensive income	12,091	5,817
	71,499	**59,408**

In December 2021 a company valuation of the financial services organisation was carried out during a rights issue and based on this, the value of the Group's investment was P59.4 million. This resulted in a fair value gain of P12.09 million noted above as and recognised as other comprehensive income.

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 rights issue and changes by 1% - 5%) will result in a fair value gain or loss of P0.7m and P3.6m respectively. In instances where the fair value of this investment does not materially vary to its carrying value, no gains or losses will be recognised in the financial statements.

Financial instruments measured at fair value

Type	Valuation technique		Significant observable / 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.
Financial assets at fair value through OCI	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 per share from a company valuation that was done during a right issue that took place in the current year

	Carrying amount					Fair value			
31-Dec-21	**Fair value -through OCI**	**Fair value -through profit and loss**	**Financial Assets at amortised cost**	**Financial liability at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	P'000	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Financial assets measured at fair value									
Financial assets at fair value through OCI	71,499	-	-	-	71,499	-	-	71,499	71,499
Financial assets at fair value through profit or loss	-	612,254	-	-	612,254	-	612,254	-	612,254
	71,499	612,254	-	-	683,753	-	612,254	71,499	683,753
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1,413,500	-	1,413,500				
Advances to customers	-	-	11,875,595	-	11,875,595				
Other receivables	-	-	330,411	-	330,411				
	-	-	13,619,506	-	13,619,506				
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	-	594,783	-		594,783	-	594,783	-	594,783
	-	594,783	-	-	594,783	-	594,783	-	594,783
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	857,066	857,066				
Customer deposits	-	-	-	1,175,586	1,175,586				
Cash collateral	-	-	-	21,522	21,522				
Borrowings	-	-	-	7,380,768	7,380,768				
	-	-	-	9,434,942	9,434,942				

31 FINANCIAL RISK MANAGEMENT

31.2 Financial assets and liabilities measured at fair value (continued)

	Carrying amount					Fair value			
31-Dec-20	Fair value -through OCI	Fair value -through profit and loss	Financial Assets at amortised cost	Financial liability at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	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	-	-	975,656	-	975,656				
Advances to customers	-	-	10,161,534	-	10,161,534				
Other receivables	-	-	215,496	-	215,496				
	-	-	11,352,686	-	11,352,686				
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				
Customer deposits	-	-	-	664,393	664,393				
Cash collateral	-	-	-	18,838	18,838				
Borrowings	-	-	-	5,649,561	5,649,561				
	-	-	-	6,938,472	6,938,472				

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

31 FINANCIAL RISK MANAGEMENT

31.3 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 discountinued 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	JIBAR	TOTAL
	P'000	P'000	P'000
Derivatives held for risk management			
Total return swap	-	335,575	335,575
Cross currency swaps	664,115	-	664,115
	664,115	**335,575**	**999,690**

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.