INTEGRATED ANNUAL REPORT

2023

Letshego

LETSHEGO AFRICA HOLDINGS LIMITED

Integrated report

SECTION 1

Consolidated annual financial statements

SECTION 2

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ADOBE ACROBAT READER

About this **report**

The Letshego Africa Holdings Limited integrated annual report provides a balanced and accurate assessment of the Group's strategic and financial performance for the period 1 January 2023 to 31 December 2023 to our stakeholders.

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

Boundary and scope

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

Integrated thinking

Our mandate is to provide inclusive financial services and products to under-served individuals, small business owners and communities across our regional footprint. This strategy underpins our purpose to improve lives and remains central to continued enhancements and improvements to the way we work, the platforms and channels we use and how we make decisions.

Our strategy is designed to achieve a sustainable competitive advantage for our pan-African Group and deliver sustainable returns in the long term. The execution of our strategy is supported by corporate governance structures, processes and controls that have been developed in line with global best practice and are regularly reviewed to achieve continual improvement. Our Sustainability Framework, including our environmental, social and governance (ESG) strategy, continues to evolve and is becoming an integrated asset and differentiator for how we do business on the continent. Together, our strategy, corporate governance, commitment to sustainable business practices and stakeholder relationships will advance new and tangible value creation and preservation, and guard against the erosion of achieved value.

Disclosure

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

The report complies with the Botswana Companies Act, the Botswana Stock Exchange (BSE) Equity Listings Requirements, and the Debt Listing Requirements of the JSE Limited. The reporting frameworks applied in the preparation of this report include the principles of the International Integrated Reporting Framework (January 2021), the King Report on Corporate Governance for South Africa (2016) (King IV ™ [1]), and the International Financial Reporting Standards (IFRS®) Accounting Standards.

This report is split into **two sections** comprising:

SECTION

1 Integrated report

2 Annual financial statements

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

Unless otherwise indicated, all monetary values used in this report are in Botswana Pula (P or BWP).

Materiality

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

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

Time horizons

SHORT TERM – **2024**, in which we will continue to drive our digital transformation.

MEDIUM TERM – **2025 to 2026**, with 2025 being the year in which we aim to achieve our strategic targets.

LONG TERM – **beyond 2026**, we will drive positive impacts that improve lives and contribute to the United Nations Sustainable Development Goals (UN SDGs).

Restatements or reporting changes

While the nature of the content in this year's integrated report remains largely unchanged from that of 2022, the structure of the report has been refined to simplify the information for more meaningful disclosure.

The Group's auditors determined that loans in the Stage 3 maturity bucket should not be discounted in the calculation of expected credit losses (ECLs). While this is an area of judgement and subject to different interpretations, the Group agreed to accept the auditor's view of this estimate, to be more prudent in the calculation of ECLs. This was re-worked for 2023 and prior years and applied retrospectively as required by accounting standards, resulting in a P128 million ECL adjustment in the current year and a restatement of prior year financials. Further to this, in 2023, a number of professional organisations outside of Ghana, including global accountancy firms, determined Ghana to be a hyperinflationary economy, although this is disputed by the Institute of Chartered Accountants of Ghana (ICAG). The Group was required to adjust for this in accordance with IAS29 Financial Reporting in Hyperinflationary Economies, resulting impacting the Group's profitability with inflation adjustments amounting to P128 million. Further information relating to financial restatements or reporting changes can be found in section 2 annual financial statements.

Process disclosure

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

- A cross-functional and cross-regional team led by the Group Head of Corporate Affairs ensures that an effective report preparation process is followed.
- Information included in this report is sourced from a range of internal and external sources of information.
- Certain Board subcommittees review various sections of the annual financial statements to ensure their integrity and recommend them to the Board for approval.

Assurance

Assurance on financial information has been obtained in line with our combined assurance model.

EY conducted independent external assurance on the Group's consolidated annual financial statement and provided an unqualified opinion. The Group's internal audit function provided independent and objective assurance to the Group Audit Committee in accordance with the internal audit standards set by the Institute of Internal Auditors and in line with internal audit methodology.

Approval

The Board is ultimately responsible for ensuring the integrity and completeness of the integrated report. It has appropriately considered the accuracy and completeness of the material matters, as well as the reliability of all data and information presented in this report and has approved the Group's annual financial statements for the year ended 31 December 2023. In the Board's opinion, it has fulfilled its responsibilities in terms of the recommendations of King IV and believes that the integrated report has been prepared in accordance with the International Integrated Reporting Framework in all material respects.

On behalf of the Board:

Philip Odera
Group Chairman

Signatures removed for security purposes.

Feedback on this report We welcome our feedback on this report. Please email your comments to the Group's Company Secretary at **GroupCompanySecretary@letshego.com**

1 *King IV Report on Corporate Governance 2016. Copyright and trademarks are owned by the Institute of Directors in Southern Africa and all of its rights are reserved.*

Who we are

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

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

Letshego at a glance

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

Our vision

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

Our mantra

- Simplicity
- Focus
- Discipline

Our values

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

- Ubuntu
- Thrive because of diversity
- Take full ownership
- Be curious and forward thinking

Asset base over **USD1 billion**

1 375 employees
(2022: 1 705 employees)

More than **7.7 million customers**
(2022: 6.6 million)

6.8 million lending customers
(2022: 5.8 million)

1 000 037 savings customers
(2022: 894 541)

CORE BUSINESS HIGHLIGHTS

Deduction at Source (DAS) loan book
P11 872 million
(2022: P11 332 million)
UP **5%**

Mobile loans book
P803 million
(2022: P421 million)
UP **90%**

Customer deposits
P 1 537 million
(2022: P1 121 million)
UP **37%**

Insurance revenue
P373 million
(2022: P250 million)
UP **49%**

Interest income
P3 425 million
(2022: P3 146 million)
UP **9%**

Non-funded income
(excluding FX gains)
P514 million
(2022: P439 million)
UP **17%**

25-YEAR MILESTONES

1998

Inception
Letshego Botswana was established with private investor support to provide loans to low- and middle-income earners in the civil service sector. Our services met the needs of the underbanked, who were unable to access credit from traditional financial institutions and banks. Before long, we found that demand for our solutions exceeded our liquidity.

2002

Listing
Letshego successfully lists on the Botswana Stock Exchange

2005 – 2016

Growth and expansion
Africa's diversification strategy gains momentum

- **2005** Opened the first subsidiary in Uganda
- **2006** Opened in Tanzania and Eswatini
- **2008** Acquired EduLoan Namibia
- **2011** Opened in Mozambique
- **2012** Opened in Lesotho and acquired banking entities in Kenya and Rwanda
- **2015** Acquired entities in Tanzania and Nigeria
- **2016** Obtained banking licences in Namibia and Mozambique

Letshego reaches P2 billion revenue

2017
Listed the Namibia business on the Namibia Stock Exchange and acquired Ghana business

2018
Celebrated 20 years

2020
Launched Transformation Strategy and digitised all channels

2021
Launched the LetsGo Digital Mall and initiated a programmatic approach as a dedicated green and social impact portfolio

2022
Launched five value streams via the Digital Mall

2023
- Celebrated 25 years of improving lives
- Renamed to Letshego Africa Holdings Limited
- Merged the Tanzania entities into Letshego Faidika Bank
- Letshego Mozambique's inaugural debt listing is largest corporate raising event in the history of Mozambique's bond market
- Defined and launched a new Culture Blueprint
- Extended Solar Financing offering in Nigeria
- Established a Group Sustainability Management Committee and operationalised ESG

Recognition

- Letshego Namibia wins 2023 Best Locally Listed Company Award
- Letshego Microfinance Bank Nigeria named Affirmative Finance Action for Women in Africa initiative's first AFAWA Bank of the Year at African Business Awards
- Letshego Ghana received the Women's Financial Solutions Institution of the year award at the Women's Choice Awards
- Letshego Uganda wins a Digital Impact Award for Customer Financial Inclusion

Our **business** model

RESOURCES		Inputs	Constraints and challenges
FINANCIAL	**The pool of funds that support our business operations.**	▶ Focused balance sheet management ▶ P4.9 billion equity capital *(2022: P5.6 billion)* ▶ P9.6 billion debt capital *(2022: P8.0 billion)* ▶ P1.54 billion customer deposits *(2022: P1.12 billion)* ▶ Accessing sustainability-linked funding	▶ An uncertain economic environment ▶ Investing in digitisation and growth while retaining the long-term support of our providers of capital
HUMAN	**The capabilities, experience and innovation of our employees, who drive the achievement of our Transformation Strategy.**	▶ Experienced and ethical leadership team ▶ Innovative and high-performance culture ▶ 1 375 skilled permanent employees *(2022: 1 705)* ▶ P5.2 million training and development spend *(2022: P5.1 million)*	▶ Attracting and retaining scarce talent in an environment characterised by fierce competition for skills ▶ Maintaining a motivated workforce when there is a risk of change fatigue among employees
MANUFACTURED	**The facilities and general infrastructure that support our business operations.**	▶ 707 physical access points *(2022: 903)* ▶ P26 million invested in physical infrastructure, including upgrading our branches *(2022: P72 million)* ▶ Digital platforms supported by information technology and enterprise infrastructure	▶ Balancing our physical footprint with digital customer access
INTELLECTUAL	**The institutional knowledge and experience that protects our reputation and drives our competitive advantage.**	▶ A trustworthy brand that resonates with customers ▶ P120 million invested in our digital transformation, including enhancements to the LetsGo Digital Mall *(2022: P223 million)* ▶ Ongoing market and data analysis supports our offerings	▶ Regulation associated with new business development ▶ Automating routine tasks may reduce the need for certain roles as efficiencies are improved
SOCIAL AND RELATIONSHIP	**Our relationships and partnerships with key stakeholder groups.**	▶ Quality of our stakeholder relationships ▶ Business activities that deliver a positive social impact ▶ Responsible ESG practices ▶ Green funding options provided to Affordable Housing customers	▶ Balancing the diverse interests of key stakeholder groups
NATURAL	**The renewable and non-renewable natural resources needed for everyday activities.**	▶ Water usage ▶ Energy consumed (electricity and fuel)	▶ Responsibly manage the impact of our business activities on the environment

OUR CONTEXT

Our stakeholders

▶ A deep understanding of our stakeholders enables us to respond appropriately to their needs and expectations and thereby shape our strategy and operations to deliver enhanced and tangible value.

Our key relationships: Page 12.

Our operating context and related risks and opportunities

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

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

Our operating context: Page 10.

OUR APPROACH

Our strategy and 6-2-5 execution roadmap

▶ Our strategy enables us to achieve our vision: to be a world-class retail financial services organisation that meets the needs of mass and middle-income individuals and MSEs.

▶ We prioritise five strategic conversations for our Transformation Strategy – Product diversification, Digitalisation, Geographic rebalancing, Execution engine and Sustainable stakeholder value.

▶ Our 6-2-5 execution roadmap focuses on what we will deliver over time.
- 6: Strengthening our foundation (productivity of solutions).
- 2: Become customer-led (invest in transformative technologies).
- 5: Create the future organisation (leverage platform thinking).

Our strategy: Page 16.

OUR CONTEXT

Page 10.

OUR APPROACH

Page 20.

OUR OUTPUTS AND ACTIVITIES

OUR VALUE STREAMS

Product diversification: Page 38.

LetsGo borrow – LENDING

ACCESS TO FUNDING
We offer loans at affordable interest rates and focus on the productive use of funding.

LetsGo save – SAVINGS

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

LetsGo pay – PAYMENTS

SIMPLE AND SECURE PAYMENTS
We support access and safer transacting for customers to make payments, send and receive money and save and borrow at their convenience.

LetsGo insure – INSURANCE

PROTECTING AGAINST RISKS
We offer a comprehensive range of insurance offerings, including digital and embedded insurance products in key markets, providing instant access to insurance.

LetsGo live – LIFESTYLE

BEYOND BANKING
We are extending our offering beyond banking.

OUR MANAGEMENT SYSTEMS

Support functions
- People and culture
- Transformative technologies
- Strategic partners

Control functions
- Compliance management
- Risk management
- Internal assurance (audit)

Corporate governance
- Oversight of strategic execution
- Setting an ethical tone

Governance: Page 94.

OUR OUTCOMES FOR...

CUSTOMERS
- Access to a wide range of financial solutions that are simple, appropriate and accessible from multiple, convenient and easy-to-use digital channels.
- Customised solutions that support MSE growth.
- An agile organisation able to respond quickly to changing consumer needs.
- Customised credit scoring tools that support access to credit for more customers.
- Exceptional customer experience delivered on digital platforms and by trained and knowledgeable employees who are supported by data analytics that provide an enhanced understanding of our customers.

EMPLOYEES
- A safe working environment and access to employee wellness programmes.
- Opportunities to advance careers and professional development while upskilling to digitally enabled ways of working.
- 37% employee turnover rate (2022: 13%).
- P612 million paid in salaries and benefits (2022: P586 million).
- 90% of employees received training (2022: 82%), with
- 2 784 learning hours completed (2022: 22 627).
- Women comprise 42% of the workforce (2022: 48%).

INVESTORS AND FUNDERS
- A Transformation Strategy that will develop distinctive capabilities that create a competitive advantage.
- Disciplined capital allocation through a capital optimisation plan.
- Strong balance sheet supporting the growth of our competitive market position.
- A corporate mandate that strongly focuses on financial inclusion and related positive social impacts, supporting our social licence to operate.
- Cost-to-income ratio of 75% (2022 restated: 61%).
- Total assets of P18.1 billion, up 8%.
- Capitalisation ratio of 24% (2022 restated: 30%)

STRATEGIC PARTNERS
- Mutual benefits and profitability enhanced by shared markets, services and technology.
- Well-designed enterprise and IT infrastructure that supports quick deployment of partner technologies.

GOVERNMENTS AND REGULATORS
- Taxes paid of P321 million (2022: P345 million).
- Ethical culture ensuring material compliance with relevant legislation, governance frameworks and industry standards.
- Ongoing collaboration with industry and regulatory working groups and governments to strengthen the financial services sectors in our markets of operation.

COMMUNITIES
- Our programmatic lending approach which supports access to affordable housing, healthcare, education and agriculture funding.
- Hiring locally in our markets of operation, supporting over 2 500 jobs, including direct and indirect sales agents.
- Invested P2.5 million in corporate social investment initiatives (2022: P2.0 million).
- Responsible waste and emissions management with a focus on sustainable use of natural resources.

Our **operating** context

In a dynamic and interconnected business landscape, a comprehensive understanding of the operating context is crucial for organisational success.

The multitude of external factors and conditions that can influence a business's operations, performance, and sustainability stem from diverse sources, including economic, political, social, technological, environmental, and regulatory factors. By adeptly navigating these complexities, we bolster our ability to predict and respond to challenges, seize opportunities, and foster sustainable growth over time.

FLUID MACROECONOMIC ENVIRONMENT

Sub-Saharan Africa's economic environment is diverse and dynamic, shaped by a combination of factors including natural resources, demographics, governance, infrastructure, and external influences. Although the region's economic recovery slowed for the second year in a row, the economic outlook remains positive, although growth is likely to remain uneven across the region. Monetary and fiscal policies varied materially across as sovereigns responded variously to local economic challenges and prevailing headwinds during the year. Ripples from geopolitical tensions, rising risk of debt distress, and climate-related shocks are the main risk vulnerabilities to the region's economic prospects in the near term.

Opportunities

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

TOP BUSINESS RISKS

- Credit risk.
- Market risk.
- IT and Cybersecurity risk.
- Compliance risk.
- Operational risk.

OUR RESPONSE

- Our Transformation Strategy and 6-2-5 execution roadmap.
- Our dynamic Enterprise Risk Management Framework.
- Our people, culture and risk infrastructure.

RAPID TECHNOLOGICAL ADVANCES

Africa has seen significant advancements in technology in recent years, driven by a combination of factors including increased access to mobile phones and the internet, growing tech entrepreneurship, and investment in infrastructure. Digital technology has the potential to drive socio-economic growth, improve living standards, and address longstanding challenges across various sectors.

Africa has leapfrogged traditional landline telecommunications infrastructure and embraced mobile technology. Mobile phone penetration rates are high across the continent, leading to the rise of mobile banking, mobile payments, and other innovative services tailored to mobile users. This supports fintech innovation, with companies developing solutions to provide Africans with access to financial services even in remote areas.

African companies and researchers are increasingly leveraging artificial intelligence (AI) and data analytics to address local challenges and drive innovation. From using AI for healthcare diagnostics to applying data analytics in agriculture for better crop management, there is a growing recognition of the potential of these technologies to make a positive impact.

With the consolidation of government central registries and the digitisation of core government process, the business and risk infrastructure is improving across our footprint. This, together with enhanced payment solutions and increasing interoperability of the Mobile Network Operators, is expected to help simplify customer journeys and support critical partnerships in the financial services ecosystem in the medium to long term.

Opportunities

- Partnering with fintechs and mobile network operators to transform our business and improve our service to customers.
- Cross-regional integration of our systems, products and services.
- Intelligent decision-making supported by data analytics and data-led risk and compliance management.
- Accelerating beyond the core by leveraging an improving landscape to achieve maximum value from the ecosystem, particularly in credit risk analytics and collections processes.

TOP BUSINESS RISKS

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

OUR RESPONSE

- Product diversification.
- Digitalisation.
- Execution engine.

WAR FOR TALENT

Intense competition remains among countries, industries, and organisations to attract and retain highly skilled and talented individuals. As the global economy becomes increasingly knowledge-based and reliant on specialised and digital-based skills, the heightened demand for talent has led businesses and nations to compete fiercely to secure the best talent.

The ease of international travel and the interconnectedness of economies have made it easier for skilled workers to move across borders in search of better opportunities. This has led to a more globalised labour market and increased competition for talent on an international scale.

In response, organisations and governments are implementing various strategies to attract and retain skilled workers. This includes offering competitive salaries and benefits, providing opportunities for training and development, creating inclusive work environments, and investing in technology to improve productivity and employee satisfaction.

Opportunities

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

TOP BUSINESS RISKS

- Operational risk.
- People risk.

OUR RESPONSE

- Execution engine.

INCREASING LEVELS OF CYBERCRIME

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

Opportunities

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

TOP BUSINESS RISKS

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

OUR RESPONSE

- Digitalisation.
- Execution engine.

LAGGING DEVELOPMENT PROGRESS

Financial inclusion, the access to and usage of financial services at affordable costs by individuals and businesses, can have significant social impacts in Africa. By achieving our purpose of Improving Lives, we contribute to addressing through the simple, innovative products and services we provide to contribute to poverty reduction, economic empowerment, gender equality, and social development in Africa.

Opportunities

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

TOP BUSINESS RISKS

- Operational risk.
- Strategic risk.

OUR RESPONSE

- Product diversification.
- Digitalisation.
- Social impact.

Our key **relationships**

Our key relationships

Our stakeholders are integral to achieving our vision of becoming a world-class retail financial services organisation and they have either a direct or indirect interest in our strategy and success.

Building robust relationships with our stakeholders and ensuring transparent and open communication in addressing their feedback and concerns helps us to shape and enhance our strategy and operations to deliver tangible value and leverage opportunities to collaborate and realise mutual benefits.

Customers

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

HOW WE ENGAGE

- Marketing campaigns.
- Customer polls, surveys and focus groups.
- Physical branches, call centres and digital access channels.

THEIR NEEDS AND EXPECTATIONS

- Simple, appropriate and accessible financial solutions.
- Convenient access to excellent, fast and efficient service through physical and digital channels.
- Transparency.
- Ethical and fair treatment.

OUR RESPONSE

- Stable and secure systems and digital channels that offer an increasing range of relevant products and services.
- Automated processes that shorten turnaround times and drive efficiencies to reduce costs.
- Ethical and compliant market conduct.

Employees

Our people deliver our brand promise to improve lives and are central to our ability to create an exceptional experience for our customers. They enable the successful delivery of our strategic objectives, and their creativity and collaboration in delivering value to our stakeholders underpins the long-term success and sustainability of our business.

HOW WE ENGAGE

- Intranet and email updates.
- Group and country townhall, and team building events.
- Training and development.
- Employee engagement events, including surveys and virtual sessions.
- Employee performance and incentive frameworks.

THEIR NEEDS AND EXPECTATIONS

- Effective performance management with fair remuneration and recognition.
- Clear and open communication.
- A safe and healthy working environment.
- Training, skills and career development supported by transparent talent management.
- An empowering culture.
- Consistent human resources policies and practices.

OUR RESPONSE

- PeopleFirst strategy.
- Culture Blueprint and Roadmap.
- Clear employee value proposition.
- Employee recognition and reward programmes.
- Increasing digitisation, including online learning platforms, and digitised performance management.
- Employee wellness programmes.

Investors, funders and shareholders

Earning and keeping the trust and confidence of our investors and funders provides us with access to the capital and funding we need to deliver on our strategy and growth ambitions. We are transparent about how we aim to achieve long-term sustainability, clearly motivate our strategy, and describe our efforts to enhance our operations.

HOW WE ENGAGE

- Online investor portal with automated email alert mechanism for investor subscription.
- Financial results and releases together with financial, integrated and impact reporting.
- Engagement events and global investor calls.
- Website, investor and funder updates, together with share price alerts.

THEIR NEEDS AND EXPECTATIONS

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

OUR RESPONSE

- Responsible business practices.
- Robust corporate governance structures supported by effective risk management frameworks.
- Clear Transformation Strategy supported by the execution roadmap.
- Proactive balance sheet management and capital optimisation.

Strategic partners

Our strategic partnerships support a differentiated customer value proposition and experience. We partner with leading-edge and well-established organisations that provide either the funding to support our programmatic lending or the technology and know-how to provide diversified digital products and services.

HOW WE ENGAGE

- Financial, integrated and impact reports.
- Shareholder and investor announcements and updates.

THEIR NEEDS AND EXPECTATIONS

- Mutual benefit and profitability together with extending market reach.
- Alignment on maximising benefits to stakeholders and positive social impact.
- Clear agreement terms and adherence to agreements.
- Ethical business principles and practices.

OUR RESPONSE

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

Governments and regulators

The financial services sector is highly regulated and compliance with the requirements of governments, central banks, prudential authorities and other regulatory bodies enhances our reputation and builds stakeholder confidence and trust. Robust relationships with these stakeholders supports our understanding of how to ensure we comply with current and upcoming regulations in the markets in which we operate.

HOW WE ENGAGE

- Government relations framework, regulatory updates and reporting.
- Financial, integrated and impact reports.
- Shareholder and stock exchange notices, as well as investor and funder updates
- Engagement events.
- Annual general meetings

THEIR NEEDS AND EXPECTATIONS

- Compliance with applicable legal and regulatory requirements.
- Appropriate capital adequacy and liquidity.
- Responsible tax practices.
- Strengthening national financial systems and support for government objectives to improve financial inclusion and access to credit for under-served segments.
- Active participation in industry and regulatory working groups.

OUR RESPONSE

- Robust compliance and risk management frameworks.
- Proactive balance sheet management and capital optimisation.
- Responsible taxpayer in all jurisdictions of operation.
- Robust cybersecurity frameworks and controls.
- The Group's financial inclusion mandate.

Communities

We find ways to engage with communities to understand how our products and services impact them and identify opportunities to ensure that our products and services meaningfully address critical societal concerns and deliver positive impact for society.

HOW WE ENGAGE

- Open dialogue and interaction.
- Social media, website and digital platforms.
- Advertising and marketing campaigns and surveys.

THEIR NEEDS AND EXPECTATIONS

- Access to financial advice, products and services that enhance their lives and contribute to their financial wellbeing.
- Financial education and inclusion.
- Social investment and community upliftment.

OUR RESPONSE

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

Our **strategy**

Completed

Achieved

Transformation strategy

Our Transformation Strategy is designed to reposition Letshego as an **inclusive, digital-first, retail financial services** provider that supports mass and middle-income segments and MSEs in Africa; a world-class organisation that has the stability, security and experience of a traditional bank but is also adaptable, agile and technology-driven like a fintech with the skills and capabilities needed to be future-fit.

Our transformation will unlock significant enterprise value for our customers and investors and deliver tangible social benefits for all stakeholders.

6-2-5 execution roadmap

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

PLAN 6

Strengthening our foundation

June 2020 to December 2020

Productivity of solutions

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

What we set out to achieve

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

PLAN 6 KEY TARGETS

Profit before tax of P1 billion

Digital adoption of 69%

PLAN 2

Become customer-led

January 2021 to December 2022

Transformative technologies

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

What we set out to achieve

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

PLAN 2 KEY TARGETS

Grow to 1 million customers by 2022.

We are here

PLAN 5

Create the future organisation

June 2020 to December 2025

Platform thinking

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

What we aim to achieve

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

PLAN 5 KEY TARGETS

See five conversations on the following pages.

Five conversations

Our strategic imperatives are encapsulated in the **five strategic pillars** or 'five conversations'.

WHAT WE AIM TO DO

Product diversification
Broaden our scope of solutions within our five value streams (lending, payments, savings, insurance and lifestyle solutions) leveraging digitisation and agile methodologies.

Digitalisation
Leverage the LetsGo Digital Mall to exponentially grow the customer base, support our product diversification and grow the Letshego brand.

Geographic rebalancing
Identify and realise local growth opportunities to scale the performance of our East and West African subsidiaries.

Execution engine
Embed agile ways of working and implement our new Culture Blueprint supported by employee training to enhance productivity and gain efficiencies.

Sustainable stakeholder value
Ensure the efficient use of capital to achieve organic and inorganic growth and long-term shareholder value.

OUR INTENDED OUTCOMES

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

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

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

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

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

Our approach to delivering our strategy

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

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

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

Our **sustainability** framework

Overview

Having the systems, tools and data to effectively manage our environmental and social risks while adhering to customer protection principles allows us to extend access to inclusive financial solutions to under-served communities. Letshego continues to differentiate its brand by demonstrating tangible social returns for its customers and communities.

OUR ESG JOURNEY

2016
- Statistical analysis to improve poor loan book performance and develop a social scorecard
- Launched the social impact scorecard.
- First social impact survey covering five markets
- Started our integrated reporting journey

2017
- Mini polls undertaken across 10 markets to verify initial observations
- Won PWC award for Integrated Reporting

2018
- Developed and instituted Group ESG manual
- Integrated report includes social impact disclosures

2018 – 2019
- Second social impact survey across 10 markets with new questions on product efficacy
- Established social indicator correlation to non-performing loans

2019
- Published the Group's first Impact Report

2020
- Updated the Group ESG manual and introduced country specific ESG manuals
- Established ESG dashboards per function
- Partnered with internationally acclaimed research organisation, 60_Decibels
- Won 2020 PWC award for Integrated Reporting

2021
- ESG training for all employees and established country ESG champions

2021 – 2022
- 60_Decibels conducted a customer social impact survey in 11 countries with microfinance and client modules included.

2022
- Initiated operationalisation of ESG framework with pilots in Ghana, Nigeria and Tanzania

2023
- Established a Group Sustainability Management Committee
- Extending the Group's commercial strategy to not only include social benefits, but also support the region's climate and environment
- Expert training, policy and guideline upgrades to operationalise and enhance E&S Risk Management
- Environmental & Social Management System integrated into daily operations

INFORMING OUR ESG STRATEGY

Our mandate is to extend access to inclusive financial solutions in under-served communities.

LETSHEGO AFRICA'S INCLUSIVE STRATEGY: Contributes to 11 of the 17 UN SDGs

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY | 2 ZERO HUNGER | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 17 PARTNERSHIPS FOR THE GOALS

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

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

ENABLERS OF THE ESG FRAMEWORK
- Creating an ESG-savvy culture
- Digitising ESG data
- Automating ESG reporting
- Continuous training
- Appointment of ESG Champions with ESG key performance indicators
- Integrate ESG standards and principles across policies and processes and tools

OPERATIONALISING ESG

The Group Sustainability Management Committee and Quarterly Board Review has been established to track and manage ESG and impact financing strategy, risk management and reporting as part of the project undertaken to embed a robust Sustainability Framework across the Group.

The Environmental & Social Risk Management System has been operationalised from policy into daily business operations with formal training, workshops, updating of policy and guidelines, and post-implementation by an expert consultant.

Effective E&S Risk Management process

Screening
Environmental and social conduct screening determines whether or not to pursue an opportunity.

Categorisation
Categorise the opportunity according to a comprehensive internal rating to inform the scope of the due diligence.

Due diligence
Conduct environmental and social due diligence and develop related action plans.

Approval
Review due diligence results and action plans and approve opportunities at the appropriate board committee level.

Monitoring
Monitor performance and allocation of capital to ensure maximum environmental and social outcomes are achieved.

Reporting
Report on environmental and social performance to measure impact and progress.

Reflections from our **Group Chairman**

"Letshego's commitment to ethics, governance, and stakeholder trust serves as our guiding beacon. We recognise that navigating challenges demands unwavering integrity and principled leadership. Through our steadfast dedication to our core values, we aim to unlock growth opportunities, while also ensuring that every step forward delivers enduring value to all stakeholders."

Philip Odera *Group Chairman*

Operating environment

Sub-Saharan Africa's economic recovery slowed for the second consecutive year, with growth estimated at 2.9% in 2023 compared to 3.6% in 2022. The recovery trajectory is likely to be characterised by disparities across the region, reflecting varying levels of resilience and adaptation to prevailing challenges. Monetary and fiscal policymakers responded differently across markets as governments grappled with local economic constraints and external headwinds. Despite these hurdles, the economic outlook for the region remains positive, with GDP projected to accelerate to 3.8% in 2024 and further to 4.1% in 2025. However, cross-continental geopolitical tensions, escalating risks of debt distress and climate-related shocks pose significant vulnerabilities that could impede progress in the near term.

Throughout the year, policy tightening persisted, evidenced by increases in monetary policy rates across seven of our 11 presence markets. Currency devaluation was prevalent, notably in Ghana, Kenya and Nigeria, underscoring the volatility and susceptibility of currencies to external pressures. Projections indicate continued currency strain across markets, potentially reversing the inflationary moderation observed in 2023.

Despite the challenging macroeconomic backdrop in 2023, our business fundamentals remained strong. Net advances experienced a commendable 7% year-on-year growth, propelled predominantly by the sustained expansion of the Group's core Government Deduction at Source (DAS) product. Southern African markets, including Mozambique, Botswana, Namibia, and Lesotho, played a pivotal role in bolstering DAS performance, contributing to 7% net book growth. Moreover, deposit growth was remarkable, surging by 37% year-on-year, albeit from a modest base.

In summary, while the global economic landscape and operational context in Sub-Saharan Africa present formidable challenges, our business resilience and strategic focus on core products has strengthened our position amid this uncertainty. Continued vigilance and adaptability remains imperative as we navigate the evolving economic dynamics to sustain growth and create lasting value in the region.

Strategic performance

Letshego's Transformation Strategy, guided by our 6-2-5 execution roadmap has maintained positive momentum. This year, we initiated 'Plan 5', our final phase of the strategy. This phase will see the consolidation and maximisation of sustainable returns from our latest phase of investments, system automation, and digital platforms as well as the diversification of products. The objective of Plan 5 is to leverage our transformation components into an integrated ecosystem that will serve and support our stakeholders, while embedding governance and operational frameworks that generate sustainable value for generations to come to support our overall ambition of creating a future-fit business.

Ethics, governance and leadership

As a purpose-led business that operates at the heartbeat of financial inclusion, I would like to underscore the crucial roles that governance, risk management, regulation and ethical conduct play within our organisation. Our sustainability framework and Environmental and Social Governance (ESG) policies encompass the holistic value of an integrated culture of governance, risk and social impact as well as environmental returns.

Our commitment to fostering a #peoplefirst culture where employee engagement remains paramount is critical to deliver as we recognise that a highly engaged workforce is integral to our organisational success. Notably, we have established platforms like our 'Lekgotla', facilitating meaningful dialogue between employees and leadership on pertinent matters. Additionally, our implementation of Long Service Awards and Excellence Awards highlights our dedication to recognising and celebrating colleagues who exemplify excellence and commitment in their roles. These various human capital-orientated levers and tools enhance and enable the flow of value that people generate for our business. They are encapsulated by our most recent human capital initiative, the creation of Letshego's unique 'Culture Blueprint'.

The purpose of Letshego's 'Culture Blueprint' is to officiate the value that a healthy culture plays in business and social sustainability. Founded on personal collaboration and direct contribution from employees from 'all corners' and levels in our business, Letshego has now arrived at a refreshed set of values to support our ways of working and engagement, and a set of solutions and roadmaps for our Country Culture Councils to choose and adapt in bringing our pan-African family together, in unison, with one vision and objective – to improve lives of all our stakeholders.

In our pursuit of organisational excellence, we continue to prioritise strengthening leadership capabilities. Through targeted leadership and specialist skills development programs such as those offered by GIBS and McKinsey, and Letshego's own Digital Mastery Programme, we continue to hone the skills and competencies of our leaders and future leaders in line with our succession plans. These initiatives stand as a testament to our unwavering commitment to effective governance, prudent risk management, adherence to regulations, and upholding ethical standards in all aspects of our operations.

Board changes

During the year, Gerrit van Heerde retired from the Board of Letshego Africa Holdings Limited. Through his own vast experience and career, enriched by pan-African financial services, the Board, our executives and our broader operations have gained immense insights and support from Gerrit's deep commitment to quality in execution, relevance in time and effort, and foresight in the delivery of value-adding solutions. On behalf of the Group Board, I would like to extend our sincere gratitude and appreciation to Gerrit for nine years of rich contributions and valued insights. We wish you every success in your future endeavours.

Moreover, the Board has taken a proactive step in enhancing the Group's governance by appointing a Deputy Chairperson to ensure succession. Mr Christopher Mokgware has been appointed to fulfil this pivotal role, reflecting the Board's commitment to fostering effective leadership and ensuring continuity within the organisation's governance structure. This strategic decision not only bolsters the leadership framework but also underscores the Board's forward-thinking approach towards sustainable organisational development and best governance practices.

Delivering a measurable social and environmental impact

Sustainability is core to the Letshego purpose and our operations across Africa.

During the last year, Letshego strengthened its ESG commitment by converting country ESG policies into action with expert training, policy and guideline upgrades and the appointment of ESG Champions across country divisions. Identification, monitoring and escalation of potential environmental and social risks is no longer an asset but imperative in doing business in today's sustainability-conscious society. The establishment of Letshego's Group Sustainability Management Committee, chaired by our Group Chief Risk and Compliance Officer, will further formalise the entrenchment of sustainable and ESG compliance business practices.

Letshego measures ESG against the following identified themes: Governance, Risk Management, Social, Environmental, Disclosure & Reporting, Training and Stakeholder Engagement and Reporting. We are making tactical strides in building a robust Sustainability Framework that encompasses the multiple cross-divisional benefits that social and environmental governance achieves for our regional operations, stakeholders and communities.

From an impact financing point of view, over 50% of our customer base are women or women owned businesses. We are also achieving our gender targets in line with global standards following the recent qualification of a country facility within the '2X the Challenge', an international qualification that enables investors and investees to track investment funds to entities that officially provide financial support to women and women owned businesses.

Letshego Nigeria was also recognised by the African Development Bank (AfDB), with the AfDB AFAWA Award for extending the reach of financial solutions to more women. Over the last three years, Nigeria has increased the proportion of financial support for women from 25% in 2020 to 54% in 2023.

Looking ahead

With the Group's business fundamentals steadfast, and beneficial progress in deepening our Governance, Risk and Sustainability Frameworks, Letshego's focus continues to be centred on reaping the rewards and future benefits that arise from the first two build and investment phases of its 6-2-5 execution roadmap. Our current and final stage, 'Plan 5', aligns well with the themes in our sustainable goals, including the consolidation, integration and efficacy of a growing ecosystem.

The development of our ecosystem environment was facilitated by our Transformation Strategy, with automation and technical enhancements to channels, platforms and infrastructure driving our operational evolution towards a future fit business. Our enhanced infrastructure and operations not only provide improved support and experience for our current stakeholders but, through the benefits of API enhancements, invite and attract the inclusion of new strategic partners. Letshego will continue to seek strategic partnerships that make commercial sense, deliver sustainable returns and enable continuous improvement either from a strategic, technology, customer experience or financial perspective.

Acknowledgements

In closing, I wish to extend my sincere appreciation to my fellow Board members for their hard work and personal contribution throughout 2023. Despite confronting difficult economic challenges and market conditions, the commitment shown by the Group's Board, Executive and Country Management Committees is commendable. I am continually inspired by their dedication, energy and enthusiasm.

I would like to express gratitude to our employees, clients, regulators, investors, both public and private partners and all other stakeholders who continue to support Letshego's journey. We remain committed to generating significant and lasting value, and enhancing livelihoods for a sustainable future.

Philip Odera
Group Chairman

Signatures removed for security purposes.

Board of directors

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

NON-EXECUTIVE DIRECTORS

NATIONALITY
KENYA

BOARD COMMITTEES

APPOINTMENT
2019
to Board
2022
as Chairman

Philip Odera 65
Board Chairman and Independent Non-executive Director

QUALIFICATIONS

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

SKILLS AND EXPERIENCE

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

NATIONALITY
BOTSWANA

BOARD COMMITTEES

APPOINTMENT
2022

*Christopher Mokgware 55
Deputy Chairperson and Independent Non-executive Director

QUALIFICATIONS

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

SKILLS AND EXPERIENCE

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

* *Appointed Deputy Chairperson on 7 September 2023.*

NATIONALITY
BOTSWANA

BOARD COMMITTEES

APPOINTMENT
2017

Catherine Lesetedi 56
Non-executive Director

QUALIFICATIONS

- Bachelor of Arts in Statistics and Demography – University of Botswana
- Management Development Programme in Advanced Insurance Practice – University of Cape Town
- Diploma in Insurance – University of South Africa

SKILLS AND EXPERIENCE

- Associate of the Insurance Institute of South Africa
- Many years of insurance industry experience; Skilled in negotiations, budgeting, analytics, coaching and entrepreneurship
- Current: Group CEO of Botswana Insurance Holdings Limited (BIHL) and represents BIHL on a number of Boards, including Funeral Services Group Limited, BIFM Unit Trusts, Nico Life, Nico Pensions Company and Nico Holdings
- Held various positions within BIHL Group and AON Botswana, including Head of Corporate and High Value Business and General Manager of Life and Employee Benefits

NATIONALITY
NIGERIA

BOARD COMMITTEES

APPOINTMENT
2019

Abiodun Odubola 64
Independent Non-executive Director

QUALIFICATIONS

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

SKILLS AND EXPERIENCE

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

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

NATIONALITY
NETHERLANDS
BOARD COMMITTEES
APPOINTMENT
2020

Ronald Hoekman 60
Independent Non-executive Director

QUALIFICATIONS
- Diploma – Dutch Banking Institute (IBE)

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

NATIONALITY
KENYA
BOARD COMMITTEES
APPOINTMENT
2021

Rose Mwaura 52
Independent Non-executive Director

QUALIFICATIONS
- Bachelor of Commerce Accounting (Hons) – University of Nairobi, Kenya
- Certified Executive Coach

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

NATIONALITY
BOTSWANA
BOARD COMMITTEES
APPOINTMENT
2022

Professor Emmanuel Botlhale 54
Independent Non-executive Director

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

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

NATIONALITY
BOTSWANA
BOARD COMMITTEES
APPOINTMENT
2022

Ketlhalefile Motshegwa 40
Non-executive Director

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

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

NATIONALITY BOTSWANA

BOARD COMMITTEES

APPOINTMENT 2022

Jayaraman Ramesh 65
Independent Non-executive Director

QUALIFICATIONS

- Bachelor of Commerce – University of Madras, India
- Senior Leadership Programme on Organisational Leadership – Oxford University, UK

SKILLS AND EXPERIENCE

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

NON-EXECUTIVE DIRECTORS

Nationalities

Botswana	5
Nigeria	1
Kenya	2
Netherlands	1

Gender

7 2

Age

≥ 60 years = 4

≤ 60 years = 5

EXECUTIVE DIRECTORS

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

NATIONALITY BOTSWANA

APPOINTMENT 2022

Aobakwe Aupa Monyatsi 45
Group Chief Executive Officer

QUALIFICATIONS

- Bachelor of Accounting – University of Botswana
- Specialised executive development programmes – Duke University, UK

SKILLS AND EXPERIENCE

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

NATIONALITY ZIMBABWE

APPOINTMENT 2020

Gwen Tinotenda Muteiwa 49
Group Chief Financial Officer

QUALIFICATIONS

- Bachelor of Commerce Accounting – Rhodes University, South Africa
- Certificate of Theory in Accounting and Honours in Accounting Science – UNISA
- Management of Banks and Financial Institutes – Galilee College, Israel
- Executive leadership development programme – Stellenbosch University, South Africa
- Mater of Business Administration – Steinbeis University, Germany

SKILLS AND EXPERIENCE

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

Full Board CVs: https://letshegoinvestor.com/#governance

Insights from our **Group Chief Executive**

"Letshego's diverse product offering and income streams have ensured a robust underlying business performance during a year that has been characterised by rising inflation and interest rates. Regional economic growth remains low with consumers and businesses under pressure, however, the Group's competitive and growing mobile lending and insurance product suites have performed well, and we anticipate further growth from these segments in the medium-term."

Aupa Monyatsi *Group Chief Executive*

Operating environment

As we reflect on the past year, it is evident that the operating environment for businesses across Africa has been shaped by a multitude of global economic trends. Despite persistent challenges, including geopolitical tensions and fluctuating commodity prices, Africa continues to demonstrate resilience and promise. Several African economies remain subject to additional pressures, including heightened emerging market investment risk, currency depreciation and political instability.

During the year, a significant number of African countries grappled with rising inflation, most notably Ghana (+50%) and Nigeria (+25%). Some markets, such as Botswana, Mozambique and Uganda, saw inflation decline and fall within those countries' central bank's target range. However, it is essential to acknowledge the nuanced impact these global trends have on our operations and, more importantly, on our customers.

Globally, central banks tightened their monetary policies as 2023 proved to be a watershed year for consumer facing businesses operating in a near-unprecedented high inflation, and high interest rate environment. As the impact on global supply chains persisted against the backdrop of the Russia/Ukraine War, together with the escalations of conflict in the Middle East, businesses have had to rely on innovative and sustainable techniques to protect margins and ensure top line growth.

One trend that has impacted our operating environment is the rapid evolution of technology, particularly generative artificial intelligence (AI). While AI promises increased efficiency and innovation, it also raises concerns about job displacement and cybersecurity threats. We remain vigilant in navigating this landscape, ensuring that we harness technological advancements responsibly while prioritising data privacy and cybersecurity to safeguard the integrity of our customer data.

In terms of our ability to remain competitive in a globalised economy, we are witnessing increasing skills mobility, presenting opportunities for growth but also intensifying competition for talent. As one of Africa's leading financial services providers, we recognise the importance of nurturing talent and fostering a culture of continuous learning. Our commitment to talent development not only enhances our competitiveness but also enables us to better serve our clients in a dynamic business environment. Amid these changing dynamics, we remain agile, adapting our strategies to attract and retain top talent while upholding our values of inclusivity and diversity.

Additionally, the regulatory and policy environment in Africa continues to evolve, impacting the way we conduct business and serve our customers. As advocates for responsible and sustainable financial practices, we actively engage with policymakers to help shape regulations that foster economic growth while ensuring consumer protection and financial stability. By navigating this complex regulatory landscape with integrity and transparency, we reinforce our commitment to being a trusted partner for our customers and stakeholders.

↑ **307%** year-on-year increase in **mobile lending income**

Digital Mall registered users ↑ **20%** from 2022

89% of our traditional customers have successfully migrated to the **Digital Mall**

↑ **10%** increase in **interest income** in Southern African markets

Strategic progress

We continued to make progress in 2023 against our 6-2-5 strategic roadmap despite various macroeconomic headwinds. Product diversification remains a key strategic pillar and evidence of success in this area was a resounding 307% year on year increase in mobile lending income. We also meaningfully grew customer deposits and insurance revenue as we seek to cautiously diversify, while not neglecting our core Deduction at Source (DAS) business. We maintained a strong focus on growing strategic partnerships through various global franchise agreements with leading mobile network operators (MNOs) and Fintechs, and we anticipate seeing the benefits of these agreements bearing fruit in the medium term.

Our concentrated focus on the digitisation of our business has continued unabated, with over 3.5 million registered users on our omni-platform LetsGo Digital Mall – registered users up 20% from 2022. Furthermore, Letshego's Digital Mall user base is nearing 500 000 active customers, and we are proud that 89% of our traditional customers have successfully migrated to our digital platform. In terms of operational efficiencies during the year, we successfully migrated eight of our subsidiaries to the Cloud, this has both streamlined and increased the scale of operations. Added to this, we continued to invest in internal IT infrastructure in an effort to mitigate against cybersecurity risks for the Group and our pan-African customers.

Geographic Rebalancing remains a strategic focus, with total operating income in East and West African markets up 17%. We have prioritised a stronger balance sheet for the Group following deliberate actions and are leveraging tools to lower risk within our marginal Micro and Small Entrepreneur (MSE) portfolio. DAS naturally remains our dominant source of revenue. Outside of this core product, we have seen a 10% increase in interest income in Southern African markets, that vindicates our strategic intent and execution thus far.

While the Group's strategic plan is centred on achieving sustainable top line income and growth in Net Profit After Tax (NPAT), supported by broad, diverse and compelling product and service offerings, success can only be achieved if the internal execution engine is running at optimal capacity. We have made strong progress during the year in this area by rest the Group's Automation and Target Operating Model restructuring in the second half of 2023, resulting in greater operating efficiencies. We have invested in specialist skills, bolstering our talent pool to leverage and optimise income generation from investments in technology capabilities. We continue to prioritise innovative and agile ways of working in order to bolster our test and learn methodologies and practices.

Although 2023 was a challenging year in terms of financial performance, largely due to several exogenous impacts beyond the Group's control, we remain focused on delivering sustainable stakeholder value. Notwithstanding the challenges during the year, Letshego maintains a strong balance sheet, supported by well capitalised subsidiaries. We enjoy strong regulatory relationships in all of our markets, driven by a strong Sustainability and ESG agenda anchored around our purpose of improving lives and ensuring that our products and solutions achieve a measurable social impact.

We remain cautiously optimistic about sustaining and increasing business momentum across all our lines in the short-to-medium term.

↑ **7%** growth in net advances year- on-year

↑ **9%** top line growth

Income from insurance arrangements increased by ↑ **49%** year-on-year to **P373 million**

Financial performance

2023 was undoubtedly a challenging year for Letshego Africa, particularly against the backdrop of many years of sustained growth for the business. While the underlying business fundamentals remained resilient as evidenced by 7% growth in net advances year on year as well as strong top line growth of 9%, the Group posted a loss after tax of P149 million. The drop in PBT was largely due to extraordinary items including the revised classification of Ghana as a 'hyperinflationary economy' during the second half of the year, and the assessment of various accredited global bodies. Consequently, the Group's activities in Ghana (Letshego Ghana Savings and Loans PLC) were prepared in accordance with IAS 29, impacting the Group's profitability with inflation adjustments amounting to P128 million.

Additionally, in 2023, the Group, together with its external auditors, determined that the calculation of the Expected Credit Loss (ECL) allowances for financial years 2019 to 2022 were not prudent due to the inclusion of a discount factor to Stage 3 exposures. This error was thus corrected retrospectively in accordance with IAS 8, and has had the impact of reducing opening retained earnings by approximately P72.6 million and current year profitability by P128 million.

In our largest market, Botswana, strong underlying business performance led to a 15% growth in Gross Loans and Advances, however during the year we noted an increase in expected credit losses. This was driven largely by an uptick in Botswana's overall delinquencies recorded in the 'test and learn phase' of launching Instant Loans, as well as experiencing limited operational challenges from some central registries that impeded timely deduction and remittance of Botswana's DAS Loan instalments. In a similar vein, our Botswana subsidiary's impairment provisions also increased by 183% to P356 million, with the loan loss ratio increasing to 6.3%. These metrics were driven by higher defaults in Botswana's open market instant loan portfolio and the correction of IFRS 9 Stage 3 discounting error.

Despite these challenges, our business fundamentals remained strong with overall momentum stemming from our core Government DAS product anchoring a robust balance sheet. Letshego's Southern African markets, specifically Mozambique, Botswana, Namibia, and Lesotho presented good DAS performance. Deposit growth was up 22% year on year, albeit off a low base.

Together with DAS, positive mobile lending and insurance arrangements momentum continued to contribute positively to business performance. Non-funded income was buoyed by income from insurance arrangements that increased 49% year-on-year to P373 million. The Group's Mobile lending income increased 307% year-on-year, with strong performance recorded in Ghana.

Against this backdrop, the Group achieved a profit before tax of P121 million, compared to a restated profit of P684 million for the 2022 financial year. While the Group's strategy implementation to 2025 has been somewhat delayed by the headwinds that started during COVID, strong progress continues to be made on the 6-2-5 strategy. We are now in the final phase of 6-2-5 roadmap, "Plan 5", a period centred around the consolidation of past operational realignment and investment into digital and tech platforms, with a forward-looking focus on streamlining business operations, maximising our ecosystem potential and a continuance of optimising structures, including digital self-service, to support sales growth and strengthen our collection and recoveries.

100% of the Solar Taxi scooters are electric, and reduce carbon emissions generated by motorised scooters by over ↑ **90%**

Over **50%** of Letshego's customer base are women or Women Owned Businesses

Delivering sustainable impact

Letshego continues to differentiate its brand by demonstrating tangible social returns for its customers and communities. The Group is now exploring products and solutions that bring environmental benefits, with Letshego Ghana being the first of our markets to venture into eco-friendly solutions. In 2022, Ghana entered into a financing partnership with 'Solar Taxis', to finance electric scooters used to ferry commuters around Accra. The scooters are 100% electric, and reduce carbon emissions generated by motorised scooters by over 90%. 2023 saw the Letshego Nigeria being our second market venturing into green industry solutions by launching the Group's first financing package that supports the purchase of solar lighting, bulbs and solar power solutions to help individual homes and small businesses to keep the lights on and power running during intermittent power interruptions.

In addition, Letshego's Affordable Housing offering in Botswana now also includes green benefits with cost effective solar geysers and grey water tools offered as an additional option to customers who wish to build a new house or upgrade their current homes and businesses.

In terms of our focus on impact investing, over 40% of our customer base are women, with 52% of our digital channel customers being women, exemplifying our commitment to empowering previously marginalised populations to access productive capital.

In adhering to world class governance standards, and achieving a social and environment impact across our footprint, Letshego's products and strategy support 11 out of the United Nation's 17 Sustainable Development Goals. By increasing access to instant micro credit to empower underserved populations across Africa, and by extending access to capital for small business owners, MSEs and underbanked traders, Letshego will continue to improve the lives of our customers as well as help our environment.

During the last year, Letshego also strengthened its ESG commitments by converting our Country ESG Manuals or 'Environmental and Social Management Systems' into our daily operations across subsidiaries. Enhancing the management of environmental and social risks forms part of our Enterprise Risk Management Framework, and has been achieved through expert training, policy and guideline upgrades and the appointment of ESG Champions across country divisions. This operationalisation of Letshego's Environmental and Social Management System (ESMS) further supports the reporting of potential environmental and social risks. Identification, monitoring and potential escalation of ESG and sustainability matters have also been formalised with the establishment of Letshego's Group Sustainability Management Committee in the first half of 2023.

It is important to acknowledge the various awards and recognition garnered during the year. In terms of people and culture, 2023 saw Letshego win a number of industry awards, and the year also saw our first cohort of executives graduating from the GIBS Executive Leadership Programme, in line with our objective of building a world class leadership team.

Letshego Namibia was awarded the 2023 Best Locally Listed Company title at the prestigious Namibia Top Company Awards ceremony. The award recognised performance against returns, growth, and investor relations management, demonstrating Letshego Namibia's commitment to delivery of sustainable value for all stakeholders.

Added to this, Letshego Nigeria's AfDB AFAWA Award win for broadening the reach of its financial solutions to women, as well as Letshego Uganda's Digital Award for Customer Financial Inclusion both bear testament to the Group's strategic focus on social impact and financial inclusivity.

We are proud of these independent accolades and evolution of our Sustainability Framework achieved during the year. This is testament to our commitment to ensuring we achieve world class standards and accreditation, maintaining sustainable business practices, effecting positive societal change across all our markets.

Looking ahead/outlook

While 2023's operating environment was significantly constrained, the broader macro outlook for 2024 is positive, with regional GDP expected to accelerate to 3.8% and 4.1% respectively for 2024 and 2025. However, we remain cautious around the inflationary and interest rate pressures on African consumers and are conscious of the impact this may have on some of our customers in affected markets.

Letshego's business fundamentals remain strong despite the downside impact of adjustments to the Group's ECL in 2023. Although our operations were affected during the year by once offs as well as foreign exchange fluctuations and inflation-induced volatility, especially in Nigeria and Ghana (the latter we anticipate persisting in the first half of 2024), we expect these impacts to ease in the second half of this financial year, contingent on macroeconomic conditions.

Although the escalation of geopolitical tensions and regional conflicts pose severe headwinds to the region – five of our presence countries hold national elections in 2024 – we have assessed the socio-political and business impact risks from these elections as relatively low, and generally anticipate policy continuity in each of these regions.

We are committed to providing accessible and competitive financial solutions and products that empower individuals and businesses that are underserved. Our commitment to increasing the number of excited and satisfied customers across our markets will continue to reinforce our position as a trusted financial partner.

Our key areas of focus centre on collections and recoveries whereby efforts will be geared to claw back on increased provisions realised in 2022 and 2023. We will leverage opportunities for maximising capital efficiencies and optimising balance sheet and funding structures. We remain mindful of cost rationalisations and the current macroeconomic landscape and will continue to evaluate the Group's cost structures given the anticipated subdued growth in our operating markets.

Despite the headwinds of the previous financial year, we remain confident in concluding our 6-2-5 strategy by the end of 2025. Our business beyond 2025 will be driven by the underlying vision of our Transformation Strategy to create a future-fit business that is set to continue on an elevated growth trajectory of market resilience and future growth prospects for long term sustainable stakeholder returns.

Acknowledgements

I would like to take this opportunity to thank Letshego's Board, Group Executive team for their leadership, expert contribution and consistent support during what was a particularly challenging year for the business. In addition, I would like to pay tribute to all our valued employees across our 11 market footprint who continue to go the extra mile in personal effort and contribution to our long term success.

A heartfelt thank you too to our stakeholders, including our customers, investors, funders, partners and regulators for their partnership and support throughout the year.

25 YEARS OF IMPROVING LIVES IN AFRICA

We look forward to continuing our exciting Africa journey with you for another 25 years and beyond.

Mr Aupa Monyatsi
Group Chief Executive

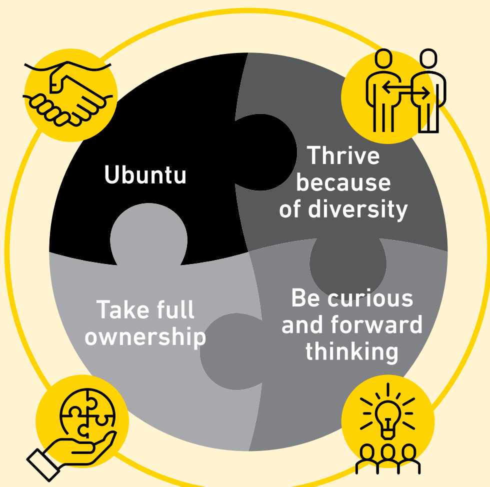
Signatures removed for security purposes.

During 2023, Letshego leadership made significant progress in defining the **Culture Blueprint** and have commenced the rollout across the group.

OUR CULTURE STATEMENT

The story of Africa should never be told without Letshego. At Letshego **we are a family that puts people first** and improves lives across Africa with every interaction.

OUR VALUES



Our values are interconnected and work best when practiced together

Thrive because of diversity

No matter who you are or where you are from, at Letshego we embrace you.

Be curious and forward thinking

We find a better, faster solution for our customers by challenging the status quo and continuously improving.

Ubuntu

We are proud Africans espousing our values of humanity, inclusiveness and respect.

Take full responsibility

We create an environment of accountability, trust, transparency and collaboration to fully deliver to all of our stakeholders.

Group **Executive** committee

Aobakwe Aupa Monyatsi
Group Chief Executive

NATIONALITY MOTSWANA

RESPONSIBILITIES
- Chairman of the Group Executive Committee
- Group strategy development, execution and delivery
- Oversight of Group and regulatory governance
- Group Reputational Risk owner
- Delivery of regional shareholder value
- Oversight of effective regional stakeholder engagement and management

Gwendoline Tinotenda Muteiwa
Group Chief Financial Officer

NATIONALITY ZIMBABWEAN

RESPONSIBILITIES
- Responsible for the Group's collective finance strategy, finance operations, risk mitigation and reporting
- Balance sheet strategy and management
- Group financial reporting and governance
- Group treasury and Group capital management and strategy
- Group tax strategy and management
- Oversight of Group Investor Relations strategy and engagement

Richard Ochieng
Group Chief Risk and Compliance Officer

NATIONALITY KENYAN

RESPONSIBILITIES
- Responsible for setting and implementing the Group Risk and Compliance Strategy and the Group Enterprise Risk Management Framework
- Monitors and oversees management of the Group's primary risk types
- Sets and monitors the Group's risk appetite to enable safe and sustainable delivery of the Group Strategy
- Oversees organisational ethics and compliance

Christopher Hughes
Group Chief Operations Officer

NATIONALITY AMERICAN

RESPONSIBILITIES
- Responsible for the strategy and structure of Letshego Group's operational framework and architecture
- Responsible for continuous enhancement and improvement of operations to support strategy and increase operational efficiencies
- Oversight of data operations, platforms, reporting and management to support delivery of group functions
- Responsible for embedding Agile enterprise, methodology
- Oversight of regulatory compliance for group platforms and operations

Chipiliro Katundu
Group Chief of Marketing, Corporate Affairs and Communications Officer

NATIONALITY MALAWIAN

RESPONSIBILITIES
- Develop and execute marketing strategies, campaigns and oversee marketing budget
- Oversight of strategic communication and corporate affairs, aligning communication with Group goals
- Customer experience, enhance customer satisfaction, leverage digital and customer feedback and ensure seamless customer journeys
- Lead sustainability strategy, implement social responsibility programs, ensure regulatory compliance, and measure and report impact.

Kamogelo Chiusiwa
Group Chief People and Culture Officer

NATIONALITY MOTSWANA

RESPONSIBILITIES
- Responsible for the People and Culture strategy and framework
- Development and management of people development and empowerment strategy
- Oversight of organisational effectiveness
- Talent sourcing strategy, recruitment and international mobility
- Employee relations and wellbeing strategy and delivery
- Responsible for the Group's compensation and reward framework
- Alignment and compliance of labour and employee regulation
- Development and execution of the Groups learning and development framework
- Mitigation and management of employee risks

Frederick Mmelesi
Group Chief Corporate Development Officer

NATIONALITY MOTSWANA

RESPONSIBILITIES
- Responsible for the establishment and monitoring of key regional strategic partnerships
- Oversight of any potential mergers and acquisitions
- Oversight of the execution and delivery of regional strategic projects
- Management and oversight of collective regional government and strategic relationships

Brighton Banda
Group Chief Products Officer

NATIONALITY ZIMBABWEAN

RESPONSIBILITIES
- Responsible for the strategy, structure and execution of Letshego Groups' product suite
- Product performance and returns
- Establishment and management of strategic partnerships that support product development, delivery and strategic value

Sammy Mutua — Group Chief Digital and Data Officer

NATIONALITY KENYAN

RESPONSIBILITIES
- Develop and execute a comprehensive digital strategy aligned with Letshego's goals, driving digital transformation initiatives across business functions.
- Oversee data collection, storage, and quality control and Leverage data analytics to inform decision-making.
- Evaluate and implement emerging technologies to enhance efficiency and competitiveness while fostering a culture of innovation within Letshego.
- Develop and drive digital and data-driven practices across the Group to enable the collaborative strategic delivery of organisational goals.

Kgotso Bannalotlhe — Country Chief Executive Officer and Regional Executive

NATIONALITY MOTSWANA

RESPONSIBILITIES
- Direct responsibility for Letshego Botswana strategy, performance, operations, impact and governance.
- Reputational and regulatory risk owner for Botswana subsidiaries.
- Regional executive oversight of Lesotho and Eswatini subsidiaries' strategy, performance, impact and governance.
- Executive Director and member of the Letshego Botswana Country Board.

Tuduetso Alice Ntwaetsile — Group Chief Internal Auditor

NATIONALITY MOTSWANA

RESPONSIBILITIES
- Responsible for financial, business, IT and projects assurance.
- Oversight of combined assurance.
- Support governance framework through the development of the Group's internal audit strategy and execution of audits.

Lolo Molosi — Group Treasurer

NATIONALITY MOTSWANA

RESPONSIBILITIES
- Responsible for executing the Group's funding and liquidity strategy
- Delivering sustainable returns through effective capital management
- Managing inherent market volatility through robust FX Risk Management

Gorata Tlhale Dibotelo — Group General Counsel and Board Secretary

NATIONALITY MOTSWANA

RESPONSIBILITIES
- Legal advisor.
- Governance.
- Board and committee management.
- Listing regulations and compliance.

25 years of improving lives in Africa

At Letshego, we have been evolving since first opening our doors in Gaborone, Botswana, **25 years ago** and continue to drive a future of financial and social empowerment.

We have maintained our passion for our people, customers and communities.

"Letshego keeps finding innovative ways to empower fellow Africans and support economic growth."

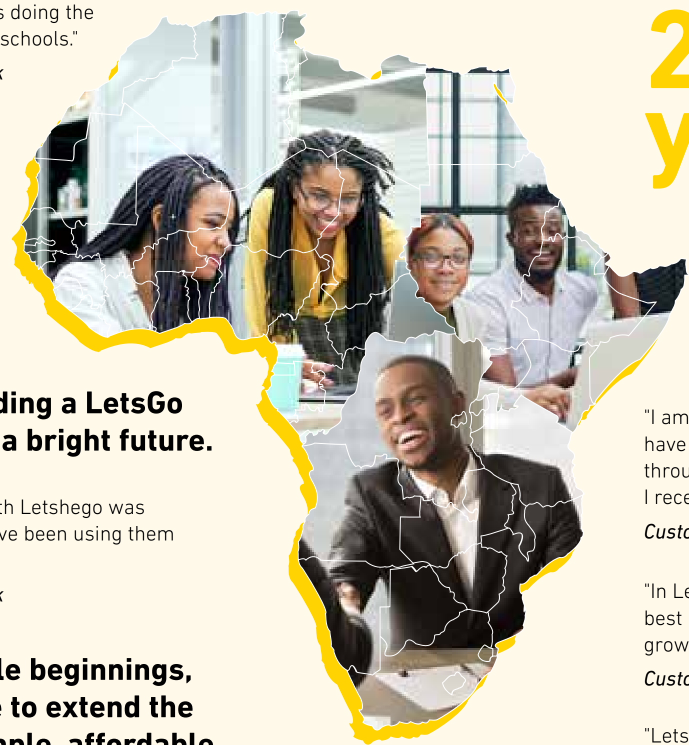
Aupa Monyatsi, Group CEO

"I am proud that, through Letshego, I have my first degree."

Customer feedback

"I think Letshego is doing the right thing to help schools."

Customer feedback



25 years

We are building a LetsGo Nation with a bright future.

"My experience with Letshego was awesome and I have been using them for a few years."

Customer feedback

"I am proud to say that I now have a place called HOME through the financial assistance I received from Letshego."

Customer feedback

"In Letshego, I have found the best partner for my business growth."

Customer feedback

From humble beginnings, we continue to extend the reach of simple, affordable and appropriate financial solutions.

"Letshego's support has been instrumental in turning my business dreams into reality."

Customer feedback

We believe the future is proudly African!

Watch our 25 year video here

Product diversification

As part of our Transformation Strategy, we have introduced lower-risk products to complement our lending portfolio. New products include payment capabilities, additional savings products, insurance solutions, and a value-adding lifestyle solution that provides customers registered on the LetsGo Digital Mall with access to information and tools that support their everyday needs.

Letshego
LETSHEGO AFRICA HOLDINGS LIMITED

Overview

Our digital transformation is a key enabler of our growing value streams and product offering, reaching more customers and providing inclusive financial services, particularly the LetsGo Digital Mall, available in 10 of our markets.

The mass, middle-income and MSE segments, previously under-served by traditional financial services, present growth opportunities for the Group. Our partnerships with fintechs and mobile network operators support the rapid diversification of our product mix and enable us to make new and relevant services and solutions available to a growing base of customers.

Our opportunities

- Increased customer satisfaction with digitalisation of core products.
- Increased retail deposit-taking and savings mobilisation.
- Product reset on MSE to complement the DAS offering.
- Mutually beneficial partnerships.
- Expanded market reach with nano products.
- Contribution to Africa's socio-economic development.

Our risks and challenges

- Customer purchasing power reduced, impacted by economic downturns.
- Limited understanding of and apprehension toward new digital technologies.
- Increased competition in the financial services sector.

Stakeholders impacted

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

How we measure progress

- Active customers on the LetsGo Digital Mall.
- Customer feedback on products.
- Top line growth of products.
- Asset quality, including Loan loss ratio.
- Market penetration and share.

OUR FIVE VALUE STREAMS

OUR FIVE VALUE STREAMS	KEY PRODUCTS AND AVAILABILITY	IMPROVING LIVES
LENDING **Access to funding** LetsGo borrow We offer loans at affordable interest rates and focus on the productive use of funding where customers are able to make repayments using income generated by the loan, minimising the risk of customer over-indebtedness and reducing the number of non-performing loans. Our core offering is DAS loans, mostly government employees, where loan repayments are deducted before salaries are paid, making these loans fairly low risk. We also offer loans for individuals on our mobile lending platforms and customised loans for MSEs. Our programmatic lending approach leverages technology and strategic partnerships with development finance institutions (DFIs) and other strategic partners to provide loans that achieve meaningful and sustainable positive impact for our customers and society.	• Fully digitised **deduction at source (DAS)** loans are available in all 10 markets. • **Instant Loans**, available in six markets, are small loans that are granted to customers with documentation on file within an average of 10 minutes from loan application. Responsible management of these loans help customers develop their credit profile. • **MSE lending** solutions are customised to support business growth, ranging from working capital and short-term loans to ecosystem financing. Available in six markets, MSE lending solutions are digitised in select markets. • Our **programmatic lending** offers funding solutions that address social needs in a digital and more accessible way and includes Affordable Housing, Green lending and Education loans.	Access to capital empowers our customers to improve their circumstances, grow their businesses and achieve their life goals.
SAVINGS **Mobilising savings** LetsGo save Our savings accounts offer competitive interest rates and customers are guaranteed access to their money whenever they need it. We are prioritising mobilising deposits to lower the cost of our funding.	• **Flexi-Save Account**, available in Ghana and Namibia, is a digital, interest-bearing savings account that can be accessed when needed. • **LetsGo Save Account** is a savings account available in deposit-taking regions with Mastercard access. • The **Timiza Akiba mobile money savings account** in Tanzania, is a fee-free solution available to Airtel Mobile Money customers that delivers a monthly reward when customers achieve a savings goal.	Our savings products provide customers with a safe place to save so that they can pay for unforeseen costs and prepare for future costs such as a child's education.
PAYMENTS **Simple and secure payments** LetsGo pay We are increasing our transactional capabilities through the LetsGoPay Digital Account, supporting improved access and safer transacting for our customers as well as increase efficiencies. Our customers can easily make payments, send and receive money and save and borrow at their convenience.	• **LetsGoPay Digital Account** enables customers to make unstructured supplementary service data (USSD) payments, send and receive money and save and borrow, instantly, easily, anytime and anywhere in six of our markets. • Our **inward remittance services** allow the Mozambique diaspora in Malawi, South Africa and Zambia to send money home to their families.	Technology driven money transfers such as wallets are increasingly becoming the most effective way to provide financial services and drive financial inclusion. We bring these services to our customers using agency banking, USSD and mobile banking.
INSURANCE **Protecting against risks** LetsGo insure In addition to the credit insurance embedded in the repayment terms of most of our loans, we also have a comprehensive range of insurance offerings, including digital insurance products in key markets, providing instant access to insurance, fast claims resolution, simplicity and transparency, with affordable premiums.	• **Credit insurance** is embedded in the repayment terms of most of our loans in all our markets. • **Short-term digital insurance** products include funeral and motor cover in six of our markets. • **Long-term standalone insurance** products include education in Nigeria and non-digital insurance include term life in Botswana and motor insurance in Mozambique.	Our insurance, healthcare insurance and life cover products help our customers secure their wealth, financial fitness and wellbeing to meet potential losses or risks in the future.
LIFESTYLE **Beyond Banking** LetsGo live We are refining our approach to blend traditional financial services with key lifestyle solutions, enhancing customer engagement and loyalty through tailored, impactful offerings.	• **Digital Wellbeing** provides customers with access to online health and wellness information and lifestyle solutions in nine of our markets.	Through our strategic partnerships, we are diversifying beyond traditional financial solutions to offer customers dynamic value-adding lifestyle solutions (wellbeing, education and personal finance).

2023 progress

LetsGo borrow

Lending

DAS

- In 2023, the DAS net loan book increased by 5% year-on-year to P11.9 billion. Interest income increased by 7% to P2.7 billion (2022: P2.5 billion).
- Mozambique drove growth, increasing its net loan book value by 24% to P2.5 billion, while Botswana saw a 7% increase to P3.5 billion, with a 4% rise in customers to 37 209. Rwanda launched its DAS business in 2023.
- With over 29% increase in DAS customers transitioning to the LetsGo Digital Mall platform and over 78% initiating loans through digital channels, enhancements to digital channels and engagement campaigns remain top priority.
- The Group remains committed to expanding LetsGo@Work proposition – a comprehensive offering including housing, insurance, and wellbeing services alongside core DAS lending, tailored for governments, corporates, and their employees.

MSE & Programmatic Lending

- The MSE and Programmatic Book decreased by 16% year-on-year to P814 million, while interest income year-on-year remained flat at P269 million (2022: P270 million) following the Group's strategic reset to shorten MSE loan tenors and build a more digital and sustainable business. In the upcoming year, our efforts include expanding our affordable housing loan product in Namibia and Botswana. Collaborations with development funding institutions and technical assistance partners will facilitate diversification efforts.

Mass Mobile Lending

- The mobile loan book increased by 90% year-on-year to P803 million, with loan income increasing 307% to P195 million (2022: P48 million). This improved performance is attributed to expanding the Mobile lending offering to Botswana, Kenya, Nigeria, and Tanzania.
- Customer uptake increased by over 1 million to 6.4 million.

LetsGo save

Savings and Deposits

- Total deposits increased by 37% to P1.5 billion (2022: P1.1 billion). Namibia and Ghana experienced notable growth of 50% and over 800%, respectively. Although corporate deposits remain prominent, having increased by 56% to P865 million, the retail customer segment, also grew by 19% to P673 million (2022: P565 million).
- Despite the increase in policy rates across the markets, the cost of deposits reduced to 11.5% (2022: 12.3%), driven by a shift in the mix of franchise deposits.
- Savings customers grew by 11% to 1 million in 2023, with over 60% of this growth facilitated through partnerships with MNOs. The average deposit for a retail customer was P642 and P79 for a micro-saver.
- The Group focuses on three digital savings products: transactional, flexi savings, and term deposits, available in Namibia and Nigeria through our LetsGo Digital Mall.

LetsGo pay

Payments

- In 2023, mobile and digital payments increased by 73% to P294 million, driven by expanded digital payment capabilities on the Digital Mall and increased adoption across Southern and West Africa. Conversely, card transactions declined by 28% to P204 million, reflecting a shift towards digital and mobile payment methods.
- The rise in digital payments also boosted retail savings in Namibia by 19% to P31 million.

LetsGo insure

Insurance

- Insurance revenue increased by P124 million (49%) to P373 million in 2023, driven by the expansion of embedded insurance across multiple markets and the introduction of new offerings such as health, credit life, and family protection.

LetsGo live

Lifestyle

- The Group is dedicated to empowering its customers to lead healthier lives through its Wellbeing products on the LetsGo Digital Mall. These products offer dynamic physical and mental health podcasts, alongside enriching content on healthy eating.
- Usage increased by 12%, reaching 28 000 users, with over 55% being female and the highest adoption rate among those aged 30-45 years. Content is developed through strategic partnerships with health fintechs, ensuring high-quality, relevant information.

2023 PERFORMANCE

Accelerated execution of product diversification strategy

MOBILE LOAN PERFORMANCE

- Live in **8** markets
- **11** Fintech/mobile network operator partners
- Over **12.5 million** loans issued
- **P541 million** total revenue Fintech/MNO Partners

INSURANCE HIGHLIGHTS

- **6** product types
- **2** new products launched
- Over **105 000** individual policies
- **P362 million** fee income

DAS income
↑7%
yoy to P2.67 billion
(2022: P2.50 billion)

Mobile lending income
↑307 %
yoy to P195 million
(2022: P48 million)

Insurance revenue
↑49 %
yoy to P373 million
(2022: P249 million)

Total deposits
↑37 %
yoy to P1.5 billion
(2022: P1.1 billion)

Digital DAS channels
78%
of DAS customers are active on digital channels
(2022: 73%).

DAS net loan book
↑5%
year-on-year to
P11.9 billion
(2022: P11.3 billion).

MSE and programmatic net loan book values
decreased
↓16%
year-on-year to
P814 million
(2022: P974 million).

Mass mobile net loan book values
↑90%
year-on-year to
P803 million
(2022: P421 million).

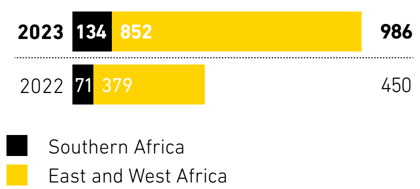
Savings customers
↑11%
to
1 million
(2022: 894 541)

Lifestyle usage
↑12%
reaching
28 000
users.

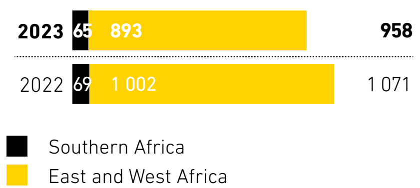
Payments
↓28%
to
P204 million
card.

Payments
↑73%
to
P294 million
mobile and digital payments.

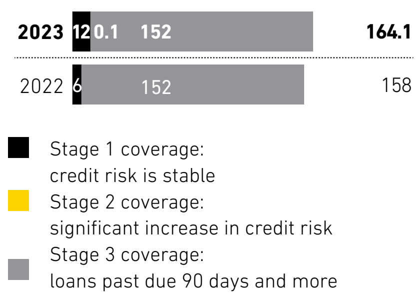
Gross advances to mass mobile customers
(P million)



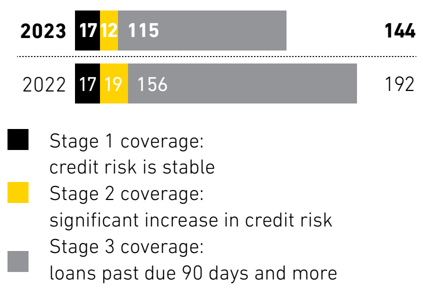
Gross advances to MSE and programmatic lending customers
(P million)



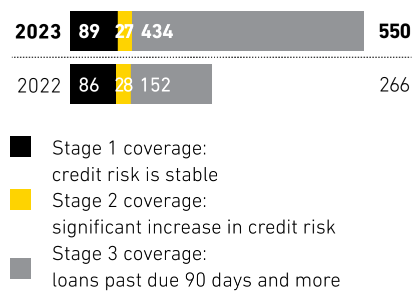
Mass mobile expected credit losses
(P million)



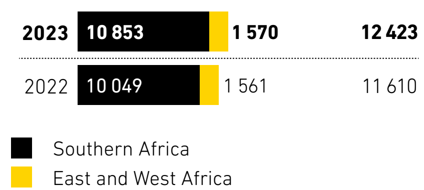
MSE and programmatic lending ECL
(P million)



DAS expected credit losses
(P million)



Gross advances to DAS customers
(P million)



LOOKING AHEAD

In 2024, we plan to consolidate our mobile loans to enhance our reach and operational efficiency and expand this product into additional markets.

We will continue to enhance payment capabilities, particularly in e-wallets and cards, across our deposit markets. This includes integrating with strategic partners for value-added services and utilities, as well as enhancing customer journeys on the LetsGo Digital Mall to drive digital payment adoption and convenience.

We will focus our efforts on expanding our affordable housing loan product in Namibia and Botswana. Collaborations with development funding institutions and technical assistance partners will facilitate diversification efforts, and we will also be developing and strengthening collaborations with key partners in the mobile network operator sector and credit data space, as well as driving deposit growth through payment integration and secure transactions. We plan to bolster existing partnerships and expand our solution into additional markets throughout the year.

The Group will also continue to increase retail savings and transactional deposits through key strategic partnerships with mobile network operators to enhance interoperability and drive scale. We will enhance our Lifestyle value proposition, seeking to further benefit customers through lending solutions and explore innovative ways to provide added value.

Moving forward, the Group intends to underwrite its own insurance business through cell captive arrangements in all markets, which is expected to further boost insurance earnings.

Digitalisation

Overview

Our digital transformation will bring together data from across the Group to deliver process innovation, efficiencies and enhanced customer engagement and experience. Workflow automation, advanced processing and data analytics will offer better insight into customer journeys to inform the development and delivery of simple and relevant solutions that meet our customer's needs and help them improve their lives. This also supports our growth ambitions in an efficient and cost-effective way.

Digitalisation is a key enabler of growing our value streams, allowing us to reach more customers by providing inclusive financial services, particularly through the LetsGo Digital Mall. Our development of the Mall and strategic partnerships allow us to offer our customers fast and easy access, simplicity, affordability, and inclusivity across multiple secure channels: website, USSD, mobile phone, and WhatsApp. Our digital accounts support our deposit-taking objectives, making loan repayments easier for customers, and, in turn, positively impact the quality of our lending portfolio.

A successful digital transition hinges on extensive customer education, fostering a culture of innovation and high performance, and is underpinned by a leadership team that both inspires and supports our employees throughout the change process.

In our branches, we provide digital education to our customers, showing them how easy, safe, and convenient online applications are and helping them transition to this new way of retail financial services.

- The number of active customers registered on the LetsGo Digital Mall
- Turn around time to approve and disburse customer loans
- Revenue from digital channels
- Gender specific usage habits
- System stability
- Customer feedback and satisfaction

- An enhanced digital customer experience of our core products
- Scalability that reaches growing new customer segments
- Streamlined processes and increased productivity and efficiencies
- Data-driven decision making that leverages analytics for strategic insights
- Environmental benefits by reducing paper use and physical footprint

- Increasing regulation around data privacy and protection
- Digital skills shortages
- Increased risk of cybercrime
- Inadequate telecommunications infrastructure and high cost of data across Africa

- Customers
- Employees
- Investors and funders
- Strategic partners
- Communities

LetsGo Digital Mall

Our Digital Mall is a key enabler of the next phase of our strategy. It is easy to download, registration is free and digital forms are concise and user friendly. It provides our customers with secure, convenient and easy access to our products and services from all five of our value steams across multiple digital channels.

The Mall will be rolled out in phases as we incrementally build capabilities, increase accessibility and introduce more products. This will enable us to create the #LetsGoNation, where the mall provides a marketplace for MSEs to trade, acquire and sell products. Through the platform, in time we will create a connected community that matches the right suppliers with the right demand in a secure environment.

Product diversification journey

Page 38.

Start Transformation Strategy

2020	2021	2022				2023	
Products introduced							
DAS, non-DAS and MSE loans	DAS loans to government employees	MSE working capital loans	Affordable housing	Purchase order financing	Education solutions	Digital Instant Loans	LetsGo borrow
		Flexi -Save Account				Digital savings accounts	LetsGo save
		Payment products				Digital bill payments	LetsGo pay
		Insurance products				Insurance offerings for family protection and education	LetsGo insure
		Digital wellbeing					LetsGo live

Our traditional products

LetsGo Digital Mall

The platform uses robotic process automation to support end-to-end processing and system integration across geographies and divisions, ensuring that transactions are seamless. The underlying architecture uses application programming interface (API) that allows the components and services connected to the API to remain independent but still communicate and share information for quick, secure and accurate transactions. The architecture supports services enabled through our strategic partnership and serves as a platform to bring African's together to support the continent's future development.

Our Transformation Strategy, has provided improved and customised credit scoring models that are data-driven, providing tools that enable accurate credit risk assessments across all our lending portfolios and allows us to broaden our lending offering beyond DAS and MSE loans.

2023 PERFORMANCE

- We are pleased to report a significant surge in registrations on our Digital Mall, reaching 3.5 million customers in 2023, compared to 1.1 million in 2022. 477 743 are active customers, representing a 13.2% activity rate.
- 19.8% DAS customers initiated the core loan product on the Digital Mall, marking a substantial increase from 9% in 2022.
- The Digital Mall revenue soared to P462 million in 2023, doubling from the previous year and aligning with our digital transformation strategy's growth assumptions.
- USSD emerged as the most popular channel, with 59% utilisation.
- The female user base on the Digital Mall increased to 52%, up from 39% the previous year.
- The adoption of our Digital Mall has shown remarkable progress, climbing from 3% in 2021 to 19.8% in 2023.
- Core DAS loans, mobile loans, and payments have emerged as the most popular products.

HIGHLIGHTS

Over
3.5 million registered users
↑ 218% from 2022

Digital mall user base reached over
477 000 active customers
in 2023

Over
89% of traditional customer base
has been successfully migrated to the Digital Mall

LOOKING AHEAD

We aim to refine customer journeys and improve overall customer experience, and launch new products to increase customer engagement when on our platform. This strategic focus will drive innovation, increase efficiency, and expand our market reach, positioning us strongly for future growth.

We will continue to accelerate payment capabilities on our digital platform and build continued momentum in our deposit services platform meeting the digital financial needs of our customers in a reliable and secure environment.

With a focus on customer-centric innovation and digitalisation, we strive to enhance the accessibility and convenience of basic financial services, reinforcing our position as a trusted financial partner that improves lives.

Overall, we are confident in our ability to navigate the opportunities and challenges of 2024, leveraging an improved economic outlook and the strength of our core product proposition to drive sustainable growth and deliver value to all stakeholders.

CASE STUDY

#PeopleFirst culture increases digital skills in regional markets

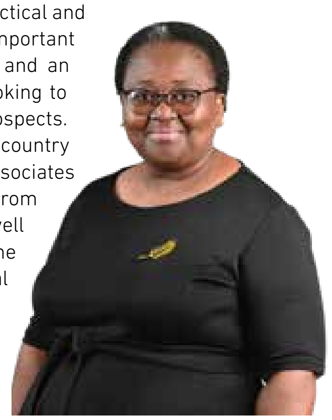
In 2023, Letshego's 18-month Digital Mastery Programme celebrated the successful graduation of all 14 digital associates. The programme accepted the 14 from the 1 200 potential applicants who managed to navigate and pass the arduous four stage interview process to embark on their 18 month development journey to acquire skills and regional expertise to boost their future career prospects.

The Digital Mastery Programme was developed to support the empowerment and growth of digital and tech skills in regional markets. In the innovative, Letshego-designed 'Digital Mastery classroom', graduates participated in interactive and practical on-the-job learning experiences across various Letshego subsidiaries and divisions. The programme also provided an opportunity for graduates to invest their own energy into innovating and enhancing Letshego's own product and entrepreneurial ecosystems via internal learning and Agile-style workshops.

Incorporating a leadership and training curriculum element, this portion of the programme leveraged Letshego's existing partnerships with international executive training institutions, including the Gordon Institute of Business Science and McKinsey's Black Academy.

As the majority of our candidates were external, the Programme sponsored basic living expenses, allowing our delegates to focus on the learning opportunity, and not be too distracted by daily living costs.

Commenting on the success of this unique skills development initiative, Letshego Africa's Group Chief of People & Culture, Kamogelo Chiusiwa said "Practical and on-the-job learning was an important hallmark of the programme, and an asset for any young talent looking to expand their future growth prospects. Thanks to Letshego's 11 country Africa footprint, our Digital Associates gained first-hand experience from international operations as well as securing exposure to the benefits of strategic external partnerships, by working with some of the companies that support Letshego's regional operations."



11 of the 14 graduates were invited to join Letshego on a full time basis post graduation, with the balance going on to progress rich careers, innovating regional industries with their recently expanded skills and Letshego-gained insights. Letshego looks forward to watching and celebrating the futures of these valued alumni of our LetsGo Nation.

"Thanks to Letshego's Digital Mastery programme, I can now build financial products with no code solutions," **explains Loatile Nkala (26 yrs) on concluding the programme**. "I understand product development better – from ideation, prototyping to writing a full business case for implementation. I understand how to validate a business solution with little to no spend. We have spent time in Letshego's different value streams, so I now know how the practical side of business works. The programme was very practical."

Fellow Digital Associate Graduate, Geomatics Engineer Lone Lottering (25 yrs), reiterates to the skills acquired by Nkala and adds, "The programme has exposed me to invaluable skills and knowledge in digital entrepreneurship, leadership, and innovation capabilities such as Lean Innovation and Customer Engagement. This is where I actively engaged with customers across all markets to capture feedback as early as possible, thereby maximising the power of data in a product's development cycle."

Geographic rebalancing

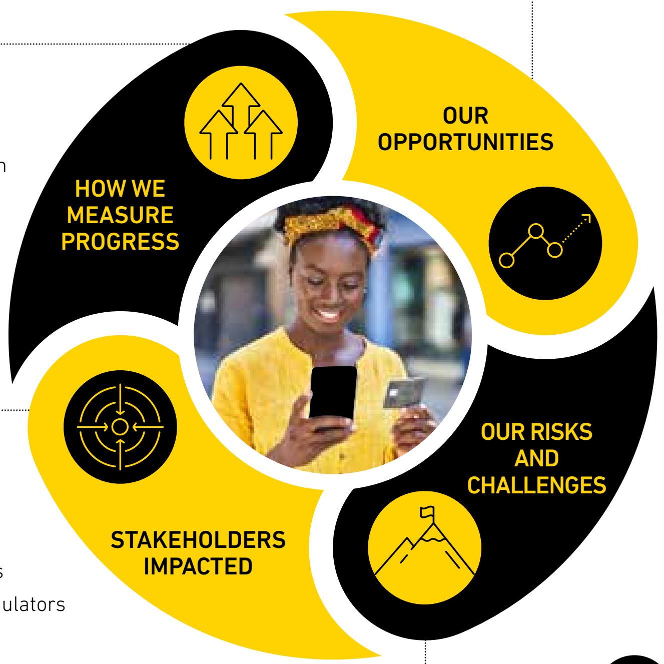
Overview

We provide strategic support to our subsidiaries to enable them to seize local growth opportunities and grow their collective contribution to Group profits over the medium to long term. This strategic approach to geographic rebalancing is a clear indication of our commitment to sustainable growth and our confidence in the potential of these markets.

To better balance our regional business, we must focus on growing our East and West African operations by concentrating on market-specific strategies. We have shifted from a one-size-fits-all approach to identifying the relevant products and services for each market. Exciting opportunities exist in some of our newer geographies.

Our Southern African operations are our traditional markets, which not only deliver stable results but also contribute significantly to Group profits. This stability provides a solid foundation as we aim to increase the collective contribution of our smaller to medium-sized operations in East and West Africa.

As part of our stabilisation and recovery work in early 2023, we restructured our subsidiaries and appointed a dedicated executive to oversee our growing markets in East and West Africa, namely Kenya, Uganda, Tanzania, Rwanda, Ghana and Nigeria. This restructure supports our objective to prioritise resources in these markets to unlock their full potential.



Our opportunities
- Leveraging centralised centres of excellence
- Growing the strength of the Letshego brand in each market
- Deepening government relationships
- Enhanced geographic diversification

How we measure progress
- Collective contribution of the East and West African operations to Group profits
- Effective tax rate

Stakeholders impacted
- Customers
- Investors and funders
- Governments and regulators
- Communities

Our risks and challenges
- Maintaining compliance with varying regulatory and legal requirements across multiple jurisdictions
- Foreign exchange risks
- Hyperinflationary conditions and sovereign risks

2023 PERFORMANCE

- Total Operating Income up 17% to P762 million in East and West African Markets.
- Interest income up 10% to P2.2 billion in Southern African Markets.
- Stronger balance sheet and revenue contribution from DAS and Mobile Loans, following deliberate actions to derisk from MSE portfolio.
- The Group focused on revitalising its East and West Markets with a reset strategy for the MSE segment, streamlined operations, and growth in the Mobile lending portfolio and DAS business. Despite challenging economic conditions in some markets, often driven by increased food and energy prices, we achieved marginal year-on-year net book growth of 3% to P3 billion (2022: P2.9 billion).
- In 2023, EY a number of professional organisations outside Ghana including global accounting firms, determined Ghana to be a hyperinflationary economy, although this is disputed by the Institute of Chartered Accountants of Ghana (ICAG). The Group was required to adjust for this. impacting the Group's profitability with inflation adjustments amounting to P128 million. The underlying business in Ghana remains strong and growing, and we remain optimistic about its macroeconomic recovery.

The P100 million club – Our 'club' of markets that made over

P100 million

in profit before tax in 2023 were

Botswana, Namibia and Mozambique

Collective contribution

(before eliminations)

37%
collective contribution from our **East and West African operations** to Group revenue

63%
collective contribution from our **Southern African operations** to Group revenue

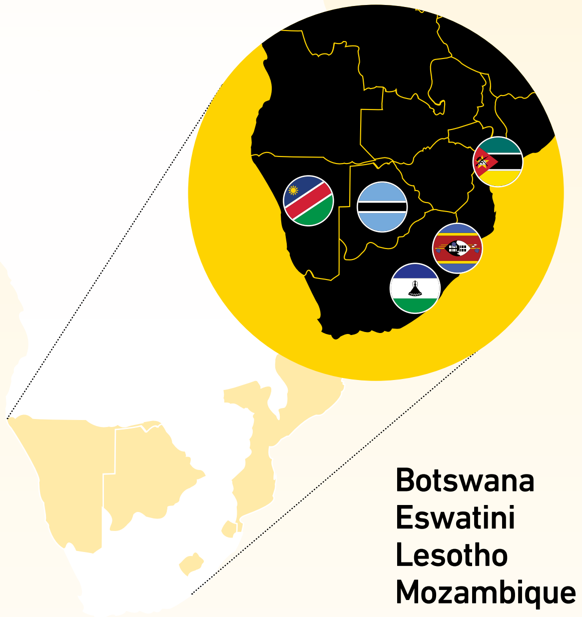
Country chief executives: Page 71.

Country reviews: Page 72.

2023 PERFORMANCE

Southern African Markets

- Southern African markets maintained a steady 7% net loan book growth to P10.6 billion. Mobile lending grew by 81% to P110 million in these markets, while the DAS loan portfolio increased by 3% to P10 billion. Mozambique's loan book grew by 19% to P2.5 billion, while Botswana's net loan book increased by 9% to P3.5 billion.
- Southern African markets also expanded the customer base by 14% to 967 522, driven by strong growth in Botswana's Mobile lending segment.
- In our largest market, Botswana, strong underlying business performance led to a 15% growth in Gross Loans and Advances, driven mainly by Government DAS. However, this was offset by increased ECLs for a newly introduced "test and learn" individual non-DAS loan portfolio, which experienced challenges in collections. Additionally, system migration at the central deductions clearing partner resulted in technical defaults on some loans, leading to increased impairments in the DAS portfolio. Key lessons were learnt from this portfolio, which we expect to leverage going forward.
- The business is leveraging lessons to enhance overall Group collection capability and technology, aiming for improved performance in this portfolio in 2024. Anticipated improvements are expected to deliver continuing business value. Botswana restructured its banking debt profile to support competitiveness in our core DAS product and diversified business growth with Mobile lending and Affordable Housing product lines. We are pleased to note improved local market liquidity due to changes in offshore investing regulations.



Botswana
Eswatini
Lesotho
Mozambique
Namibia

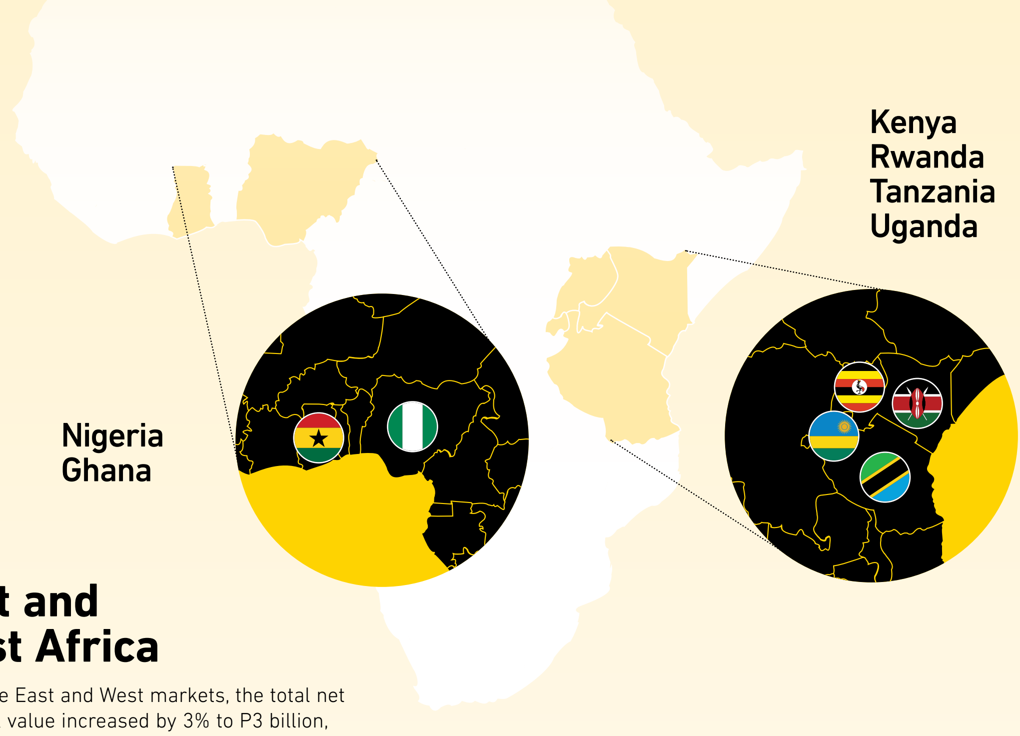
SOUTHERN AFRICA MARKETS

↑ Local Currency Performance Highlights Profit before Taxation

Mozambique
↑ 15%
year-on-year

↑ Interest income
(Top Line Growth)

Botswana	Eswatini	Lesotho	Namibia
↑ 4%	↑ 15%	↑ 6%	↑ 13%
year-on-year	year-on-year	year-on-year	year-on-year



Nigeria
Ghana

Kenya
Rwanda
Tanzania
Uganda

East and West Africa

- In the East and West markets, the total net book value increased by 3% to P3 billion, with the Mobile Loan product driving significant growth, increasing the net book value by 92% to P692 million. However, MSE customers faced challenges due to high inflation levels, prompting the implementation of a strategic reset strategy with shorter loan tenors. This led to a 38% decrease in net loan book values for the MSE segment. However, we anticipate this adjustment will pave the way for a more sustainable business in these markets in the coming year.
- Tanzania was successful in completing the amalgamation of our two Tanzania subsidiaries to form one new, more efficient entity, Letshego Faidika Bank Limited.

* *following restatement under IAS29, a loss before tax of P62.9 million was incurred.*

EAST & WEST AFRICA MARKETS

↑ Local Currency Performance Highlights Profit before Taxation

Ghana	Rwanda
↑ 432%	↑ 9%
year-on-year*	year-on-year

LOOKING AHEAD

We are leveraging the lessons learnt to enhance the overall Group collection capability and technology, aiming for improved performance in this portfolio in the short term. Anticipated improvements are expected to deliver continuing business value. In addition, Botswana has restructured its banking debt profile to support competitiveness in our core DAS product and deliver diversified business growth in the Mobile lending and Affordable Housing product lines. We are pleased to note improved local market liquidity due to changes in offshore investing regulations.

These developments reflect our efforts to navigate challenges and capitalise on growth opportunities. We remain focused on bolstering our presence in Southern African markets and enhancing our product offerings in the East and West markets. Our strategic reset strategy aims to ensure a more sustainable business model in these regions, positioning us for continued growth and resilience in the medium term.

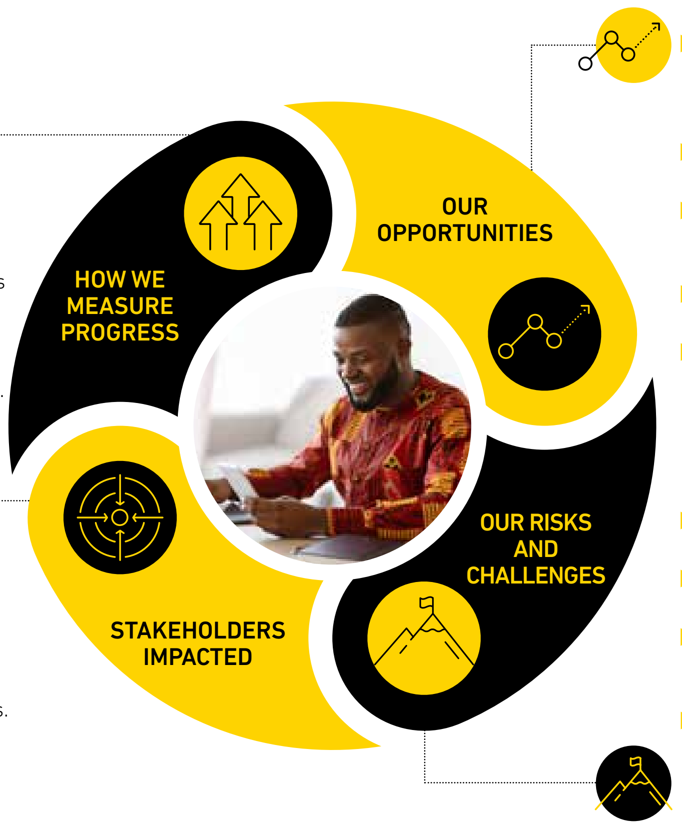
Execution engine

Overview

To deepen our relevance and resilience, we continue to consolidate and strengthen a culture of agility, innovation and high performance throughout the Group.

We are building on the gains made in transforming the work culture and empowering self-managing teams across the Group. We are realising continuous improvements in team engagement, productivity and enhanced cross-functional collaboration among our people. We are maintaining our commitment to provide the necessary training and coaching to ensure that we continue to deliver comprehensive integration that optimises our outcomes.

The Group continues leverage SAFe Agile practices to increase efficiency in delivery to meet customer needs across all markets. From this we are deepening our customer-centered behaviours and addressing improvements in our product delivery model. The teams are benefiting from learning opportunities, further supporting the evolution of the work culture.



Our opportunities

- Empowered and engaged employees to support enhanced customer satisfaction.
- Quick delivery of new products to market.
- Reduced operating costs to drive efficiency and continuous improvement.
- Increased functional collaboration.
- Increasing employee skill sets.

How we measure progress

- Turn around time of products and services to customers.
- Operational productivity and execution efficiencies.
- Time to market.
- Customer feedback

Stakeholders impacted

- Employees.
- Customers.
- Investors and funders.

Our risks and challenges

- Scarcity of financial and digital skills.
- Succession planning for key roles.
- Strengthening institutional knowledge per country operation.
- Effective organisational change management.

Enterprise agility

Organisational structure

We are implementing agile training initiatives across markets to optimise operational efficiency. This training equips teams with essential tools including prioritisation models, customer-centric approaches, and performance matrices, enabling them to streamline their workflows and enhance productivity.

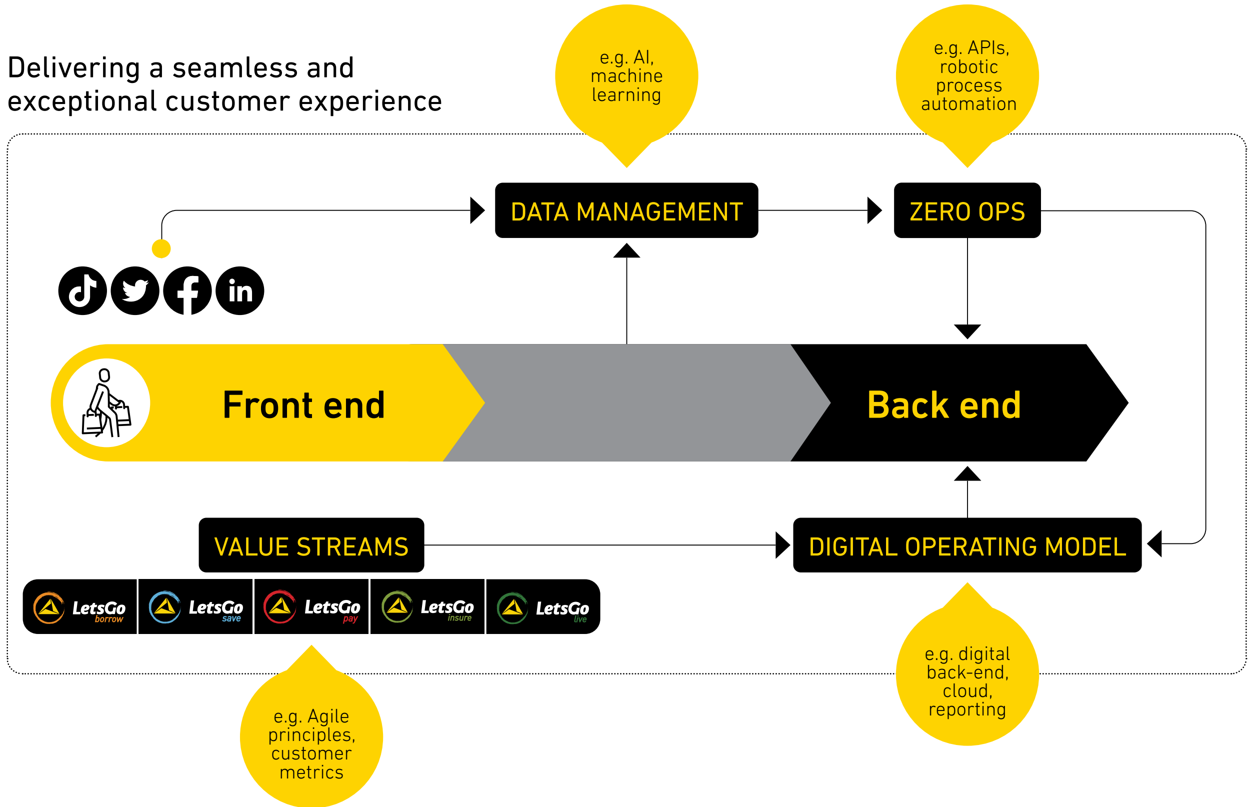
To enhance enterprise agility, we have introduced the Objectives and Key Results (OKRs) system, aligning execution with strategic goals. This framework facilitates the visualisation of critical organisational priorities across departments and subsidiaries, aiding teams in prioritising tasks effectively.

Target Operating Model

Our Target Operating Model (TOM) is our strategic guide as we evolve into a pan-African 'retail tech' brand, optimising our systems for a digitally driven future. We are integrating various forms of robotic process automation to replace repetitive manual tasks, moving toward what we envision as a 'Zero Ops' platform that facilitates complete end-to-end automation. By cutting inefficiencies and digitising both activities and data, alongside restructuring our workforce and enhancing skill sets, we are optimising and expediting our processes. Predominantly, we develop our solutions in-house, grounded in targeted research to craft unique customer experiences. Our ultimate goal is to maintain a fully digital and automated backend infrastructure that scales efficiently without additional costs.

We are upgrading our document management system to enable faster customer onboarding, reduce operational costs, optimise resource allocation, quicker document scanning, and improved content analytics. We will continue leveraging artificial intelligence and automation to streamline customer onboarding workflows, digitise business documentation, and ultimately achieve a fully paperless work environment.

Delivering a seamless and exceptional customer experience



Cybersecurity

As digitisation continues to evolve, managing and mitigating the risk of cyber attacks remains a critical priority. We are committed to strengthening our cybersecurity framework, with cybersecurity being an organisational priority, to respond proactively to the rapidly changing digital landscape. We are adjusting our strategies and policies to encompass emerging challenges posed by AI and cloud computing. To address the global cybersecurity skills shortage, we are not only enhancing the capabilities of our people but also building a human firewall using the latest gamified user awareness technology. This approach supports the ongoing maintenance of our security technologies and includes partnering with leading organisations to leverage advanced security services and risk management tools to effectively protect our assets. Security by design is a cornerstone of all our digital solutions, ensuring that cybersecurity measures are integrated into our technology architecture. Furthermore, our anti-money laundering systems and stringent data integrity, privacy, and security controls are meticulously maintained to safeguard our customers' information.

We have successfully established a comprehensive data protection framework. This framework serves as the foundation for all our data protection efforts, ensuring that personal data is handled securely and in compliance with Data Protection regulations. To date we have achieved a 90% data protection staff training rate resulting in increased employee awareness and understanding and thus reducing the number of data breaches.

Digital skills

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

2023 PERFORMANCE

- An Agile Project Management Office (APMO) has been established to implement strategic projects, using a hybrid framework that fuses both Waterfall and Agile ways of working.
- In line with our TOM, we have achieved 80% end-to-end automation of our DAS lending value stream, resulting in increased operational efficiencies. The introduction and enhancement of systems to improve back-end and Shared Services automation (Aurora project) in 2023 has been largely completed, with only two countries awaiting regulatory approval. 2024 will bring the full efficiencies of these investments, reduce operational costs across the Group, and improve operational controls and service delivery.
- Successfully migrated our South African Data Centres to AWS Cloud, completing our cloud transformation for eight of our 11 subsidiaries, enhancing our operational efficiency and scalability while enabling us to deliver our service excellence commitment to our customers.
- Established a new Security Operating Centre to provide proactive threat monitoring, detection and response and significantly strengthen our security measures and system resilience.
- Revamped data protection capabilities to further safeguard customer, employee and key stakeholder information and ensure compliance with evolving data protection legislation.
- Completed an ISO 27001 gap analysis for our Head Office, with Nigeria achieving certification and certification underway in Ghana.
- Launched a data lake to enable near real-time business insights. We will continue to harness the power of AI to drive predictive analysis and enhance our data-driven decision-making capabilities.

Man Hours Saved

2023	150 000
2022	115 000
2021	20 000

Lending Journey Automation (%)

25% 2021
62% 2022
80% 2023

Internal Automation Implementation (%)

100% 2023
60% 2022
0% 2021

Squad teams driving digitisation

2023: 4 squads
2022: 17 squads
2021: 11 squads

Digital and specialist skills

100 people support our digitalisation *(2022: 124).*

55 employees support the LetsGo Digital Mall *(2022: 60).*

Digital Mastery Programme

14 participants graduated from our Digital Mastery Programme *(2022: 14 participants enrolled in the first cohort).*

Savings from automation

>150 000 manhours saved to date due to the automation of manual back-end processes.

Internal innovation

100% of the robotic processing automation solutions delivered in 2023 were developed internally.

LOOKING AHEAD

As part of our commitment to continuous improvement, we are actively re-engineering our business processes and operating models to enhance growth and bolster resilience in the medium term. This includes a strategic overhaul of our end-to-end value stream and support processes, streamlining and automating them to adapt to evolving market demands. The anticipated restructuring will not only reduce Group servicing costs but also establish centres of excellence, which are designed to enhance skills and facilitate superior customer service. In line with these changes, we are also dedicated to elevating the LetsGo employee experience. This will be achieved by more deeply integrating our employee value proposition and Culture Blueprint into our daily operations, aligning them with our broader business re-engineering strategies to foster a more engaged and effective workforce.

Sustainable stakeholder value

Overview

Achieving long-term stakeholder value is centred on the Group's ongoing sustainability, relevance and ability to create value for all stakeholders in a responsible and ethical manner. Our success depends on our ability to deliver outstanding customer service, as well as the ongoing relevance of our products, our market share and how we live our purpose to improve lives by providing inclusive financial services and positive social impact.

We believe that our Transformation Strategy will enhance and escalate our ability to create value. As we work to build this value for all our stakeholders, our shareholder value will be reflected by improved returns on equity and assets, as well as good dividend payouts. We will work with all other stakeholders towards mutually beneficial relationships and deliver an attractive employee value proposition and positively impact on the communities in which we operate.

Our purpose is to improve lives. Despite the changes we are making as part of our Transformation Strategy, our core business has not changed and being an inclusive financial services provider remains our greatest impact on society. By making relevant financial products and services available to under-served markets, the Group contributes to the alleviation of some of the greatest social challenges faced by communities on the African continent, reducing poverty and inequality and increasing economic growth and employment.

Our new products and services are delivered digitally at affordable prices and are attracting new customers, diversifying revenue streams and increasing the number of products taken up by existing customers. Our digital transformation is delivering efficiencies and providing the data needed to deliver excellence in our processes.

- Strong business fundamentals with 25 years of regional experience
- Established reputation as an inclusive finance provider with world class ethical business practices
- Proven Enterprise Risk Management Framework, aligned to global governance standards
- Well capitalised operations embedded in 11 Sub-Saharan African economies
- Diversifying our product range and digitising at speed

- ROE
- Cost-to-income ratio
- Return on assets
- Loan loss ratio
- Profit growth

- A challenging economic, social and political landscape
- Increasing competition in the financial services sector
- A continuously shifting regulatory landscape

- Customers
- Investors and funders
- Governments and regulators
- Communities

Total income
↑ 7%
year-on-year to P3.94 billion
(2022: P3.68 billion)

Insurance revenue
↑ 49%
year-on-year to P373 million
(2022: P249 million)

Interest income
↑ 9%
year-on-year to P3.42 billion
(2022: P3.15 billion)

Non-funded income excluding FX gains
↑ 17%
to P514 million
(2022: P439 million)

Interest expense
↑ 20%
year-on-year to P1.69 billion
(2022: P1.38 billion)

Cost to income ratio
of **↑ 75%**
(2022 restated: 61%)

Income performance

- The Group achieved a profit before tax of P121 million, compared to a restated profit of P684 million in 2022.
- The Group recorded strong top line growth of 9%, but interest expense remained high and increased by 20%, impacted partly by the change in policy rates which affected existing funding and growth in funding.
- Market rate increases were more aggressive than expected, both in quantum and the length of the cycle, which adversely affected top line growth.
- Regulatory changes in Mozambique increased liquid asset requirements from 11.5% to 28.5% in February 2023 with a further increase to 39.5% in May.
- Non-funded income declined by 3% to P514 million; however, excluding the net foreign exchange gain in 2022, non-funded income grew 17%.
- Good traction continued on insurance arrangement income, which was up 49% to P373 million year-on-year.

2023 PERFORMANCE

- While the underlying business fundamentals remain strong, the Group posted a loss after tax of P149 million, largely caused by extraordinary items.
- Additionally in 2023, the Group made a determination to use a discount factor of 0% for discounting of Stage 3 exposure for 2020-2022 for further prudence. This resulted in opening retained earnings reducing by approximately P72.6 million and current year profitability by P128 million.
- The classification of Ghana as a hyperinflationary economy impacted Group profit before taxation by P128 million. The Group achieved strong balance sheet growth supported by well capitalised subsidiaries, and enjoys strong regulatory relationships in all markets.
- We remain optimistic about sustaining and increasing business momentum across all lines.
- Net borrowings increased by P1.6 million year-on-year, while deposits increased by P417 million.

Asset quality

- Non-performing loans (NPLs) increased to 9.6% of gross loan book as at December 2023 (FY 2022: 6.5%) while PAR 30 increased to 14.4% from 9.2% in 2022. The movement was mainly driven by environmental risks and sub optimal performance of test and learn programs introduced since 2021.
- The delta increases in PAR 30 and 90 were driven by environmental factors and sub-optimal performance of test and learn programs. In Kenya, the government introduced new statutory deductions and tax regimes that impaired client's disposable incomes, exacerbating portfolio delinquencies' in 2023. In Mozambique, sub-optimal transition to centralise government registry led to mass drop offs of monthly deductions of government employees loan repayments. The test and learn program in Botswana targeting the Non-DAS collection program failed to meet product assumptions.
- The Group has put a robust portfolio remediation strategy in place to accelerate collections and recoveries momentum in 2024. The Group has strengthened people and structural bench strength for collections and recoveries and has expanded partnerships with external collections agencies across its markets. The Group continues to collaborate with employers and Central Government registries to address operational delinquencies of the past years while establishing alternative collections channels for MSE clients through partnerships with payments service providers. Our credit risk governance is strong and our risk infrastructure is optimal.

Gross loans

↑ 9%

to P14.3 billion

(2022: P13.1 billion)

2023	2022	2021
DAS P12.4 billion	**DAS** P11.6 billion	**DAS** P10.7 billion
MSE P962 million	**MSE** P1 072 million	**MSE** P726 million
Mobile mass P972 million	**Mobile mass** P451 million	**Mobile mass** P977 million

Asset Quality: Tabulated summary

Measure	FY2023	FY2022	FY2021	FY2020	FY2019
Gross Loan Book Balance in P'm	**14 346**	13 132	12 439	10 740	9 833
Portfolio at risk – 30 days	**14.4%**	9.2%	9.2%	8.3%	10.0%
Portfolio at risk – 90 days (NPL)	**9.6%**	6.5%	5.9%	5.3%	6.9%
Post Write-off Recoveries in the year in P'm	**162**	147	178	199	184
Loan loss rate – actual	**3.3%**	1.7%	(0.1%)	0.3%	1.7%
Loan loss rate – excluding once-off items	**2.0%**	0.5%	0.6%	1.8%	1.7%
Non-performing loan coverage ratio	**58%**	53%	73.0%	98%	112%

- NPL provision adequacy graph – data from table above (NPL coverage and Portfolio at risk – 90 days)

Asset Quality – Southern Africa Markets and East and West Africa Markets

Measure	Southern Africa Markets 2023	Southern Africa Markets 2022	East and West Africa Markets 2023	East and West Africa Markets 2022
Gross loan book balance in P'm	11 030	10 189	3 315	2 942
Portfolio at risk – 30 days	12.3%	10.9%	21.2%	36.2%
NPLs (%)	9.1%	5.4%	11.3%	10.0%
Loan loss rate – actual	2.9%	1.2%	3.8%	1.8%
Loan loss rate – excl. once-off items	2.2%	0.2%	1.3%	1.1%

Impairment charge on loans and advances

Impairment charge increased by 111% to P457 million. The loan loss ratio (LLR) increased by 280bps to 3.3%, driven by increases in defaults in the open market test and learn portfolio that was introduced in 2021 and the correction of IFRS 9 Stage 3 discounting error. Additionally, the Group applied stricter treatment of long dated defaults in our portfolios including part of the MSE book impacted by lengthy foreclosure processes. The MSE portfolio is largely secured by landed property while the core business, the Government DAS continues to record low loan loss ratios despite external operational challenges from changes and upgrades of central registries across some markets during the financial year.

Impairment charges and loss rates

2023	2022	2021
Impairment charge	**Impairment charge**	**Impairment release**
P457 million	P216 million	(P17 million)
LLR 3.3%	LLR 1.7%	LLR (0.1%)

Expected credit loss

- During 2023, there was a reassessment of the discounting of Stage 3 ECLs. The prior years' treatment from financial year 2020 to 2022 was therefore deemed an error. The basis for the error is that the default date for Stage 3 exposures have already occurred and no discount factor should therefore be applied to Stage 3 ECLs.
- Increase in ECLs for the year was also driven by uptick in delinquencies on a test and learn program in Botswana and operational challenges from some central registries that impeded timely deduction and remittance of DAS loan instalments. Provisioning levels are aligned with the Group's credit risk profile.
- Group portfolio mix remains flat with DAS comprising 88% of the book in 2023 (2022: 88%). The DAS portfolio is mainly composed of exposures to central and quasi government employees. Collections rates on the Group DAS portfolio is consistently above 90%.

ECL split

at December

Stage 1

(credit risk is stable):

P118 million

(2022: P107 million);

14% *(2022: 22%)*

Stage 2

(credit risk significantly increased):

P39 million

(2022: P47 million);

5% *(2022: 10%)*

Stage 3 coverage

(loans Past due 90 days and more):

P700 million

(2022: 323 million);

81% *(2022: 68%)*

ECL movement

↑ 381 million

Dec 2022, restated
P477 million

New assets originated
P381 million

Provisions raised
P209 million

Write offs
(P209 million)

Dec 2023
P858 million

Stage 3 coverage ratio

58%

2022 restated: 53%

Effective tax rate

- ETR was 223% for the year ended 31 December 2023. The large ETR was primarily due to the significant decrease in profitability caused by the extraordinary items which saw PBT decreasing by 82% to P121 million from P684 million in the prior year.
- ETR is a function of PBT and the absolute tax charge. The tax charge of P270 million reduced by 19% year-on-year, despite including the write-off of deferred tax assets of P66 million relating to the merger of the Tanzania entities.
- The Group successfully extracted P799 million of dividends from subsidiaries, up 13% from prior year.

Funding and Liquidity

The Group's funding profile is managed by source, counterparty, product, and currency. In 2023, the Group funding strategy focused on ensuring that mature subsidiaries could self-fund, improving both the currency risk profile and interest rate risk profile of the subsidiaries and the Group. Furthermore, growing depositor franchise continued to be a focus area, especially in deposit-taking subsidiaries.

Wholesale and Institutional Funding

The Group is mostly funded by Wholesale and Institutional Funding with focus on longer durations to ensure a resilient funding structure. The following has been observed during the year under review:

- Total debt increased to P9.6 billion (2022: P8.0 billion), which constituted about 86% (2022: 88%) of total funding with a weighted average tenor of 29 months, an improvement from the weighted average tenor of 22 months the previous year.
- The debt portfolio constituted 49% in Bank funding, 24% in Bond issuances and 27% in Development Finance Institutions (DFIs) compared to the previous year's composition of 53%, 21% and 26% in Bank funding, Bond issuances and DFIs respectively.
- The Botswana Stock Exchange bond programme utilisation increased to P1.65 billion from P933 million in 2022.
- Mozambique had a landmark bond issuance on the Mozambique Stock Exchange, with record corporate value of P281 million (MZN1.3 billion). This was 2.6 times over-subscribed and helped diversify the debt investor base.
- Namibian bonds stood at P277 million while Ghana bonds amounted to P221 million at the end of the year. Namibia and Ghana bonds decreased year-on-year, as the Group matured high-cost bonds to proactively manage the cost of funds.
- Overall, the average cost of borrowings increased to 13.0% (2022: 11.6%) during the reporting period, driven by macroeconomic factors.
- In response to the tightening monetary policy cycle, the Group increased fixed rate funding. Fixed debt structures increased from P3 billion to P4.4 billion year on year and made up 46% of total debt compared to 37% in 2022.
- Variable interest rate debt constituted 54% of total debt at P5.2 billion. This was an improvement from 63% in 2022; a year which saw significant increase in interest rates, contributing to the high interest expense.
- Liquid assets increased to P1.4 billion (2022: P1.0 billion) as the Group drove balance sheet resilience amid the challenging macroeconomic environment.
- Investment securities constitute Government bonds and T-bills used to meet regulatory requirements. The Group increased these holdings to P867 million from P692 million in 2022.

Bond order of funding by value

P2.4 billion

(2022: P1.6 billion)

Letshego Africa Holdings Limited
P1.6 billion
(2022: P933 million)

Namibia
P307 million
(2022: P287 million)

Mozambique
P277 million

Ghana
P211 million
(2022: P343 million)

Deposits

Customer deposits

↑ 37%

to P1.54 billion

(2022: P1.12 billion)

- Although corporate deposits remain prominent, having increased by 56% to P865 million, the retail customer segment, also grew by 19% to P673 million (2022: P565 million).

Capital allocation

- The Group remains well capitalised with strong balance sheet growth supported by well capitalised subsidiaries.
- Capitalisation ratio 24% (2022 restated: 30%)
- Continued focus on maximising capital efficiencies and optimising balance sheet and funding structure.

Breakdown of funding portfolio (including deposits)

P11.2 billion

Bonds
P2.54 billion
23%
(2022: P1.68 billion, 18%)

DFI
P2.49 billion
22%
(2022: P2.1 billion, 23%)

Bank
P4.59 billion
41%
(2022: P4.28 billion, 47%)

Deposits
P1.54 billion
14%
(2022: P1.12 billion, 12%)

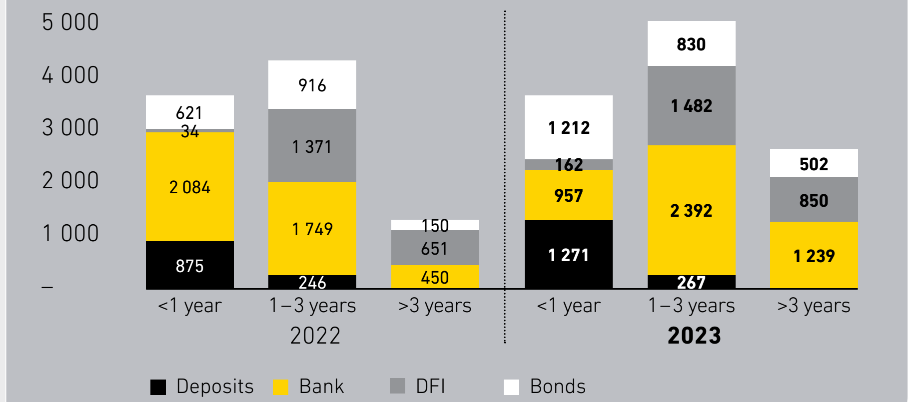
Security

Secured
P356 million
3%

Unsecured
P10.8 billion
97%

Long term debt funding

Funding Term Structure (P'million)



LOOKING AHEAD

While the Group's strategy implementation to 2025 has been somewhat delayed by the headwinds that started during the COVID era, strong progress continues to be made on the 6-2-5 strategy. We are consolidating the business and transitioning to optimise structures, including digital self-service to further our sales growth and strengthen our collection and recoveries capabilities.

The Group will continue to pursue improved shareholder value through a range of capital optimisation strategies including share buybacks, which will improve the overall ROE.

People and culture report

Overview

Our people are at the centre of our ability to create an exceptional customer experience and deliver on our brand promise to improve lives. Our #PeopleFirst strategy and culture underpins our 6-2-5 execution roadmap and aims to recognise each employee as a valued team member who plays an important role in achieving our Transformation Strategy and delivering our vision.

As a key competitive advantage, our employee value proposition must remain attractive to acquire and retain the talent needed to execute our strategy, particularly in markets characterised by increased competition for skilled, innovative and dynamic people.

#PeopleFirst strategy – building tomorrows' people today

Our employee value proposition focuses on providing a safe working environment and embedding a culture and purpose that inspires and engages our employees. We implement people practices that are fair and consistently applied, support career advancement, and reward high performance.

People

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

Leadership

We continually build leadership capability to drive our transformation programme, embed our desired culture, and support employees through the changes that arise when adopting new ways of working.

Culture, systems and processes

We are committed to embedding a culture of innovation and high performance while delivering an attractive employee experience. Our employee engagement approach focuses on effective people practices, transparent and objective performance management and mitigating people-related risks. A people risk framework is in place for all our markets of operation, and its implementation is tracked at a Group level.

Learning and development

Our learning and development framework ensures that our development interventions support career advancement and develop the skills the Group needs to deliver its Transformation Strategy. Other benefits include driving a great customer and employee experience, empowering our employees to contribute meaningfully to the Group's success. This, in turn, supports job satisfaction and enhances our ability to attract and retain talented individuals. Learning and development is linked to individual development plans, talent management and succession planning at all levels of the Group.

We provide our employees a range of training and development opportunities to help them reach their full potential. Our online learning portal is available to all employees and provides access to over 4 000 accredited training and skill-enhancing courses on topics that include cybersecurity, leadership development, lean and agile working, as well as a variety of general topic courses.

Leadership development

Our leadership development programmes focus on delivering a unified leadership and culture experience for our employees. Programmes for executive and managerial employees are developed in partnership with GIBS and McKinsey Black Academy.

Employee performance and engagement

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

Health and wellbeing

We aim to provide a safe working environment for our people and support their mental and physical health and wellbeing through our employee assistance programme. The wellness of our employees has a direct impact on productivity and the working environment. A comprehensive wellness strategy is in place.

Culture Blueprint and values

We have developed and launched a customised Culture Blueprint and roadmap to support our unique culture and brand ethos. Following extensive collaboration, brainstorming and participation from teams across our footprint, we have defined four values with clearly described definitions and scenarios with a toolkit that will be rolled out, together with additional resources, during 2024 to drive the ongoing journey to bring our people closer together, increase collaboration and enhance communication to support our purpose and strategy.

2023 PERFORMANCE

- We conducted a comprehensive review of our organisational structure across subsidiaries and at head office to ensure ongoing alignment with our strategic objectives. The progress that has been made in investing in digitalisation and automated systems and platforms across the Group guided the changes in the Group's organisational design. A matrix organisational structure has been successfully implemented, combining functional departments with cross-functional teams. This has driven improved collaboration, streamlined decision-making processes and enhanced agility, particularly in response to changing market conditions. In addition, this has reduced duplication, increased efficiency and led to the better utilisation of the skills and experience of our people.
- Through the realignment process, a Culture Blueprint and roadmap was developed to support our unique culture and brand ethos and foster a positive and inclusive work environment. This reflects our commitment to ensuring we build a people first culture and defines our values, expected employee behaviours and principles.
- Our first cohort of 31 executives concluded the GIBS Executive Leadership Program in line with our objective of building a world class leadership team. The curriculum covered contemporary skill sets, including design thinking and transformational leadership.
- Our Digital Mastery curriculum included hands-on industry training with the launch of apex projects, involving innovation of real solutions for real life business problems.
- We have prioritised employee engagement as a key area of focus as a highly engaged workforce drives organisational success. We have established forums like 'Lekgotla' where employees and leadership are given a platform to engage on a range of issues.
- In addition to long service awards, excellence awards have been implemented to recognise colleagues who demonstrate excellence in the work they do. In addition, team building initiatives have taken place across the Group.

PEOPLE DATA HIGHLIGHTS

Total employees

Permanent
1 375
2022: 1 705

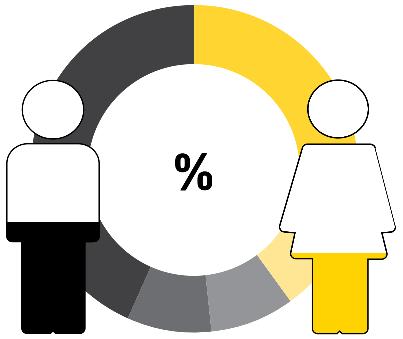
Temporary
152
2022: 189

Gender breakdown (%)

58
2022: 52

42
2022: 48

Training spend
P5.2 million
(2022: P5.1 million)



58
2022: 59

42
2022: 41

Senior management
● **5** *2022: 42*
● **2** *2022: 26*

Management
● **9** *2022: 8*
● **7** *2022: 2*

General employees
● **37** *2022: 8*
● **40** *2022: 11*

Learning and development (%)

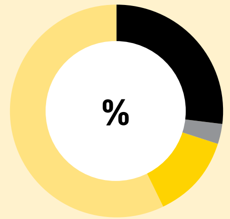
Employees received training
90%
2022: 82%

436
employees have completed at least one course on the **online learning platform in 2023**
2022: 1 408 since 2021

31
leaders attended a **GIBS development programme**
2022: 104

15
top talented regional employees attended the **McKinsey Black Academy programme**
2022: 50

Age profile (years)



● **13** <30
● **27** 41 – 50
● **57** 31 – 40
● **3** >51

Employee engagement

Employee Net Promoter Score (eNPS)

2
eNPS
(2022: 10)

Overall engagement score
64.6%
of the workforce considered to be engaged
(2022: 60.3%)

Employee turnover (%)

37
2022: 13

Reconciliation of employee turnover	Number of employees: 31 Dec 22	Who left during the year*	Hired during the year	31 Dec 23
Group	**225**	81	5	149
Botswana	**156**	48	44	152
Eswatini	**29**	5	4	28
Ghana	**182**	68	4	118
Kenya	**148**	71	28	105
Lesotho	**49**	55	14	58
Mozambique	**166**	15	2	153
Namibia	**148**	26	27	149
Nigeria	**235**	73	30	192
Rwanda	**55**	9	12	58
Tanzania	**130**	76	7	61
Uganda	**182**	34	4	152
Total	**1 705**	**511**	**181**	**1 375**

** Voluntary or involuntary separation.*

Health and wellbeing

Health and wellbeing remains a priority, with a sustained focus on psycho social, mental, physical and emotional wellbeing. Different service providers offer counselling services to employees as required across the Group.

#PeopleFirst

Gender profile (%)

Senior management
68 *2022: 64*
32 *2022: 36*

Management
57 *2022: 58*
43 *2022: 42*

General employees
48 *2022: 49*
52 *2022: 51*

Hires by gender
51 *2022: 58*
49 *2022: 42*

LOOKING AHEAD

Overall, efforts in organisational design, employee engagement, and culture framework development have yielded positive results. The Group is well-positioned to achieve continued success. By monitoring the implementation of various initiatives aligned with our priorities, we will further enhance our organisational effectiveness, employee satisfaction, cultural alignment in the coming year and, ultimately, employee performance.

For the near term, we will continue to roll out our employee value proposition and embed our Culture Blueprint across all operations as the Group continues to deliver its Transformation Strategy.

In the medium term, we will explore opportunities for international mobility across the business to strengthen the skills and experience of our talent pool and improve employee development through succession planning and promotion opportunities.

Our social **impact**

Holding a bank account or mobile wallet is not just a financial transaction, it's a gateway to empowerment. It enables individuals to mobilise household savings, protect themselves against risks and unexpected financial expenses, and build a credit history. This paves the way to future access to capital, which they can invest in their families, households, and businesses, thereby improving their lives and the communities they are a part of.

Our commitment to fairness and transparency is at the heart of our value proposition. Through digital technology, including mobile phones, we are bringing formal financial services to previously excluded populations at an affordable cost. This includes those living in rural areas. Our services are designed for easy and transparent access over multiple channels, ensuring that everyone can benefit from our offerings.

The LetsGo Digital Mall plays a pivotal role in our mission to deliver enhanced inclusive financial services across our footprint. As we continue to enhance the platform's capabilities, our goal is to support customers throughout their financial services journey and promote personal wellbeing. Our focus on specific economic segments, which have been proven to have the highest impact in supporting social development in Africa, underscores our commitment to making a difference in the communities we serve.

IMPACT AREA 1

Productive use of loans

We often lend to people with little or no collateral.

Therefore, we have a strong preference for productive loans where customers are empowered to make repayments from the income generated by the loan, reducing their risk of over-indebtedness. Most of our loans have credit insurance embedded in the repayment terms to protect family members from being saddled with a financial burden in the event that a customer passes away.

We also offer value-added products including loyalty benefits, funeral and life cover. Our newly introduced digital Instant Loans enable customers who manage their small loans responsibly to improve their credit profile and increase access to productive finance.

Supporting entrepreneurs

Entrepreneurs and their ventures form the economic backbone of many developing countries, with formal MSEs contributing up to 40% of GDP in emerging economies. In Africa, MSEs play a crucial role, providing an estimated 80% of jobs on the continent and serving as a significant driver of economic growth. Our support for these businesses, which extends beyond financial services to include capacity building and market access, underscores our commitment to fostering sustainable economic development in the regions we operate.

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

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

Impact measure

Economic growth

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

P12 billion

additional stimulus to the African economy from our MSE lending in 2023

P'billion	2023	2022*	2021
Direct economic stimulus from our MSE lending	6 818	7 590	6 918
Indirect economic stimulus to those outside of our customer base from our MSE lending	4 738	5 274	4 808

* *Restated.*

2023 PERFORMANCE

- New products and services launched during the year are discussed in detail in the product diversification section.
- Extended partnerships with mobile network operators to leverage ecosystems that will further enhance financial inclusivity, social impact and digital transformation.
- Reviewed lending offerings in several countries to improve products and affordability.

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

IMPACT AREA 2

Affordable housing

Access to affordable housing finance has profound health and financial wellbeing benefits for individuals, providing adequate and safe homes with proper sanitation, energy and water provision, ownership of a personal asset, and sustainable self-sufficiency.

It also mobilises savings and investment, supports home-based enterprises, reduces incidents of child diseases and enhances the performance of school children.

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

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

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

Affordable housing in Botswana and Namibia

Letshego's Affordable Housing loans in Botswana are distributed country wide in Botswana and Namibia urban and rural areas, connecting potential homeowners to a variety of affordable professional service providers including turnkey contractors, architects, interior designers, valuers, real estate agents and quantity surveyors as well as local merchants like brick manufacturers, builders and merchant suppliers who provide discounted prices on building materials.

Impact in 2023

Our Affordable Housing financing includes environmentally conscious solutions including solar geysers, solar electricity and JoJo tanks for water capturing.

Green lending

Letshego's eco-friendly and green partner for our green lending portfolio is the Global Climate Partnership Fund, a development fund that remains committed to financing green and eco-friendly innovation across Africa as well as global emerging markets. The Global Climate Partnership Fund aims to address the shortage of appropriate financing for low-carbon projects in developing economies by focusing on financing energy efficiency and renewable energy projects for SMEs and private households in developing countries.

Impact in 2023

Nigeria has introduced simple, affordable finance to individuals and small business owners to support a more sustainable way of life. Green friendly products include solar bulbs, invertors, solar panels, ecofridges, house invertors or solar panel systems with an output of 5 KVA. To assure product quality and durability, and a wide choice green products for the home or workspace, Letshego continues to formalise more partnerships with reliable and expert green power partners based in Nigeria's main centres. The LetsGo Green Lending solution is available to individuals, small businesses, developing estates, hotels, hospitals, schools, farming operations, cold storage facilities and service based organisations.

IMPACT AREA 3

Healthcare

Enabling people to maintain good health not only improves their quality of life, wellbeing and social participation, but it also reduces population susceptibility to infectious disease outbreaks, in turn, contributing to economic growth, employment and the reduction of income inequality.

In addition, when people are able to access quality healthcare, particularly primary healthcare, it reduces the disease burden placed on public healthcare systems.

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

28 000 users on the Mall access wellbeing products, up **12%** yoy.

Loatile Nkala has been part of the LetsGo Digital Mastery Programme for the past 11 months, viewing it as a rare opportunity to gain technological and digital knowledge. Having founded a technology-driven company, called Doctors E-Consult, Nkala has acquired practical digital DIY skills to support her business. Doctors E-Consult was established to create convenient access to all medical health services for all individuals in the comfort of their homes.

IMPACT AREA 4

Education

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

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

IMPACT AREA 5

Gender equality and women empowerment

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

Impact measure

Household consumption

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

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

P1.6 billion
Was used productively in annual household spending from the loans provided to women in 2023 compared to the **P932 million** by men for the year.

Customer profile by gender (%)	2023	2022	2021
Male customers	51.9	61.5	64.0
Female customers	48.1	38.5	36.0

Value of loans to women (P'million)	2023	2022	2021
Loans to women	5 048	4 942	4 382

Female Digital Mall customers have grown to **52%** *2022: 39%*

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

IMPACT AREA 6

Partnerships and collaboration

To accelerate the pace of inclusive and sustainable development on the continent, African countries must leverage new tools, innovative solutions and technology, as well as strong, proactive and responsible governance frameworks, to build strong, agile, sustainable and resilient national systems.

The delivery of these systems will depend on enhanced partnerships between governments and the private sector, academia, non-governmental organisations, civil society and other stakeholders, where all parties are committed to a long-term vision and leadership, shared norms and values and social cohesion.

#LetsGoNation

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

For Letshego, we benefit from a better insight into what inspires our customers, enabling us to develop relevant products and services that support their ambitions and meet their needs. Over time, the #LetsGoNation will enable Letshego to reach wider audiences, acquire customers through personal connections, and deepen our partnership with a dynamic action-orientated population well into the future.

STRATEGIC PARTNERSHIPS

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

Read more about our partnerships: page 38.

COLLABORATION

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

Impact in 2023

Leveraging the power of partnerships we are building strong partnerships with

11 fintechs and mobile network operators,

including alliances like MIGO, Interswitch, Lydia and BFREE in Nigeria and other organisations like BEDCO and LNDC in Lesotho.

Partnered with

Morupule Coal Mine in Botswana

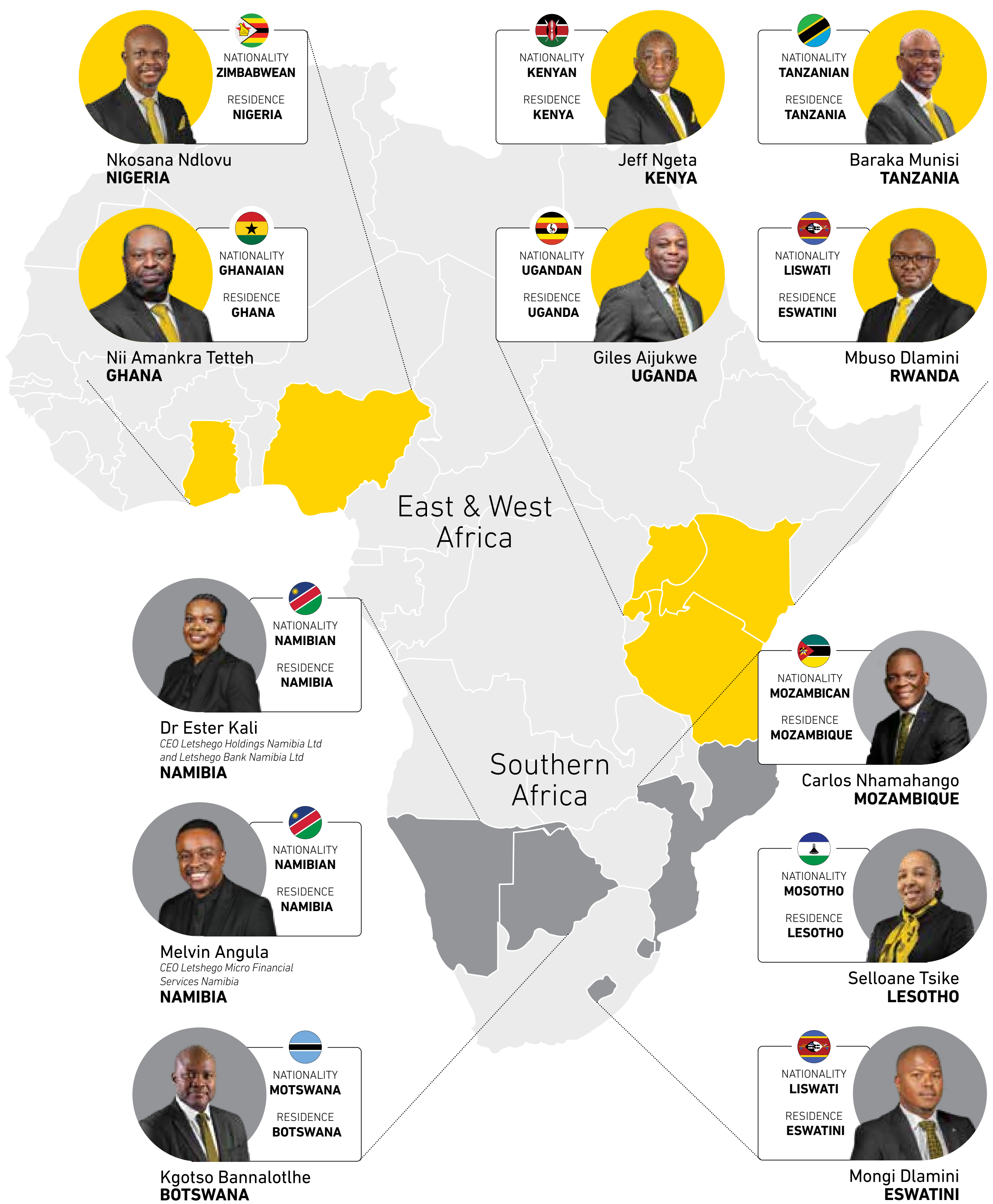
to provide financial support of **P2.2 billion** to MSEs over five years.

In Ghana, partnered with

Ghana Commodity Exchange

to provide funding to farmers, brokers and aggregators and improve the farming value chain.

Country Chief executive officers



East and West Africa country reviews

GHANA

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

Nii Amankra Tetteh
Country CEO

Operating environment

- International bodies assessed Ghana as a hyperinflationary economy. This was repudiated by the country's professional body and regulator, in the aftermath of the Domestic Debt Exchange Programme, eroding confidence in the financial services sector and the sovereign.
- Significant liquidity challenges were exacerbated by the very high cost of funds of over 36%.
- Exchange rate volatility saw the Ghanaian Cedi depreciate by 28.7% on the interbank market.
- Labour market movements, particularly of government employees in the health sector, continued.

Customers
6 040 843
2022: 5 238 126

Employees
118
2022: 182

Outlets
16
2022: 26

Products

LetsGo borrow | LetsGo save | LetsGo live | LetsGo Digital Mall

Country statistics table (restated)	2023	2022	2021
Total full time employees	118	182	185
Number of direct sales agents (DSAs)	17	–	355
Number of branches/outlets	16	26	26
LLR to average gross advances (%)	(1.8%)	5.4%	1.6%
NPL's provision coverage (%)	51%	84%	171%
Profit/(loss) before tax and Group charges (P'million)	(63)*	3.4	83
Net disbursements to customer (P'million)	5 001	4 381	6 029
Advances Loan book (P'million)	1 207	1 015	1 509
Net Advances Formal Loans (P'million)	448	634	893
Net Advances MSE Loans (P'million)	4	5	2
Net Advances Informal Loans (P'million)	755	376	615
Advances customers	6 040 843	5 238 126	4 523 815
Number Formal Customers	44 694	47 861	48 885
Number MSE Customers	121	96	28
Number of Informal Customers	5 919 819	5 177 938	4 474 902
% Customers Female	25%	25%	25%
Customer deposits (P'million)	207	24	247
Net deposits Retail (P'million)	32	8	40
Net deposits Corporate (P'million)	175	16	207
Number of Retail customers	75 725	72 148	64 025
Number of Corporate customers	211	83	83

* *Current year includes net monetary loss due to hyperinflationary adjustment of P128 million to PBT.*

2023 PERFORMANCE HIGHLIGHTS

- Achieved growth of 18% year on year in Operating Income by transitioning portfolio mix to a 50:50 ratio between DAS and Mobile Lending.
- Implemented effective cost management strategies underpinned by a thorough review of operational processes, significantly improving the Cost to Income ratio from 90% in FY2022 to 69% in FY2023.
- Exceeded over 1000% growth in Deposits and double digit growth in the number of Retail Depositors.

LOOKING AHEAD

- Ongoing review of existing product offering for viability and developing new viable mobile financial product offerings to drive digital growth.
- Invest in platform capability and technology to deepen existing partnerships and enable new partnerships to drive growth.
- Invest in the acceleration of growth in talent and expertise in the next cohort of leaders and managers.

KENYA

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

Jeff Ngeta
Country CEO

Operating environment

- Economy continues to show resilience in the face of recent shocks, including the lasting economic effects of the COVID-19 pandemic, the global impact of the war in Ukraine, two consecutive years of drought, tight monetary policy and currency depreciation with real GDP estimated at 5.4% in 2023, up from 4.8% in 2022.
- During 2023, the Kenya Central Bank Monetary Policy committee raised the base lending rate four times, effectively increasing the cost of funding.
- Volatility in the forex market continues to weaken the shilling with the USD to KES rate peaking at 174.
- New taxes were introduced that impaired affordability in the consumer lending segment.

Customers
96 144
2022: 9 049

Employees
105
2022: 148

Outlets
17
2022: 29

Products

LetsGo borrow | LetsGo insure | LetsGo live | LetsGo Digital Mall

Country statistics table	2023	2022	2021
Total full time employees	**105**	148	156
Total part-time employees	**19**	34	32
Number of direct sales agents (DSAs)	**76**	97	87
Number of branches/outlets	**17**	29	29
LLR to average gross advances (%)	**19%**	1%	(12.1%)
NPL's provision coverage (%)	**60%**	32%	0%
Profit/(loss) before tax and Group charges (P'million)	**(37)**	5	57
Net disbursements to customers (P'million)	**190**	113	133
Advances Loan book (P'million)	**4**	576	636
Net Advances Formal Loans (P'million)	**64**	187	127
Net Advances MSE Loans (P'million)	**408**	489	509
Net Advances Informal Loans (P'million)	**5**	–	–
Advances customers	**96 144**	9 049	11 125
Number Formal Customers	**6 566**	7 340	7 952
Number MSE Customers	**2 764**	2 766	3 163
Number of Informal Customers	**86 814**	–	10
% Customers Female	**52%**	37%	31%

2023 PERFORMANCE HIGHLIGHTS

- Launched the Instant Loan product, onboarding over 80 000 new informal customers and increasing gross payouts by 44%.
- Operating income increased 22% year on year, with a 10% cost savings, reducing the cost to income ratio to 54% from 73% in 2022.
- Introduced private segment lending to diversify DAS consumer lending products, growing by 800 clients with net payouts of P1.7 million.
- Profit before impairments and management recharges increased 126% year on year.

LOOKING AHEAD

- Continue to focus on delivering stronger growth, performance and returns in 2024.
- Initiatives are in place to address the impairment impact on 2023 performance and improve loan book quality.
- Going forward, success for Letshego Kenya will focus on four key pillars of collections, driving sales, digital transformation and driving the people agenda.

NIGERIA

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

Nkosana Ndlovu
Country CEO

Operating environment

- Nigeria faced macroeconomic challenges due to increasing inflation, fluctuating foreign currency rates and tightening liquidity.
- Increased adoption of online banking and mobile financial services, with the Central Bank's cashless policy in early 2023 driving a shift in consumer behaviour with a surge in digital payments.
- Ongoing regulatory changes and compliance focus, driven by the new Government that assumed power during the year, with ongoing policy clarity anticipated to underpin strong economic growth.
- The Naira regime moved from a fixed to a floating currency, driving significant currency fluctuations, while the removal of the fuel subsidy resulted in higher fuel prices driving a 30% inflationary increase.

Customers
111 224
2022: 100 618

Employees
192
2022: 235

Outlets
20
2022: 21

Products

LetsGo borrow | LetsGo save | LetsGo pay | LetsGo live | LetsGo Digital Mall

Country statistics table	2023	2022	2021
Total full time employees	192	235	282
Number of direct sales agents (DSAs)	123	97	203
Number of branches/outlets	20	21	22
LLR to average gross advances (%)	(2.3%)	(9.2%)	9.7%
NPL's provision coverage (%)	105%	62%	82%
Profit before tax and Group charges (P'million)	15	11	6
Net disbursements to customers (P'million)	175	224	159
Advances Loan book (P'million)	126	176	143
Net Advances Formal Loans (P'million)	64	107	102
Net Advances MSE Loans (P'million)	62	69	41
Net Advances Informal Loans (P'million)	0.4	–	–
Advances customers	27 306	26 946	78 435
Number Formal Customers	15 127	16 500	68 977
Number Informal Customers	1 507	–	–
Number MSE Customers	10 791	10 446	9 458
% Customers Female	47%	46%	44%
Customer deposits (P'million)	42	24	53
Net deposits Retail (P'million)	15	15	24
Net deposits Corporate (P'million	27	9	29
Number of Retail customers	81 673	71 757	68 867
Number of Corporate customers	2 206	1 915	110

LOOKING AHEAD

- Our lending business is predominantly driven by platform ecosystems and we will continue to focus on expanding in key markets, improving quality over quantity and continue our sustainable growth initiatives.
- We will continue to enhance and stabilise our digital self-service banking, focusing on our recently launched account opening capability and bill payments service.
- We will expand our digital channels to include USSD and launch a Customer Assist capability to enable digital loan processing that supports digital workflows for sales agents.

2023 PERFORMANCE HIGHLIGHTS

- Continued to strengthen brand presence as a leading provider of inclusive financial services, reinforcing our commitment to financial inclusion and empowerment through targeted marketing campaigns and community initiatives across Nigeria.
- Won inaugural Affirmative Finance Action for Women in Africa (AFAWA) Bank of the Year at the African Banker Awards 2023.
- Grew net loan book by 34% and nearly 70% increase in retail deposits balance, both in local currency with non-performing loans ratio declining from 21.0% to 12.5% year on year.
- Launched our online account opening capability and bill payments service, with over 40 billers integrated to date to enable our customers to buy airtime, data, electricity and other services online.
- Achieved ISO certification (ISO 22301, ISO 200000 and ISO 27001).
- Met new regulatory minimum capital requirements and remained adequately capitalised with sound risk management practices to harness growth opportunities for the microfinance sector.
- Leveraged the power of partnerships digital offerings, including alliances with MIGO, Interswitch, Lydia and BFREE, to enable ease of access to lending through our Instant Loan offering while improving operational efficiency, customer experience and collections and recoveries.

RWANDA

Opened doors in 2004 as Micro Africa Group. Acquired by the Letshego Group in 2012.

Mbuso Dlamini
Country CEO

Operating environment

- Real GDP grew by an estimated 7.6% in 2023, although interest rates and inflation remaining elevated.
- Merger of commercial banks reshaped the competitive landscape, together with increasing market penetration of digital payments.
- The National Bank of Rwanda reinforced personal data protection and privacy laws requiring ongoing adaption to maintain regulatory compliance and customer confidence.

Customers
16 363
2022: 15 671

Employees
58
2022: 55

Outlets
4
2022: 4

Products

LetsGo borrow | LetsGo save | LetsGo Digital Mall

Country statistics table	2023	2022	2021
Total full time employees	58	55	52
Number of branches/outlets	4	4	4
LLR to average gross advances (%)	0.2%	(2.7%)	(10%)
NPL's provision coverage (%)	164%	78%	0.5%
Profit before tax and Group charges (P'million)	2	3	1
Net disbursements to customers (P'million)	60	95	39
Advances Loan book (P'million)	175	149	57
Net Advances Formal Loans (P'million)	3	5	1
Net Advances MSE Loans (P'million)	172	144	56
Advances customers	803	691	459
Number Formal Customers	53	38	29
Number MSE Customers	750	653	430
% Customers Female	37%	36%	34%
Customer deposits (P'million)	60	46	23
Net deposits Retail (P'million)	30	39	16
Net deposits Corporate (P'million)	27	9	7
Number of Retail customers	15 540	14 910	13 974
Number of Corporate customers	120	70	5

LOOKING AHEAD

- Letshego Rwanda remains committed to building on the solid foundation laid over the past two years to accelerate loan book growth, reinforce digitalisation efforts and augment brand recognition to achieve our strategic agenda.
- We will continue to grow a high quality loan book through strategic partnerships that enhance our products while introducing new offerings to complement our existing portfolio.
- We successfully connected to the Rwanda National Payment System, R-Switch, in early 2024, which will continue to enhance our payment capabilities and customer accessibility.
- Our efforts to enhance our operational capabilities and embed a high-performance culture are ongoing and will continue to support our longer-term sustainability and growth.

2023 PERFORMANCE HIGHLIGHTS

- Successfully launched new products, including overdrafts and consumer lending, as part of ongoing efforts to enhance our digital services that reflect our dedication to customer-centric innovation.
- Obtained certification as a data controller, ensuring compliance with data protection regulations.
- Strong portfolio growth delivered high quality loan book of 32%, while maintaining non-performing loan rate to under 1%, well below the regulatory requirement of 5%.
- Strategic partnerships enriched our product portfolio and improved client experience, with a related 41% increase in our deposit base.
- Significant growth in profit before tax demonstrating increased earnings and strong cost management.

TANZANIA

Opened doors in 2006 as Faidika Advans Bank. Acquired by the Letshego Group in 2015 and rebranded to Letshego Bank Tanzania. Merged Faidika and Letshego Bank Tanzania into Letshego Faidika Bank Tanzania in 2023.

Baraka Munisi
Country CEO

Operating environment

- Amid the turbulent dynamics of the year, the banking sector remained stable and adequately capitalised with sufficient levels of liquidity and improved asset quality.
- Digital banking services continue to expand, supported by increasing digital channel adoption and mobile penetration.
- GDP growth remained strong at an estimated 5%, driven by strengthened private consumption and recovered exports. GDP is projected to average 5.5% over the medium term.
- Inflation decreased to 3% from 3.2% with the Bank of Tanzania focusing on balancing rising inflation with safeguarding growth and financial stability.
- Tanzania's financial sector strengthened with updated capital adequacy and liquidity regulations, thereby safeguarding the sector and increasing market stability.

Customers
506 771
(2022: 411 586)

Employees
61
2022: 130

Outlets
192
(2022: 102)

Products

LetsGo borrow | LetsGo save | LetsGo pay | LetsGo live | LetsGo Digital Mall

* *Previously Letshego Bank Tanzania and Faidika Tanzania. Corporate structure merged into one entity during 2023.*

Country statistics table	2023	Letshego Bank Tanzania 2022	Faidika 2022
Total full-time employees	**61**	74	56
Total part-time employees	**34**	34	12
Number of direct sales agents (DSAs)	**251**	291	251
Number of branches/outlets	**192**	102	103
LLR to average gross advances (%)	**1.3%**	5.8%	1.5%
NPL's provision coverage (%)	**93%**	95%	75%
Profit/(loss) before tax and Group charges (P'million)	**10**	(33)	54
Net disbursements to customers (P'million)	**26 179**	8 654	278 376
Advances Loan book (P'million)	**427**	74	338
Net Advances Formal Loans (P'million)	**390**	74	338
Net Advances MSE Loans (P'million)	**37**	–	–
Advances customers	**506 771**	384 959	26 587
Number Formal Customers	**501 364**	384 999	26 587
Number MSE Customers	**5 407**	–	–
% Customers Female	**33%**	28%	35%

LOOKING AHEAD

- Continue to scale product offering through strategic partnerships and extend platform ecosystems.
- Strengthen debt collection recovery process and outcomes.
- Enhance digital self-service banking offering by leveraging digital capabilities like machine learning to grow and scale.
- Continue to embed our #PeopleFirst culture to optimise skills and capacity for a digitally-driven business model
- The Bank will continue to leverage its competitive advantage through customer centricity, improved technology and network committed work force to deliver value to all stakeholders.

2023 PERFORMANCE HIGHLIGHTS

- Merged the two Tanzania businesses into one entity, driving optimisation and synergies in the new structure.
- We have continued to enhance our core banking system and alternative channels and ensure our footprint presence across the country and in our cross-border operations to foster an excellent customer experience.
- Net interest income grew by 575% year on year due to an increase in the loan book and business volume following the merger in July 2023.
- Net loans and advances grew by 439% year on year and customer deposits by 3% year on year mainly driven by the TIMIZA deposit campaign.
- Partnered with MNOs to launch Instant Loan offering to a wider customer base and create new sustainable revenue streams.
- Despite increase competition from MNOs, we continue to expand our digital channels and mobile instant loans, supporting our financial inclusion mandate.
- Enhanced digital customer access and services by launching USSD banking and online services including online account opening.

UGANDA

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

Giles Aijukwe
Country CEO

Country statistics table	2023	2022	2021
Total full time employees	**152**	182	192
Number of direct sales agents (DSAs)	**240**	185	230
Number of branches/outlets	**40**	43	44
LLR to average gross advances (%)	**6.4%**	1.5%	(0.4%)
NPL's provision coverage (%)	**85%**	53%	67%
Profit before tax and Group charges (P'million)	**25**	36	27
Net disbursements to customers (P'million)	**246**	254	173
Advances Loan book (P'million)	**527**	509	403
Net Advances Formal Loans (P'million)	**424**	395	291
Net Advances MSE Loans (P'million)	**103**	114	112
Net Advances Informal Loans (P'million)	**0.4**	–	–
Advances customers	**33 252**	35 590	41 748
Number Formal Customers	**29 197**	30 006	31 719
Number MSE Customers	**4 055**	5 584	10 029
% Customers Female	**45%**	40%	28%

Operating environment

- GDP growth declined to an estimated 4.8% in 2023, with growth in 2024 projected at 5.8% despite rising inflation.
- The Central Bank rate remains at 10%, up after a short reduction during the year.
- Growth is supported by stronger growth in East Africa, while the Chinese economy has eased lockdowns and global supply chain disruptions have reduced.
- Although inflation is expected to slow, it is projected to remain above the medium-term target of 5%.

Customers
33 252
2022: 35 590

Employees
152
2022: 182

Outlets
40
2022: 43

Products

LetsGo borrow | LetsGo live | LetsGo Digital Mall

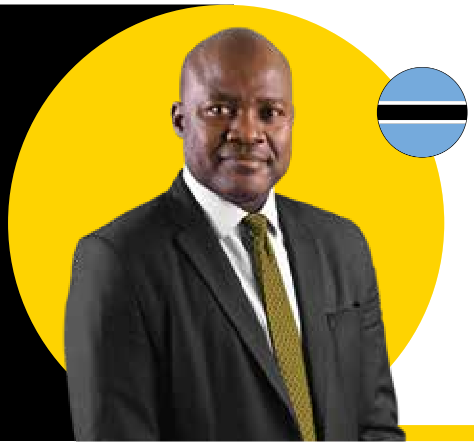
2023 PERFORMANCE HIGHLIGHTS

- Continued focus on debt collection project with robust controls to implement lessons learnt.
- Launched partnerships with MNOs to extend reach of mobile loans.
- Reduced MSE loan tenor to increase affordability and support asset quality.
- Growth in net loan book of 4% year on year, supporting top line interest income growth of 8%.
- Launched LetsGo Insure and super micro loans, with an integrated offering that reimburses Letshego customers for hospital cash and funeral cover.
- Achieved strong results in the employee engagement survey with an employee engagement score of 76.7%.

LOOKING AHEAD

- Leverage process automation in DAS lending with an automated Top-Up application process.
- Continued focus on partnerships to support growth, including in the LetsGo Insure and Super Micro Loan product offering.
- Fully digitise the call centre feature to maximise positive customer experience and ensure timely feedback as well as introduce product modifications based on customer insights and feedback.

Southern Africa country reviews



BOTSWANA

Opened doors in 2008.

Kgotso Bannalotlhe
Country CEO

Operating environment

- Inflation remained within the Bank of Botswana's medium term range of 3% – 6%, ending the year at 3.5%, supporting December's policy easing of 25 bps in the Monetary Policy Rate to 2.4%. The Bank of Botswana is expected to retain its current monetary policy for the year ahead.
- Real GDP grew by 2.7% in 2023, compared to 5.5% in 2022, with the slowdown was mainly attributable to subdued mining activity.
- Significant legislation is expected to become effective in the year ahead - the Data Protection Act is under partial implementation; the Non-Bank Lender Act remains at Parliament – which will bring increased governance requirements across the non-bank sector, covering minimum capital requirements as well as corporate governance.

Customers
79 601
2022: 35 967

Employees
152
2022: 156

Outlets
15
2022: 16

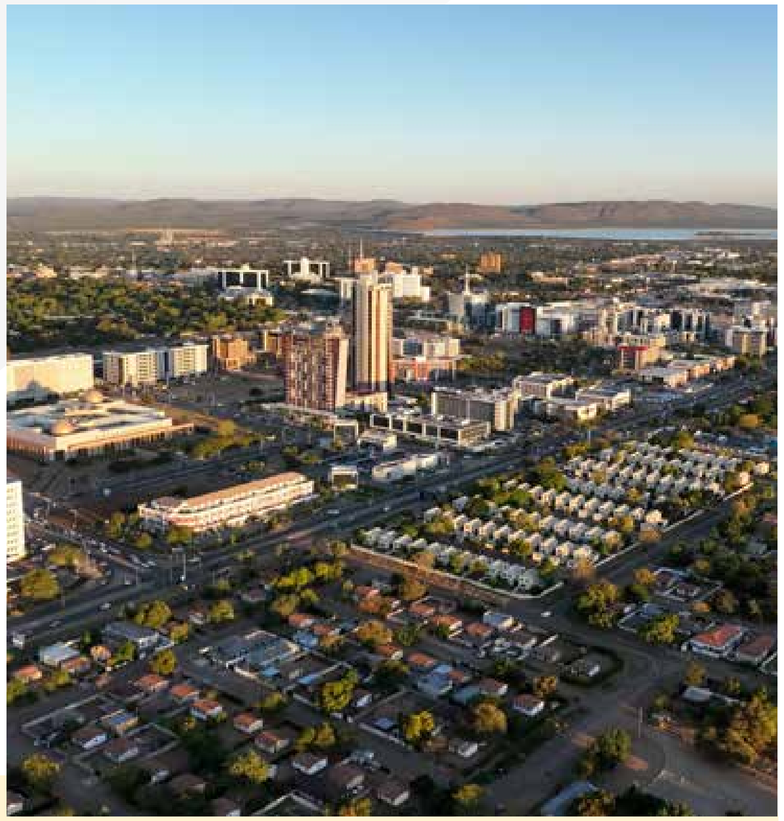
Products

LetsGo borrow | LetsGo insure | LetsGo live | LetsGo Digital Mall

Country statistics table	2023	2022	2021
Total full time employees	152	156	149
Number of direct sales agents (DSAs)	186	121	130
Number of branches/outlets	15	16	16
LLR to average gross advances (%)	6.3%	5.0%	0.6%
NPL's provision coverage (%)	95%	130%	89%
Profit before tax and Group charges (P'million)	159	475	495
Net disbursements to customers (P'million)	739	625	379
Advances Loan book (P'million)	3 490	3 179	2 920
Net Advances Formal Loans (P'million)	3 457	3 292	2 899
Net Advances MSE Loans (P'million)	19	31	21
Net Advances Informal Loans (P'million)	14	–	–
Advances customers	79 601	35 967	32 198
Number Formal Customers	37 269	35 832	32 122
Number MSE Customers	160	135	76
Number Informal Customers	42 232	–	–
% Customers Female	50%	41%	40%

LOOKING AHEAD

- Retain and improve growth momentum in Government DAS loan book as a priority.
- Focused on enhancing collection capability through Test and Learn Portfolio and develop channels to collect from anywhere, anytime.
- Accelerate value adding product choice and offerings to increase customer experience.
- Maintain progress in diversifying funding mix to support commercial strategy.



2023 PERFORMANCE HIGHLIGHTS

- Restructured P1.2 billion banking debt from a two to five year maturity to provide business funding for growth.
- Successfully completed organisational restructuring within six weeks, refreshing 25% of the workforce and driving an upward momentum in engagement scores.
- Leveraged AI and robotics to assist in fast tracking AML flags, boosting asset quality. Turnaround times for loan applications totalling P2 billion halved due to digitised straight-through processing.
- Introduced products like Ikagele, an affordable housing solution offering 100% financing anywhere in Botswana.
- Partnered with mobile network operators to offer Instant Loans, offered insurance products for short term and credit life and promoted MSE growth through tiered purchase order financing and working capital solutions.
- Bolstered market presence through a focused brand enhancement campaign, 'Itshetse, Iperekele, Ikagele' to emphasise our commitment to financial inclusion and innovative financing solutions.

ESWATINI

Opened doors in 2006 as Micro Provident Swaziland. Rebranded in 2010.

Mongi Dlamini
Country CEO

Operating environment

- The operating environment has remained conducive, with government and regulators maintaining their support of the financial sector.
- The Central Bank of Eswatini pursued a restrictive stance in 2023, cumulatively increasing interest rates by 100 bps, in line with tightening regional and global monetary conditions.
- No new laws or regulations were promulgated in 2023, although the finalisation of the regulations supporting the Consumer Credit Act 2014, which will positively influence the industry and improve customer fairness.

Customers
356 993
2022: 303 892

Employees
28
2022: 29

Outlets
3
2022: 3

Products

LetsGo borrow | LetsGo live | LetsGo Digital Mall

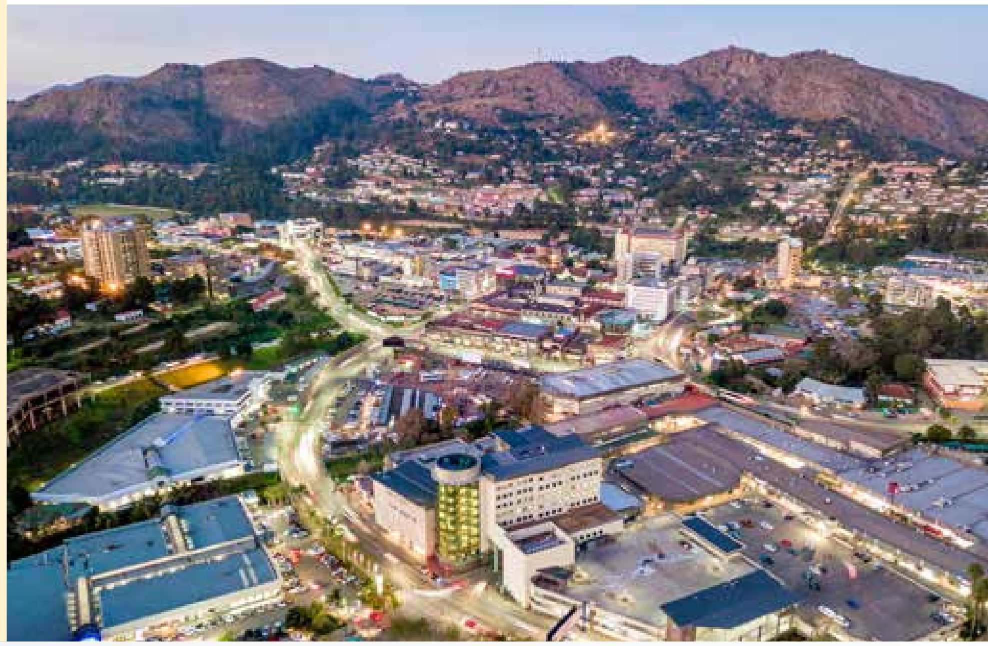
Country statistics table	2023	2022	2021
Total full time employees	**28**	29	27
Number of direct sales agents (DSAs)	**9**	7	7
Number of branches/outlets	**3**	3	3
LLR to average gross advances (%)	**5.3%**	1.3%	4.9%
NPL's provision coverage (%)	**55%**	81%	99%
Profit before tax and Group charges (P'million)	**34**	56	13
Net disbursements to customers (P'million)	**172**	86	144
Advances Loan book (P'million)	**576**	530	489
Net Advances Formal Loans (P'million)	**473**	442	489
Net Advances MSE Loans (P'million)	**6**	17	–
Net Advances Informal Loans (P'million)	**97**	71	–
Advances customers	**356 993**	303 892	137 026
Number Formal Customers	**7 201**	7 102	7 676
Number MSE Customers	**58**	22	90
Number of Informal Customers	**349 734**	296 768	129 260
% Customers Female	**51%**	44%	33%

2023 PERFORMANCE HIGHLIGHTS

- Despite a challenging economic and competitive environment, loan book grew by 14% year on year, largely due to the continued adoption of our Instant Loan product offering, further supporting financial inclusion.
- The DAS offering was revamped to incorporate customer feedback and preferences, further supporting book growth, with interest income growing 15% year on year.
- Local and regional debt and capital markets continued to show support, with the business raising in excess of SLZ150 million to diversify access to funding.
- We continue to entrench ourselves in the market and remain a Top 2 Credit Provider in the non-banking financial institutions industry.

LOOKING AHEAD

- We look ahead with great optimism as we continue to diversify the business and be the forefront of financial inclusion in Eswatini.
- We continue to seek avenues to grow Instant Loans in partnership with MNOs and have invested significant time and resources in developing Agent Lending to support MSE access to working capital.
- We will focus on our core business and grow our DAS offering through deeper Government penetration and improved employer onboarding.
- We are exploring avenues to transform into a deposit-taking institution to further diversify our funding base to lower our cost of funding.



LESOTHO

Opened doors in 2012.

Selloane Tsike
Country CEO

Operating environment

- Despite the challenging macroeconomic environment, Lesotho's GDP grew an estimated 1.9% in 2023, up from 1.6% in 2022, with 2.4% forecast for 2024.
- The Central Bank increased the interest rate from 7% to end 2023 at 7.75%.
- The second phase of the Lesotho Highlands Water Project will continue to support employment and economic growth.
- Near-term growth is predicted to be limited by challenges in manufacturing, with some offset from the mining industry.
- Domestic inflationary pressures have moderated faster than expected, driven by falling imported food and energy prices.

Customers
5 831
2022: 5 056

Employees
58
2022: 49

Outlets
5
2022: 5

Products

LetsGo borrow | LetsGo save | LetsGo live | LetsGo Digital Mall

Country statistics table	2023	2022	2021
Total full time employees	**58**	49	45
Total part-time employees	**18**	7	5
Number of direct sales agents (DSAs)	**50**	11	10
Number of branches/outlets	**5**	5	5
LLR to average gross advances (%)	**4.7%**	(1.5%)	4.2%
NPL's provision coverage (%)	**98%**	75%	93%
Profit before tax and Group charges (P'million)	**19**	40	48
Net disbursements to customers (P'million)	**136**	109	(22)
Advances Loan book (P'million)	**481**	413	331
Net Advances Formal Loans (P'million)	**480**	413	331
Advances customers	**5 831**	5 056	4 984
Number Formal Customers	**5 831**	5 056	4 984
% Customers Female	**52%**	55%	52%

2023 PERFORMANCE HIGHLIGHTS

- Delivered on our growth strategy, with focus on resourcing top leadership.
- Increased brand awareness and expanded direct sales agents to increase reach and grow the loan book.
- Focused ecosystem growth by building strong partnerships with mobile network operators and other organisations like BEDCO and LNDC, and introducing insurance and open market lending product offerings.
- Strategic review of our core product offering to drive growth in the loan book.
- Enhanced technology infrastructure through projects like cloud migration and introduction of Oracle Fusion.

LOOKING AHEAD

- We will continue to focus on the 6-2-5 strategy by expanding our product offering through the launch of microloans with MNOs. We will forge strategic partnerships with health and funeral services partners. through strategic partnerships by collaborating with health and funeral services partners. Initiatives are in place to address the impairment impact on 2023 performance and improve loan book quality.
- Review other product offerings such as MSE products to address issues raised during customer forums.
- Maintain efforts to diversify funding.

NAMIBIA

Edu Loan Namibia acquired by Letshego Group in 2008 and registered as Letshego Micro-Financial Services Namibia. Letshego Holdings Namibia listed on the Namibian Stock Exchange in 2017.

Dr Ester Kali
CEO Letshego Holdings and Letshego Bank Namibia

Melvin Angula
CEO Letshego Micro-Financial Services Namibia

Operating environment

- Namibia's GDP growth is estimated to be 3.9%, down from 7.6% in 2022, mainly due to weaker demand in global and domestic economies and ongoing high inflation and high interest rates that have a negative impact on consumer spending.
- New regulations like BID34 and amendments to the Banking Institutions Act have introduced complexity for financial institutions.
- Positive indicators in the mining sector and renewable energy initiatives point to a more favourable economic outlook, bolstering optimism for the future.

Customers
119 901
2022: 114 570

Employees
149
2022: 148

Outlets
17
2022: 17

Products

LetsGo borrow | LetsGo save | LetsGo pay | LetsGo live | LetsGo Digital Mall

Country statistics table	2023	2022	2021
Total full time employees	149	148	157
Total part-time employees	33	45	46
Number of direct sales agents (DSAs)	55	53	51
Number of branches/outlets	17	17	16
LLR to average gross advances (%)	(0.8%)	0.7%	(0.4%)
NPL's provision coverage (%)	15%	8%	27%
Profit before tax and Group charges (P'million)	287	320	267
Net disbursements to customers (P'million)	626	1 234	1 064
Advances Loan book (P'million)			
Net Advances Formal Loans (P'million)	3 475	3 591	3 164
Advances customers	63 422	64 613	48 083
Number Formal Customers	63 422	64 613	48 083
% Customers Female	47%	47%	43%
Customer deposits (P'million)	488	283	284
Net deposits Retail (P'million)	24	23	18
Net deposits Corporate (P'million)	583	380	266
Number of Retail customers	56 403	49 890	36 570
Number of Corporate customers	76	85	61

2023 PERFORMANCE HIGHLIGHTS

- Introduced new products, including personal loan and overdraft facilities, and continued to refine operational models for sustained success in implementing the 6-2-5 strategy effectively and bolstering growth.
- Total revenues were up 14% year on year, driven by interest rate increases, new products and insurance income growth.
- Profit after tax increased by 1% year on year, reflecting solid asset quality with a low Loan Loss Ratio of 0.25% (2022: 0.22%).
- Cost to income ratio remained stable at 47%, with strict cost control measures containing the increase in staff and operational expenses to 1.2%.
- Strategic executive appointments concluded in 2023 stand to drive new innovation, digitalisation as well as positive strategic momentum.
- Customer deposit mobilisation continues, almost doubling by the end of 2023.

LOOKING AHEAD

- We remain steadfast in our commitment to operational excellence and strategic advancement. Our focus remains on enriching our product portfolio, expanding our services and embracing technological advancements to serve our customers better while upholding strong corporate governance and risk management practices.
- We are dedicated to navigating the dynamic macroeconomic environment while prioritising our customers' needs and being stringent in our risk management and regulatory compliance.
- We continue to enhance relationships with key stakeholders to deliver shared value and improve lives. Strategic partnerships stand to broaden our sales network, with a strong focus on delivering innovative and affordable housing financing to underserved communities.
- We remain committed to fostering financial inclusion, driving innovation and creating lasting value for our customers and communities.

MOZAMBIQUE

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

Carlos Nhamahango
Country CEO

Operating environment

- Central Bank increased mandatory reserve from 10.5% in February to 39% resulting in a liquidity strain that slowed credit growth in the market during the year.
- Interest rates increased by 200 bps in the first half of 2023, impacting interest margins.
- The centralisation of the Army and Policy payrolls by the Government impacted collections.

Customers
416 083
2022: 386 784

Employees
153
2022: 166

Outlets
378
2022: 463

Products

LetsGo borrow | LetsGo save | LetsGo pay | LetsGo Digital Mall

Country statistics table	2023	2022	2021
Total full time employees	**153**	166	169
Number of direct sales agents (DSAs)	**335**	314	241
Number of branches/outlets	**378**	463	466
LLR to average gross advances (%)	**(0.2%)**	2.1%	(0.3%)
NPL's provision coverage (%)	**7%**	7%	21%
Profit before tax and Group charges (P'million)	**311**	264	166
Net disbursements to customers (P'million)	**830**	531	470
Advances Loan book (P'million)	**2 528**	2 084	1 770
Net Advances Formal Loans (P'million)	**2 522**	2 084	1 770
Net Advances MSE Loans (P'million)	**6**	–	–
Advances customers	**85 440**	84 093	85 038
Number Formal Customers	**85 426**	84 093	85 038
Number MSE Customers	**14**	–	–
% Customers Female	**25%**	25%	25%
Customer deposits (P'million)	**574**	568	542
Net deposits Retail (P'million)	**467**	449	328
Net deposits Corporate (P'million)	**108**	119	214
Number of Retail customers	**330 413**	302 457	233 080
Number of Corporate customers	**230**	234	131

2023 PERFORMANCE HIGHLIGHTS

- Mozambique achieved record performance in its 13th year in operation, with loan book growth of 24% translating into a 38% increase in profit after tax year on year.
- Successfully issued a large Bond Programme on the Mozambique Stock Exchange of MZN1.4 billion, improving liquidity and further diversifying access to funding as well as reducingmaturity gaps between funding and loans to customers.
- Continued to deliver on the 6-2-5 strategy, focusing on the diversification of the loan book following economic recovery post the pandemic.
- Promptly responded to increases in the cash reserve ratio to ensure compliance with regulations, resulting in mandatory reserves increasing by MZN476 million (P101 million) in three weeks in February and another MZN330 million (P70 million) in May to meet the 39% requirement.
- Continued to focus on cost management with cost saving initiatives contributing to a 7% reduction in operating expenses.

LOOKING AHEAD

- Continue to protect the DAS loan book and diversify the product offering to MSE and Instant loans.
- Expand accessibility to banking services and solutions through Digital Mall and Cards, with a focus on remote and emerging markets.
- Enhance collection and recovery capabilities.
- Ongoing focus on cost rationalisation, including reducing the cost of funding through the mobilisation of retail depositors.

Governance report

Letshego's Board of Directors oversees a group of companies operating across 11 African countries.

The Board's primary responsibility is to:

- Oversee and ensure the Group's overall safety and soundness.
- Safeguard our brand and ensure that the Group creates and preserves value, and guards against value erosion, for current stakeholders and future generations.
- Protect the interest of shareholders and other stakeholders.
- Foster a culture of ethical conduct and compliance across the Group.
- Approve the Corporate Governance Framework and ensure compliance with laws and regulations in the countries in which the Group operates.

The Board, supported by its five standing committees, is the custodian of corporate governance. It is committed to ensuring that sound governance principles and world-class risk management frameworks are fully integrated into all business aspects and transparently reported. The Group-wide Governance Framework, which applies to all our markets, and related Group-wide policies are informed by the principles of ethical trade, transparency, accountability and sustainability. The Governance Framework is controlled and executed within a structured and formal system and is being enhanced in line with our target operating model. The governance, ethics and business conduct principles and codes of best practice adopted by the Group are the purview of the Group Governance and Nominations Committee and the Group Risk, Social and Ethics Committee.

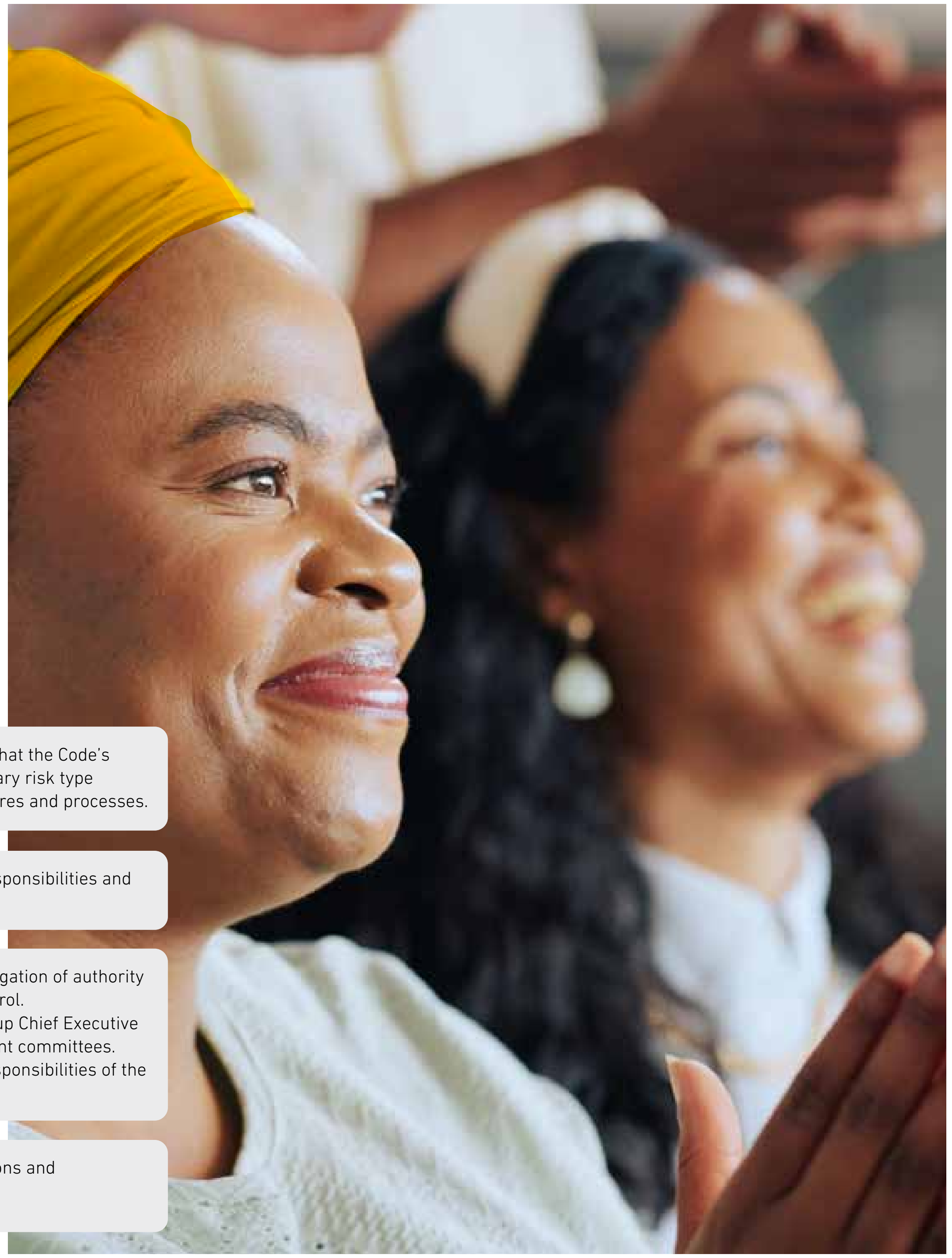
Mechanisms that assist the Board to satisfy itself that an effective control environment is maintained include:

The adoption of King IV, which assists the Board in ensuring that the Code's recommendations are materially entrenched across its primary risk type frameworks, policies, terms of reference and overall procedures and processes.

The Board Charter, that clearly defines the Board's duties, responsibilities and powers to ensure clarity and accountability.

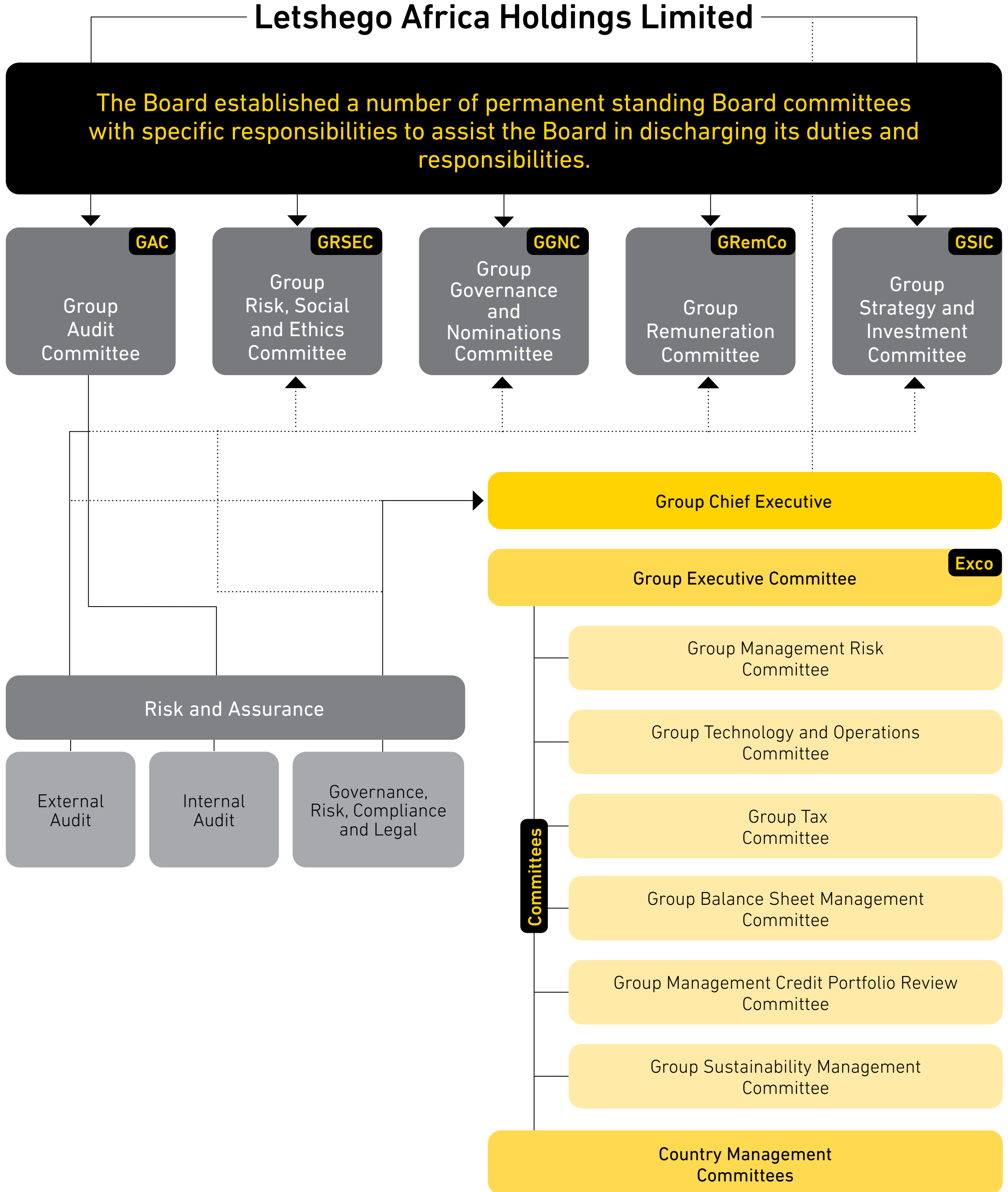
The Group's governance structure, which supports clear delegation of authority while enabling the Board to retain visibility and effective control.
The Board delegates authority to its committees and the Group Chief Executive Officer, who in turn, mandate the Group's various management committees.
The delegation of authority framework clearly defines the responsibilities of the Board and those of management.

Controls to ensure compliance with applicable laws, regulations and governance practices.



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

GOVERNANCE STRUCTURE



GOOD GOVERNANCE PRACTICES

The Board drives the Group's commitment to high ethical standards through a sound ethical culture, transparency, good performance, effective controls and integrity.

Applied

ETHICAL CULTURE

King IV principles

PRINCIPLE 1 – Ethical leadership (Applied)

PRINCIPLE 2 – Organisational values, ethics and culture (Applied)

PRINCIPLE 3 – Responsible corporate citizenship (Applied)

RESPONSIBLE BOARD COMMITTEES

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

Ethics management

Our leaders are committed to ethical practices and business conduct principles set out by the Board Charter and our Governance Framework, which go beyond mere compliance. Our values, Code of Conduct and policies clearly articulate our ethical standards and expected business conduct.

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

Our ethics and business conduct principles

Our ethics and business conduct principles guide the Group in ensuring an ethical corporate culture.

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

Conflicts of interest

Members of the Board are held accountable for identifying and being transparent about actual or potential conflicts of interest between their personal interests and the interests of the Group.

All actual or potential conflicts of interest must be declared at the first Board meeting that is held subsequent to becoming aware of the conflict. Directors submit a declaration of interest annually, outlining all their directorships and personal financial interests, including those of their related parties.

Directors are also required to make a declaration of interest at every Board meeting and review the agenda to identify any potential conflicts. This proactive approach helps prevent conflicts and ensures transparency in decision-making processes.

Where an actual or potential conflict arises, the director concerned is excluded from discussions and any decision-making relating to the conflict.

Ethics line

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

The ethics hotline provides all stakeholders with an option to lodge an anonymous complaint or grievance. The independence of the ethics line provides Letshego with the confidence that any concerns raised via the ethics line will be managed in a professional manner, and with appropriate discretion applicable to the matter raised.

Stakeholders, whether internal or external, are our most valuable asset when it comes to combatting fraud by reporting and raising potentially suspicious behaviour that goes against the Group's Code of Conduct.

Employee awareness

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

Corporate citizenship governance

Letshego strives to make a measurable and sustainable social impact within the markets where we operate. Our innovations are inspired by the societal challenges faced by local communities.

A key driver towards being a force for social good is our programmatic lending, which provides solutions that are inclusive and ethical, and support more people to improve their lives and the lives of future generations. Our business activities align with government mandates that encourage the productive use of loans, ultimately increasing income potential, employment levels and sustainable economic development.

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

Approach to sustainability

Letshego continues to make progress in building a comprehensive Sustainability Framework that incorporates all functions and subsidiary businesses in the Group's quest to foster ethical and robust business practices across its network. Core streams of focus include framework development, impact strategy, ESG risk management; ESG data management, reporting, funding, accreditation and thought leadership.

In 2023, Letshego secured the expertise of a third-party ESG practitioner to operationalise its ESG manual or 'Environmental & Social Management Systems' and support its 11 subsidiary markets and regional operations, This project aims to deepen the Group's Environmental & Social (E&S) Risk Management practices as well as the adoption of effective E&S Risk Management Standards by updating existing policies, procedures and tools across each relevant function.

After an independent due diligence, gap analysis and leadership review process, Letshego has effectively updated policies, procedures and tools to align with international E&S Risk Management Standards, and appointed and trained ESG Champions across all 11 subsidiaries, along with country leadership teams. The final stages of implementation in the first half of 2024 will include the review of case studies to evaluate the effectiveness and success of its operationalisation of the E&S Risk Management project, as well as hosting 'Train-the-Trainer' sessions to ensure the sustainability of global E&S Risk Management practices.

The Group Sustainability Management Committee was inaugurated in the first half of 2023 with the mandate of overseeing and tracking the progress and development of the Group's long-term sustainability ambitions, across representative functions and subsidiaries.

2023 PERFORMANCE

- The Board is satisfied with the Group's progress in applying the recommendations of King IV.
- Inaugurated the Group Sustainability Management Committee to oversee and track the progress and development of the Group's long-term sustainability ambitions.
- Partnered with ESG provider to deepen ESG practices across the Group.
- Continued to make progress in enhancing digital platforms to collect ESG and impact data.
- Operationalised the Group's Environmental and Social Management System (ESMS) across all markets.
- Appointed ESG Champions at Group and country level.
- Provided ESG and ESMS training to leadership and ESG Champions.
- Delivered ESG e-learning to all employees to embed the ESG culture.

GROUP STRATEGY AND REPORTING

King IV principles

PRINCIPLE 4 Strategy, implementation and performance

PRINCIPLE 5 Reports and disclosure

RESPONSIBLE BOARD COMMITTEES

- Board
- Group Audit Committee
- Group Strategy and Investment Committee
- Group Risk, Social and Ethics Committee

Strategy

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

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

Reporting and disclosure governance

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

2023 PERFORMANCE

- The Board remains satisfied that the Group's business model and strategy are appropriate for the current operating context and that the Transformation Strategy will deliver competitive advantage and long-term sustainable value.
- To support the delivery of the Group's strategy:
  - The Board oversaw and monitored the implementation of the Group's key strategic projects.
  - The Board approved key senior management appointments.
  - The Group Remuneration Committee approved the employee value proposition.
  - The Group Audit Committee, following its review, was satisfied with the competency and expertise of the Group Chief Financial Officer.
  - Reviewed material investment and capital allocation recommendations to support the strategy.
- Reviewed and recommended the 2023 financial statements and integrated reports for Board approval.

THE BOARD

King IV principles

PRINCIPLE 6 Role of the governing body

PRINCIPLE 7 Board composition

PRINCIPLE 9 Performance evaluation

RESPONSIBLE BOARD COMMITTEES

- Board
- Group Governance and Nominations Committee

Overview

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

The Board Charter documents the role, responsibilities and procedural conduct of the Board. It aligns with King IV and relevant statutory and regulatory requirements, and covers corporate governance, trading by directors in the securities of the Group, declaration of personal interests and potential conflicts of interest, alternative dispute resolution and business continuity procedures, among others. The Board Charter is reviewed annually. Subsidiary Boards oversee strategy implementation within each of our markets. The role, responsibilities and procedural conduct of these Boards is set out in the corporate governance framework for subsidiary Boards, which aligns to the Group governance framework and is at various stages of implementation.

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

Board composition

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

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

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

Director independence is reviewed annually, including the independence of the Chairman. Directors who have served for three consecutive years, or have been Board members the longest, must stand for re-election at the annual general meeting (AGM).

The maximum term for non-executive directors is nine years.

Appointment process

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

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

Induction

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

Access to information and professional advice

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

Performance evaluation

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

The Group Board carried out a performance evaluation exercise of individual Board members in 2021. Subsidiary Boards have yet to perform an evaluation exercise for individual Board member's performance.

In 2024, the Board conducted both a Board performance evaluation and peer evaluation for directors with the assistance of Institute of Directors in Southern Africa. The Board is currently awaiting feedback on the overall score and anticipates that further actions will be taken based on the results.

Company Secretary

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

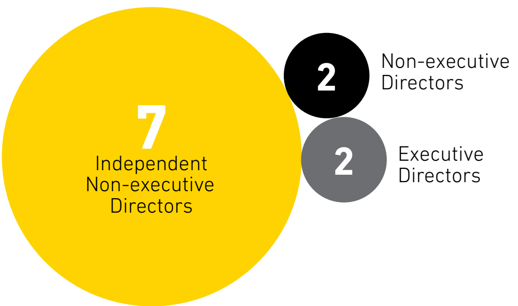
The Company Secretary's primary responsibilities are to:

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

Ms Gorata Tlhale Dibotelo is the Group General Counsel and Board Secretary. The Board is satisfied with Ms Dibotelo's work experience, performance, technical skills and overall competence as Company Secretary.

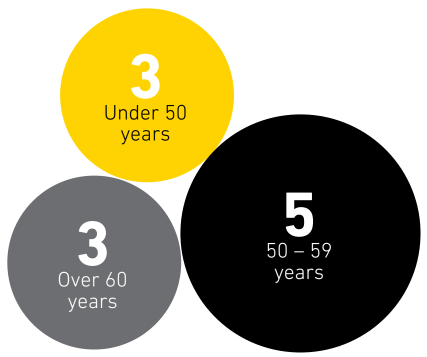
Independence

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



Age

The average age of the Board is 55 years. Board succession plans are reviewed regularly and are considered adequate with appropriate interim measures should an unforeseen loss of expertise take place.



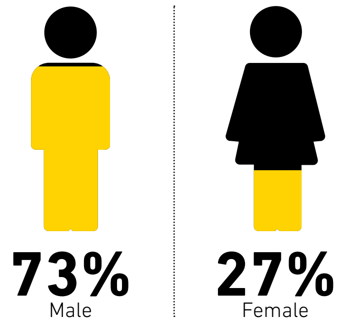
Skills

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

Skills	%
Financial services (banking and insurance) knowledge	42
Finance, Accounting and Audit	58
C-suite experience	50
Legal, Regulatory	8
Risk management and controls	8
Government, Public Sector	17
Stakeholder relations	8
Strategic planning	25
Technical, Operations	17
Corporate governance	8
Credit	17
Industrial Relations	8
Economics	8
Public Administration	8

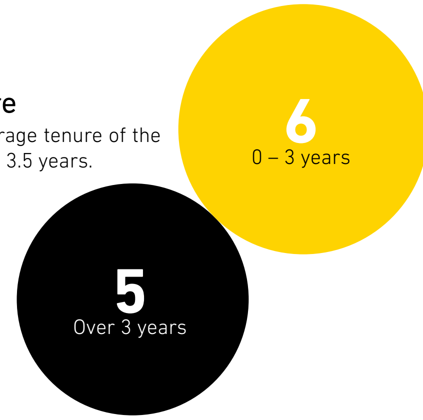
Gender

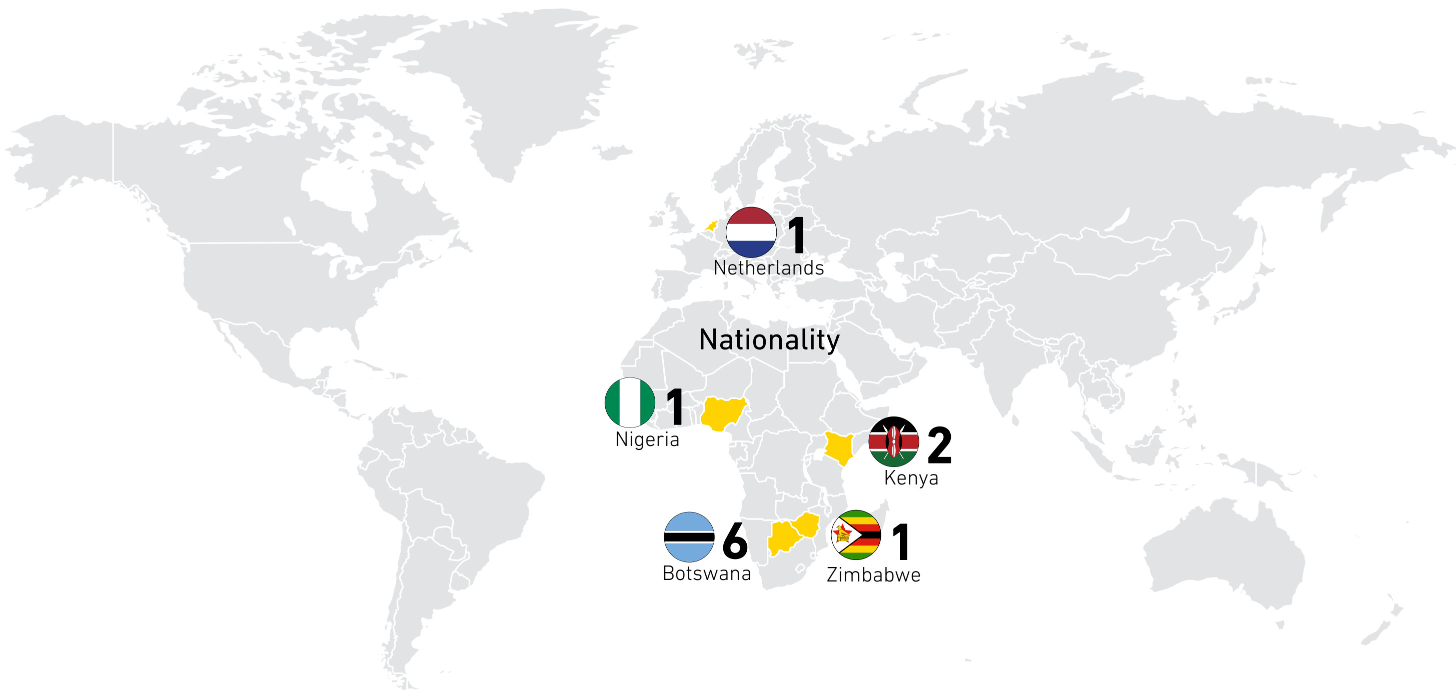
The requirements of the Board Charter and the Directors' Induction Guidelines in terms of Board appointments were met.



Tenure

The average tenure of the Board is 3.5 years.





Board meeting attendance

Board and sub-committee meeting attendance from 1 January 2023 to 31 December 2023 was as follows:

Director	Board	GAC	GRSEC	GRemCo	GGNC	GSIC[1]	Ad hoc[2]
P Odera (Chairman)	6/6	–	–	–	4/4	–	3/3
A Odubola	6/6	6/6	4/4	5/5	–	–	3/3
R Mwaura	6/6	6/6	4/4	–	–	4/4	3/3
R Hoekman	6/6	–	4/4	5/5	–	4/4	3/3
C Lesetedi	4/6	–	–	4/5	2/4	–	1/2
G van Heerde[3]	4/4	–	2/2	–	–	2/2	1/2
C Mokgware	6/6	6/6	–	–	4/4	4/4	3/3
J Ramesh	6/6	6/6	–	5/5	–	4/4	3/3
Prof E Botlhale	6/6	6/6	4/4	–	4/4	–	3/3
K Motshegwa	6/6	–	–	5/5	4/4	–	3/3
A Monyatsi (CEO)	6/6	–	–	–	–	–	3/3
G Muteiwa (CFO)	6/6	–	–	–	–	–	3/3

1. *Includes approval of strategy.*
2. *Includes Board training.*
3. *Retired from the Board on 30 August 2023.*

2023 PERFORMANCE

- The Board met six times during the year, comprising four quarterly meetings, the annual strategy review meeting and separate meetings to review and approve the final year end audited financial statements.
- Mr G van Heerde retired as a director on 30 August 2023 upon completion of his nine-year tenure.

GAC:

- Reviewed and approved the Internal Audit Charter.
- Reviewed and recommended the Group Audit Committee Charter for Board approval.
- Assessed the External Auditor proposal and made recommendations to the Board for appointment of External Auditors.

GRSEC:

- Reviewed the Group's ERMF and recommended the same to the Board for approval during 2023.
- Reviewed all primary risk type Frameworks together with the supporting Policies and Risk Appetite Metrics before recommending the same for Board approval during 2023.
- Introduced the Group Conduct Risk Policy together with the Code of Conduct during 2023 and these were approved by the Board.
- Conducted a Risk Culture Survey in 2023. The Group's rating was considered to be in the Developing Phase, with an average score of 72%.

CGNC:

- Reviewed and approved the Company Constitution in line with current governance practices.
- Approved the change of the Company's name to Letshego Africa Holdings Limited.
- Reviewed and approved the refreshed Group-Wide Governance Framework and Identification, Appointment and Re-Appointment of Directors Framework for Group and subsidiary Boards.

GREMCO:

- Reviewed and approved the organisational restructuring of the business and recommended the same for Board approval.
- Approved the Culture Blueprint and renewed values.

GSIC:

- Approved several strategic projects and corporate actions.

Frequency | Quorum | Members

COMMITTEES OF THE GOVERNING BODY

King IV principles

PRINCIPLE 8 Committees of the governing body ✓

PRINCIPLE 9 Performance evaluation ✓

Overview

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

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

GROUP AUDIT COMMITTEE

Minimum of **three members**
Majority = quorum

Meets at least **four times** a year

Independent non-executive directors
- R Mwaura (Chair)
- A Odubola
- J Ramesh
- C Mokgware
- Prof E Botlhale

Independent attendees
- External auditor engagement partner

Management attendees
- Group Chief Executive Officer
- Group Chief Financial Officer
- Group Chief Internal Auditor

Permanent invitees
- Group Chief Risk and Compliance Officer
- Group Head of Credit Risk

Key areas of responsibility

- Provides independent assurance to the Board on the financial reporting process, systems of internal controls, the audit process and process for monitoring compliance with laws and regulations.
- Oversees the Group's reporting and disclosure and reviews the Group's accounting policies.
- Oversees the Group's corporate accountability, such as ethical conduct and tax compliance, among others, and the management of associated risks, including the risk of fraud.
- Oversees the Group's combined assurance approach.
- Oversees the effectiveness of Group's internal audit, finance and reporting functions.

Frequency Quorum Members

GROUP RISK, SOCIAL AND ETHICS COMMITTEE

Minimum of **three members**
Majority = quorum

Meets at least **four times** a year

Independent non-executive directors
- A Odubola (Chair)
- R Hoekman
- R Mwaura
- Prof E Botlhale

Non-executive directors
- G van Heerde (up to date of retirement)

Management attendees
- Group Chief Executive Officer
- Group Chief Financial Officer
- Group Chief Risk and Compliance Officer

Permanent invitees
- Other Exco members

Key areas of responsibility
- Formulates the Group's risk profile and risk appetite.
- Oversees the Group's Enterprise Risk Management Framework (ERMF) and monitors the Group's primary risks against the approved risk appetite and controls.
- Approves the nature, role, responsibility and authority of the risk management function and its scope of work.
- Monitors external developments relating to corporate accountability and any associated risks, including emerging risks and their prospective impacts.
- Oversees the management of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships, including the Group's social and environmental frameworks, policies and guidelines.
- Considers succession plans for the Group Chief Risk and Compliance Officer.

GROUP GOVERNANCE AND NOMINATIONS COMMITTEE

Minimum of **three members**
Majority = quorum

Meets at least **four times** a year

Independent non-executive directors
- P Odera (Chair)
- C Mokgware
- Prof E Botlhale

Non-executive directors
- C Lesetedi
- K Motshegwa

Management attendees
- Group Chief Executive Officer

Key areas of responsibility
- Determines the principles of governance, social ethics and codes of best practice for adoption by the Board and the Group.
- Manages director appointments, retirements and re-elections as well as the induction of new directors.
- Oversees succession planning for the Board Chairman and Group CEO.
- Facilitates the performance evaluation of the Board and its committees, and oversees the action plans to achieve improvements.
- Oversees the performance evaluation of individual Board members.
- Oversees the education of directors.
- Conducts the annual directors' independence assessment.

GROUP REMUNERATION COMMITTEE

Read more about remuneration: page 118.

Minimum of **three members**
Majority = quorum

Meets at least **four times** a year

Independent non-executive directors
- J Ramesh (Chair)
- R Hoekman
- A Odubola

Non-executive directors
- C Lesetedi
- K Motshegwa

Management attendees
- Group Chief Executive Officer
- Group Chief People and Culture Officer

Key areas of responsibility
- Reviews the Group's Remuneration Policy and Framework.
- Ensures that the remuneration of all employees is fair and market related for key roles.
- Ensures that remuneration is linked to the Group's strategic and financial performance.
- Oversees the policies related to the appointment, succession planning, and professional development of executive directors and senior managers.
- Establishes performance targets for the Group's incentive scheme.
- Recommends non-executive directors' fees.
- Oversees the management of people-related risk, including the policies and frameworks to manage the workforce.
- Oversees talent management.

GROUP STRATEGY AND INVESTMENT COMMITTEE

Minimum of **three members**
Majority = quorum

Meets at least **four times** a year

Independent non-executive directors
- R Hoekman (Chair)
- R Mwaura
- J Ramesh
- C Mokgware

Non-executive directors
- G van Heerde (up to date of retirement)

Management attendees
- Group Chief Executive Officer
- Group Chief Financial Officer
- Group Chief Operations Officer
- Group Chief Product Officer

Key areas of responsibility
- Oversees all new strategic investments and major funding initiatives as well as funding mechanisms to support the Group's strategy.
- Participates in investment and funding negotiations, when appropriate.
- Manages the Group's investment policies and guidelines.
- Participates in the development of the Group's strategy and recommends it to the Board for approval.
- Assesses restructuring plans, and recommends these plans to the Board for approval.
- Monitors and reviews the annual business plan, budget and capital structure of the Group.

Frequency Quorum Members

DELEGATION TO MANAGEMENT

King IV principles

PRINCIPLE 10

Delegation to management

Overview

The Board delegates the implementation of the Group's strategy and the running of day-to-day activities to the Group CEO and Exco.

Various management committees address specific business imperatives. Exco and the management committees report to the Board and its committees. This provides an appropriate flow of information and progress reports from mandated management teams to the relevant oversight Board committees. The Board constructively challenges management holding it to account for the Group's progress.

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

GROUP EXECUTIVE COMMITTEE

Majority of Exco members

Weekly

- Group CEO (Chair)
- Exco members

Key areas of responsibility

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

GROUP MANAGEMENT RISK COMMITTEE

Majority of Exco members

Quarterly

- Group CEO (Chair)
- Selected Exco members

BY INVITATION

- Risk owners and other specialists

Key areas of responsibility

- Reviews the Group ERMF and its supporting primary risk type Frameworks, level 1 policies and risk appetite before recommending the same to the Board for approval.
- Reviews the Group level 2 policies, standards and guidelines before recommending them to Group Exco for approval.
- Approves all Group procedures and processes recommended by Group Functional Heads.
- Promotes a culture of risk management discipline, anticipation and compliance.
- Reviews models and approaches to inform the Group's risk appetite and the risk appetite for each market, for approval by Exco and the Board.
- Oversees the implementation of all elements of the Group's ERMF.
- Monitors compliance with the Group and country risk appetites.
- Manages and takes action to mitigate all primary risks facing the Group.
- Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence.

GROUP TECHNOLOGY AND OPERATIONS COMMITTEE

50% of members + 1, including the chair or alternative

Bi-monthly

- Group Chief Operations Officer (Chair)
- Group Chief Digital and Data Officer
- Group Chief Products Officer
- Group Head of Technology
- Senior representatives from IT, Digital and Data, Cybersecurity, and Operations
- Representatives from strategic business units with significant technology dependencies, including Products, Marketing, Sales

Key areas of responsibility

- To ensure that technology strategy and investments align with and support the overall Group strategy and objectives.
- To foster innovation and technological advancement within the Group.
- To provide oversight and guidance on technology-related risks and cybersecurity

Frequency Quorum Members

GROUP TAX COMMITTEE

Majority of members

Quarterly

- Group CFO (Chair)
- Independent Non-executive Board member
- Head of Financial Reporting and Compliance
- Head of Group Tax

Key areas of responsibility

- Assists the GAC in managing and overseeing the Group's tax governance structures and policies.
- Promotes a tax-conscious culture.
- Manages the activities to mitigate tax risks and minimise tax costs across all jurisdictions.
- Proactively engages with stakeholders and local authorities on tax matters

GROUP MANAGEMENT CREDIT PORTFOLIO REVIEW COMMITTEE

Four members, including the Chair or alternate Chair.

Country heads of risk and business must be represented.

Monthly

- Group Chief Risk Officer (Chair)
- Selected Exco members
- Head of Group Credit Risk
- Group Credit Operations Manager
- Group Head of Shared Services
- Country Chief Risk Officers
- Country Heads of Business
- Country Heads of Risk and Credit
- Country Collections and Recoveries manager

BY INVITATION

- Country CEOs
- Other specialists and senior management may be invited where appropriate

Key areas of responsibility

- Oversees credit risk management and underwriting processes and ensures they are in line with the Group's credit risk management framework.
- Agrees key credit risk decisions and strategies to improve portfolio quality.
- Oversees the collections and recoveries processes to ensure they are effective and meet set targets and budgets.
- Escalates all material variations within lending portfolios (Group and country) as well as deviations from the Group's credit risk management framework.
- Ensures that businesses operate within the set mandates of all governance structures (e.g. loan limits and other operating limitations imposed).
- Oversees all agreed deep dives and portfolio investigations.
- Ensures that terms of reference are in place for local Portfolio Review Committees.

GROUP BALANCE SHEET MANAGEMENT COMMITTEE

Majority of members

Monthly

- Group CFO (Chair)
- Selected Exco members

Key areas of responsibility

- Responsible for balance sheet planning and management for the Group within set risk parameters.
- Reviews, accepts and recommends Asset and Liability (ALM) management limits for approval by the Board.
- Reviews and monitors the capital management process including capital planning, capital allocation, economic capital calculation and stress testing.
- Monitors liquidity and funding including liquidity contingency plans.
- Monitors interest rate risk, foreign exchange risk exposures, cost of funds and product pricing across the Group.
- Conducts stress testing and model validation for ALM.

GROUP SUSTAINABILITY MANAGEMENT COMMITTEE

Majority of members

Quarterly

- Group Chief Risk Officer (Chair)
- Representatives from all functions

Key areas of responsibility

- Drives the ESG framework and its implementation across the Group's footprint.
- Monitors and reports on ESG data across the Group.
- Monitors ESG performance against the Group's adopted principles, targets, and development finance institutions (DFIs) funding and ESG covenants.
- Monitors ESG returns.
- Participates in thought leadership opportunities, memberships and forums.

COUNTRY MANAGEMENT COMMITTEES

Majority of members

Monthly

- Country CEOs
- Country management team

Key areas of responsibility

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

RISK AND OPPORTUNITY

King IV principles

PRINCIPLE 11

Risk and opportunity governance

RESPONSIBLE BOARD COMMITTEES

- Board
- Group Risk, Social and Ethics Committee
- All Board committees oversee the risks pertaining to their specific responsibilities

Governing risk

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

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

Managing risk

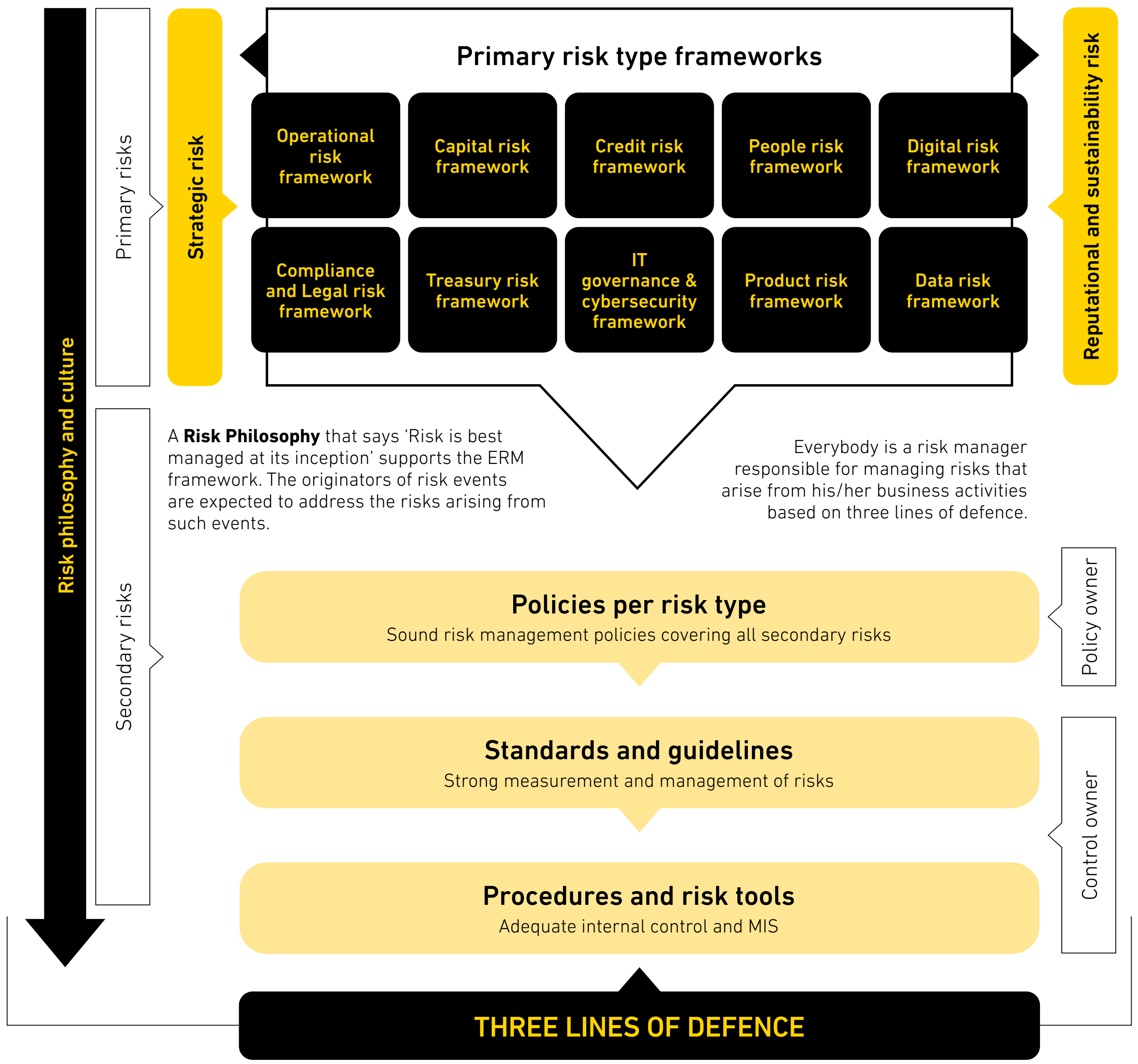
The Group's management teams are responsible for identifying key risks. The GRSEC makes sure that the processes to identify key risks are appropriate across our operations, and it assesses the integrity of our risk control systems. Both the Board and the GRSEC review the key risks that impact or may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

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

2023 PERFORMANCE

- Conducted a Risk Culture survey to assess the maturity of the Group's ERMF and risk practices. The Group's rating is considered to be in the Developing Phase at 72%.
- Reviewed and updated all primary risk type frameworks and supporting policies.
- Developed and introduced the Group Conduct Risk Policy and updated Code of Conduct.

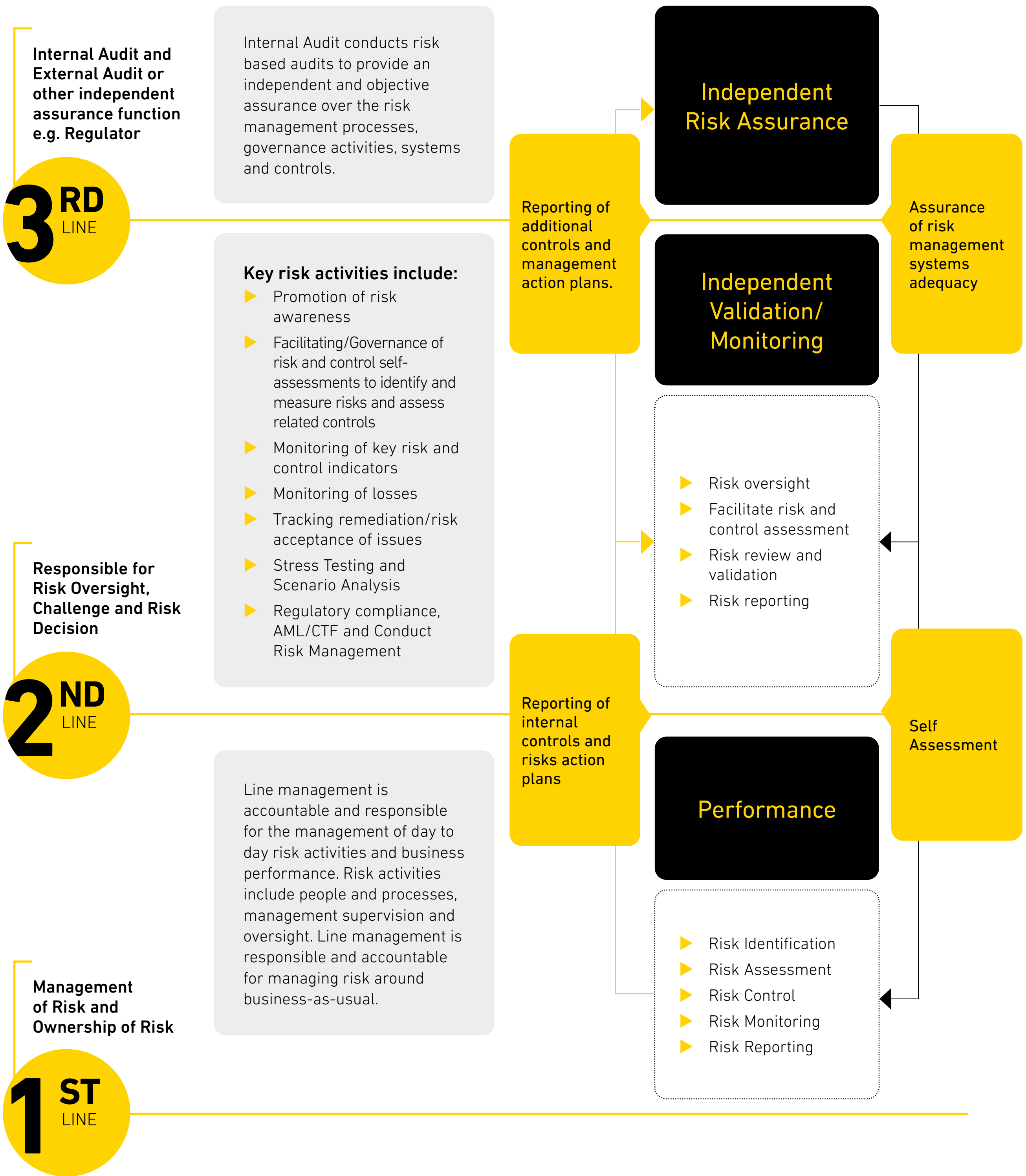
Enterprise risk management framework



Our Group level policies are categorised into level 1 and 2. Level 1 policies are required to meet regulatory, governance and legal requirements. These policies are approved by the Board. Level 2 policies are required to meet a range of operational requirements and Exco takes responsibility for the approval of these policies. Risk appetite statements and metrics are approved by the Board.

Three lines of defence model

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



TECHNOLOGY AND INFORMATION

King IV principles

PRINCIPLE 12

Technology and information governance

RESPONSIBLE BOARD COMMITTEES

- Board
- Group Audit Committee
- Group Risk, Social and Ethics Committee
- Group Strategy and Investment Committee

Overview

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

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

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

Read more about our efforts in the digitisation section: Page 44.

2023 PERFORMANCE

- Undertook a project to remediate customer information using AI to improve data management, eliminate silos and ensure data integrity.
- Modernised compliance and AML risk management by leveraging advanced technologies to mitigate regulatory adaptation challenges, including delayed responses and regulatory complexity.
- Successfully migrated our South African Data Centres to AWS Cloud, completing our cloud transformation for eight of our eleven subsidiaries.

COMPLIANCE

King IV principles

PRINCIPLE 13

Compliance governance

RESPONSIBLE BOARD COMMITTEES

- Board
- Group Audit Committee
- Group Risk, Social and Ethics Committee

Overview

Regulators and other governmental bodies perform a number of activities, including requests for information, audits, investigations, legal and other proceedings to determine our compliance with consumer protection policy and other legislation and regulations relating to our trading and business activities.

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

Over the past two years, a number of jurisdictions have been grey listed by the Financial Action Task Force (FATF). A significant number of new laws relating to AML, cybercrime and the protection of personal information were passed to facilitate removal from the grey list.

To ensure compliance, enhanced monitoring and reporting systems were implemented and/or enhanced to bolster AML and CFT including all other regulatory requirements. Throughout the year, the Group upheld rigorous compliance with legal, regulatory, and governance standards which ensured operational integrity and stakeholder confidence. The Group Audit Committee and Group Risk, Social and Ethics Committee and, at a management level, the Group Management Risk Committee assist the Board in this responsibility.

Tax governance

The Group undertakes legitimate and responsible tax planning in all countries of operation. We do not use artificial or abnormal tax structures intended to avoid tax.

Our objective is to generate enough taxable income to absorb a greater portion of our accumulated tax losses and to utilise withholding tax credits to reduce our effective tax rate to optimal levels.

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

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

Effective tax rate: page 60.

2023 PERFORMANCE

- Leveraged AI to enhance the Group's compliance and AML risk management, to modernise our operations and reduce operational costs and resource misallocation.
- Streamlined processes, reducing time-consuming tasks and enhancing scalability.
- Remediated customer information using AI, significantly improving data management, eliminating silos and ensuring data integrity. This mitigated regulatory adaptation challenges, including delayed responses and regulatory complexity.
- Improved audit ratings compared to 2022 supported by the Group's integration of advanced technologies and best practices into our compliance processes.
- Implemented a quarterly risk assessment process to identify tax risks, their impact and mitigation.

REMUNERATION

King IV principles

PRINCIPLE 14

Remuneration governance

RESPONSIBLE BOARD COMMITTEES

- Board
- Group Remuneration Committee

Overview

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

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

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

Read more about remuneration: page 118.

2023 PERFORMANCE

- The Board is satisfied that the Group's remuneration policy supports the achievement of the Group's strategic objectives.
- Supported Letshego's people first strategy by approving the Group's Culture Blueprint, including new company values.
- Enhanced execution of regional strategy by approving a realigned organisational design that facilitates matrix reporting, enhancing efficiencies and creating room for new skills.
- Developed Letshego Namibia's Employee Share Option Plan (ESOP) for review and subsequent approval by shareholders in compliance with the Bank of Namibia regulatory requirements.

ASSURANCE

King IV principles

PRINCIPLE 15

Assurance

RESPONSIBLE BOARD COMMITTEES

- Board
- Group Audit Committee

Overview

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

2023 PERFORMANCE

- Leveraged AI to identify, assess and mitigate inefficiencies in systems to streamline and reduce manual processes and strengthen the control environment.
- Conducted compliance audits to assess and strengthen compliance and AML practices across the Group, with ongoing improvement in audit ratings year on year.
- Ernst & Young independently audited the 2023 annual financial statements. The audit opinion can be found on in the financial statements section of this report.
- Conducted a review of external auditors and recommended the appointment of Ernst & Young as external auditors.

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

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

Internal audit function

Group Internal Audit (GIA) promotes sound risk management practices and protects the organisation by providing reasonable assurance that the internal controls put in place by management and the Board are both adequate and effective.

GIA quarterly reports to the GAC on audit outcomes, progress made against the audit plan and towards closing internal, external and regulatory audit findings. The Group Chief Internal Auditor has a functional reporting line to the GAC and administratively reports to the Group CEO.

External auditors

Following an evaluation of performance and independence, the GAC recommends the appointment, reappointment or removal of the external auditor/s to the Board. The appointment of external auditors is approved by shareholders at the AGM. Engagement partners are rotated at least every five years (or such other frequency deemed to be appropriate) to enhance actual and perceived independence. In 2024, the audit partner for the external auditors will be rotated.

STAKEHOLDER ENGAGEMENT

King IV principles

PRINCIPLE 16

Stakeholder engagement

RESPONSIBLE BOARD COMMITTEES

- Board
- Group Risk, Social and Ethics Committee

Overview

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

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

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

Read more about stakeholder relationships: page 12.

Remuneration report

The Group aims to remunerate Board members and Group employees adequately, fairly and within industry norms. The Group's remuneration practices balance reward to its strategic objectives.

Remuneration policy

The Group's Remuneration Committee is responsible for recommending the remuneration for Non-executive Directors and employees.

Board and Non-executive Director remuneration

Key aspects of Director remuneration includes the following:

- Non-executive Director fees are fixed for a period of two years post adjustment.
- Directors of the Group's Board and subsidiaries are remunerated with an annual retainer and sitting fees for meetings attended.
- Non-executive Directors do not receive any additional fees relating to the performance of the Group and do not participate in any share-based payments or incentives.
- The current structure was approved by shareholders at the Extraordinary General Meeting held on 25 October 2022. No changes were made for 2023.

Non-executive Director remuneration

The Board remuneration for the 2023 financial year is set out below:

- **Board chairman**
  P950 000 all inclusive fixed fee.
- **Board Directors**
  P27 285 per meeting.
- **Board Committees**
  Chairman
  P30 000 per meeting attended
  Members
  P20 000 per meeting attended or
  P2 000 per hour, capped at P10 000 per meeting.
- **Annual retainer**
  Board Director
  P240 000

Director	Board meeting P	Ad hoc meetings P	Board retainer P	GAC P	GRSEC P	GRemCo P	GGNC P	GSIC P	Total P
P Odera	–	–	950 000	20 000	–	–	–	–	**970 000**
A Odubola	109 140	81 855	240 000	100 000	120 000	101 000	–	–	**751 995**
R Mwaura	109 140	81 855	240 000	150 000	80 000	–	–	88 000	**748 995**
R Hoekman	109 140	81 855	240 000	40 000	80 000	91 000	–	134 000	**755 995**
C Lesetedi	81 855	54 750	240 000	20 000	–	71 000	40 000	10 000	**517 425**
G van Heerde	54 570	27 285	120 000	20 000	40 000	–	–	54 000	**315 855**
C Mokgware	109 140	81 855	240 000	100 000	–	–	80 000	90 000	**700 995**
J Ramesh	109 140	81 855	240 000	100 000	–	121 000	–	94 000	**745 995**
Prof E Botlhale	109 140	81 855	240 000	100 000	80 000	–	80 000	–	**690 995**
K Motshegwa	109 140	81 855	240 000	40 000	–	91 000	80 000	–	**641 995**
Total	**900 405**	**645 840**	**2 990 000**	**690 000**	**400 000**	**475 000**	**280 000**	**470 000**	**6 860 245**

Non-executive Director remuneration review and benchmarking

In line with the Group's commitment to compensate Board members and employees on a fair and transparent basis in line with market trends, the Group Remuneration Committee conducts a benchmarking review of the Group's Non-Executive Director remuneration strategy every two years.

The latest benchmarking review was conducted in 2022, which compared Letshego's Non-Executive Director fees to peer entities and organisations with similar footprints and commercial strategies operating in Africa and internationally.

Based on the final benchmarking reports concluded by Bowmans, the Board is satisfied that the current level of remuneration is within industry and sector standards.

Employee remuneration

The Letshego Employee Remuneration Policy serves to drive an inspired and loyal employee culture that fosters proactive engagement, individual leadership and productivity, leveraging the Letshego #PeopleFirst agenda.

Our reward philosophy and principles are aligned with global and national standards in structure and regulation, while enhanced to include reward and incentive programmes that initiate proactive support of Letshego's business strategy and values - mitigating inherent operational risks and entrenching ethical business practice. Through Letshego's Reward Program, employees are motivated to understand their respective role objectives and minimum deliverables, while providing the flexibility to excel in individual performance with additional personal effort and contribution to boost delivery and overall performance.

The Group uses a Total Reward approach encompassing all components of reward in a competitive set. Total reward takes into account the totality of the relationship between Letshego and individual employees. This policy recognises that although the financial dimension is vital, the relationship has other elements that contribute to creating a fulfilling, multi-faceted employee experience.

The Letshego experience

At Letshego our Employee Experience refers to the holistic journey that an employee takes with Letshego from their first day in the office, through their career trajectory, and still importantly, after the employee leave the organisation. When an employee leaves our organisation, we still value them as 'alumni' of our brand, and as such they continue to be valued ambassadors of our brand and business for years to come.

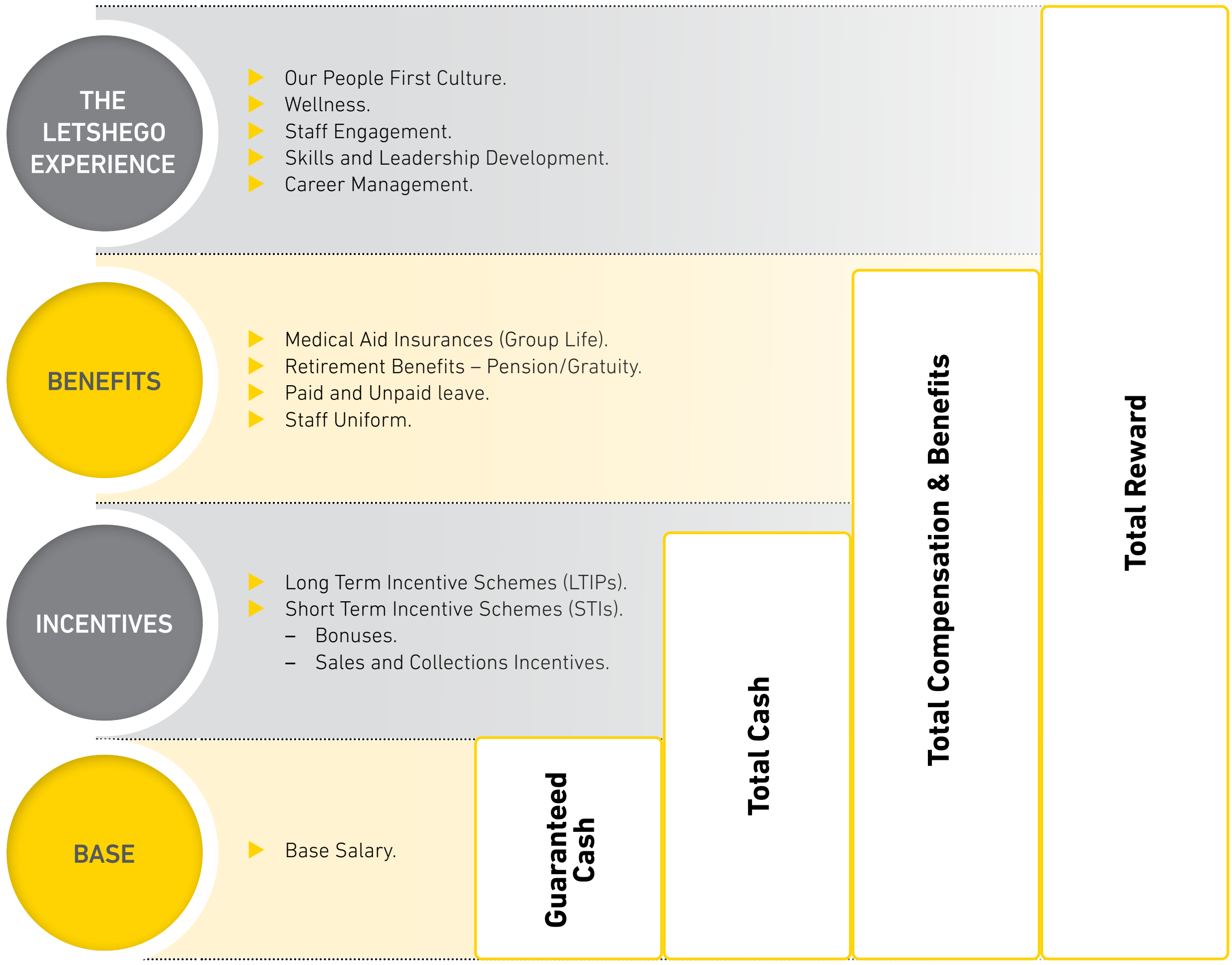
The Employee Experience embodies our #PeopleFirst culture by leveraging engagement tools and initiatives that evidence how our people remain our first priority in strengthening our business and brand across our pan-African footprint. #PeopleFirst celebrates our people as assets, our competitive advantage and integral to us being able to deliver on creating sustainable economic, social and financial returns for all our stakeholders.

Employee Diversity remains a key attribute in the workplace with more than 21 nationalities represented in our employee population, diversity also remains a strength and differentiator for Letshego as a truly pan-African brand and operation dedicated to achieving tangible social and economic benefits across regional communities. Every individual has a unique contribution to make when it comes to our brand and business.

Employee talent, skills and experience is critical to building a sustainable business that grows within an ever-evolving digital and tech orientated industry. In this way, Letshego's robust Employee Learning Framework is a multi-tiered, multi-functional framework that not only empowers employees at all levels of the business with the latest skills and functional trends, in areas like credit, operations, finance and technology but also includes broader people development curricula including individual leadership, entrepreneurial thinking, agility methodologies and strategy formulation.

2023 saw Letshego elevate its overall employee experience potential with the development of its customised "Culture Blueprint". The launch of this initiative in 2024 will strengthen Letshego's culture and values through leadership masterclasses, change management tools, values training and adoption as well as values policy alignment. The Culture Blueprint is not a once off programme but rather an ongoing journey that includes innovative interventions to bring our people closer together, as a unified team, increase collaboration across functions and countries, as well as enhance communication. This will continue to drive our strategy to deliver value to stakeholders across Africa.

Letshego total reward model



Reward components

Component	Characteristic
Salary	▶ Paid for skills and experience brought to a role. ▶ Linked to market rates.
Benefits	▶ Non-financial reward elements designed to assist and support the employee. ▶ Includes medical cover, pension contributions, Group life, paid and unpaid leave.
Performance Bonus	▶ Paid for achievement of pre-determined performance targets by the Group and individual.
Deferred Bonus	▶ Aligns the Group senior and country management team with the overall Group objectives and strategy. ▶ Is an incentive to drive performance and also acts as a retention tool for key employees. ▶ Paid upon achievement of Group and personal targets as a motivation and retention tool. ▶ Aligns senior management's objectives with those of the Group and is linked to movements in the share price. ▶ Vests in two tranches, 50% after two years and the remaining 50% after three years
Long Term Incentive Plan Scheme	▶ Ensures competitiveness in the market to attract top talent into the organisation. Incentivises senior executives to drive the successful execution and delivery of the Group's strategy through higher performance and is measured in sustainable shareholder value creation. ▶ Awards are conditional on achievement of targets set on ROE and EPS. ▶ Vesting of awards is in one tranche at the end of three years.

Executive Director remuneration

Executive Directors' remuneration as at 31 December 2023

Executive Director incentive bonuses are evaluated and recommended by the GRemCo for the approval of the Board. All amounts disclosed below are in Botswana Pula.

Executive Director	Period served as director	For management services	Performance bonus[1]	Total
Aobakwe Aupa Monyatsi	13/05/2022 – 31/12/2023	4 945 789	–	**4 945 789**
Tinotenda Gwendoline Muteiwa	24/03/2020 – 31/12/2023	3 561 100	–	**3 561 100**
Total		**8 506 889**	**–**	**8 506 889**

1. There were no performance bonuses awarded in March 2024.

In 2023, in terms of the Long Term Incentive Scheme, no ordinary shares vested to Executive Directors that related to 31 December 2023 financial year end.

Executive Directors' remuneration as at 31 December 2022

Executive Director	Period served as director	For management services	Performance bonus[1]	Total
Andrew Okai[2]	01/02/2020 – 13/05/2022	3 754 959	–	**3 754 959**
Aobakwe Aupa Monyatsi[3]	13/05/2022 – 31/12/2022	3 113 232	366 667	**3 479 899**
Tinotenda Gwendoline Muteiwa	24/03/2020 – 31/12/2022	3 407 928	269 835	**3 677 763**
Total		**10 276 119**	**636 502**	**10 912 621**

1. Performance bonuses were awarded in March 2023. The directors' remuneration included in Note 25 of the signed 2022 financial statements does not include these bonuses as they were awarded after the signing of the financial statements. At the time of signing the financial statements, the bonus would still be included in the staff incentive accrual.
2. Andrew Okai joined Letshego Group as the Group Chief Executive Officer on 1 January 2020 and was appointed as a director on 1 February 2020. He resigned as a director on 13 May 2022.
3. Aobakwe Aupa Monyatsi was appointed as the Group Chief Executive Officer on 24 May 2022 and as a director on 1 June 2022.

In 2022, in terms of the Long Term Incentive Scheme, 6,161,972 ordinary shares vested to Executive Directors that related to 31 December 2022 financial year end.

Top three earners who are not Executive Directors as at 31 December 2023

	For management services	Performance/ sign-on bonus	Total
Employee 1	4 111 622	–	**4 111 622**
Employee 2	3 044 302	–	**3 044 302**
Employee 3	2 983 349	–	**2 983 349**

2023: In terms of the Long Term Incentive Scheme, no ordinary shares vested to the top three earners that related to the 31 December 2023 financial year.

Top three earners who are not Executive Directors as at 31 December 2022

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

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

Consolidated annual financial statements

SECTION 2

GROUP CORPORATE INFORMATION

Letshego Africa Holdings Limited is incorporated in the Republic of Botswana
Registration number: UIN BW00000877524 and previously Co. 98/442
Date of incorporation: 4 March 1998

A publicly listed commercial entity whose liability is limited by shares

Company Secretary and Registered Office

Gorata Tlhale Dibotelo
Tower C, Zambezi Towers
Plot 54352
Central Business District
Gaborone, Botswana

Independent External Auditors

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

Transfer Secretaries

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

Attorneys and Legal Advisors

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

DIRECTORS' REPORT

The Directors have pleasure in submitting to the Shareholders their report and the audited consolidated financial statements of Letshego Africa Holdings Limited, formerly Letshego Holdings Limited, ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2023.

Nature of business

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

Change of name

On the 8th of December 2023, Letshego Holdings Limited changed its name to Letshego Africa Holdings Limited to reiterate the Group's differentiating Pan African presence and reach across the continent's emerging markets.

Financial results

The consolidated financial statements adequately disclose the results of the Group's operations for the year ended 31 December 2023.

Impact of IAS 29 Financial Reporting in Hyperinflationary Economies

During the second half of the year the Group classified Ghana as a hyperinflationary economy. This was following a number of professional organisations outside of Ghana, including global accounting firms, having assessed the economy of Ghana to be considered as hyperinflationary as at 31 December 2023 and thereafter. Consequently, the results of the Group's activities in Letshego Ghana Savings and Loans PLC have been prepared in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies. The impact of this on the Group's financial results, which is a net loss of approximately P130.4 million, is outlined in Note 40 of the consolidated financial statements.

Prior period error

In 2023, it was determined that during the financial years 2019 to 2022, the calculation of the Expected Credit Loss Allowances was incorrect due to the inclusion of a discount factor to Stage 3 exposures at default. This was corrected retrospectively in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors as outlined in Note 41 of the consolidated financial statements and has had the impact of reducing opening retained earnings by approximately P72.6 million. The change in the calculation methodology also had an impact of increasing current year expected credit losses recognised in profit or loss by approximately P128.2 million.

Stated capital

Stated capital of the Group at 31 December 2023 amounted to P917,909,651 (31 December 2022: P889,571,189).

On 9 March 2023, 25,924,588 ordinary shares were issued in terms of the Group's Long Term Incentive Plan (prior year: 14,291,633 ordinary shares). These were issued from new ordinary shares. Treasury shares remaining at the end of the year were 11,651,597 (prior year: 3,989,970).

Dividends

An interim dividend of 5.1 thebe per share (prior year: 5.8 thebe per share) was declared on 22 August 2023. Due to exceptional matters that had an impact on the financial performance of the Group in the second half of the year, the Board of Directors found it prudent not to declare a further dividend for the second half of 2023. The dividend declared on 22 August 2023 is the full and final dividend for the year ended 31 December 2023.

Directors

The following persons were directors of the Group:

Non-executive

Name	Details	Nationality
P. Odera		Kenya
C. Lesetedi		Botswana
G. Van Heerde	Retired 30 August 2023	South Africa
A. Odubola		Nigeria
R. Hoekman		The Netherlands
R. Mwaura		Kenya
J. Ramesh		Botswana
C. Mokgware		Botswana
K. Motshegwa		Botswana
Prof. E. Botlhale		Botswana

Executive

Name	Position	Nationality
A.A. Monyatsi	Group Chief Executive Officer	Botswana
T.G. Muteiwa	Group Chief Financial Officer	Zimbabwe

Directors' shareholdings

The aggregate number of shares held directly by Directors at 31 December 2023 were 6 623 906 shares (31 December 2022: 821 109 shares). Full details of this shareholding are available at the registered office of the Company or at the office of the transfer secretaries.

Long Term Incentive Plan

The Group operates an equity-settled conditional Long-Term Incentive Plan (LTIP), which was approved by shareholders at an Extraordinary General Meeting held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. The estimation of shares to vest for a year is based on internal projections as to the specified non-market conditions being achieved. Shares are awarded in the holding company, Letshego Africa 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 Africa Holdings Limited (the "Group") that give a true and fair view, comprising the consolidated statement of financial position at 31 December 2023, 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, 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 controls as they determine 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 an 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 Africa Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 30 May 2024 and are signed on its behalf by:

P. Odera
CHAIRMAN

A. Monyatsi
GROUP CHIEF EXECUTIVE OFFICER

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

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

Independent Auditor's Report

To the Shareholders of Letshego Africa Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Letshego Africa Holdings Limited and its subsidiaries (the Group) set out on pages 134 to 228, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2023, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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 (including International Independence Standards) (IESBA Code) together with other ethical requirements that are relevant to our audit of the consolidated financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

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

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

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

Key Audit Matter	How the matter was addressed in the audit
IFRS 9 considerations (Expected credit loss allowance of loans and advances)	
The Group's net loans and advances of P13,487,892 thousand (2022: P12,654,857 thousand) comprised 74%(2022: 76%) of the Group's total assets at the reporting date. The related ECL impairment allowance was P857,897 thousand (2022: P477,003 thousand as restated), representing an 80% increase in the impairment allowance compared to the prior year. The ECL impairment allowance is 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 subject to significant judgement and estimates. Furthermore, models used to determine credit impairments are complex,	With the support of our internal specialists, we performed the following audit procedures amongst others: We obtained an understanding of the Group's credit policy and evaluated and tested the design and the operating effectiveness of 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 as applied by similar organisations operating in the same economic sector and geographical
and certain inputs used in the models are not fully observable. Any model and data deficiencies are compensated for by applying overlays to the outputs. The calculation of these overlays is highly subjective. Significant judgements and estimates applied in determining the Group's expected credit loss (ECL) allowance include: • Choosing appropriate models and assumptions for the measurement of expected credit loss allowances • Determining criteria for significant increase in credit risk (SICR) • Determination of overlays for model and data deficiencies • Estimation of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters. This estimation uncertainty is further increased by ongoing volatility in geographical sectors in which the Group operates. The expected credit loss models require the application of forward-looking information in determining key inputs such as economic variables that affect the output of the models. Given the combination of inherent subjectivity in the preparation of the excepted credit loss models, and the judgement and estimates involved in determining the inputs into the models, we considered the calculation of the expected credit loss allowance in accordance with IFRS 9 - Financial Instruments as applicable to the Group's loans and advances	areas. We challenged management's rationale and assessments as to whether overlays should be considered for model and data deficiencies against our understanding of the factors considered by management and independent data. We reconciled and agreed the data from the core banking systems of each jurisdiction to the inputs used in the respective ECL models. We evaluated the appropriateness of the forward-looking macroeconomic scenarios and the probability weightings developed by management by comparing these to historical data and those applied by similar organisations operating in the same economic sector and geographical areas. 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 against the requirements of IFRS 9. We developed a challenger model to independently calculate the PD, LGD and EAD parameters and compared the results from the challenger model to the ECL allowance recognised by the Group in its consolidated financial statements.

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 as follows in the consolidated financial statements: • note 1.3.1 - Credit risk • note 2.1 - Impairment of advances to customers • note 6 - Advances to customers • note 41 - Correction of prior period expected credit losses error	We assessed the adequacy of the disclosures related to IFRS 9 - Financial Instruments, in the consolidated financial statements.

Other Information

The directors are responsible for the other information. The other information comprises information included in the 103-paged document titled "Letshego Africa Holdings Limited Consolidated Annual Financial Statements for the year ended 31 December 2023" which includes the Group Corporate Information, the Directors' Report, the Directors' Responsibility Statement, the Group Value Added Statement, the Five-Year Financial History and the Analysis of Shareholding which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 2024
Gaborone
31 May 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

	Note	**31 December 2023 P'000**	Restated* 31 December 2022 P'000	Restated* 1 January 2022 P'000
ASSETS				
Cash and similar instruments	3	**1 401 824**	1 020 771	1 413 500
Investment securities	4	**866 718**	692 101	859 496
Financial assets at fair value through profit or loss	5	**952 610**	1 178 969	826 092
Advances to customers	6	**13 487 892**	12 654 857	11 920 346
Insurance contract assets	7	**105 549**	92 150	125 344
Other receivables	8	**333 672**	257 471	191 131
Financial assets at fair value through other comprehensive income	9	**11 038**	43 107	71 499
Income tax receivable		**108 436**	81 454	134 767
Property and equipment	10	**104 812**	116 761	172 822
Right-of-use assets	11	**89 241**	101 654	98 756
Intangible assets	12	**398 710**	305 798	30 040
Goodwill	13	**30 591**	31 910	67 715
Deferred tax assets	30.1	**219 000**	142 685	80 990
Total assets		**18 110 093**	**16 719 688**	**15 992 498**
LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities at fair value through profit or loss	14	**980 519**	1 201 095	808 621
Customer deposits	15	**1 537 984**	1 120 827	1 175 586
Cash collateral	16	**15 853**	18 476	21 522
Income tax payable		**116 133**	82 029	81 510
Trade and other payables	17	**796 541**	585 578	868 924
Lease liabilities	18	**97 972**	97 953	99 646
Borrowings	19	**9 626 301**	8 027 840	7 380 768
Deferred tax liabilities	30.1	**18 903**	339	5 168
Total liabilities		**13 190 206**	**11 134 137**	**10 441 745**
Shareholders' equity				
Stated capital	20	**917 909**	899 571	882 224
Hyperinflation translation adjustment**		**83 920**	–	–
Foreign currency translation reserve		**(662 550)**	(492 653)	(557 341)
Legal reserve	21	**377 121**	313 780	265 244
Fair value adjustment reserve		**–**	(13 144)	15 248
Share based payment reserve	22	**34 832**	42 474	39 907
Retained earnings		**3 725 824**	4 366 646	4 460 033
Total equity attributable to equity holders of the parent company		**4 477 056**	**5 116 674**	**5 105 315**
Non-controlling interests		**442 831**	468 877	445 438
Total shareholders' equity		**4 919 887**	**5 585 551**	**5 550 753**
Total liabilities and equity		**18 110 093**	**16 719 688**	**15 992 498**

* *During the financial year under review, the Group corrected a prior period error related to the computation of expected credit losses. Refer to Note 41 for the accounting implications resulting from the restatement of the Group's previously reported financial statements as a result of the error. During the year, the Group also adopted IFRS 17: Insurance contracts for the first time. Refer to the 'New Standards, Interpretations and Amendments adopted by Group' for the accounting implications resulting in the restatement of the Group's previously reported financial statements upon adoption of the new Standard.*

** *During the second half of the year, the Group adopted IAS 29: Financial Reporting in Hyperinflationary Economies in relation to its Ghana subsidiary. The indicated amount represents the difference between the closing equity and reserves of the Ghanaian subsidiary for the previous financial year (whereby the Ghanaian local currency was considered stable and the equity and reserves balances were not restated), and the effect of translating these at the closing price index and exchange rate at the reporting date. Refer to Note 40.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	**31 December 2023 P'000**	Restated 31 December 2022 P'000
Interest income at effective interest rate	23	**3 424 947**	3 145 672
Interest expense at effective interest rate	24	**(1 646 268)**	(1 376 678)
Other interest expense	24.1	**(12 244)**	(12 524)
Net interest income		**1 766 435**	**1 756 470**
Fee and commission income	25	**57 028**	89 554
Other operating income	26	**256 141**	251 937
Insurance revenue	27	**286 519**	295 491
Insurance service expense	27	**(85 316)**	(107 625)
Insurance service result		**201 203**	187 866
Operating income		**2 280 807**	**2 285 827**
Expected credit losses	6.3	**(456 591)**	(216 076)
Net operating income		**1 824 216**	**2 069 751**
Employee benefits	28	**(611 604)**	(585 939)
Other operating expenses	29	**(1 091 151)**	(799 927)
Total operating expenses		**(1 702 755)**	**(1 385 866)**
Profit before taxation		**121 461**	**683 885**
Taxation	30	**(270 260)**	(332 311)
(Loss)/profit for the year		**(148 799)**	**351 574**
Attributable to:			
Equity holders of the parent company		**(201 049)**	287 875
Non-controlling interest		**52 250**	63 699
Profit for the year		**(148 799)**	**351 574**
Other comprehensive income, net of tax			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Foreign currency translation differences arising from foreign operations		**(180 058)**	75 425
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Fair value loss on financial asset designated at fair value through other comprehensive income	9	**(43 107)**	(28 392)
Total comprehensive (loss)/income for the year		**(371 964)**	**398 607**
Attributable to:			
Equity holders of the parent company		**(414 053)**	324 171
Non-controlling interest		**42 089**	74 436
Total comprehensive (loss)/income for the year		**(371 964)**	**398 607**
Earnings per share			
Basic (loss)/earnings per share – (thebe)	31	**(9.3)**	13.4
Diluted (loss)/earnings per share – (thebe)	31	**(8.9)**	12.6

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Note	Stated capital P'000	Hyperinflation translation adjustment* P'000	Retained earnings P'000	Share-based payments reserve P'000	Fair value adjustment reserve P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interests P'000	Total P'000
Balance at 1 January 2023 as previously stated		**899 571**	**–**	**4 442 209**	**42 474**	**(13 144)**	**(492 653)**	**313 780**	**465 933**	**5 658 170**
Adjustment on correction of error (Note 41)		–	–	(75 563)	–	–	–	–	2 944	(72 619)
Balance as at 1 January 2023 (restated)		**899 571**	**–**	**4 366 646**	**42 474**	**(13 144)**	**(492 653)**	**313 780**	**468 877**	**5 585 551**
Total comprehensive income for the year										
Loss for the year		–	–	(201 049)	–	–	–	–	52 250	(148 799)
Other comprehensive income, net of income tax										
Fair value adjustment of financial asset		–	–	–	–	(43 107)	–	–	–	(43 107)
Foreign currency translation reserve		–	–	–	–	–	(169 897)	–	(10 161)	(180 058)
Transactions with owners, recorded directly in equity										
Hyperinflation restatement adjustment* (Note 40)		–	83 920	–	–	–	–	–	–	83 920
Allocation to legal reserve	21	–	–	(63 341)	–	–	–	63 341	–	–
Recognition of share-based payment reserve movement	22	–	–	–	10 696	–	–	–	–	10 696
New shares issued from long term incentive scheme	22	18 338	–	–	(18 338)	–	–	–	–	–
Dividends paid by subsidiary to minority interests		–	–	–	–	–	–	–	(68 135)	(68 135)
Dividends paid to equity holders	32	–	–	(320 181)	–	–	–	–	–	(320 181)
Transfer to retained earnings		–	–	(56 251)	–	56 251	–	–	–	–
Balance at 31 December 2023		**917 909**	**83 920**	**3 725 824**	**34 832**	**–**	**(662 550)**	**377 121**	**442 831**	**4 919 887**
Balance at 1 January 2022 as previously stated		**882 224**	**–**	**4 421 568**	**39 907**	**15 248**	**(557 341)**	**265 244**	**439 152**	**5 506 002**
Adjustment on correction of error (Note 41)		–	–	38 465	–	–	–	–	6 286	44 751
Balance as at 1 January 2022 (restated)		**882 224**	**–**	**4 460 033**	**39 907**	**15 248**	**(557 341)**	**265 244**	**445 438**	**5 550 753**
Total comprehensive income for the year										
Profit for the year		–	–	287 875	–	–	–	–	63 699	351 574
Other comprehensive income, net of income tax										
Fair value adjustment of financial asset		–	–	–	–	(28 392)	–	–	–	(28 392)
Foreign currency translation reserve		–	–	–	–	–	64 688	–	10 737	75 425
Transactions with owners, recorded directly in equity										
Allocation to legal reserve	21	–	–	(48 536)	–	–	–	48 536	–	–
Recognition of share based payment reserve movement	22	–	–	–	19 914	–	–	–	–	19 914
New shares issued from long term incentive scheme	22	17 347	–	–	(17 347)	–	–	–	–	–
Dividends paid by subsidiary to minority interests		–	–	–	–	–	–	–	(50 997)	(50 997)
Dividends paid to equity holders	32	–	–	(332 726)	–	–	–	–	–	(332 726)
Balance at 31 December 2022 (restated)		**899 571**	**–**	**4 366 646**	**42 474**	**(13 144)**	**(492 653)**	**313 780**	**468 877**	**5 585 551**

* *During the second half of the year the Group adopted IAS 29: Financial Reporting in Hyperinflationary Economies in relation to its Ghana subsidiary. The indicated amount represents the difference between the closing equity and reserves of the Ghanaian subsidiary for the previous financial year (whereby the Ghanaian local currency was considered stable and the equity and reserves balances were not restated), and the effect of translating these at the closing price index and exchange rate at the reporting date. Refer to Note 40.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Note	31 December 2023 P'000	Restated 31 December 2022 P'000
OPERATING ACTIVITIES			
Profit before taxation		**121 461**	683 885
Adjustments for:			
– Interest income		**(3 424 947)**	(3 145 672)
– Interest expense		**1 658 512**	1 389 202
– Amortisation of intangible assets	12	**9 994**	11 716
– Depreciation of property and equipment	10	**44 750**	36 906
– Depreciation of right-of-use assets	11	**46 768**	41 407
– Loss on disposal/scrapping of property and equipment		**14 996**	–
– Impairment and write off charge: advances to customers		**465 857**	362 619
– Impairment and write off (reversal)/charge: investment securities	4	**(9 266)**	36 027
– Impairment of goodwill	13	**–**	35 805
– Mark-to-market loss on foreign currency swaps		**9 345**	–
– Net foreign exchange differences		**(163 796)**	90 547
– Net change in market adjustments on foreign currency swaps		**(3 561)**	39 597
– Long term incentive plan provision	22	**10 696**	19 914
– Net monetary loss		**149 905**	–
Changes in working capital:			
Movement in advances to customers		**(1 298 892)**	(1 097 129)
Movement in insurance contract assets		**(13 399)**	33 194
Movement in other receivables		**(318 192)**	(51 166)
Movement in trade and other payables		**210 963**	(250 370)
Movement in customer deposits		**417 157**	(54 759)
Movement in cash collateral		**(2 623)**	(3 046)
Cash used in operations		**(2 074 272)**	**(1 821 323)**
Interest received		**3 424 947**	3 145 672
Interest paid		**(1 646 268)**	(1 376 678)
Income tax paid	30.3	**(320 889)**	(345 004)
Net cash flows used in operating activities		**(616 482)**	**(397 333)**
INVESTING ACTIVITIES			
Purchase of treasury bonds	4	**(165 351)**	–
Proceeds from disposal of treasury bills and bonds		**–**	131 370
Purchase of equity securities in financial assets	9	**(11 038)**	–
Purchase of property and equipment	10	**(26 052)**	(71 520)
Purchase of intangible assets	12	**(120 026)**	(222 531)
Net cash flows used in investing activities		**(322 467)**	**(162 681)**
FINANCING ACTIVITIES			
Dividends paid to equity holders	32	**(320 181)**	(332 726)
Dividends paid to subsidiary non-controlling interest		**(68 136)**	(50 997)
Repayment of principal portion of lease liabilities		**(35 556)**	(45 997)
Repayment of interest portion of lease liabilities	18	**(12 244)**	(12 524)
Proceeds from borrowings	19	**3 449 546**	3 425 610
Repayment of borrowings	19	**(1 919 648)**	(2 778 539)
Net cash flows generated from financing activities		**1 093 781**	**204 827**
Net movement in cash and similar instruments		**154 832**	**(355 187)**
Movement in cash and similar instruments			
At the beginning of the year		**994 582**	1 355 294
Movement during the year		**154 832**	(355 187)
Effect of exchange rate changes on cash and similar instruments		**(15 770)**	(5 525)
Cash and similar instruments at the end of the year	3	**1 133 644**	**994 582**

ACCOUNTING POLICIES

for the year ended 31 December 2023

Reporting entity

Letshego Africa Holdings Limited (formerly 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 2023 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 its footprint.

The consolidated financial statements for the year ended 31 December 2023 have been approved for issue by the Board of Directors on 30 May 2024.

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 Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The consolidated annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position; financial assets classified at fair value through other comprehensive income (FVOCI), and financial assets and liabilities classified at fair value through profit or loss (FVTPL). These financial statements have also been restated to take account of the effects of inflation in accordance with International Accounting Standard 29, 'IAS 29' (Financial Reporting in Hyperinflationary Economies).

During the second half of the year the Group classified Ghana as a hyperinflationary economy. This was following a number of professional organisations outside of Ghana, including global accounting firms, having assessed the economy of Ghana to be considered as hyperinflationary as at 31 December 2023 and thereafter. The assessment by some of the global professional organisations was based on the IMF World Economic Outlook reporting a 3-year cumulative rate of inflation of 92% as of 31 December 2022 and forecast 3-year cumulative rates of inflation of 128% and 133% for 2023 and 2024, respectively.

The assessment as to when an economy is hyperinflationary is based on the guidelines of IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29), which considers both qualitative and quantitative factors, including whether the accumulated inflation over a three-year period is in excess of 100%. In November 2023, the Institute of Chartered Accountants Ghana (ICAG) issued a paper considering several quantitative and qualitative factors and their conclusion that the Ghana economy was not hyperinflationary was therefore not consistent with the earlier conclusions drawn by the professional organisations outside of Ghana. In their analysis, ICAG cited the fact that IAS 29 does not place a prominence on 'quantitative' factors over 'qualitative' factors in determining whether an economy is under hyperinflation and therefore practitioners are required to exercise professional judgement. In January 2024, ICAG published further communication to their member firms and practitioners outlining that IAS 29 was not applicable in Ghana for the December 2023 financial reporting period, and this directive still being based on their assessment that Ghana is not operating in a hyperinflationary economy.

Despite inflation levels having dropped in Ghana since October 2023, the position of the global accounting firms and other professional organisations that Ghana is hyperinflationary remains unchanged and the Group's conclusion to classify Ghana as a hyperinflationary economy is based on their indications that multi-national groups that need to consolidate Ghanaian subsidiaries under IFRS are being urged to apply this position. Consequently, the results of the Group's activities in Letshego Ghana Savings and Loans PLC have been prepared in accordance with IAS 29 (this is prior to the translation of those results to the Group's presentation currency of Botswana Pula).

The restatement is based on conversion factors derived from the Ghana Consumer Price Index (CPI) compiled by the Ghana Statistical Service. The indices and conversion factors used were as follows:

Date	Indices	Conversion factors
December 2023	**200.5**	**1.0000**
December 2022	162.8	1.2316

The presentation currency of the Group, however, is that of a non-hyperinflationary economy and comparative amounts are not adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjusted amounts are recognised directly in equity. The main procedures applied in the restatement of transactions and balances are as follows:

- Monetary assets and liabilities are not restated because they are already stated in terms of the measuring unit current at the balance sheet date;
- Non-monetary assets and liabilities that are not carried at amounts current at balance sheet date and components of shareholders' funds are restated by applying the change in index from the date of transaction, or if applicable, from the date of their most recent revaluation to the balance sheet date, 31 December 2023. Depreciation is based on the restated amounts;
- At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Basis of preparation (continued)

- Income statement transactions, except for depreciation charge, are restated by applying the change in the index from the month of the transactions to the balance sheet date, 31 December 2023;
- Net gain or loss arising from the net monetary asset or liability positions are included in the income statement; and
- All items in the cash flow statement are expressed in terms of the measuring unit current at the balance sheet date.

Basis of consolidation

Investments in subsidiaries

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

Business combinations

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

Transaction costs are expensed as incurred except if it relates to the issue of debt or equity securities.

Goodwill

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The carrying amount of goodwill is assessed annually for impairment. An impairment loss recognised on goodwill is not reversed in a subsequent period.

Transactions eliminated on consolidation

Intra group balances and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interest

Non-controlling interest (NCI) is shown separately in the consolidated statement of financial position and statement of profit and loss and other comprehensive income. NCIs are viewed as equity participants of the Group and all transactions with minorities are therefore accounted for as equity transactions and included in the consolidated statement of changes in equity. NCI is measured at the proportionate share of the acquiree's identifiable net assets.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained is measured at fair value when control is lost.

Change in the Group's interest in subsidiaries

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with the equity owners of the Group. A change in ownership in interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect the relative interests in the subsidiary. Any differences between the amount of the adjustment to non-controlling interests and any consideration paid or received is recorded in equity.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment/losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the plant and equipment. The estimated useful lives for current and prior periods are as follows:

Computer equipment	3 years
Office furniture and equipment	4 – 5 years
Motor vehicles	4 years
Buildings	30 – 50 years

Land is 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. When the cost of major renovation is included in the carrying amount of the asset and significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

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 and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of property, plant and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Work in progress

Work in progress comprises of costs incurred in the on-going construction of items that are held for use in the production and supply of goods or services and incurred in on-going design, construction and testing of computer software that is identifiable, which the Group has control over and future economic benefits will flow from the asset. The costs associated with the construction and development processes indicated are recognised as work-in-progress until a time that the assets are available for use, that is, when the assets are in the location and condition necessary to be capable of operating in the manner intended by management. At this point, the respective element will be transferred from work-in-progress to an appropriate category of property and equipment and/or intangible assets and is depreciated/amortised over the useful life of the asset.

Foreign currency transactions

Transactions conducted in foreign currencies are translated to Pula at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula using the closing exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

Foreign operations' financial statements

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Botswana Pula using the closing exchange rate at the financial period end. The income and expenses of foreign operations whose functional currency is not the currency of a hyperinflationary economy are translated to Botswana Pula at rates approximating those exchange rates at the dates of the transactions. The income and expenses of a foreign operation whose functional currency is the currency of a hyperinflationary economy are translated to Botswana Pula at the closing exchange rate at the most recent statement of financial position.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, either in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property 2 to 5 years

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an 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.

Leases (continued)

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 estimated useful life of software for current and prior periods is 3 years to 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Computer software is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Brand value and core deposits

Brand value and core deposits acquired in a business combination are recognised at fair value at the acquisition date. Brand value is the right to use the trade name and associated brands of the acquired entity and core deposits relates to the customer relationships attributable to customer deposits of the acquired entity. These are carried at cost less accumulated amortisation at each reporting period. Amortisation is recognised in profit or loss using the straight-line method over their estimated useful lives.

Brand value is amortised over its expected useful life of 7 years whereas core deposits are amortised over its useful life of 8 years. These intangible assets are tested for impairment annually at the cash generating unit level.

Brand value and core deposits is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Onerous contracts

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

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

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Current tax

Current tax comprises tax payable/refundable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the reporting date, and any adjustment of tax payable/refundable for previous years.

Deferred tax

Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Interest income

Interest income is recognised in profit or loss at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual/behavioural terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Administration fees – lending

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Where fees and commissions form an integral part of the effective interest on a financial asset or liability these are included and measured based on effective interest rate. Fees and commissions, which relate to transaction and service fees where the performance obligation is satisfied over a period of time are recognised on an accrual basis as the service is rendered.

Credit life and disability insurance commission

Where the Group is acting as an agent, commissions and fees earned on the sale of insurance products to customers on behalf of the insurer are recognised on a time-apportionment basis over the period the service is provided.

Early settlement fee

This is a settlement penalty fee, which is levied on customers when they settle their loans before the maturity date and are recognised in profit or loss as other operating income when these loans are settled.

Other income

Other income comprises income from statement fees, mark-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 deposits is recognised 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 meets the regulatory requirements in respective jurisdictions.

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.

Employee benefits (continued)

Staff incentive bonus scheme

The Group also operates a staff incentive bonus scheme. The provision for employee bonus incentive is based on a predetermined group policy and is recognised in trade and other payables. The accrual for employee bonus incentives is expected to be settled within 12 months to 36 months.

Payroll administration costs

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

Share-based payment transactions

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The Group also grants its own equity instruments to employees of its subsidiaries 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 Africa 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 22.

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.

Dividend per share

Dividend per share is calculated by dividing the earnings attributable to ordinary equity holders by the number of shares outstanding at the end of a period. The number of shares used to calculate the dividend per share excludes shares held as treasury shares.

Contingent liabilities

The Group discloses a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Group.

Financial assets and liabilities

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

The Group initially recognises financial assets on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets and liabilities consist of the following significant items.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost consists of advances to customers, other receivables and cash and cash equivalents.

Advances to customers

Advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Advances to customers are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

Other receivables

Other receivables comprise deposits and other recoverables which arise during the normal course of business. These are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with financial institutions. Bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents. Cash and cash equivalents are measured at amortised cost in the consolidated statement of financial position.

Financial assets at fair value through OCI

Financial assets at fair value through OCI are non-derivatives that are designated in this category. For debt instruments, the classification is mandatory for certain assets unless the fair value option is elected, whilst for equity instruments the fair value through OCI classification is an election. Financial assets at fair value through OCI are subsequently measured at fair value and gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividends received from financial assets at fair value through OCI equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss

The Group may designate financial assets at fair value through profit or loss when either:

- the assets are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets at fair value through profit or loss are 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 12 months of the reporting period, and are issued for management of 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.

Financial assets and liabilities (continued)

Financial liabilities (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

The Group may designate financial liabilities at fair value through profit or loss when either:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

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

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

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

Financial liabilities at amortised cost

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

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

Borrowings and deposits from customers

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

Trade and other payables

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

Cash collateral

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

Derecognition

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

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

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

Offsetting

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques.

Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like interest rate swaps. For these financial instruments, inputs into models are market observable.

When entering into a transaction, the financial instrument is recognised initially at fair value. The best evidence of fair value of a financial instrument at recognition is normally the transaction price, the fair value of the consideration given or received. The value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase in fair value indicated by valuation techniques, is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments measured at fair value.

Identification and measurement of impairment for financial assets

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

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

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

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

Insurance arrangements

The Group has credit and disability cover in place in most markets. Under these arrangements premiums are collected from customers and paid on to the insurer, with the Group earning a fee, commission or profit share.

Cell captive arrangements

The Group has cell captive insurance arrangements, under which it accepts significant insurance risk from its policyholders. These arrangements offer credit life and credit default protection over the Group's loan portfolios in certain of the markets where the Group operates. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur.

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 the 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.

Recognition

The Group assesses its lending products to determine whether they contain distinct components which must be accounted for under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) lending contract. Currently, the Group's lending products do not include any distinct components that require separation.

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Insurance contracts – initial measurement

The Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues under its cell captive arrangements, since:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary (refer to above).

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised. The Group had no onerous contracts at the reporting date.

Insurance arrangements (continued)

Cell captive arrangements (continued)

Insurance contracts – initial measurement (continued)

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Group chooses to expense insurance acquisition cash flows as they occur.

Insurance contracts – subsequent measurement

The Group measures the carrying amount of the asset or liability for remaining coverage at the end of each reporting period as the asset or liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group, and includes an explicit adjustment for non-financial risk (the risk adjustment). The Group does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)

Or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant asset or liability for remaining coverage.

Presentation

The Group presents separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets and portfolios of insurance contracts issued that are liabilities.

The Group disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense. The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

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. 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. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 *Insurance Contracts*

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*. 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 a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a 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

The Group performed a comprehensive review of its lending contracts, financial guarantee contracts and cell captive insurance arrangements. Specific assessment of the Group's cell captive insurance structures in Namibia indicated that the new Standard is applicable to the Group, since in essence the Group becomes like a reinsurance contract issuer, in light of the contractual implications of the cell captive arrangements.

Under IFRS 17, the Group's insurance contracts held under the cell captive arrangements are all eligible to be measured by applying the PAA in light of the coverage period for each contract in the group of contracts being one year or less. In application of the PAA to arrive at the net insurance contract assets, the Group has opted to use the following elections:

- not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk. This is in light of the fact that, at initial recognition, the time between providing each part of the services and the related premium due date is no more than one year and the Group considers the contracts to therefore not have a significant financing component.
- not adjust the liability for incurred claims for the time value of money and the effect of financial risk since the cash flows are expected to be paid or received within one year or less from the date that the claims are incurred.
- insurance acquisition cash flows are expensed when incurred.

The Group's classification and measurement of insurance contracts is explained in the Significant Accounting Policies above.

(i) Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. The measurement principles of the PAA are also similar to the 'earned premium approach' used by the Group under IFRS 4 in light of the short-term nature of the insurance contracts and include:

- the computation of the asset for remaining coverage, which reflects the net amount of the obligation pertaining to premiums received less amounts recognised in revenue for insurance services provided and the estimated inflows anticipated from the cell captive structures, i.e. the estimated dividend to be received from the cell captive.
- the measurement of the liability for remaining coverage (previously claims outstanding and incurred-but-not reported (IBNR) claims), which include the Group's obligation to pay other incurred insurance expenses.

(ii) Changes to presentation and disclosure

For presentation in the statement of financial position, the Group aggregates insurance contracts issued and presents separately:

- portfolios of insurance contracts issued that are assets
- portfolios of insurance contracts issued that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

Previously, the Group reported the outcome of insurance contracts as part of 'Other operating income' in the statement of profit or loss and other comprehensive income. Instead, IFRS 17 requires separate presentation of:

- insurance revenue
- Insurance service expense
- Insurance service result

(iii) Transition

On transition date, 1 January 2022, the Group has recognised and measured the cell captive insurance contracts as if IFRS 17 had always applied and the Group has restated comparative information to the earliest period of 1 January 2022. This included the separate recognition of insurance contract assets on the face of the statement of financial position, instead of in previously reported periods where components of these were included in 'Other receivables' and in 'Trade and other payables'. The transition however did not have an impact on opening Retained Earnings of the Group at 1 January 2022 and 1 January 2023 in light of the fact that the outcome of the PAA applied by the Group on adoption of IFRS 17 does not result in a material difference from the 'earned premium approach' previously used by the Group under IFRS 4. This is due to the short duration of the contracts at hand not warranting the requirement for adjustments for the time value of money to be effected upon measuring the resultant insurance contract assets and liabilities relating to the cell captive arrangements.

New and amended standards and interpretations (continued)

(iii) Transition

The following is a reconciliation of the financial statement line items from IFRS 4 to IFRS 17:

	Carrying amount at 31 December 2021 as previously reported P'000	Reclassification P'000	Remeasurement P'000	**IFRS 17 Carrying amount at 1 January 2022 P'000**
Insurance contract assets	–	125,344	–	**125,344**
Other receivables*	413,411	(222,280)	–	**191,131**
Trade and other payables*	(965,860)	96,936	–	**(868,924)**

	Carrying amount at 31 December 2022 as previously reported P'000	Reclassification P'000	Remeasurement P'000	**IFRS 17 Carrying amount at 31 December 2022 P'000**
Insurance contract assets	–	92,150	–	**92,150**
Other receivables*	479,533	(222,062)	–	**257,471**
Trade and other payables*	(715,490)	129,912	–	**(585,578)**

* *The remaining balances in 'Other receivables' and 'Trade and other payables', following transition to IFRS 17 relate to assets and liabilities pertaining to insurance contracts that do not fall into the scope of IFRS 17, together with receivables and payables for the Group arising from other aspects, as reflected in Note 8 and Note 17, respectively.*

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 have had minimal impact on the Group's disclosures of its accounting policies.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

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.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The impact of this on the Group is still being assessed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1 Risk management

1.1 Introduction and overview

2023 was a challenging year for Sub-Saharan African economies, including those in which the Group operates. The region's GDP growth slowed for the second year in a row closing the year depressed at 2.9% from 3.6% in 2022. While macro-economic conditions improved and remained benign in our major markets of Botswana and Namibia, the conditions in number of our markets remained fluid and challenging leading to extended monetary policy tightening particularly in Kenya, Nigeria and Uganda. Interest rates remained high and currencies were under significant pressure. Nigeria and Kenya currencies took a heavy knock in 2023 depreciating materially while Ghana, despite significant reduction in annual inflation, was declared a hyperinflationary economy during the year on the basis of a three year cumulative inflation rate. Risk of public debt distress was significantly pronounced for Kenya during the year with real fears of sovereign default in the second quarter of 2024. The country's monetary policy interventions and fiscal consolidation measures have since stemmed the risk materially raising investor sentiment in the near term and easing the pressure on the local currency since February 2024.

Baseline economic outlook for the region for 2024 and 2025 are positive with GDP growth forecasts of 3.8% and 4.1% respectively. The Group however remains alert to the material down risks that the continuing geo economic fragmentation, geopolitical tensions, threats of war and increasing climate risks portend for the regional political and economic stability. The Group continues to monitor and simulate the impact of potential policy change that may arise from the outcomes of the upcoming elections in the United States, South Africa and five of the Group's presence countries on the Group's business and operations in 2024 and beyond.

Despite the headwinds generally across the countries, the Group continues to progress well in meeting its 6-2-5 strategic targets underpinned by strong capitalisation levels across its subsidiaries. In June 2023, the Group merged its Letshego Bank Tanzania (LBT) and Letshego Tanzania Limited entities to form Letshego Faidika Bank, which started its operations on 1 July 2023.

1.2 Financial risk

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

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

1.2.1 Capital risk

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

All the Group's subsidiaries were adequately capitalised during the period under review in line with the Group's Internal Capital Adequacy Assessment Process (ICAAP Lite).

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

1 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 non-performing loans (NPLs) increased to 9.6% for the period under review (FY2022: 6.5%) driven mainly by environmental risks and sub optimal performance of test and learn programs introduced since 2021. The drivers of the 2023 portfolio outcome were once off and cyclical. The Group has implemented portfolio and policy interventions to accelerate portfolio remediation. Outlook for Asset quality is positive.

Letshego's Stage 3 coverage ratio ended the year at 58% (FY2022 restated: 53%). The impact of the removal of stage 3 discounting had a material impact in the increase in provision coverages. In addition, a model overlay was been taken on our loss Given Default methodology to cater for long dated defaults (Time in Default). Letshego has continues to have credit default insurance as a credit mitigation in Namibia and Mozambique respectively.

Key metrics	YoY Trend	2023	2022
Growth in gross advances to customers (%)	↑	7.3%	6.0%
Loan loss rate (%)	↑	3.3%	1.7%
Non-performing loans (NPLs) as a percentage (%) of gross advances	↑	9.6%	6.5%
Stage 3 coverage ratio (%)	↑	58%	53%

	2023 P'000	2022 P'000
Loan loss rate % – cost of risk		
Impairment expense/(reversal), excluding Investment Securities	456 591	216 076
Average gross advances to customers	13 738 825	12 785 580
	3.3%	**1.7%**
***Non-performing loans %**		
Non-performing loans	1 379 257	847 509
Gross advances to customers	14 345 789	13 131 860
	9.6%	**6.5%**

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

Asset Quality

Non-performing loans (NPLs) increased to 9.6% of gross loan book as at December 2023 (FY 2022: 6.5%) while PAR 30 increased to 14.4% from 9.2% in 2022. The movement was mainly driven by environmental risks and sub optimal performance of test and learn programs introduced since 2021. Increase in NPLs was more pronounced in Botswana driven mainly by Individual lending product that failed to meet product assumptions. In Kenya mobile loans test and learn program launched in 2023 faced early headwinds with collections bottlenecks and rapid shift in customer behaviour. Additionally, introduction of new statutory levies during the year eroded customer disposable income and affordability impacting loan deductions for the DAS book increasing the NPL. In Mozambique, transition to single central registry by the government was not smooth. A significant portion of our exposure to the army and the police dropped off payroll deductions. Remediation of this portfolio took much longer and was not complete as at year end 2023. The Group has put in place robust portfolio remediation strategy to accelerate collections and recoveries momentum in 2024. Our credit risk management capability is sound, our risk governance is strong, and our risk infrastructure is optimal.

The annualised Loan Loss Rate (LLR) for FY 2023 was 3.3% and marginally above the risk appetite of 3%.

As at 31 December 2023, the Group considered additional provisions after review of accounts that have been milling in stage 3. Time in Default based loss given defaults (LGDs) are then applied for portfolios that show no change in recovery experience for longer time in defaults.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Write-off policy

The Group and its subsidiaries shall, at every quarterly review, write or charge off all loans that have remained in the loss category for four consecutive quarters. Loan write-offs shall include any interest that is accrued or suspended but unpaid. Interest which has been suspended but is uncollected shall be written-off.

Approach to managing credit risk

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

Credit risk mitigation

In most of its markets the Group offers credit life 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 and high risk, the Group applies credit scoring and customer education in advance of the extension of credit to customers and conducts regular reviews of the credit portfolio. Other portfolio management actions include:

- Group writes off loans which have remained in the loss category for four consecutive quarters.
- Group will restructure loans (modify contractually agreed terms) to increase the chances of full repayment of credit exposure in certain instances.
- Restructuring is expected to minimise future risk of default. Examples are where clients are in financial difficulty, either caused by external or internal factors such as disability/death/theft/accidents/changes in Government policies.
- Restructured loans are treated as non-performing, for provision purposes only, until 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 loss category status.

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

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

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit risk stress testing

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

The overlay approach followed by the Group is outlined below:

General steps considered by the Group in determining impairment

The following illustrates the steps that the Group follows in calculating impairment of financial assets:

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

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

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

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

Indicators of SICR include any of the following:

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

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

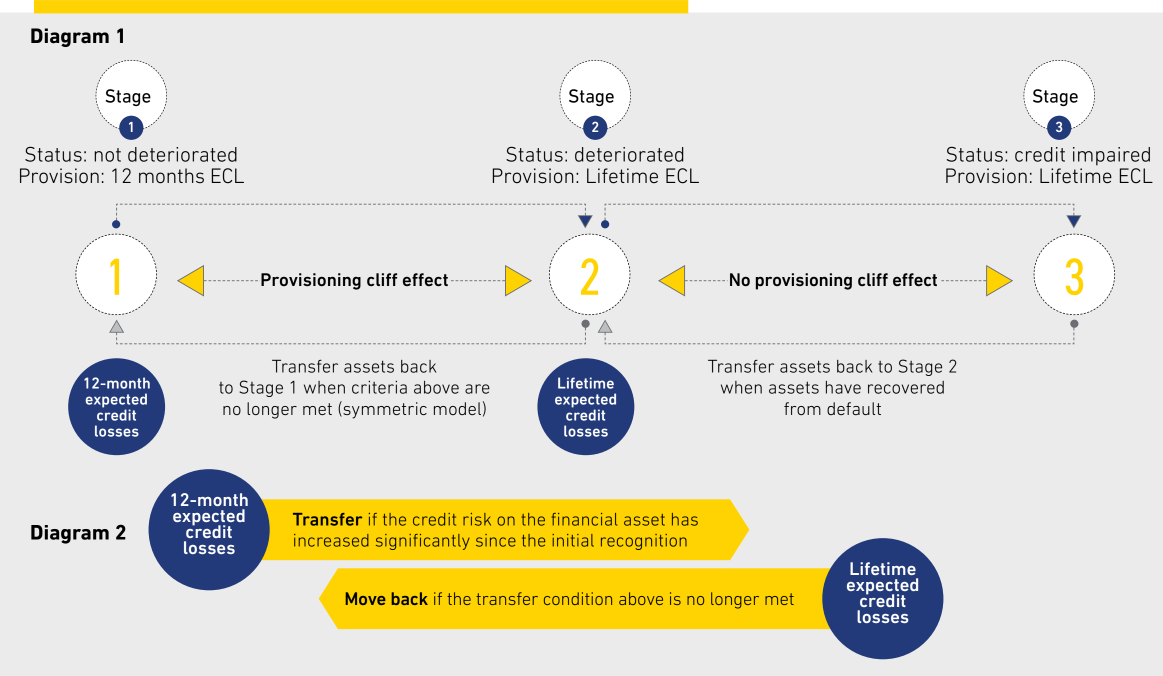
Credit risk stress testing (continued)

Two types of PDs are considered under IFRS 9:

- Twelve-month PDs – This is the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECL, which are applicable to Stage 1 financial instruments.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument which is applicable to Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

The IFRS 9 requirements for the staging of loans is summarised in the two diagrams below



- **Stage 1:** relates to a 12-month ECL allowance on financial assets that are neither credit impaired on origination nor for which there has been a SICR.
- **Stage 2:** relates to a lifetime ECL allowance on financial assets that are assessed to display a SICR since origination.
- **Stage 3:** relates to a lifetime ECL allowance on financial assets that are assessed to be credit impaired.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit risk stress testing (continued)

Forward-looking information

The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).

Source of the forward looking information will vary from country to country and all macroeconomic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Unemployment rates
- Consumer Price Index
- Gross Domestic Product (GDP).

The working group approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macroeconomic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

Definition of default

Default is not defined under IFRS 9.The Group is responsible for defining this for themselves and it should be based upon its own definition used in the Group's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.

The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g. breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.

Indications of inability to pay include:

- the credit obligation is placed on non-accrued status;
- the Group makes a specific provision or charge-off due to a determination that the obligor's credit quality has declined (subsequent to taking on the exposure);
- the Group sells the credit obligation or receivable at a material credit related economic loss;
- the Group agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
- the Group has filed for the obligor's bankruptcy in connection with the credit obligations; and
- the obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation's repayment.

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

Discounting

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

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit risk stress testing (continued)

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate. For the IFRS 9 impairment assessment, Group Impairment Models are used to determine the PD, LGD and EAD. For Stage 2 and 3, Group applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Renegotiated loans treatment

Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period is 6 months to move to cure state (Stage 1).

Maximum exposure to credit risk

(a) Advances to customers 31 December 2023	**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	**11 030 648**	**(83 323)**	**(29 008)**	**(369 481)**	**10 548 836**	**–**
East and West Africa	**3 315 141**	**(34 708)**	**(10 487)**	**(330 890)**	**2 939 056**	**(465 120)**
	14 345 789	**(118 031)**	**(39 495)**	**(700 371)**	**13 487 892**	**(465 120)**

31 December 2022 Restated	Gross advances P'000	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Net advances P'000	Security held P'000
Southern Africa	10 189 130	(61 479)	(14 390)	(126 078)	9 987 183	–
East and West Africa	2 942 730	(45 430)	(32 635)	(196 991)	2 667 674	(18 476)
	13 131 860	**(106 909)**	**(47 025)**	**(323 069)**	**12 654 857**	**(18 476)**

Security held relates to cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer (refer to Note 16).

(b) Other financial assets measured at amortised cost	**31 December 2023 P'000**	31 December 2022 P'000
Cash and cash equivalents	**1 401 824**	1 020 771
Investment in securities	**866 718**	692 101
Other receivable accounts	**333 672**	479 533
	2 602 214	**2 192 405**

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk (continued)

Below is a summary of the expected credit losses recognised in respect to advances to customers as at 31 December 2023:

	IFRS 9 ECL Provisions at 31 December 2023				IFRS 9 ECL Provisions at 31 December 2022 (Restated)			
Operating Segments P'000	**Stage 1: 12-month ECL allowance**	**Stage 2: Lifetime ECL allowance – not credit-impaired**	**Stage 3: Lifetime ECL allowance – credit-impaired**	**Total ECL on 31 December 2023**	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2022
Financial assets								
Botswana	**66 760**	**20 561**	**268 896**	**356 217**	49 494	9 911	66 161	**125 566**
Namibia	**5 201**	**1 198**	**25 025**	**31 424**	4 377	488	9 728	**14 593**
Mozambique	**2 655**	**1 780**	**9 918**	**14 353**	1 971	1 323	6 800	**10 094**
Lesotho	**5 603**	**1 817**	**19 310**	**26 730**	3 507	713	12 878	**17 098**
Eswatini	**3 104**	**3 652**	**46 332**	**53 088**	2 132	1 955	30 511	**34 598**
Kenya	**6 619**	**5 048**	**113 336**	**125 003**	9 567	4 298	45 400	**59 265**
Rwanda	**1 136**	**143**	**857**	**2 136**	895	74	400	**1 369**
Uganda	**3 920**	**1 186**	**47 245**	**52 351**	3 831	1 448	21 117	**26 396**
Tanzania	**3 966**	**1 308**	**70 222**	**75 496**	4 970	1 360	62 501	**68 831**
Nigeria	**3 501**	**1 959**	**14 225**	**19 685**	5 012	2 029	19 555	**26 596**
Ghana	**15 566**	**843**	**85 005**	**101 414**	21 155	23 425	48 017	**92 597**
Total	**118 031**	**39 495**	**700 371**	**857 897**	**106 911**	**47 024**	**323 068**	**477 003**

Overall expected credit losses as at 31 December 2023 closed at P858 million, which is an increase from P477 million as at 31 December 2022.

During the financial year 2023, there was a reassessment of the discounting of stage 3 ECLs. The prior years treatment from financial year 2020 to 2022 was therefore deemed an error. The basis for the error is that the default date for Stage 3 exposures have already occurred and no discount factor should therefore be applied to Stage 3 ECLs. Refer to Note 41 for further details.

Increase in expected credit losses for the year was also driven by uptick in delinquencies on a test and learn program in Botswana and operational challenges from some central registries that impeded timely deduction and remittance of DAS Loan instalments. Provisioning levels are aligned with the Group's credit risk profile. Group portfolio mix remains flat with Deduction at Source accounting for 88% of the book at 31 December 2023 (31 December 2022 – 88%). Deduction at Source portfolio is mainly composed of exposures to central and quasi government employees. Collections rates on the Group DAS portfolio is consistently above ninety percent.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk (continued)

Key highlights

Measure	**FY2023**	FY2022 Restated	FY2021	FY2020	FY2019
Gross Loan Book Balance in P'm	**14 346**	13 132	12 439	10 740	9 833
Portfolio at risk – 30 days	**14.4%**	9.2%	9.2%	8.3%	10.0%
Portfolio at risk – 90 days (NPL)	**9.6%**	6.5%	5.9%	5.3%	6.9%
Post Write-off Recoveries in the year in P'm	**162**	147	178	199	184
Loan loss rate – actual	**3.3%**	1.7%	(0.1%)	0.3%	1.7%
Loan loss rate – excluding once-off items	**2.0%**	0.5%	0.6%	1.8%	1.7%
Non-performing loan coverage ratio*	**58%**	53%	73.0%	98%	112%

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

The delta increases in PAR 30 and 90 driven by environmental factors and suboptimal performance of test and learn programs. In Kenya, the government introduced new statutory deductions and tax regimes that impaired client's disposable incomes exacerbating portfolio delinquencies' in 2023. In Mozambique, suboptimal transition to centralize government registry led to mass drop offs of monthly deductions of government employees' loan repayments. Test and learn program in Botswana targeting non-deduction at source collection program failed to meet product assumptions.

Increase in recoveries driven by Deducted But Not Remitted books (DNR) on the Deduction at source portfolios. As governments continue to honour payments though late.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk (continued)

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

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" or "step down" between 12-months and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised 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 derecognised 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 2023	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Total P'000**
Loss allowance:				
At 1 January	**106 911**	**47 024**	**323 068**	**477 003**
Transfers:				
Transfers from Stage 1 to Stage 2	**(15 696)**	**15 696**	**–**	**–**
Transfers from Stage 1 to Stage 3	**(190 511)**	**–**	**190 511**	**–**
Transfers from Stage 2 to Stage 3	**–**	**(104 275)**	**104 275**	**–**
Transfers from Stage 3 to Stage 2	**–**	**1 309**	**(1 309)**	**–**
Transfers from Stage 2 to Stage 1	**3 628**	**(3 628)**	**–**	**–**
New assets originated or purchased	**281 433**	**99 466**	**–**	**380 899**
Payments or assets derecognised	**(67 734)**	**(16 097)**	**292 643**	**208 812**
Write-offs	**–**	**–**	**(208 817)**	**(208 817)**
	118 031	**39 495**	**700 371**	**857 896**

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk (continued)

31 December 2022 (Restated)	ECL Staging Stage 1 12-month ECL P'000	ECL Staging Stage 2 Lifetime ECL P'000	ECL Staging Stage 3 Lifetime ECL P'000	Total P'000
Loss allowance:				
At 1 January	**111 289**	**103 772**	**303 893**	**518 954**
Transfers:				
Transfers from Stage 1 to Stage 2	(12 510)	12 510	–	–
Transfers from Stage 1 to Stage 3	(69 147)	–	69 147	–
Transfers from Stage 2 to Stage 3	–	(6 616)	6 616	–
Transfers from Stage 3 to Stage 2	–	1 929	(1 929)	–
Transfers from Stage 2 to Stage 1	2 136	(2 136)	–	–
New assets originated or purchased	138 502	–	–	138 502
Payments or assets derecognised	(63 359)	(62 435)	313 883	188 089
Write-offs	–	–	(368 542)	(368 542)
	106 911	**47 024**	**323 068**	**477 003**

	At 31 December 2023 (IFRS 9) P'000	At 31 December 2022 Restated (IFRS 9) P'000
Gross advances to customers	**14 345 789**	**13 131 860**
Of which Stage 1	**12 118 775**	11 229 003
Of which Stage 2	**755 182**	1 006 469
Of which Stage 3	**1 471 832**	896 388
Expected credit loss provisions	**(857 897)**	**(477 003)**
Of which Stage 1	**(118 031)**	(106 909)
Of which Stage 2	**(39 495)**	(47 025)
Of which Stage 3	**(700 371)**	(323 069)
Net advances to customers	**13 487 892**	**12 654 857**
Of which Stage 1	**12 000 744**	11 122 094
Of which Stage 2	**715 687**	959 444
Of which Stage 3	**771 461**	573 319
Impairment (ECL) Coverage Ratio	**6%**	4%
Stage 3 Coverage Ratio	**58%**	53%

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Expected credit losses: Stress Testing and Sensitivity Analysis

As a largely Government Deduction at Source (DAS) retail business, the Group has remained resilient to the worst effects of macroeconomic events, however the test and learn program (individual lending) is the main driver of provisions.

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 on a monthly basis.

Loss given default (LGD)

LGDs between H1 2023 and H2 2023 have decreased due to countries experiencing increasing recovery experience. The Group was therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake. LGD methodology has been changed to reflect all actual and forecasted recoveries.

Probability of default (PD)

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

Macroeconomic analysis

Country	YoY Forecast movements from 2023 to 2024 Unemployment Rate	YoY Forecast movements from 2023 to 2024 Real GDP growth	YoY Forecast movements from 2023 to 2024 Inflation
Botswana	↓	↑	↓
Eswatini	↓	↑	↓
Ghana	↑	↑	↓
Kenya	↓	↑	↓
Lesotho	↓	↑	↓
Mozambique	↑	↓	↓
Namibia	↓	↓	↓
Nigeria	↓	↑	↓
Rwanda	↑	↑	↓
Tanzania	↓	↓	↓
Uganda	↓	↑	↓

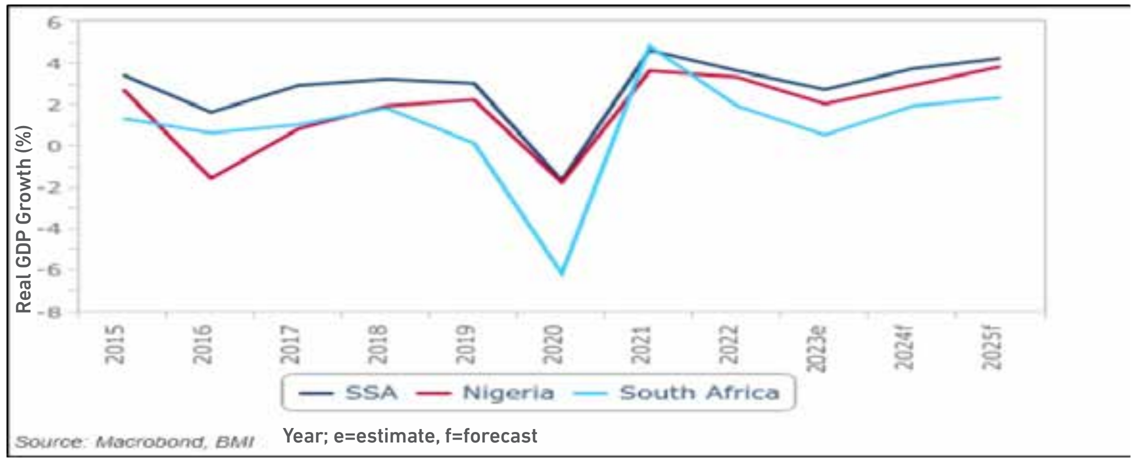
- The table above depicts forecast movements in key macroeconomic variables across the Group according to data provided by Fitch Solutions.
- Although unemployment rates are forecasted to show improvements across most countries within the Group, there are also some adverse year-on-year movements in real GDP growth for Mozambique, Namibia and Rwanda. Despite that, Inflation is predicted to go down in every territory indicating a positive outlook across most of our markets.
- The rate refresh incorporated these forecasts for re-calibrated model parameters. The ECL model also has provision to use any updates to these outlooks at implementation level.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Macroeconomic analysis (continued)



Global Growth Outlook in 2024 to pick up (Evolution of Real GDP Growth forecasts, %)

- According to forecasts from Fitch Solutions, the impact of the conflict between Israel and Hamas remains mostly contained in Gaza. Therefore, the economic impact on the wider region will remain limited.
- The chart above shows global growth is expected to bounce back in Sub-Saharan Africa, Nigeria and South Africa in 2024. This is expected to be driven by increased oil production in Nigeria as well as an ease in the energy crisis across the region.
- The business is expected to show resilience to these movements, especially in the DAS portfolios, similar to the robustness shown during the pandemic and the Russia-Ukraine conflict. This will however be monitored continuously at Group and Country level.

Influence of economic variables on estimate of ECL

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

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

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Expected credit losses: Forward looking

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

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the year ending 31 December 2023:

	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
P'000	**ECL**	**ECL**	**Impact**	**ECL**	**Impact**	**ECL**	**Impact**
Consumer	57 841	51 194	(6 647)	241 586	183 745	118 031	60 190
MSE	30 585	28 755	(1 830)	146 725	116 140	39 495	8 910
Informal	398 156	351 394	(46 762)	525 002	126 846	700 371	302 215
Total	**486 582**	**431 343**	**(55 239)**	**913 313**	**426 731**	**857 897**	**371 315**

* *The Probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used in the last reporting cycle were 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio. Refreshed assessment used the higher end of risk weightings hence as at October 2023 the weightings used are 30%, 20%, 50%.*

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

	Base ECL	Probability Weighting	Impact
Country	**P'000**	**P'000**	**P'000**
Botswana	175 979	356 217	180 238
Eswatini	29 416	53 088	23 672
Ghana	37 213	101 414	64 201
Kenya	61 659	125 003	63 344
Lesotho	16 587	26 730	10 143
Mozambique	25 072	14 353	(10 719)
Namibia	36 488	31 424	(5 064)
Nigeria	13 672	19 685	6 013
Rwanda	1 568	2 136	568
Tanzania	56 880	75 496	18 616
Uganda	32 048	52 351	20 303
Group	**486 582**	**857 897**	**371 315**

The Group applied probability weighted ECL as at 31 December 2023. Stressed outcome is the worst case scenario.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit quality

The credit quality is mainly impacted by environmental risks and sub optimal performance of test and learn programs introduced since 2021. Increase in NPLs was more pronounced in Botswana driven mainly by Individual lending product that failed to meet product assumptions. In Kenya mobile loans test and learn program launched in 2023 faced early headwinds with collections bottlenecks and rapid shift in customer behaviour. Additionally, new statutory levies were introduced during the year. MSE reset program across markets is expected to ensure higher quality new bookings to dilute legacy delinquencies. Sale of Non performing loan books is being explored across markets.

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 2023	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**10 827 579**	**82 551**	**120 518**	**11 030 648**
Botswana	3 796 659	34 894	14 167	3 845 720
Namibia	3 488 963	17 097	–	3 506 060
Mozambique	2 535 882	6 339	–	2 542 221
Lesotho	507 330	403	–	507 733
Eswatini	498 745	23 818	106 351	628 914
East and West Africa	**1 582 958**	**880 442**	**851 741**	**3 315 141**
Kenya	76 813	457 947	67 646	602 406
Rwanda	14 330	162 773	–	177 103
Uganda	472 103	106 929	403	579 435
Tanzania	427 781	74 423	–	502 204
Nigeria	70 638	74 067	1 193	145 898
Ghana	521 293	4 303	782 499	1 308 095
Gross advances	**12 410 537**	**962 993**	**972 259**	**14 345 789**
Expected credit losses	(550 364)	(144 149)	(163 384)	(857 897)
Net advances	**11 860 173**	**818 844**	**808 875**	**13 487 892**

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit quality (continued)

Analysis of exposure by segment as at 31 December 2022 (Restated)	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**10 048 540**	**69 838**	**70 752**	**10 189 130**
Botswana	3 450 161	43 405	–	3 493 566
Namibia	3 597 077	8 800	–	3 605 877
Mozambique	2 094 444	–	–	2 094 444
Lesotho	430 063	369	–	430 432
Eswatini	476 795	17 264	70 752	564 811
East and West Africa	**1 560 829**	**1 002 128**	**379 773**	**2 942 730**
Kenya	106 608	528 542	–	635 150
Rwanda	(206)	150 275	–	150 069
Uganda	412 201	122 946	–	535 147
Tanzania	62 262	107 561	–	169 823
Nigeria	115 954	87 107	–	203 061
Ghana	864 010	5 697	379 773	1 249 480
Gross advances	**11 609 369**	**1 071 966**	**450 525**	**13 131 860**
Expected credit losses	(106 911)	(47 024)	(323 068)	(477 003)
Net advances	**11 502 458**	**1 024 942**	**127 457**	**12 654 857**

Expected Credit Loss (ECL) are categorised as either '**Performing – Stage 1', 'Underperforming -Stage 2',** or **'Non-Performing-Stage 3'**.

Stage 1: Performing
- when a significant increase in credit risk since initial recognition has not occurred, a 12-month ECL is recognised for all Stage 1 financial assets.

Stage 2: Underperforming
- when a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised.

Stage 3: Non-Performing/Impaired
- when objective evidence exists that an asset is credit impaired, a lifetime ECL is recognised. The Group's definition of default is 90 days past due ("DPD") which is similar to the rebuttable presumption under IFRS 9.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit quality (continued)

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

	Expected Credit Loss			
31 December 2023	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
Southern Africa				
Formal	**77 620**	**24 177**	**326 901**	**428 698**
Micro finance	**4 671**	**4 831**	**28 010**	**37 512**
Informal	**1 032**	**–**	**14 570**	**15 602**
	83 323	**29 008**	**369 481**	**481 812**
East and West Africa				
Formal	**11 707**	**3 023**	**106 936**	**121 666**
Micro finance	**12 501**	**7 361**	**86 775**	**106 637**
Informal	**10 500**	**103**	**137 179**	**147 782**
	34 708	**10 487**	**330 890**	**376 085**
Total Portfolio				
Formal	**89 327**	**27 200**	**433 837**	**550 364**
Micro finance	**17 172**	**12 192**	**114 785**	**144 149**
Informal	**11 532**	**103**	**151 749**	**163 384**
	118 031	**39 495**	**700 371**	**857 897**

	Expected Credit Loss			
31 December 2022	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total ECL P'000
Southern Africa				
Formal	57 578	13 344	103 223	174 145
Micro finance	3 330	1 046	13 866	18 242
Informal	573	–	8 989	9 562
	61 481	**14 390**	**126 078**	**201 949**
East and West Africa				
Formal	28 909	14 761	48 754	92 424
Micro finance	10 752	17 873	142 627	171 252
Informal	5 769	–	5 609	11 378
	45 430	**32 634**	**196 990**	**275 054**
Total Portfolio				
Formal	86 487	28 105	151 977	266 569
Micro finance	14 082	18 919	156 493	189 494
Informal	6 342	–	14 598	20 940
	106 911	**47 024**	**323 068**	**477 003**

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Movement in gross exposures and impairment allowance

A reconciliation of changes in gross carrying amount and corresponding allowances for ECL by stage for Group is as follows:

Loans and advances at amortised cost

	Stage 1		**Stage 2**		**Stage 3**		**Total**	
31 December 2023	**Gross carrying amount P'000**	**ECL P'000**	**Gross carrying amount P'000**	**ECL P'000**	**Gross carrying amount P'000**	**ECL P'000**	**Gross carrying amount P'000**	**ECL P'000**
As at 1 January 2023	11 229 003	106 909	1 006 469	47 025	896 388	323 069	13 131 860	477 003
New assets originated	2 234 017	43 156	1 450 759	956 616	11 936 093	188 349	15 620 869	1 188 121
Payments and assets derecognised	(2 517 083)	(155 063)	(2 340 350)	(971 751)	(12 832 604)	165 231	(17 690 037)	(961 583)
Changes to PD and LGD rates	1 172 838	123 029	638 304	7 605	1 680 772	232 539	3 491 914	363 173
Write offs	–	–	–	–	(208 817)	(208 817)	(208 817)	(208 817)
As at 31 December 2023	**12 118 775**	**118 031**	**755 182**	**39 495**	**1 471 832**	**700 371**	**14 345 789**	**857 897**

	Stage 1		Stage 2		Stage 3		Total	
31 December 2022	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000
As at 1 January 2022	10 993 504	130 812	677 667	110 194	768 130	322 699	12 439 301	563 705
New assets originated	2 081 551	45 650	1 616 296	929 091	11 983 331	180 384	15 681 178	1 155 125
Payments and assets derecognised	(2 664 071)	(147 089)	(2 169 335)	(993 798)	(12 779 889)	162 744	(17 613 295)	(978 143)
Changes to PD and LGD rates	818 019	77 536	866 850	(13 453)	1 308 350	40 776	2 993 219	104 859
Write offs	–	–	14 991	14 991	(383 534)	(383 534)	(368 543)	(368 543)
As at 31 December 2022	**11 229 003**	**106 909**	**1 006 469**	**47 025**	**896 388**	**323 069**	**13 131 860**	**477 003**

Notes to the consolidated financial statements (continued)

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Loans and advances at amortised cost (continued)

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

31 December 2023	Up-to-date P'000	1-30 days past due P'000	31-60 days past due P'000	61-90 days past due P'000	91 or more days past due P'000	Total Gross advances P'000
Southern Africa						
Formal	9 165 612	403 496	230 584	95 283	932 604	10 827 579
Micro finance	36 499	5 881	1 885	4 642	33 644	82 551
Informal	46 997	15 555	9 096	9 218	39 652	120 518
	9 249 108	**424 932**	**241 565**	**109 143**	**1 005 900**	**11 030 648**
East and West Africa						
Formal	1 294 612	62 112	25 041	8 712	192 480	1 582 957
Micro finance	521 031	72 765	41 832	131 360	113 454	880 442
Informal	592 392	70 186	43 885	77 855	67 424	851 742
	2 408 035	**205 063**	**110 758**	**217 927**	**373 358**	**3 315 141**

31 December 2022	Up-to-date P'000	1-30 days past due P'000	31-60 days past due P'000	61-90 days past due P'000	91 or more days past due P'000	Total Gross advances P'000
Southern Africa						
Formal	9 017 164	325 024	160 488	38 431	507 433	10 048 540
Micro finance	27 215	7 725	3 813	425	30 660	69 838
Informal	32 336	9 084	6 450	6 482	16 400	70 752
	9 076 715	**341 833**	**170 751**	**45 338**	**554 493**	**10 189 130**
East and West Africa						
Formal	910 798	62 116	51 317	491 904	144 694	1 660 829
Micro finance	646 668	69 170	37 097	23 693	125 500	902 128
Informal	320 609	13 725	10 589	12 028	22 822	379 773
	1 878 075	**145 011**	**99 003**	**527 625**	**293 016**	**2 942 730**

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Quality of Loan book

Stage 3 exposures increased from the prior year which resulted in the increase in ECL compared to the prior year. Credit Risk elevated in 2023 due to increased environmental risks in some markets, major operational disruptions in central registries and adverse performance in test and learn programs deployed in 2021/2023. The increases are more pronounced in Botswana driven by the now suspended open market lending and Kenya driven by instant loans test and learn programs.

	Stage 3 Exposures Transitions		
Country	**2023**	**2022 Restated**	**Movement**
Botswana	**374 929**	96 239	278 690
Namibia	**210 207**	178 140	32 067
Mozambique	**212 605**	145 769	66 836
Lesotho	**27 159**	22 890	4 269
Eswatini	**96 960**	40 954	56 006
Kenya	**208 922**	131 592	77 330
Rwanda	**1 304**	1 753	(449)
Uganda	**61 947**	49 387	12 560
Tanzania	**81 292**	82 470	(1 178)
Nigeria	**18 679**	42 679	(24 000)
Ghana	**177 828**	104 515	73 313
Group	**1 471 832**	**896 388**	**575 444**

Remedial Actions put in place to address the above

- Introduce specific provisions for operational and fraud impacted portfolios.
- Intensify control testing and quality assurance programs for critical credit processes to mitigate operational risks and failures.
- Implemented revamped collection structure and strategy (including legal) to rapidly remediate the Individual loan portfolio in Botswana and rest of stressed markets.
- Implement and Embed new Test and Learn control framework.
- Explore Debt Sales for stressed portfolios.

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.

Segments	2023 LGD	2022 LGD
Southern Africa	**89%**	75%
East and West Africa	**92%**	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).

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Quality of Loan book (continued)

Stage 1 – 12 month PD

31 December 2023	PD 0	PD 1
Southern Africa	4%	26%
East and West Africa	6%	20%

Stage 1 – 12 month PD

31 December 2022 (Restated)	PD 0	PD 1
Southern Africa	1%	3%
East and West Africa	15%	21%

Lifetime PD

31 December 2023	PD 0	PD 1	PD 2	PD 3
Southern Africa	4%	26%	27%	68%
East and West Africa	6%	20%	21%	55%

Lifetime PD

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

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

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 2023	Total gross advances P'000	Restructured loans P'000	Expected Credit Loss held on Restructured loans P'000	Restructured %
Southern Africa	11 030 648	13 975	11 180	0.1
East and West Africa	3 315 141	64 033	41 621	1.9
	14 345 789	**78 008**	**52 801**	**0.5**

1 Risk management (continued)

1.3 Financial risk (continued)

Financial assets renegotiated (continued)

Restructuring (continued)

31 December 2022 (Restated)	Total gross advances P'000	Restructured loans P'000	Expected Credit Loss held on Restructured loans P'000	Restructured %
Southern Africa	10 189 130	25 765	23 570	0.3
East and West Africa	2 942 730	56 124	48 900	1.9
	13 131 860	**81 889**	**72 470**	**0.6**

Re-phasing

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

Re-phased loans analysis

31 December 2023	Total gross advances P'000	Re-phased loans P'000	Expected Credit Loss held on Re-phased loans P'000	Re-phased %
Southern Africa	11 030 648	1 312 609	231 381	11.9
East and West Africa	3 315 141	243 369	54 382	7.3
	14 345 789	**1 555 978**	**285 763**	**10.8**

31 December 2022 (Restated)	Total gross advances P'000	Re-phased loans P'000	Expected Credit Loss held on Re-phased loans P'000	Re-phased %
Southern Africa	10 189 130	867 676	58 993	8.5
East and West Africa	2 942 730	410 767	44 200	14.0
	13 131 860	**1 278 443**	**103 193**	**9.7**

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 at an unreasonable cost. The Group liquidity could be affected by various factors, both internal and external. These include customer withdrawals, unexpected market disruptions that cause liquid assets to become illiquid in the short term, 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.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.2 Liquidity risk (continued)

The following tools have been put in place to manage liquidity risk:

- Adequate liquidity risk management policies, frameworks and procedures approved by the Board of Directors.
- Regular Cash flow budgeting and forecasting.
- Key liquidity ratios and other risk appetites.
- Stress testing and scenario analysis.
- Contingency funding plans.

The measures in place ensure that, as far as possible, the Group 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 analyse liquidity risk using different time horizons, to ensure that the Group is able to meet its obligations optimally.

The Group's liquidity risk framework includes internally determined liquidity limits aimed at ensuring business objectives are met and regulatory requirements complied with. The liquidity risk appetite is measured with reference to stressed net contractual and contingent outflows for a variety of stress scenarios and is used to determine the liquidity buffer. Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group's liquidity at risk. The stress tests take account of both internal and external scenarios separately and on an aggregate basis. The stress scenario testing enables preparation of an operationally robust contingency funding plan. Reference is made to Note 19 and Note 39, where the Group was in breach of certain loan covenants in some subsidiaries and a scenario reflecting the impact on liquidity in the event that the particular lenders recall their facilities has been presented.

31 December 2023	**From 1 to 12 months P'000**	**From 1 year to 3 years P'000**	**From 3 years and above P'000**	**Total P'000**
Contractual maturities of financial liabilities				
Financial liabilities at fair value through profit or loss	**383 392**	**479 181**	**117 946**	**980 519**
Customer deposits	**1 246 964**	**291 020**	**–**	**1 537 984**
Cash collateral	**12 074**	**3 240**	**539**	**15 853**
Trade and other payables	**796 541**	**–**	**–**	**796 541**
Lease liabilities	**48 939**	**47 658**	**57 331**	**153 928**
Borrowings	**3 961 413**	**4 932 770**	**2 360 161**	**11 254 344**
	6 449 323	**5 753 869**	**2 535 977**	**14 739 169**

31 December 2022 (Restated)	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Contractual maturities of financial liabilities				
Financial liabilities at fair value through profit or loss	386 348	561 091	253 656	1 201 095
Customer deposits	915 095	205 732	–	1 120 827
Cash collateral	18 476	–	–	18 476
Trade and other payables	585 578	–	–	585 578
Lease liabilities	31 085	46 421	56 674	134 180
Borrowings	4 649 371	4 572 605	749 166	9 971 142
	6 585 953	**5 385 849**	**1 059 496**	**13 031 298**

1 Risk management (continued)

1.3 Financial risk (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 Africa Holdings Limited (the Group) or its subsidiaries have banking or investment positions. Market risk is proactively managed and regularly reported. The reports highlight key focus areas based on exposures which include breaches on set limits.

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

Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arising from future commercial transactions and recognised assets and liabilities are managed through use of hedges such as forward contracts, cross currency swaps and also natural hedges.

Net foreign exchange losses for the year ended 31 December 2023 were P52.1 million (31 December 2022: net gains of P90.7 million).

Interest rate risk

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

31 December 2023 Buckets P'000	**< 1 month**	**1 – 12 months**	**> 1 year**	**Total**
Rate sensitive assets				
Short term investments*	**214 947**	**–**	**–**	**214 947**
Loans and advances to customers	**1 136 008**	**478 286**	**11 873 598**	**13 487 892**
	1 350 955	**478 286**	**11 873 598**	**13 702 839**
Rate sensitive financial liabilities				
Customer deposits	**301 046**	**945 912**	**291 026**	**1 537 984**
Borrowings	**1 046 184**	**2 280 047**	**6 300 070**	**9 626 301**
	1 347 230	**3 225 959**	**6 591 096**	**11 164 285**
Gap	**3 725**	**(2 747 673)**	**5 282 502**	**2 538 554**
Cumulative Gap	**3 725**	**(2 743 948)**	**2 538 554**	

* *Short term investments form part of cash and similar instruments. Refer to Note 3.*

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.3 Market risk (continued)

Interest rate risk (continued)

31 December 2022 (Restated)

Buckets P'000	< 1 month	1 – 12 months	> 1 years	Total
Rate sensitive assets				
Short term investments	214 883	–	–	214 883
Loans and advances to customers	22 929	250 063	12 381 865	12 654 857
	237 812	250 063	12 381 865	12 869 740
Rate sensitive financial liabilities				
Customer deposits	113 544	730 268	277 015	1 120 827
Borrowings	785 728	5 318 258	1 923 854	8 027 840
	899 272	6 048 526	2 200 869	9 148 667
Gap	**(661 460)**	**(5 798 463)**	**10 180 996**	**3 721 073**
Cumulative Gap	**(661 460)**	**(6 459 923)**	**3 721 073**	

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 within 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 has ultimate responsibility for Market/Treasury Risk management and approve the risk appetite and tolerance levels by:

- Approving Treasury Risk Framework, Policies and related strategies recommended by the Risk Framework Owners and Process Owners.
- Reviewing the Group's overall current and prospective treasury risk profile on a quarterly basis.

Senior Management

The senior management is charged with implementing all approved policies that govern market risk and developing procedures for effective management of the risks. Therefore, the senior management is responsible for putting in place:

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

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.3 Market risk (continued)

Interest rate benchmark reform

Overview

A fundamental reform of major interest rate benchmarks has been 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 had borrowings that referenced to US dollar LIBOR and JIBAR, which have either already been replaced, or will be reformed in future as part of these market-wide initiatives.

The IBOR reform had a significant impact on the Group's risk management and operations, which included heightened interest rate risk arising from uncertainty over the timing and the methods of transition, as well as a decrease available liquidity and an increase in market volatility over the transition period. During the financial year, the Group significantly reduced its exposures to IBORs that are subject to reform, which resulted in all US dollar LIBOR-linked exposures being modified to reference to the Secured Overnight Financing Rate (SOFR), with effect from July 2023. It is however anticipated that JIBAR will cease as a reference rate in 2024, or at a later date, as confirmed by the South Africa Reserve Bank (SARB) as the administrator of JIBAR. The agreements for the Group's exposures that reference to JIBAR have been amended to include the addition of fallback clauses that cater for the means of replacement of the reference rate upon the cessation of JIBAR.

The Group monitors the progress of the transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that are yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR.

Non-derivative Financial Liabilities

The Group's remaining IBOR exposures to non-derivative financial liabilities are in bonds indexed to JIBAR.

Derivatives

The Group holds a total return swap indexed to JIBAR for risk management purposes in a hedging relationship. All of the Group's derivative instruments are governed by contracts based on International Swaps and Derivatives Associations (ISDA)'s master agreements.

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform as at 31 December 2023:

	JIBAR P'000	**Total P'000**
Non-derivative financial liabilities		
Debt securities in issue	1 179 103	1 179 103
	1 179 103	**1 179 103**

	JIBAR P'000	**Total P'000**
Derivatives held for risk management		
Total return swap	357 575	357 575
	357 575	**357 575**

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 2023.

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.3 Market risk (continued)

Currency risk

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

31 December 2023	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	United States Dollars P'000	Botswana Pula P'000	Total Pula P'000
Cash and similar instruments	6 937	26 131	550 370	15 595	72 824	13 052	437 567	23 387	11 638	13 421	95 101	–	135 801	**1 401 824**
Advances to customers	–	575 826	3 474 636	481 002	426 708	527 085	2 527 868	477 404	174 968	126 213	1 206 679	–	3 489 503	**13 487 892**
Investment in securities	–	–	669 282	–	–	–	–	–	–	–	197 436	–	–	**866 718**
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	–	952 610	–	**952 610**
Financial assets at fair value through OCI	–	–	–	–	–	–	–	–	–	–	–	11 038	–	**11 038**
Other receivables	774	(3 505)	41 974	2 119	35 336	7 340	65 123	7 784	2 989	13 195	65 868	–	94 675	**333 672**
Total assets	**7 711**	**598 452**	**4 736 262**	**498 716**	**534 868**	**547 477**	**3 030 558**	**508 575**	**189 595**	**152 829**	**1 565 084**	**963 648**	**3 719 979**	**17 053 754**
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	–	–	980 519	**980 519**
Customer deposits	–	–	606 907	–	52 874	–	574 038	–	59 907	36 880	207 378		–	**1 537 984**
Cash collateral	–	–	–	–	–	3 013	–	12 840	–	–	–		–	**15 853**
Borrowings	–	263 331	2 283 919	183 232	–	341 331	658 295	365 735	–	–	513 572	1 363 474	3 653 412	**9 626 301**
Trade and other payables	4 379	13 460	51 554	13 285	9 177	7 022	9 597	21 940	7 257	5 983	494 348	394	158 145	**796 541**
Total liabilities	4 379	276 791	2 942 380	196 517	62 051	351 366	1 241 930	400 515	67 164	42 863	1 215 298	1 363 868	4 792 076	**12 957 198**
Net exposure	**3 332**	**321 661**	**1 793 882**	**302 199**	**472 817**	**196 111**	**1 788 628**	**108 060**	**122 431**	**109 966**	**349 786**	**(400 220)**	**(1 072 097)**	**4 096 556**
Exchange rates at 31 December 2023 – mid: BWP 1.00 =	**1.36**	**1.36**	**1.36**	**1.36**	**187.32**	**281.85**	**4.76**	**11.71**	**93.92**	**66.85**	**0.89**	**0.07**	**1.00**	

1 Risk management (continued)

1.3 Financial risk (continued)

1.3.3 Market risk (continued)

Currency risk (continued)

31 December 2022	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	United States Dollars P'000	Botswana Pula P'000	Total Pula P'000
Cash and similar instruments	7 887	24 484	240 939	3 467	143 674	53 708	225 597	23 519	17 010	53 408	146 568		80 510	**1 020 771**
Advances to customers	–	530 214	3 591 284	413 334	400 992	508 751	2 084 349	575 884	148 700	176 466	1 015 253	–	3 209 630	**12 654 857**
Investment in securities	–	–	487 195	–	–	–	–	–	–	–	204 906		–	**692 101**
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	–	1 178 969	–	**1 178 969**
Financial assets at fair value through OCI	–	–	–	–	–	–	–	–	–	–	–	43 107	–	**43 107**
Other receivables	790	2 201	60 258	1 694	22 598	6 972	44 738	12 310	1 662	1 863	22 099	–	302 348	**479 533**
Total assets	**8 677**	**556 899**	**4 379 676**	**418 495**	**567 264**	**569 431**	**2 354 684**	**611 713**	**167 372**	**231 737**	**1 388 826**	**1 222 076**	**3 592 488**	**16 069 338**
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	–	1 201 095	–	**1 201 095**
Customer deposits	–	–	402 312	–	45 515	–	567 822	–	45 854	38 385	20 939		–	**1 120 827**
Cash collateral	–	–	–	–	–	3 710	–	14 766	–	–	–		–	**18 476**
Borrowings	–	221 105	1 895 734	62 670	–	322 640	259 818	394 747	–	–	686 142	1 502 398	2 682 586	**8 027 840**
Trade and other payables	2 828	10 095	51 519	12 445	6 594	(3 602)	37 485	26 465	5 848	11 074	345 878	307	78 642	**585 578**
Total liabilities	2 828	231 200	2 349 565	75 115	52 109	322 748	865 125	435 978	51 702	49 459	1 052 959	2 703 800	2 761 228	**10 953 816**
Net exposure	**5 849**	**325 699**	**2 030 111**	**343 380**	**515 155**	**246 683**	**1 489 559**	**175 735**	**115 670**	**182 278**	**335 867**	**(1 481 724)**	**831 260**	**5 115 522**
Exchange rates at 31 December 2022 – mid: BWP 1.00 =	**1.33**	**1.33**	**1.33**	**1.33**	**182.47**	**290.83**	**4.99**	**9.66**	**83.48**	**35.05**	**0.80**	**0.08**	**1.00**	

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

1 Risk management (continued)

1.4 Non-Financial Risk

Non-financial risks relate to risks that are operational in nature and the Group broadly breaks them down as below:

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events including legal actions. The Group is exposed to specific subtypes of operational risks listed below :

Process risk is the failure to process, manage and execute transactions and/or other processes correctly or appropriately. The Group continues to automate most of its back end processes.

Health and Safety risk relates to an assessment of hazards that can lead to the harm, injury, death, or illness of employees across the Group. No significant health and safety risks were recorded during the year.

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

Third-Party risk is the risk arising from the exposure to the ineffective management of third-party relationships and the risks inherited through the association or services provided to the Group. The Group is in the process of enhancing its Third Party Risk Management Policies including the regulatory outsourcing arrangements in the countries in which it operates.

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

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that the Group may suffer as a result of failure to comply with laws, regulations, rules, self– regulatory organisation standards and codes of conduct applicable to its activities. Legal Risk which is a secondary risk under Compliance Risk, refers to the risk of loss resulting from unenforceability or unlawfulness of contracts, incorrect or incomplete contract documentation, absence of the country's jurisprudence or precedent and penalties or damages as a result of legislative breaches. Money Laundering risk is also a secondary risk under Compliance Risk and refers to the risk that arises from the execution of transactions to eventually convert illegally obtained money into legal money by obscuring the true nature, source, location, ownership or movement of the proceeds of crime. Conduct risk refers to inappropriate execution of business activities resulting in adverse impact to the Group's clients, or the group itself. During the third quarter of 2023, the Group introduced the Conduct Risk Policy, Anti-Bribery and Corruption Policy and enhanced the Gift and Entertainment Policy.

Information Technology (IT) risk is the risk that arises from failure to leverage on digitalisation or emerging technologies and ineffective execution, maintenance, or operation of the Group's IT resources resulting in reduced competitiveness, operational disruption and possible inefficiencies.

Cyber risk is the potential digital attack on the Group's systems resulting in disrupted services, reputational damage, or financial losses.

Reputational risk is the potential loss or damage to the Group's image due to stakeholders taking an adverse or negative view of the Group as a result of actual or perceived actions or inactions of the Group, its clients and Third Party relationships.

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

Information Technology (IT) risk is the risk that arises from failure to leverage on digitalisation or emerging technologies and ineffective execution, maintenance, or operation of the Group's IT resources resulting in reduced competitiveness, operational disruption and possible inefficiencies. Cyber Security risk is the potential digital attack on the Group's systems resulting in disrupted services, reputational damage, or financial losses. The Group effectively manages IT and Cyber Security Risks through the IT and Cyber Security Risk Framework that is supported by robust policies.

Data risk is the exposure to loss of value or reputation of the Group due to issues or limitations to the Group's ability to acquire, store, transform, move, use, destroy or protect the Group's data assets. The Group developed the Data Protection Policy during the third quarter to support data management across its subsidiaries.

1 Risk management (continued)

1.4 Non-Financial Risk (continued)

Digital risk refers to all unexpected consequences that result from digital transformation which may disrupt the achievement of business objectives across the Group. These include cybersecurity, cloud technology, data leaks, workforce talent, compliance, system resilience, process automation, third– party risks and data security.

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

All the non-financial risks mentioned above and those not included are managed by the Group in accordance with the approved ERM Framework approved by the Board of Directors covering:

- Effective Board and Senior Management oversight at both Group and country level;
- Sound risk management practices that are in line with best practice and local regulations in the countries in which the Group operates;
- Effective segregation of duties across the footprint;
- Established processes in risk identification, assessment, controls and monitoring;
- Fostering an improved risk awareness culture; and
- Operational risk appetite.

Group's approach to managing non-financial risk

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

Frameworks Per Risk Type and Risk Governance

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

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

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

The management and measurement of non-financial risks

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

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

1 Risk management (continued)

1.4 Non-Financial Risk (continued)

The management and measurement of non-financial risks (continued)

All key functions under the Group are required to perform RCSAs at least once a year with oversight from Group Operational Risk and use the Digital Registers for day to day management of risks.

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

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

Insurance risk

Insurance risk is defined as risk, other than financial risk, that is transferred from the policyholder to the issuer of a contract. The Group uses cell insurance arrangements in its Namibia subsidiary in order to mitigate against credit life and credit default risk over its loan portfolios in the jurisdiction. Credit life insurance is designed to cover both borrowers and lenders against the default of loan repayment because of death, permanent disability, critical illness or job loss of the borrower, whilst credit default insurance indemnifies the lender against a loss occurring as a result of the failure of the borrower to repay a loan for any other reason whatsoever. Refer to Note 7 for additional information on the Group's insurance contract arrangements.

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

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

	Carrying amount					Fair value			
31 December 2023	**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	11 038	–	–	–	11 038	–	–	11 038	11 038
Financial assets at fair value through profit or loss	–	952 610	–	–	952 610	–	952 610	–	952 610
	11 038	952 610	–	–	963 648	–	952 610	11 038	963 648
Financial assets not measured at fair value									
Cash and similar instruments	–	–	1 401 824	–	1 401 824	–	1 401 824	–	1 401 824
Investment in securities	–	–	866 718	–	866 718	–	866 718	–	866 718
Advances to customers	–	–	13 487 892	–	13 487 892	–	13 487 892	–	13 487 892
Other receivables	–	–	187 197	–	187 197	–	187 197	–	187 197
	–	–	15 943 631	–	15 943 631	–	15 943 631	–	15 943 631
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	–	980 519	–	–	980 519	–	980 519	–	980 519
Financial liabilities not measured at fair value									
Trade and other payables	–	–	–	692 166	692 166	–	692 166	–	692 166
Customer deposits	–	–	–	1 537 984	1 537 984	–	1 537 984	–	1 537 984
Cash collateral	–	–	–	1 537 984	1 537 984	–	1 537 984	–	1 537 984
Borrowings	–	–	–	9 626 301	9 626 301	–	9 626 301	–	9 626 301
	–	–	–	13 394 435	13 394 435	–	13 394 435	–	13 394 435

1 Risk management (continued)

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

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the year.

	Carrying amount			Carrying amount		Fair value			
31 December 2022	Fair value – through OCI P'000	Fair value – through profit and loss P'000	Financial Assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	43 107	–	–	–	43 107	–	–	43 107	43 107
Financial assets at fair value through profit or loss	–	1 178 969	–	–	1 178 969	–	1 178 969	–	1 178 969
	43 107	**1 178 969**	**–**	**–**	**1 222 076**	**–**	**1 178 969**	**43 107**	**1 222 076**
Financial assets not measured at fair value									
Cash and similar instruments	–	–	1 020 771	–	1 020 771	–	1 020 771	–	1 020 771
Investment in securities	–	–	692 101	–	692 101	–	692 101	–	692 101
Advances to customers	–	–	12 727 475	–	12 727 475	–	12 727 475	–	12 727 475
Other receivables	–	–	161 424	–	161 424	–	161 424	–	161 424
	–	**–**	**14 601 771**	**–**	**14 601 771**	**–**	**14 601 771**	**–**	**14 601 771**
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	–	1 201 095	–	–	1 201 095	–	1 201 095	–	1 201 095
Financial liabilities not measured at fair value									
Trade and other payables	–	–	–	492 101	492 101	–	492 101	–	492 101
Customer deposits	–	–	–	1 120 827	1 120 827	–	1 120 827	–	1 120 827
Cash collateral	–	–	–	18 476	18 476	–	18 476	–	18 476
Borrowings	–	–	–	8 027 840	8 027 840	–	8 027 840	–	8 027 840
	–	**–**	**–**	**9 659 244**	**9 659 244**	**–**	**9 659 244**	**–**	**9 659 244**

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

1 Risk management (continued)

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

Measurement of fair values

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identifiable assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value is observable
- Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable

Reconciliation of fair value measurement categorises within level 3 of the fair value hierarchy

	31 December 2023 New entity P'000	Old entity P'000	Total P'000	31 December 2022 P'000
Financial assets at FVTOCI – Level 3				
Opening balance	–	43 107	43 107	71 499
Fair value loss recognised in other comprehensive income	–	(43 107)	(43 107)	(28 392)
Acquisition of equity securities	11 038	–	11 038	–
	11 038	**–**	**11 038**	**43 107**

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 P0.1m and P0.6m respectively. Where the fair value of this investment does not materially vary to its carrying value, gains or losses will not be recognised.

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

Financial instruments measured at fair value

Type	Valuation technique	Level	Significant unobservable inputs
Financial assets and liabilities at fair value through profit or loss	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO and USD risk free rates.
Fair value – through other comprehensive income	Since market values are not available from an observable market, as this is an investment in private equity, the recent transaction price has been considered as an approximation to fair value. The investment has been valued based on the recent price per share determined during a rights issue scheduled to occur in February 2023. The inputs include the number of shares and the price per share.	Level 3	Based on recent price per share.

Financial instruments not measured at fair value

Type	Valuation technique	Level	Significant unobservable inputs
Financial assets and liabilities at amortised cost	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO and USD risk free rates.

1 Risk management (continued)

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

Master netting or similar agreements

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

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

1.6 Summary of all financial risks and potential impact

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

	31 December 2023 P'000	31 December 2022 P'000
Interest rate risk		
Average cost of borrowings	13.0%	11.6%
Effect of increase in average borrowing cost by 3%		
– increase in interest expense	77 149	61 000
– Effect on profit before tax	(24.7%)	7.6%
– Effect on equity*	(17.7%)	5.4%
Currency risk		
Effect of BWP appreciation by 1%		
– Effective movement in foreign exchange rates	(4 984)	(28 000)
– Effect on profit before tax	(1.6%)	(3.5%)
*– Effect on equity**	(1.1%)	(2.5%)

* *The difference between effect on profit before tax and effect on equity is as a result of the impact of taxation.*

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 6) and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

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

December 2023	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1: 12-month ECL allowance	118 031	147 278	91 926	238 752	83 070
Stage 2: Lifetime ECL allowance – not credit-impaired	39 495	68 390	33 449	43 883	35 278
Stage 3: Lifetime ECL allowance – credit-impaired	700 371	830 672	608 671	809 825	645 004
Total	**857 897**	**1 046 340**	**734 046**	**1 092 460**	**763 352**

December 2022 (Restated)	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1: 12-month ECL allowance	106 911	173 328	98 068	254 751	78 612
Stage 2: Lifetime ECL allowance – not credit-impaired	47 024	54 466	32 901	57 446	39 921
Stage 3: Lifetime ECL allowance – credit-impaired	323 068	356 463	101 778	362 576	249 666
Total	**477 003**	**584 257**	**232 747**	**674 773**	**368 199**

The sensitivity analysis has been calculated to show the impact of a 5% increase or decrease in the LGD and PD rates on the provision level. Therefore, based on the above, an increase in LGD or PD would have an adverse impact to Group profits. Measures are in place as per the risk governance framework to address this including portfolio management, which is inclusive of collection and recoveries, strategic focus and the risk appetite framework (note 1.3.1).

2 Use of estimates and judgments (continued)

2.1 Impairment of advances to customers (continued)

Estimates and judgements in determining impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- the segmentation of financial assets when their ECL is assessed on a collective basis
- development of ECL models, including the various formulas and the choice of inputs
- determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- model adjustments and overlays will persist under IFRS 9 to account for localised impacts on the portfolio that are either not picked up by the model or late breaking news where running the ECL model would not be feasible
- as the ECL model is more quantitative in nature the formulation of provision overlay is backed by detailed analysis. The Group ensures that the following is done:
  - rationale as to why overlay is appropriate is provided
  - documentation of methodology and data used in determining the overlay is in place
  - persistent overlays to be incorporated into the ECL model at a future date where applicable.

Mobile loans Expected Credit Losses

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

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 45.41% (2022: 55%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate. Refer to Note 22 on Share-Based Payment Scheme.

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 45.41% (2022: 55%) vesting probability.

	31 December 2023 P'000	31 December 2022 P'000
Impact of a 10% deviation	**7 671**	7 723
Impact of a 25% deviation	**19 177**	19 307
Impact of a 50% deviation	**38 354**	38 614

In the event that more than 45.41% of the shares vest the impact would be adverse to profit. In the event that less than 45.41% of the shares vest, the impact would be favourable to profit.

2 Use of estimates and judgments (continued)

2.3 Deferred tax asset

The Group has recognised a deferred tax asset of P219 million (2022: P142.7 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.

		31 December 2023 P'000	31 December 2022 P'000
Deferred tax asset movement on tax losses			
Opening balance		48 626	5 583
Recognised during the year		90 010	48 626
Derocognised or reversed during the year		(55 420)	–
Utilised during the year		(962)	(5 583)
Balance at the end of year		**82 254**	**48 626**
Summary of LAHL Company tax losses recognised	**Year of expiry**		
December 2023	2027	83 216	13 086
		83 216	**13 086**

2.4 Income tax expense

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

2.5 Estimating the incremental borrowing rate used in lease liabilities

The Group applied judgement in determining the interest rate implicit in its lease liabilities. The Group uses its incremental borrowing rate, which reflects what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for similar financed transactions (where and when available), and is required to make certain entity specific estimates, such as the adjustments to the rates for the subsidiaries' stand-alone credit rating and country specific risks. Refer to Note 18 on Lease Liabilities.

2.6 Estimates in determining deferred revenue and related commissions

The Group recognises interest income using the effective interest method. The effective interest is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual / behavioural terms of the financial instrument. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as other fee income / expense that are an integral parts of the instrument. Refer to Note 23 on Interest Income at Effective Interest Rate.

2 Use of estimates and judgments (continued)

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, 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, 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 13 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 2023		31 December 2022	
Entity	**Discount rates**	**Long term growth rates**	Discount rates	Long term growth rates
Letshego Holdings Namibia Limited	13%	4%	18%	5%
Letshego Tanzania Limited	24%	5%	25%	4%
Letshego Ghana Plc	26%	17%	22%	9%

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

The calculation of value in use for each cash generating unit is most sensitive to:

- discount rates
- inflation rate
- long term growth rates used to extrapolate cash flows beyond the forecast period.

Discount rates

Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate by 0.5% – 1% for each cash generating unit would not result in a further impairment.

Inflation rate

Estimates are obtained from published indices for each country and forecast figures are used if data is publicly available.

If inflation rates increased by an average of 0.5% – 1% above the forecast price inflation, the Group will not have a further impairment.

Long term growth rates used to extrapolate cash flows beyond the forecast period

When using industry data for growth rates, these assumptions are important because management assesses how each subsidiary position, relative to its competitors, might change over the forecast period. Management also reviews each subsidiary's previous years' performance against performance targets and an average performance rate is used to extrapolate future cash flows.

An increase in the growth rate assumption will result in a decrease in impairment whereas a decrease in growth rate will have a further impairment.

2 Use of estimates and judgments (continued)

2.8 Insurance contracts

The Group has cell captive insurance arrangements for its Namibia subsidiary. Cash flows arising from insurance contracts usually involve a high degree of uncertainty regarding the timing and amount of a claim. In addition, there may be changes to the assumptions made about the insurance business as a result of changes in policyholder behaviour. The Group relies on the expertise of its insurers, who manage the cell captive entities, to determine the present value of insurance cash flows and ultimate cost of outstanding claims through the use of a range of standard actuarial techniques. The insurance experts apply judgements in determining the inputs used in the methodology employed to determine expected future cash flows, discount rates and risk premiums (where applicable) and resultant insurance contract assets and liabilities relating to the cell captive arrangements. Refer to Note 7 for the carrying amount of the Group's insurance contracts at the end of the reporting period.

2.9 Going concern

The Group incurred a loss after taxation of P148.8 million for the year ended 31 December 2023. In light of the possible implication of this performance and the existence of debt covenant breaches outlined in Note 19 on the Group's liquidity and funding pipeline, management made an assessment of the Group's ability to continue as a going concern. As outlined in Note 19 and Note 39, the debt covenant breaches existing had implications on outstanding obligations amounting to approximately P2.9 billion at the reporting date.

Upon making the going concern assessment, management took into consideration the existing and anticipated effects of the current macroeconomic and geopolitical uncertainties on the Group's activities. Management also took into consideration the possibility of its outstanding debt obligations becoming due and payable to the lenders on demand, due to the debt covenant breaches existing at the reporting date. In the extreme circumstance of the Group not being able to roll forward existing facilities and also not being able to access new funding earmarked in its future pipeline, in the absence of below-mentioned mitigating factors, a forecast cash shortfall of approximately P3.5 billion would be experienced by the Group during the period extending to 13 months after the issue of the financial statements.

The above indicated scenario is however highly unlikely and following on from this, management assessed the going concern assumption as being appropriate for the Group, in light of:

- Engagements with funders between the reporting date and the date of issue of the financial statements and the Group obtaining 'letters of no action' from funders, which cater for outstanding obligations amounting to approximately P2 billion of facilities that had debt covenant breaches. Discussions with funders for which 'letters of no action' had not been obtained also remain ongoing, with the Group being very positive in receiving the necessary condonement.
- The rollover of maturing facilities for which the Group had not breached any covenant requirements at the reporting date, based on a more conservative conversion rate than the rate at which the Group has been able to secure rollover of such facilities in the past.
- The Group's funding pipeline of new facilities still at early stages of negotiation, where the term sheets are yet to be finalised, based on a conservative rate of 60%, although in past practice the Group has been able to convert its new funding pipeline at rates that are in excess of this.
- In the event of liquidity pressure, the Group would take a conservative forecast on net payouts on advances in order to build liquidity.
- The forecast of the Group's cash resources position for the 12 months after the date of issue of the financial statements, given the above assumptions, reflecting that the Group will have adequate liquidity to operate over the forecasted period. This resultant forecast is summarised below:

Group Forecast of Cash and Similar Instruments, including Undrawn Facilities	**BWP'000**
Forecast cash and similar instruments position, including undrawn facilities as at 30 April 2024	**1 896 837**
Forecast net cash inflows May - June 2024	211 188
Forecast cash and similar instruments position, including undrawn facilities as at 30 June 2024	**2 108 025**
Forecast net cash inflows July - September 2024	841 548
Forecast cash and similar instruments position, including undrawn facilities as at 30 September 2024	**2 949 573**
Forecast net cash outflows October - December 2024	(247 081)
Forecast cash and similar instruments position, including undrawn facilities as at 31 December 2024	**2 702 492**
Forecast net cash inflows January - March 2025	259 898
Forecast cash and similar instruments position, including undrawn facilities as at 31 March 2025	**2 962 390**
Forecast net cash outflows April - June 2025	(405 846)
Forecast cash and similar instruments position, including undrawn facilities as at 30 June 2025	**2 556 544**

In arriving at the above forecasted cash flow, the Group also took into consideration anticipated operating and capital expenditure, and the possibility of funders with loan covenant breaches who had not provided 'letters of no action' to the Group (refer to Note 19) recalling their facilities prior to their maturity.

	31 December 2023 P'000	31 December 2022 P'000
3 Cash and similar instruments		
Cash at bank and on hand	**918 697**	779 699
Statutory cash reserve	**268 180**	26 189
Short term investments	**214 947**	214 883
	1 401 824	**1 020 771**
Cash and similar instruments for the purpose of the statement of cash flows	**1 133 644**	**994 582**

Short term investments constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 4% – 14% per annum (2022: 4% – 14% per annum). Cash at bank is held with reputable financial institutions with good credit standing. Statutory cash reserve relates to cash held by the Central Bank for the respective subsidiaries based on the average customer deposits and therefore not available for day to day operations.

During the year under review, the regulator in the Group's Mozambique subsidiary significantly increased their 'reserve requirement ratio' for all local institutions, thereby contributing to much of the indicated increase in statutory cash reserves between the prior and current reporting date.

	31 December 2023 P'000	31 December 2022 P'000
4 Investment securities		
Government and Corporate bonds: 2 – 5 year fixed-rate notes	**878 221**	703 604
Government and Corporate bonds: Above 5 year fixed-rate notes	**15 258**	24 524
	893 479	728 128
Less : Expected credit losses	**(26 761)**	(36 027)
	866 718	**692 101**
Movement in expected credit losses:		
Balance at the beginning of the year	**36 027**	–
Impairment (reversal)/charge for the year	**(9 266)**	36 027
Balance at the end of the year	**26 761**	36 027

Treasury bonds are classified as financial assets measured at amortised cost as the business model is to hold financial assets to collect contractual cash flows, representing solely payments of principal and interest. These were issued by the central bank, government and corporates in Ghana and Namibia. The expected credit loss for the instruments held in Namibia were assessed to be insignificant at the reporting date.

Reference is made to the audited financial statements for the year ended 31 December 2022, where it was indicated that the government of Ghana had announced a Domestic Debt Exchange Program in which an invitation to holders of domestic bonds was extended to exchange these for a set of new bonds maturing in 2027, 2029, 2032 and 2037. This resulted in the recognition of expected credit losses amounting to P12.5 million relating to the domestic bonds. At that stage, the government of Ghana was yet to announce a restructuring of US dollar denominated bonds, but the Group took a conservative approach and recognised expected credit losses amounting to P23.5 million in relation to its investment in US dollar denominated bonds. On 14 July 2023, the government of Ghana published an invitation to holders of US dollar denominated notes and bonds to exchange these for new benchmark government of Ghana bonds denominated in US dollars, maturing in August 2027 and August 2028. The Group submitted an offer to exchange US dollar denominated bonds with a face value amounting to an equivalent of P200.8 million and received new bonds from the government of Ghana in September 2023. The new bonds were exchanged at the same aggregate principal amount, plus applicable capitalised accrued and unpaid interest, but have a lower average coupon and an extended average maturity than the old bonds.

4 Investment securities (continued)

The impact of this exchange of bonds on the financial statements was assessed through the performance of an independent valuation of the new bonds and it was determined that the Group is currently holding adequate expected credit loss provisions on the bonds as at the reporting date. The independent valuation was based on a discounted cash flow model. The model incorporated the fact that although the instruments are listed on the Ghana Stock Exchange, they are only being traded amongst a few financial institutions. Market data that was collected from these institutions indicated that prior to their restructure, the highest yields on the instruments were between 5% to 6%. The model applied on the bonds in the independent valuation went on to incorporate a margin of between 100 to 300 basis points on these yields in order to reflect the additional risk premium attached to the new instruments received.

P17 million (2022: P112 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 P217 million (2022: P205 million).

P339 million (2022: P355 million) of the borrowings in Namibia are secured by lien over Government instruments. The aggregated value of these Government instruments is P669 million (2022: P487 million).

5 Financial assets at fair value through profit or loss

	31 December 2023 P'000	31 December 2022 P'000
Foreign currency swaps and forwards	**952 610**	1 178 969
	952 610	**1 178 969**

This relates to short term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure 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 14.

Refer to Note 1.5 for details of the fair value and valuation technique adopted for Financial Assets at Fair Value through Profit or Loss in light of unobservable market data.

6 Advances to customers

	31 December 2023 P'000	Restated 31 December 2022 P'000	Restated 1 January 2022 P'000
Gross advances to customers	**14 345 789**	13 131 860	12 439 300
Less: Expected credit losses	**(857 897)**	(477 003)	(518 954)
– Stage 1	**(118 031)**	(106 909)	(111 289)
– Stage 2	**(39 495)**	(47 025)	(103 772)
– Stage 3	**(700 371)**	(323 069)	(303 893)
Net advances to customers	**13 487 892**	**12 654 857**	**11 920 346**

6.1 Maturity analysis

	31 December 2023 P'000	Restated 31 December 2022 P'000	Restated 1 January 2022 P'000
Maturing within one year	**1 196 084**	504 033	1 217 280
Maturing after one year, within five years	**5 877 029**	5 612 721	9 683 393
Maturing after five years	**7 272 676**	7 015 106	1 538 627
Total gross advances to customers	**14 345 789**	**13 131 860**	**12 439 300**

Certain advances to customers are pledged as security to borrowings as set out in note 19.

6.2 Impairment of advances

	31 December 2023 P'000	Restated 31 December 2022 P'000	Restated 1 January 2022 P'000
Balance at the beginning of the year	**477 003**	518 954	577 987
Impairment on formal loans	**414 633**	(28 327)	(49 571)
Impairment on informal loans	**(33 739)**	(13 624)	(9 462)
Balance at the end of the year	**857 897**	**477 003**	**518 954**

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

6.3 Charges to profit or loss

	31 December 2023 P'000	Restated 31 December 2022 P'000
Amounts written off, net of recoveries	**(84 963)**	(221 999)
Net remeasurement of allowance for expected credit losses: advances to customers	**(380 894)**	41 950
Net remeasurement of allowance for expected credit losses: investment securities	**9 266**	(36 027)
	(456 591)	**(216 076)**

	31 December 2023 P'000	Restated 31 December 2022 P'000

7 Insurance contract assets

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

	31 December 2023 P'000	Restated 31 December 2022 P'000
Credit life insurance	**80 497**	72 168
Credit default insurance	**25 052**	19 982
	105 549	**92 150**

7.1 Roll-forward of net asset for insurance contracts issued

The roll-forward of the net asset for insurance contracts issued, also showing the liability for remaining coverage and the liability for incurred claims for the credit life insurance arrangements, is disclosed in the table below:

	Assets for remaining coverage P'000	Liabilities for incurred claims P'000	Total P'000
At 1 January 2022	133 008	(7 663)	**125 345**
Insurance revenue	295 491	–	**295 491**
Insurance service expenses	–	(107 625)	**(107 625)**
Deemed premiums received	(306 177)	–	**(306 177)**
Deemed claims paid	–	83 533	**83 533**
Effects of movement in exchange rates	794	789	**1 583**
At 31 December 2022	**123 116**	**(30 966)**	**92 150**
Insurance revenue	286 519	–	**286 519**
Insurance service expenses	–	(85 316)	**(85 316)**
Deemed premiums received	(285 020)	–	**(285 020)**
Deemed claims paid	–	99 360	**99 360**
Effects of movement in exchange rates	(2 263)	119	**(2 144)**
At 31 December 2023	**122 352**	**(16 803)**	**105 549**

8 Other receivables

	31 December 2023 P'000	Restated 31 December 2022 P'000
Deposits and prepayments	**140 898**	90 421
Receivable from insurance arrangements	**77 586**	94 462
Withholding tax and value added tax receivable	**5 577**	5 626
Deferred arrangement and commission fees	**53 484**	44 128
Settlement and clearing accounts	**45 193**	14 834
Other receivables	**10 934**	8 000
	333 672	**257 471**

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

9 Financial assets at fair value through other comprehensive income

	31 December 2023 P'000	Restated 31 December 2022 P'000
Balance at the beginning of the year	**43 107**	71 499
Acquisition of equity securities	**11 038**	–
Fair value loss recognised through other comprehensive income	**(43 107)**	(28 392)
	11 038	**43 107**
Fair value loss recognised through other comprehensive income, net of tax	**(43 107)**	**(28 392)**

In 2016, the Group entered into a strategic partnership with a financial services organisation that was established as a service platform to offer financial products to individuals and micro and small enterprises in Africa and Europe and acquired a 1.5% shareholding stake in the enterprise for P53.6 million. Over the years the entity established itself as one of the regional leaders in the fintech industry, but due to the concentration of its operations in a particular African jurisdiction, the business suffered a decline in its profitability owing to a combination of regulatory policies and acute depreciation of the local currency of the jurisdiction. The organisation proceeded to attempt several capital raising initiatives to inject liquidity into the business and return to profitability. However, the efforts were not successful. During 2023, the organisation ultimately undertook a restructuring and recapitalisation process that involved the reduction of its concentration in the jurisdiction that was experiencing economic challenges, negotiation with its senior lenders over debt owed, transfer of the business operations into a new entity, and a process of subscription for shares in the new entity by existing and new investors. The restructuring and recapitalisation process culminated in the eventual winding down of the initial financial service organisation.

Consequently, in the current year, a fair value write-down of P43.1 million was recognised through other comprehensive income on the eventual winding-down of the former entity and the cumulative amount in the fair value reserve was subsequently reclassified to retained earnings. The Group recognised its equity investment in the securities of the new entity at fair value of P11 million, being the transactional price paid for the acquisition of the equity securities in the new entity.

10 Property and equipment

	Motor vehicles P'000	Computer software P'000	Office furniture and equipment P'000	Land and building P'000	Work in progress P'000	Total P'000
Cost						
Balance at 1 January 2023	19 419	156 410	154 630	18 420	–	348 879
Additions	6 817	10 353	8 882	–	–	26 052
Transfers	1 268	5 201	12 093	–	–	18 562
Disposals	(6 680)	(24 068)	(16 192)	–	–	(46 940)
Forex translation	(2 038)	(4 782)	(6 055)	(1 158)	–	(14 033)
Balance at 31 December 2023	**18 786**	**143 114**	**153 358**	**17 262**	**–**	**332 520**
Accumulated depreciation						
Balance at 1 January 2023	13 399	128 776	89 943	–	–	232 118
Charge for the year	3 459	18 928	22 363	–	–	44 750
Disposals	(2 046)	(18 478)	(12 478)	–	–	(33 002)
Forex translation	(4 146)	(6 857)	(5 155)	–	–	(16 158)
Balance at 31 December 2023	**10 666**	**122 369**	**94 673**	**–**	**–**	**227 708**
Net book value at 31 December 2023	**8 120**	**20 745**	**58 685**	**17 262**	**–**	**104 812**

The land and building pertain to a property situated on Schweringsbur Street in the municipality of Windhoek, Namibia, measuring 2,774 square meters. As at the reporting date, the fair value of the property was approximately P18.5 million.

None of the Group's property and equipment has been pledged as security for Borrowings as at the reporting date.

The 'disposals' in the current reporting period pertain mainly to branch assets that were scrapped upon closure of branches.

10 Property and equipment (continued)

	Motor vehicles P'000	Computer software P'000	Office furniture and equipment P'000	Land and building P'000	Work in progress P'000	Total P'000
Cost						
Balance at 1 January 2022	16 742	124 768	105 951	16 887	94 704	359 052
Additions	4 246	30 604	20 481	–	16 189	71 520
Transfers	–	–	28 011	–	(110 893)	(82 882)
Forex translation	(1 569)	1 038	187	1 533	–	1 189
Balance at 31 December 2022	**19 419**	**156 410**	**154 630**	**18 420**	**–**	**348 879**
Accumulated amortisation						
Balance at 1 January 2022	11 433	99 047	75 750	–	–	186 230
Charge for the year	3 204	20 759	12 943	–	–	36 906
Forex translation	(1 238)	8 970	1 250	–	–	8 982
Balance at 31 December 2022	**13 399**	**128 776**	**89 943**	**–**	**–**	**232 118**
Net book value at 31 December 2022	**6 020**	**27 634**	**64 687**	**18 420**	**–**	**116 761**

Notes to the consolidated financial statements (continued)

11 Right-of-use assets

	Property P'000	Total P'000
Cost		
Balance at 1 January 2023	235 206	235 206
Additions	15 214	15 214
Adjustment on lease modification	18 595	18 595
Adjustment on lease terminations	(14 798)	(14 798)
Forex translation	(2 607)	(2 607)
Balance at 31 December 2023	**251 610**	**251 610**
Accumulated depreciation		
Balance at 1 January 2023	133 552	133 552
Charge for the year	46 768	46 768
Adjustment on lease modification	6 439	6 439
Adjustment on lease terminations	(13 738)	(13 738)
Forex translation	(10 652)	(10 652)
Balance at 31 December 2023	**162 369**	**162 369**
Net book value at 31 December 2023	**89 241**	**89 241**

The 'adjustment on lease terminations' in the current reporting period pertain to lease terminations arising from closure of branches.

	Property P'000	Total P'000
Cost		
Balance at 1 January 2022	197 696	197 696
Additions	42 803	42 803
Forex translation	(5 293)	(5 293)
Balance at 31 December 2022	**235 206**	**235 206**
Accumulated depreciation		
Balance at 1 January 2022	98 940	98 940
Charge for the year	41 407	41 407
Forex translation	(6 795)	(6 795)
Balance at 31 December 2022	**133 552**	**133 552**
Net book value at 31 December 2022	**101 654**	**101 654**

12 Intangible assets

	Computer software P'000	Brand value P'000	Core deposit P'000	Work in progress P'000	Total P'000
Cost					
Balance at 1 January 2023	110 383	4 008	9 232	286 113	409 736
Additions	22 697	–	–	97 329	120 026
Transfers	86 823	–	–	(105 386)	(18 563)
Disposals	–	–	–	–	–
Forex translation	(5 006)	(1 831)	45	2 627	(4 165)
Balance at 31 December 2023	**214 897**	**2 177**	**9 277**	**280 683**	**507 034**
Accumulated depreciation					
Balance at 1 January 2023	91 721	3 605	8 612	–	103 938
Charge for the year	10 757	(1 428)	665	–	9 994
Transfers	–	–	–	–	–
Disposals	–	–	–	–	–
Forex translation	(5 608)	–	–	–	(5 608)
Balance at 31 December 2023	**96 870**	**2 177**	**9 277**	**–**	**108 324**
Net book value at 31 December 2023	**118 027**	**–**	**–**	**280 683**	**398 710**

Work-in-progress relates to software development projects embarked on by the Group. The significant proportion of the amount pertains to a digital retail financial services platform being internally developed with a carrying amount of approximately P196 million as at the reporting date. All components of the digital financial services platform are anticipated to be completed in 2025. Intangible assets are assessed for impairment on an annual basis using a value in use of the cash generating unit approach and, at the reporting date, it was determined that none of the intangible assets were impaired.

None of the Group's intangible assets have been pledged as security for Borrowings as at the reporting date.

	Computer software P'000	Brand value P'000	Core deposit P'000	Work in progress P'000	Total P'000
Cost					
Balance at 1 January 2022	109 273	4 101	9 324	–	122 698
Additions	3 117	–	–	219 414	222 531
Transfers	51	–	–	66 699	66 750
Forex translation	(2 058)	(93)	(92)	–	(2 243)
Balance at 31 December 2022	**110 383**	**4 008**	**9 232**	**286 113**	**409 736**
Accumulated amortisation					
Balance at 1 January 2022	81 381	3 275	8 002	–	92 658
Charge for the year	10 776	330	610	–	11 716
Forex translation	(436)	–	–	–	(436)
Balance at 31 December 2022	**91 721**	**3 605**	**8 612**	**–**	**103 938**
Net book value at 31 December 2022	**18 662**	**403**	**620**	**286 113**	**305 798**

	31 December 2023 P'000	31 December 2022 P'000

13 Goodwill

	31 December 2023 P'000	31 December 2022 P'000
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	**22 407**	22 958
Letshego Tanzania Limited	**2 163**	2 221
Letshego Ghana Plc	**6 021**	6 731
	30 591	**31 910**
Movement in goodwill		
Balance at the beginning of the year	**31 910**	67 715
Impairment charge	**–**	(32 795)
Effect of exchange rate changes	**(1 319)**	(3 010)
Balance at the end of the year	**30 591**	**31 910**

The Group performs its impairment test annually. The Group assesses the recoverable amount of goodwill in respect of all cash generating units in order to determine indications of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units are projected cash flows, pre-tax discount rates and a growth rate to extrapolate any cash flows anticipated beyond a 5 year period. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. An assessment was performed at year end using the respective entities' value-in-use to determine the recoverable amount and there were no indications of impairment for the above cash generating units.

Refer to Note 2.7 for details of the various metrics used for calculating the value in use of each cash generating unit above.

14 Financial liabilities at fair value through profit or loss

	31 December 2023 P'000	31 December 2022 P'000
Foreign currency swaps and forwards	**980 519**	1 201 095
	980 519	**1 201 095**

In the current year P980.1 million (2022: P527.5 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. These were translated using reporting date exchange rates to reflect the changes in foreign currencies. The respective assets are disclosed in Note 5.

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

Entity – Cross Currency Swaps	**Currency**	**P'000**
Letshego Africa Holdings Limited	USD	538 090
Letshego Financial Services (Proprietary) Limited Botswana	USD	357 620
Letshego Ghana Savings and Loans Plc	USD	84 810

15 Customer deposits

	31 December 2023 P'000	31 December 2022 P'000
Demand accounts	**118 051**	60 904
Savings accounts	**628 561**	422 290
Call and term deposits	**791 372**	637 633
	1 537 984	**1 120 827**

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

16 Cash collateral

	31 December 2023 P'000	31 December 2022 P'000
Balance at the beginning of the year	**18 476**	21 522
(Utilised)/raised during the year	**(2 623)**	(3 046)
Closing balance	**15 853**	**18 476**

Cash collateral represents payments made by customers as security for loans taken. The amounts are refundable upon the successful repayment of loans by customers or are utilised to cover loans in the event of default. Reference is made to Note 1.5 where the carrying amount of the cash collateral has been indicated to approximate its fair value.

17 Trade and other payables

	31 December 2023 P'000	31 December 2022 P'000
Insurance premium payable	**86 534**	56 069
Payroll related accruals	**20 204**	23 662
Staff incentive accrual (note 17.1)	**63 570**	74 300
Accruals (note 17.2)	**22 936**	20 272
Guarantee funds	**423 013**	318 691
Other payables	**139 479**	73 407
Value added tax/withholding tax payable	**40 805**	19 177
	796 541	**585 578**

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.

17.1 Movement in staff incentive accrual

	31 December 2023 P'000	31 December 2022 P'000
Balance at the beginning of the year	**74 300**	87 888
Current period charge (note 28)	**35 126**	61 734
Paid during the year	**(45 856)**	(75 322)
Balance at the end of the year	**63 570**	**74 300**

17.2 Movement in accruals

	31 December 2023 P'000	31 December 2022 P'000
Balance at the beginning of the year	**20 272**	29 295
Net accruals raised/(released) during the year	**2 664**	(9 023)
Balance at the end of the year	**22 936**	**20 272**

18 Lease liabilities

	Carrying amount at 01 Jan 2023 P'000	Additions P'000	Adjustment on lease modification P'000	Interest expense P'000	Cash payments P'000	Forex translation P'000	Carrying amount at 31 Dec 2023 P'000
Lease liabilities	**97 953**	**15 214**	**12 157**	**12 244**	**(47 800)**	**8 204**	**97 972**

	Carrying amount at 01 Jan 2022 P'000	Additions P'000	Interest expense P'000	Cash payments P'000	Forex translation P'000	Carrying amount at 31 Dec 2022 P'000
Lease liabilities	99 646	42 803	12 524	(58 521)	1 501	**97 953**

	31 December 2023 P'000	31 December 2022 P'000
The following are the amounts recognised in profit or loss:		
Depreciation expense of right-of-use asset	**46 768**	41 407
Interest expense on lease liabilities	**12 244**	12 524
Expense relating to short-term leases	**8 521**	6 862
Expense relating to low value assets	**471**	849
	68 004	**61 642**
Total cash outflows relating to leases were as follows:		
Leases accounted for under IFRS 16	**47 800**	58 521
Short-term leases	**8 521**	6 862
Leases relating to low value assets	**471**	849
	56 792	**66 232**

The Group has entered into commercial leases for premises and operating equipment. The leases have an average life of between one and five years. The Group elects not to recognise assets and liabilities with a lease term of up to 12 months and low value leases for operating equipment. There are no restrictions placed upon the lessee by entering into these. The Group's leases are mainly non-cancellable and refer to the ageing of future lease payments as at 31 December 2023.

19 Borrowings

	31 December 2023 P'000	31 December 2022 P'000
Commercial banks	**4 587 754**	4 283 243
Note programmes	**2 447 226**	1 677 771
Development Financial Institutions	**2 494 878**	2 066 826
Pension funds	**96 443**	–
Total borrowings	**9 626 301**	**8 027 840**
Contractual maturity analysis		
Maturing within one year	**3 326 232**	3 097 604
Maturing after one year within three years	**3 596 288**	3 603 774
Maturing after three years	**2 703 781**	1 326 462
Total borrowings	**9 626 301**	**8 027 840**
Contractual interest on borrowings to maturity at reporting date	**1 628 043**	1 943 302
Total contractual cash flows on interest bearing loans and borrowings	**11 254 344**	**9 971 142**
Movement in borrowings		
Balance at the beginning of the year	**8 027 840**	7 202 327
Finance obtained from third parties	**3 449 546**	3 425 610
Repayment of borrowings	**(1 919 648)**	(2 778 539)
Effect of exchange rate changes	**68 563**	178 442
Balance at the end of the year	**9 626 301**	**8 027 840**

19 Borrowings (continued)

Note programmes and bilateral placements

The Group has issued medium term note programmes of P2.07 billion (2022: P1.68 billion) of which P1.11 billion (2022: P933 million) on the Botswana Stock Exchange, P257 million (2022: P343 million) on the Ghana Stock exchange, P314 million (2022: P287 million) listed on the Namibian Stock Exchange and P290 million (2022: Nil) listed on the Mozambique Stock Exchange at the reporting date. Bilateral placements have been made by pension funds and certain investment houses in Eswatini amounting to P94 million (2022: P115 million).

Security

P1.2 billion (2022: P1.3 billion) of the borrowings of Letshego Financial Services (Pty) Limited (Botswana) and Letshego Africa Holdings Limited are secured by the advances to customers of Letshego Financial Services (Pty) Limited (Botswana).

The aggregated net advances to customers indicated in relation to the above is P3.5 billion (2022: P3.3 billion) by way of a Security Sharing Agreement having 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.

P2.3 billion (2022: P3.2 billion) relates to loans that are secured by a corporate guarantee from Letshego Africa Holdings Limited. During the current year a number of subsidiaries sourced in-country and foreign funding which was guaranteed by Letshego Africa Holdings Limited.

P142 million (2022: P245 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 Africa Holdings Limited.

Interest rate

P2.4 billion (2022: P1.7 billion) of the borrowings are at fixed interest rates, P5.7 billion (2022: P5.1 billion) are loans issued at variable interest rates and P1.2 billion (2022: P1.2 billion) are fixed via cross currency swaps. The variable interest rates include rates linked to each country's prime lending rate, Ghana reference rate, 3-months JIBAR, 3-months and 6-months US SOFR, Ghana 182 days T-bill and 3 months Bank of Botswana's rates.

Covenant breaches

As at the reporting date, the Group was in breach of certain loan covenants in relation to funding of P2.9 billion in certain entities.

These were as follows:

Kenya – obligations amounting to P348 million, covenant relating to profitability (Kenya had a negative return on assets) and non-performing loans ratio (PAR 90 and related provisions were greater than the target risk appetite level as defined by the lender);

Uganda – obligations amounting to P70.5 million, covenant relating to portfolio quality (i.e. Non-performing loans ratio and PAR 30 were greater than the target risk appetite level as defined by the lender),

Botswana – obligations of P445.8 million, covenants relating to Liquidity Ratio , Provisioning (PAR 90 and related provisions were greater than the target risk appetite level as defined by the lender), Debt Service Cover Ratio, Cash Collection Ratio and maturity matching,

Holdings/Group – obligations amounting to P1.93 billion relating to net open currency position (Foreign Currency Assets minus Foreign-Currency Liabilities divided by Total Adjusted Equity), solvency ratio (total equity divided by total assets), return on assets and open loan position ratios.

At the time of reporting, letters of no action were received from all funders except for Botswana, Eswatini and Holdings for related facilities amounting to P967 million. Engagements are ongoing.

20 Stated capital

	31 December 2023 P'000	31 December 2022 P'000
Issued: 2,175,038,644 ordinary shares of no par value (2022: 2,149,114,056) of which 11,651,597 shares (2022: 3,989,970) are held as treasury shares	**917 909**	**899 571**

31 December 2023	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	**2 145 124**	**3 990**	**2 149 114**
Shares issued during the year ('000)	**25 925**	**–**	**25 925**
Acquired and transferred to treasury shares during the year ('000)	**(7 662)**	**7 662**	**–**
Number of shares at the end of the year ('000)	**2 163 387**	**11 652**	**2 175 039**

31 December 2022	Number of shares in issue	Shares held as treasury shares	Total number of shares
Number of shares at the beginning of the year ('000)	2 134 822	9 223	2 144 045
Shares issued during the year ('000)	14 292	(9 223)	5 069
Acquired and transferred to treasury shares during the year ('000)	(3 990)	3 990	–
Number of shares at the end of the year ('000)	**2 145 124**	**3 990**	**2 149 114**

In terms of the Group LTIP (note 22), 25.925 million shares (2022: 14.292 million) vested at Group level during the current year and were issued from an issue of new shares. The number of shares in issue therefore increased to 2,163 million (2022: 2,145 million) and shares held as treasury shares to 11.652 million (2022: 3.990 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 2023 P'000	31 December 2022 P'000
Capitalisation ratio	**24%**	30%
Return on equity	**(3%)**	6%
Debt to equity	**183%**	144%

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.

21 Legal reserve

	31 December 2023 P'000	31 December 2022 P'000
Balance at the beginning of the year	**313 780**	265 244
Movement for the period – allocated from retained earnings	**63 341**	48 536
Balance at the end of the year	**377 121**	**313 780**

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 Faidika Bank 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.

22 Share-based payment scheme

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

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

As at 31 December 2023, 113,863,552 total awards were outstanding (2022: 132,533,060) at grant date share prices of P0.75, P1.41 and P1.25 for 2021, 2022 and 2023 awards, respectively (31 December 2022: P0.71, P0,75 and P1.41 for 2020, 2021 and 2022 awards respectively).

	31 December 2023		31 December 2022	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	Fair values	No. of awards
Outstanding at the beginning of the year	**P0.71/P0.75/P1.41**	**132 533 060**	P1.65/P0.71/P0.75	149 027 569
Granted during the year	**P1.25**	**41 370 632**	1.41	28 125 180
Exercised during the year	**P0.71**	**(25 924 588)**	1.65	(14 291 633)
Forfeited due to not meeting performance	**P0.71**	**(27 466 432)**	1.65	(6 651 541)
Forfeited due to resignations	**P0.75/P1.41/P1.25**	**(6 649 120)**	P0.71/P0.75/P1.41	(23 676 515)
Outstanding at the end of the year	**P0.75/P1.41/P1.25**	**113 863 552**	**P0.71/P0.75/P1.41**	**132 533 060**

The weighted average share price at the date of exercise of these options was P1.25 (2022: P1.41).

	31 December 2023 P'000	31 December 2022 P'000
Movement in share based payment reserve		
Opening balance	**42 474**	39 907
Charge during the year (note 28)	**10 696**	19 914
New shares issued from vesting options during the year	**(18 338)**	(17 347)
Closing balance	**34 832**	**42 474**

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.

23 Interest income at effective interest rate

	31 December 2023 P'000	31 December 2022 P'000
Advances to customers	**2 791 221**	2 620 123
Interest income on risk informal/mobile loans	**228 297**	96 874
Interest income on non-risk informal/mobile loans	**310 725**	349 122
Interest income from deposits with banks, including investment securities	**94 704**	79 553
	3 424 947	**3 145 672**

	31 December 2023 P'000	31 December 2022 P'000
24 Interest expense at effective interest rate		
Overdraft facilities and term loans	**1 335 543**	1 027 556
Interest adjustment on non-risk informal/mobile loans	**310 725**	349 122
	1 646 268	**1 376 678**
24.1 Other interest expense		
Interest expense on leases	**12 244**	**12 524**
25 Fee and commission income		
Administration fees – lending	**29 319**	83 979
Credit life insurance commission	**27 709**	5 575
	57 028	**89 554**
26 Other operating income		
Early settlement fees	**56 234**	60 248
Income from insurance arrangements	**143 837**	55 630
Market adjustment gain on interest currency swaps	**–**	8 210
Net foreign exchange gain	**–**	90 696
Sundry income	**56 070**	37 153
	256 141	**251 937**
27 Insurance service result		
The following components are arising from cell captive arrangements in the Group's Namibia subsidiary:		
Insurance revenue	**286 519**	295 491
– Credit life	**104 180**	182 573
– Credit default	**182 339**	112 918
Insurance service expense	**(85 316)**	(107 625)
– Credit life	**(25 753)**	(34 873)
– Credit default	**(59 563)**	(72 752)
Net insurance service result	**201 203**	187 866
Previously, the outcome of the Group's cell captive arrangements were reflected under 'Other operating income'. In accordance with IFRS 17, the comparative period (2022) has been restated to be presented in accordance with the Standard.		
28 Employee benefits		
Salaries and wages	**520 006**	454 637
Staff incentive (note 17.1)	**35 126**	61 734
Staff recruitment costs	**1 283**	1 096
Staff pension fund contribution	**35 986**	38 282
Directors' remuneration – for management services (executive)	**8 507**	10 276
Long term incentive plan (note 22)	**10 696**	19 914
	611 604	**585 939**

	31 December 2023 P'000	31 December 2022 P'000
29 Other operating expenses		
Accounting and secretarial fees	**229**	227
Advertising	**33 182**	40 441
Audit fees	**8 418**	7 358
– Audit services	**8 124**	7 191
– Covenant compliance fees	**294**	167
Bank charges	**12 236**	8 859
Computer expenses	**25 304**	9 755
Consultancy fees	**82 054**	56 163
Corporate social responsibility	**2 462**	1 961
Collection commission	**101 057**	72 159
Direct costs	**16 978**	29 343
Direct costs – informal loans	**56 763**	36 142
Depreciation and amortisation – property and equipment, intangible assets	**54 744**	48 622
Depreciation – right-of-use assets	**46 768**	41 407
Directors' fees – non executive	**6 860**	9 985
Directors' fees – subsidiary boards	**8 995**	8 184
Government levies	**26 418**	22 673
Impairment of goodwill	**–**	32 795
Insurance	**18 959**	17 989
Insurance – customer short term	**42 534**	60 074
Loss on net monetary position*	**149 905**	–
Loss on disposal/scrapping of property and equipment	**13 937**	–
Loss on termination of right-of-use assets	**1 059**	–
Office expenses	**30 105**	24 638
Short term leases	**8 521**	6 862
Rental expense for low value assets	**471**	849
Other operating expenses	**203 826**	155 639
– Entertainment	**627**	531
– IT costs	**3 563**	505
– Net foreign exchange loss	**52 078**	–
– Mark-to-market loss on foreign currency swaps	**9 345**	–
– Motor vehicle expenses	**10 046**	11 715
– Printing and Stationery	**9 140**	6 775
– Repairs and Maintenance	**10 001**	10 250
– Storage costs	**3 912**	3 324
– Subscriptions and licenses	**38 314**	27 179
– Other expenses	**66 800**	95 360
Payroll administration costs	**1 203**	2 131
Professional fees	**83 820**	46 704
Telephone and postage	**30 859**	36 536
Travel	**23 484**	22 431
	1 091 151	**799 927**

* *The Group adopted IAS 29 Financial Reporting in Hyperinflationary Economies in relation to its Ghana subsidiary. The above relates to the difference between the historical cost amounts and the result from the restatement of non-monetary items, shareholders' equity, items in the statement of comprehensive income and the adjustment of any index-linked items to year end purchasing power. Refer to Note 40.*

	31 December 2023 P'000	Restated 31 December 2022 P'000
30 Taxation		
Amounts recognised in profit or loss		
Current taxation	**328 011**	**384 077**
– Basic taxation	**220 633**	345 913
– Withholding taxes	**91 908**	40 275
– Release of prior year's tax provision	**15 470**	(2 111)
Deferred tax	**(57 751)**	**(51 766)**
– Origination and reversal of temporary differences	**(57 751)**	(51 766)
	270 260	**332 311**

30.1 Deferred taxation

	31 December 2023 P'000	Restated 31 December 2022 P'000
Balance at the beginning of the year	**142 346**	90 580
Current year movement	**57 751**	51 766
Balance at the end of the year	**200 097**	**142 346**
Deferred tax assets	**219 000**	142 685
Deferred tax liabilities	**(18 903)**	(339)
	200 097	**142 346**

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.

30 Taxation (continued)

30.1 Deferred taxation (continued)

	31 December 2023 P'000	Restated 31 December 2022 P'000
Deferred taxation arises from temporary differences on the following items:		
Property and equipment	**(13 930)**	(3 841)
Lease liability	**4 911**	13 697
Right-of-use asset	**(1 482)**	(8 195)
Share based payment provision	**3 961**	8 702
Staff incentive provision	**557**	13 286
Expected credit losses	**129 532**	74 704
Assessed losses	**82 254**	48 626
Leave pay accrual	**103**	2 966
Net deferred expenditure	**(14 242)**	3 470
Prepayments	**(2 996)**	(11 438)
Unrealised exchange (gain)/loss	**5 246**	(2 215)
Provisions	**6 181**	3 538
Borrowings	**2 703**	–
Financial assets and liabilities at fair value	**(2 701)**	(954)
	200 097	**142 346**

30.2 Tax rate reconciliation

	31 December 2023 P'000	Restated 31 December 2022 P'000
Profit before taxation	**121 461**	683 885
Tax calculated at Botswana statutory rate of 22%	**26 721**	150 455
Effect of net foreign deductions at tax rate of 15%	**24 024**	14 833
Effect of tax rates in foreign jurisdictions	**88 056**	57 520
Expenses and revenues not deductible for tax purposes	**65 833**	71 339
WHT tax credits adjustments	**50 156**	40 275
Release of prior year's provision	**15 470**	(2 111)
	270 260	**332 311**

30.3 Reconciliation of income tax paid

	31 December 2023 P'000	Restated 31 December 2022 P'000
Opening balance – net of receivables and payables	**575**	(38 499)
Income tax charge for the year	**328 011**	**370 475**
– Tax charge per profit or loss	**270 260**	332 311
– Movement in deferred tax asset	**76 315**	33 335
– Movement in deferred tax liabilities	**(18 564)**	4 829
Closing balance – net of receivables and payables	**(7 697)**	13 028
Income tax paid	**320 889**	**345 004**

31 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 2023 P'000	Restated 31 December 2022 P'000
Earnings attributable to ordinary equity holders of the parent	**(201 049)**	**287 875**
Weighted number of shares:		
At beginning of year	**2 149 114**	2 134 822
Effect of shares issued (31 December 2023 – 25,925 million shares : 31 December 2022 – 14,292 million shares)	**14 702**	12 138
Treasury shares acquired	**(8 335)**	–
Weighted number of shares at end of year	**2 155 481**	2 146 960
Basic (loss)/earnings per share (thebe)	**(9.3)**	**13.4**
The calculation of diluted earnings per share is based on after taxation earnings attributable to ordinary shareholders and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:		
Weighted number of shares:		
Weighted number of shares at end of year	**2 155 481**	2 146 960
Dilution effect – number of shares (note 22)	**113 864**	132 533
	2 269 345	2 279 493
Diluted (loss)/earnings per share (thebe)	**(8.9)**	**12.6**

32 Dividend paid

	31 December 2023 P'000	31 December 2022 P'000
Previous year final dividend paid during the year	**209 849**	208 077
Interim dividend paid	**110 332**	124 649
Total dividend paid to equity holders	**320 181**	**332 726**
Dividends per share: Interim (thebe) – paid	**5.1**	5.8
: Final (thebe) – proposed	**–**	9.7

33 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 offers 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:

33 Segment information (continued)

33.1 Reportable segments

31 December 2023	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Eswatini P'000	Kenya P'000	Rwanda P'000	Uganda P'000	Tanzania P'000	Nigeria P'000	Ghana P'000	Holding company or eliminations* P'000	Total P'000
Operating income	**696 771**	**543 276**	**475 566**	**91 178**	**112 438**	**132 200**	**22 472**	**176 403**	**145 918**	**67 734**	**217 819**	**(400 968)**	**2 280 807**
Profit/(loss) before taxation	**159 327**	**287 089**	**311 371**	**19 078**	**33 982**	**(37 489)**	**2 297**	**24 780**	**9 557**	**15 350**	**(62 880)**	**(641 001)**	**121 461**
Taxation – consolidated													(270 260)
Profit – consolidated													**(148 799)**
Gross Advances to customers	3 845 720	3 506 060	2 542 221	507 733	628 914	602 407	177 103	579 435	502 204	145 898	1 308 094	–	14 345 789
Impairment provisions	(356 218)	(31 424)	(14 353)	(26 730)	(53 088)	(125 003)	(2 135)	(52 350)	(75 496)	(19 685)	(101 415)	–	(857 897)
Net Advances	**3 489 502**	**3 474 636**	**2 527 868**	**481 003**	**575 826**	**477 404**	**174 968**	**527 085**	**426 708**	**126 213**	**1 206 679**	**–**	**13 487 892**
Total assets	**4 000 402**	**5 067 530**	**3 063 770**	**517 404**	**618 509**	**566 204**	**190 891**	**573 140**	**627 605**	**158 544**	**1 679 328**	**1 046 766**	**18 110 093**
Borrowings	**1 782 885**	**2 283 919**	**658 295**	**183 232**	**263 331**	**365 735**	**–**	**341 331**	**–**	**–**	**513 573**	**3 234 000**	**9 626 301**
Total liabilities	**2 278 883**	**3 093 005**	**1 299 354**	**205 392**	**300 161**	**424 637**	**68 394**	**357 894**	**67 480**	**46 189**	**1 323 866**	**3 724 951**	**13 190 206**
31 December 2022													
Operating income	**710 990**	**565 913**	**444 404**	**81 908**	**108 284**	**107 757**	**19 948**	**158 278**	**154 456**	**81 632**	**207 446**	**(355 189)**	**2 285 827**
Profit/(loss) before taxation	**474 781**	**320 083**	**264 490**	**39 779**	**55 928**	**5 109**	**2 555**	**36 136**	**16 976**	**11 240**	**3 419**	**(546 611)**	**683 885**
Taxation – consolidated													(332 311)
Profit – consolidated													**351 574**
Gross Advances to customers	3 335 195	3 605 877	2 094 444	430 432	564 812	635 150	150 069	535 146	469 824	203 061	1 107 850	–	13 131 860
Impairment provisions	(125 566)	(14 592)	(10 095)	(17 097)	(34 597)	(59 265)	(1 369)	(26 396)	(68 831)	(26 596)	(92 599)	–	(477 003)
Net Advances	**3 209 629**	**3 591 285**	**2 084 349**	**413 335**	**530 215**	**575 885**	**148 700**	**508 750**	**400 993**	**176 465**	**1 015 251**	**–**	**12 654 857**
Total assets	**3 839 752**	**4 535 745**	**2 408 945**	**424 478**	**564 534**	**655 665**	**174 657**	**589 361**	**661 923**	**239 528**	**1 398 338**	**1 226 762**	**16 719 688**
Borrowings	**1 802 404**	**1 895 734**	**259 818**	**62 670**	**221 105**	**394 747**	**–**	**322 640**	**–**	**–**	**686 142**	**2 382 580**	**8 027 840**
Total liabilities	**2 434 831**	**2 349 569**	**881 975**	**79 234**	**238 986**	**440 928**	**52 925**	**333 067**	**71 127**	**59 169**	**1 078 984**	**3 113 342**	**11 134 137**

* *Included in Holding company or eliminations are intragroup charges between the Holding Company and subsidiary entities.*

33 Segment information (continued)

33.2 Disaggregated revenue information

31 December 2023	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Eswatini P'000	Kenya P'000	Rwanda P'000	Uganda P'000	Tanzania P'000	Nigeria P'000	Ghana P'000	Holding company or eliminations P'000	Total P'000
Interest income at effective interest rate	787 803	564 652	659 293	104 995	147 262	166 525	39 085	226 715	139 032	69 448	658 497	(138 360)	3 424 947
Interest expense at effective interest rate	(183 945)	(252 178)	(238 189)	(14 765)	(35 765)	(58 097)	(17 488)	(52 109)	(1 450)	(3 719)	(500 766)	(287 797)	(1 646 268)
Other interest expense	(1 125)	(568)	(5 198)	(214)	(463)	(815)	(309)	(255)	(390)	–	(166)	(2 741)	(12 244)
Net interest income	602 733	311 906	415 906	90 016	111 034	107 613	21 288	174 351	137 192	65 729	157 565	(428 898)	1 766 435
Fee and commission income	1 081	24 476	10 860	370	–	12 804	821	–	2 611	613	3 392	–	57 028
Other operating income	92 957	5 691	48 800	792	1 404	11 783	363	2 052	6 115	1 392	56 862	27 930	256 141
Net insurance service result**	–	201 203	–	–	–	–	–	–	–	–	–	–	201 203
Operating income	**696 771**	**543 276**	**475 566**	**91 178**	**112 438**	**132 200**	**22 472**	**176 403**	**145 918**	**67 734**	**217 819**	**(400 968)**	**2 280 807**
31 December 2022													
Interest income at effective interest rate	756 665	504 165	558 649	102 964	133 886	147 381	24 411	193 550	136 662	85 379	654 527	(152 567)	**3 145 672**
Interest expense at effective interest rate	(167 656)	(160 660)	(170 734)	(12 091)	(28 525)	(60 465)	(8 693)	(39 492)	(514)	(5 090)	(540 692)	(182 066)	**(1 376 678)**
Other interest expense	(2 000)	(526)	(2 579)	(1 225)	(544)	(1 491)	(285)	(303)	(105)	–	(500)	(2 966)	**(12 524)**
Net interest income	**587 009**	**342 979**	**385 336**	**89 648**	**104 817**	**85 425**	**15 433**	**153 755**	**136 043**	**80 289**	**113 335**	**(337 599)**	**1 756 470**
Fee and commission income	(2)	34 906	16 416	–	–	8 966	1 994	–	395	1 098	25 699	82	**89 554**
Other operating income	123 983	162	42 652	(7 740)	3 467	13 366	2 521	4 523	18 018	245	68 412	(17 672)	**251 937**
Net insurance service result**	–	187 866	–	–	–	–	–	–	–	–	–	–	**187 866**
Operating income	**710 990**	**565 913**	**444 404**	**81 908**	**108 284**	**107 757**	**19 948**	**158 278**	**154 456**	**81 632**	**207 446**	**(355 189)**	**2 285 827**

* *Included in Holding company or eliminations are intragroup charges between the Holding Company and subsidiary entities.*

** *The Group adopted IFRS 17: Insurance contracts for the first time during the year under review. Previously the outcome of insurance arrangements that fall within the scope of the new Standard were reflected in 'Other operating income'.*

34 Related party transactions

Relationships:

Letshego Africa Holdings Limited	Parent Company
Subsidiaries	Refer to note 37

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.

34.1 Related party transactions

The Company 'Letshego Africa Holdings Limited' is listed on the Botswana Stock Exchange. The Group partnered with Sanlam (SEM) to be its preferred insurance provider by offering innovative stand alone and embedded insurance solutions. Sanlam owns 58% of Botswana Insurance Holdings Limited (BIHL) which is a shareholder of Letshego Africa Holdings Limited and there were no transactions with BIHL. However loans and advances of Letshego Financial Services Botswana (Pty) Ltd (LFSB) are insured through Botswana Life Insurance Limited which is a subsidiary of BIHL and commission of P45.3 million was earned by LFSB during the year (2022: 15 million).

Letshego Africa Holdings Limited also provides guarantees to its subsidiary companies for purposes of credit enhancement at collateral for borrowings entered into by the subsidiaries. Refer to Note 19 for details of loan guarantees that were in place as at the reporting date.

	31 December 2023 P'000	31 December 2022 P'000
34.2 Compensation paid to key management personnel (executive directors)		
Paid during the period:		
– Short-term employee benefits	**8 507**	10 276
	8 507	**10 276**

A total of 8,518,020 ordinary shares, at an exercise value of BWP10.6 million, were granted to Executives in terms of the Long Term Incentive Scheme (LTIP) for the 31 December 2023 financial year (2022: 5,457,386 ordinary shares, at an exercise value of BWP7.7million). 7,764,121 ordinary shares (at a market value of BWP9.7 million) relating to Executives vested and were exercised during the year (2022: 6,161,972 ordinary shares at a market value of BWP11.1 million).

35 Capital commitments

	31 December 2023 P'000	31 December 2022 P'000
Authorised by the directors:		
– Not contracted for	**146 290**	**347 209**

P47.8 million of the P146 million Capital Commitments for the following year relates to expenditure earmarked for the Group's internally developed digital retail financial services platform. The remainder relates to anticipated acquisitions of computer equipment, leasehold improvements and other software developments within the Group. The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Group's internal resources.

36 Subsequent events

The Group continues to seek opportunities that unlock operational efficiencies in the conduct of its business. The Group is currently in the early stages of comparing the benefits that could arise from housing certain shared service administrative activities outside of its holding company.

37 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 2023 % holding	31 December 2022 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	**100**	100
Letshego Ghana (Plc)	Ghana	Unsecured consumer lending and deposit licensed	**100**	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	**100**	100
Letshego Financial Services Lesotho	Lesotho	Unsecured consumer lending	**95**	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending and deposit licensed	**98**	98
Letshego Holdings Namibia Limited	Namibia	Unsecured consumer lending and deposit licensed	**78**	78
ERF 8585 (Pty) Limited	Namibia	Property	**100**	100
Letshego Microfinance Bank Nigeria (Proprietary) Limited	Nigeria	Unsecured consumer lending and deposit licensed	**100**	100
Letshego Financial Services Swaziland Limited	Eswatini	Unsecured consumer lending	**85**	85
Letshego Tanzania Limited (Faidika)*	Tanzania	Unsecured consumer lending	**100**	100
Letshego Bank (Tanzania) Limited*	Tanzania	Unsecured consumer lending and deposit licensed	**100**	100
Letshego Uganda Limited	Uganda	Unsecured consumer lending	**85**	85
Letshego South Africa Limited	South Africa	Support services	**100**	100
Letshego Mauritius Limited	Mauritius	Investment holding company	**100**	100

* *During the year the Group undertook a merger of its two businesses in Tanzania, whereby the net assets and liabilities of Letshego Tanzania Limited (Faidika) were transferred to Letshego Bank (Tanzania) Limited. The merger was effected from 1 July 2023 and the Group is in the process of winding down and closure of Letshego Tanzania Limited.*

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.

37 Investments in subsidiary companies (continued)

37.1 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Holdings Namibia Limited, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination and will not reconcile back to the segment report (note 33) as it includes an investment property in Namibia.

	31 December 2023 P'000	Restated 31 December 2022 P'000
Summarised statement of financial position		
Assets	**5 124 361**	4 171 750
Liabilities	**3 113 356**	1 905 903
Net assets	**2 011 005**	**2 265 847**
Accumulated non-controlling interest	**395 596**	**416 786**
Summarised statement of profit or loss and other comprehensive income		
Revenue	**794 633**	727 099
Profit for the year	**255 960**	264 810
Profit allocated to non-controlling interest	**51 685**	**58 258**
Dividends paid to non-controlling interest	**62 594**	**44 754**
Summarised statement of cash flows		
Cash flows from operating activities	**468 006**	(58 667)
Cash flows used in investing activities	**(5 427)**	128 124
Cash flows from financing activities	**(143 538)**	(44 332)
	319 041	**25 125**

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

	31 December 2023 P'000	31 December 2022 P'000
Non-controlling interest		
Letshego Financial Services Lesotho	**7 291**	7 086
Letshego Financial Services Mozambique, SA	**4 350**	3 728
Letshego Financial Services Swaziland Limited	**31 173**	32 512
Letshego Uganda Limited	**4 421**	8 765
	47 235	**52 091**
Total accumulated non-controlling interest	**442 831**	**468 877**

Significant restrictions

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

38 Involvement with unconsolidated entities

The Group did not have any entities that it holds an interest, but does not consolidate during the reporting period.

39 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 2023	**Within 6 months P'000**	**Between 6 and 12 months P'000**	**After 12 months P'000**	**Total P'000**
Assets				
Cash and similar instruments	1 401 824	–	–	1 401 824
Investment securities	107 399	139 055	620 264	866 718
Financial assets at fair value through profit or loss	149 634	224 153	578 823	952 610
Advances to customers	1 331 545	282 750	11 873 597	13 487 892
Insurance contract assets	105 549	–	–	105 549
Other receivables	333 672	–	–	333 672
Financial assets at fair value through other comprehensive income	–	–	11 038	11 038
Income tax receivable	–	108 436	–	108 436
Property and equipment	–	–	104 812	104 812
Right-of-use assets	–	–	89 241	89 241
Intangible assets	–	–	398 710	398 710
Goodwill	–	–	30 591	30 591
Deferred tax assets	–	–	219 000	219 000
Total assets	**3 429 623**	**754 394**	**13 926 076**	**18 110 093**
Liabilities				
Financial liabilities at fair value through profit or loss	148 383	235 009	597 127	980 519
Customer deposits	772 224	474 734	291 026	1 537 984
Cash collateral	15 853	–	–	15 853
Trade and other payables	796 541	–	–	796 541
Lease liabilities	8 977	8 976	80 019	97 972
Income tax payable	116 133	–	–	116 133
Borrowings	1 654 745	1 671 487	6 300 069	9 626 301
Deferred tax liabilities	–	–	18 903	18 903
Total liabilities	**3 512 856**	**2 390 206**	**7 287 144**	**13 190 206**
Net	**(83 233)**	**(1 635 812)**	**6 638 932**	**4 919 887**

The Group's operations and nature of business intrinsically creates a short-term maturity mismatch between assets and liabilities. This is largely due to average customer loans and advances term out to tenors that are greater than 3 years, while a significant portion of the Group's external liabilities' tenors are limited to 3 years. The result is a short-term maturity mismatch which the Group resolves by proactively managing all up-coming debt maturities that are ear-marked for rollover and maintaining a robust funding pipeline to close out any short-term gaps in liquidity created due to the maturity mismatch. Refer to Note 1.3.2 for further details of how the Group addresses liquidity risks.

Reference is made to Note 19, whereby the Group is in breach of certain covenants in some subsidiary entities. Historically the Group has managed to remediate similar matters without the funding counterparties recalling facilities extended. In the unlikely event of this occurring, total Borrowings amounting to P967 million that would have been classified under the "After 12 Months" category have been reflected under the "Within 6 Months" category in the above analysis. The Group, however, currently has sufficient liquid resources and access to a funding pipeline to pay down these obligations upon them falling due. Further comfort is derived from the Group's engagement with these funders who have not indicated any intent to terminate the loans or re-call the disbursed amounts.

39 Maturity analysis of assets and liabilities (continued)

As at 31 December 2022 (Restated)	Within 6 months P'000	Between 6 and 12 months P'000	After 12 months P'000	Total P'000
Assets				
Cash and similar instruments	1 020 771	–	–	1 020 771
Investment securities	–	–	692 101	692 101
Financial assets at fair value through profit or loss	86 243	292 988	799 738	1 178 969
Advances to customers	245 339	258 694	12 150 824	12 654 857
Insurance contract assets	92 150	–	–	92 150
Other receivables	257 471	–	–	257 471
Financial assets at fair value through other comprehensive income	–	43 107	–	43 107
Income tax receivable	–	81 454	–	81 454
Property and equipment	–	–	116 761	116 761
Right-of-use assets	–	–	101 654	101 654
Intangible assets	–	–	305 798	305 798
Goodwill	–	–	31 910	31 910
Deferred tax assets	–	–	142 685	142 685
Total assets	**1 701 974**	**676 243**	**14 341 471**	**16 719 688**
Liabilities				
Financial liabilities at fair value through profit or loss	86 896	299 452	814 747	1 201 095
Customer deposits	705 991	137 821	277 015	1 120 827
Cash collateral	18 476	–	–	18 476
Trade and other payables	585 578	–	–	585 578
Lease liabilities	10 028	10 027	77 898	97 953
Income tax payable	82 029	–	–	82 029
Borrowings	803 276	2 294 328	4 930 236	8 027 840
Deferred tax liabilities	–	–	339	339
Total liabilities	**2 292 274**	**2 741 628**	**6 100 235**	**11 134 137**
Net	**(590 300)**	**(2 065 385)**	**8 241 236**	**5 585 551**

40 Impact of IAS 29 Financial Reporting in Hyperinflationary Economies

During the second half of the year the Group classified Ghana as a hyperinflationary economy. This was following a number of professional organisations outside of Ghana, including global accounting firms, having assessed the economy of Ghana to be considered as hyperinflationary as at 31 December 2023 and thereafter. Consequently, for Group reporting purposes, the financial statements of Letshego Ghana Savings and Loans PLC were adjusted in accordance to IAS 29 Financial Reporting in Hyperinflationary Economies.

The restatement of non-monetary items, shareholders' equity, items in the statement of comprehensive income and the adjustment of any index-linked items to the measuring unit current at the reporting date in the Ghana subsidiary resulted in the Group's loss for the year ended 31 December 2023 increasing by P130.4 million as illustrated in the table below:

	Historical Cost for the year ended 31 December 2023 P'000	Impact of IAS 29 Restatements P'000	Inflation Adjusted for the year ended 31 December 2023 P'000
Operating income	2 187 414	93 393	2 280 807
Expected credit losses	(459 743)	3 152	(456 591)
Net operating income	**1 727 671**	**96 545**	**1 824 216**
Employee costs	(609 900)	(1 704)	(611 604)
Other operating expenses	(867 924)	(73 322)	(941 246)
Net monetary loss	–	(149 905)	(149 905)
Total operating expenses	**(1 477 824)**	**(224 931)**	**(1 702 755)**
Profit before taxation	249 847	(128 386)	121 461
Taxation	(268 290)	(1 970)	(270 260)
Loss for the year	**(18 443)**	**(130 356)**	**(148 799)**
Hyperinflation translation adjustment:			
Ghana subsidiary equity and reserves at historical cost (A)	283 794		
Ghana subsidiary equity and reserves at inflation adjusted amount (B)	367 714		
Adjustment related to hyperinflation translation (B-A)	**83 920**		

The Group has elected to recognise the indicated hyperinflation translation adjustment directly into equity.

41 Correction of prior period expected credit losses error

During the financial years 2020 to 2022, the calculation of the Expected Credit Loss Allowance incorrectly included a discount factor to Stage 3 exposures at default. Since the default date for Stage 3 exposures has already occurred, no discount factor should therefore be applied to Stage 3 exposures at default to calculate the Expected Credit Loss Allowance at a reporting date.

How error was rectified

The application of discounting to stage 3 exposures has been removed for Full Year 2023. Stage 3 ECLs were remodelled based on the Group's loan book data up to the earliest date presented in these financial statements being 1 January 2022 and the impact on the ECL allowance and movement through profit/loss determined based on the remodelling results.

This error was corrected retrospectively in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors* as follows:

Impact on Statement of Financial Position

	31 December 2022, as previously reported P'000	Effect of restatement P'000	**31 December 2022, as restated P'000**	31 December 2021, as previously reported P'000	31 December 2021, as previously reported P'000	**1 January 2022, as restated P'000**
Advances to customers	12 727 475	(72 618)	12 654 857	11 875 595	44 751	11 920 346
Deferred tax assets	129 082	13 603	142 685	95 748	(14 758)	80 990
Total assets	**16 908 616**	**(59 015)**	**16 849 601**	**16 059 441**	**29 993**	**16 089 434**
Income tax payable	68 426	13 603	**82 029**	96 268	(14 758)	**81 510**
Total liabilities	**11 250 446**	**13 603**	**11 264 049**	**10 553 439**	**(14 758)**	**10 538 681**
Retained earnings	4 442 209	(75 563)	4 366 646	4 421 568	38 465	4 460 033
Non-controlling interests	465 933	2 944	**468 877**	439 152	6 286	**445 438**
Total equity	**5 658 170**	**(72 619)**	**5 585 551**	**5 506 002**	**44 751**	**5 550 753**

Impact on Statement of Profit or Loss and Other Comprehensive Income

	31 December 2022, as previously reported P'000	Effect of restatement P'000	**31 December 2022, as restated P'000**
Expected credit losses	(98 706)	(117 370)	(216 076)
Net operating income	**2 187 121**	**(117 370)**	**2 069 751**
Profit before taxation	**801 255**	**(117 370)**	**683 885**
Taxation*	(332 311)	–	(332 311)
Profit for the year	**468 944**	**(117 370)**	**351 574**
Attributable to:			
Equity holders of the parent	401 903	(114 028)	287 875
Non-controlling interest	67 041	(3 342)	63 699
Impact on Basic and Diluted Earnings per Share	**801 255**	**(117 370)**	**683 885**
Decrease in Basic earnings per share (thebe)	18.7	(5.31)	13.4
Decrease in Diluted earnings per share (thebe)	17.6	(5.00)	12.6

* *The restatement did not have an impact on taxation expense in profit or loss in light of the resultant current taxation expense being offset by corresponding deferred tax credits that arose in relation to the restatement..*

The error had no impact the Group's OCI as reflected in its condensed consolidated statement of profit or loss and other comprehensive income and had no impact on its consolidated statement of cash flows.

GROUP VALUE ADDED STATEMENT

For the year ended 31 December 2023

	31 December 2023 P'000	31 December 2022 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	**3 424 947**	**3 145 672**
Cost of services	**(1 658 512)**	(1 389 202)
Value added services	**1 766 435**	1 756 470
Fee and commission income	**57 028**	89 554
Other operating income	**256 141**	251 937
Other operating costs	**(989 639)**	(709 898)
Insurance revenue	**286 519**	295 491
Insurance service expense	**(85 316)**	(107 625)
Impairment of advances and treasury bonds	**(456 591)**	(216 076)
	834 577	**1 359 853**
Value allocated		
To employees		
Staff costs	**611 604**	585 939
To expansion and growth		
Retained income	**(468 980)**	18 848
Depreciation	**91 518**	78 313
Amortisation	**9 994**	11 716
Deferred tax	**(57 751)**	(51 766)
	(425 219)	**57 111**
To Government		
Taxation	**328 011**	384 077
To providers of capital		
Dividends to shareholders	**320 181**	332 726
	834 577	**1 359 853**
Summary	**%**	%
Employees	**73.28**	43.09
Expansion and growth	**(50.95)**	4.20
Government	**39.30**	28.24
Providers of capital	**38.36**	24.47
	100.00	**100.00**

FIVE YEAR FINANCIAL HISTORY

Statements of financial position

	2023 December P'000	Restated 2022 December P'000	Restated 2021 December P'000	Restated 2020 December P'000	Restated 2019 December P'000
Assets					
Cash and cash equivalents	**1 401 824**	1 020 771	1 413 500	975 656	1 035 513
Investment securities	**866 718**	692 101	859 496	68 208	–
Financial assets at fair value through profit or loss	**952 610**	1 178 969	826 092	140 804	–
Advances to customers	**13 487 892**	12 654 857	11 920 346	10 161 534	9 071 484
Insurance contract assets	**105 549**	92 150	125 344	–	–
Other receivables	**333 672**	257 471	191 131	263 202	247 996
Financial assets at fair value through OCI	**11 038**	43 107	71 499	59 408	53 591
Income tax receivable	**108 436**	81 454	134 767	102 633	82 741
Property and equipment	**104 812**	116 761	172 822	94 229	99 671
Right-of-use assets	**89 241**	101 654	98 756	131 703	61 436
Intangible assets	**398 710**	305 798	30 040	39 091	45 221
Goodwill	**30 591**	31 910	67 715	65 598	68 233
Deferred tax assets	**219 000**	142 685	80 990	124 139	144 699
Total assets	**18 110 093**	**16 719 688**	**15 992 498**	**12 226 205**	**10 910 585**
Liabilities					
Financial liabilities at fair value through profit or loss	**980 519**	1 201 095	808 621	152 855	15 390
Customers deposits	**1 537 984**	1 120 827	1 175 586	664 393	426 673
Cash collateral	**15 853**	18 476	21 522	18 838	21 721
Income tax payable	**116 133**	82 029	96 268	103 057	239 743
Trade and other payables	**796 541**	585 578	868 924	714 548	553 772
Lease liabilities	**97 972**	97 953	99 646	133 377	64 760
Borrowings	**9 626 301**	8 027 840	7 380 768	5 649 561	4 966 785
Deferred tax liabilities	**18 903**	339	5 168	–	805
Total liabilities	**13 190 206**	**11 134 137**	**10 441 745**	**7 436 629**	**6 289 649**
Shareholders' equity					
Stated capital	**917 909**	899 571	882 224	872 169	862 621
Share premium		–	–	–	–
Hyperinflation translation adjustment**	**83 920**	–	–	–	–
Foreign currency translation reserve	**(662 550)**	(492 653)	(557 341)	(885 673)	(675 885)
Legal reserve	**377 121**	313 780	265 244	214 835	195 793
Fair value adjustment reserve	**–**	(13 144)	15 248	5 817	–
Share based payment reserve	**34 832**	42 474	39 907	31 295	24 304
Retained earnings	**3 725 824**	4 366 646	4 460 033	4 133 314	3 823 280
Total equity attributable to equity holders of the company	**4 477 056**	**5 116 674**	**5 105 315**	**4 371 757**	**4 230 113**
Non-controlling interests	**442 831**	468 877	445 438	417 819	390 823
Total shareholders' equity	**4 919 887**	**5 585 551**	**5 550 753**	**4 789 576**	**4 620 936**
Total equity and liabilities	**18 110 093**	**16 719 688**	**15 992 498**	**12 226 205**	**10 910 585**

Five year financial history (continued)

Statements of profit or loss and other comprehensive income

	2023 December P'000	Restated 2022 December P'000	2021 December P'000	Restated 2020 December P'000	Restated 2019 December P'000
Interest income at effective interest rate	**3 424 947**	3 145 672	3 110 511	2 712 278	2 974 839
Interest expense	**(1 658 512)**	(1 389 202)	(1 134 038)	(850 964)	(923 814)
Net interest income	**1 766 435**	**1 756 470**	**1 976 473**	**1 861 314**	**2 051 025**
Fee and commission income	**57 028**	89 554	83 681	71 033	59 451
Other operating income	**256 141**	251 937	286 604	212 536	273 018
Insurance revenue	**286 519**	295 491	–	–	–
Insurance service expense	**(85 316)**	(107 625)	–	–	–
Insurance result	**201 203**	**187 866**	**–**	**–**	**–**
Total income	**2 280 807**	**2 285 827**	**2 346 758**	**2 144 883**	**2 383 494**
Employee benefits	**(611 604)**	(585 939)	(546 241)	(493 497)	(454 023)
Other operating costs	**(1 091 151)**	(799 927)	(670 969)	(595 308)	(622 737)
Operating income before impairment	**578 052**	**899 961**	**1 129 548**	**1 056 078**	**1 306 734**
Expected credit losses/impairment expense	**(456 591)**	(216 076)	17 196	(25 771)	(169 101)
Operating income before taxation	**121 461**	**683 885**	**1 146 744**	**1 030 307**	**1 137 633**
Taxation	**(270 260)**	(332 311)	(417 243)	(399 434)	(411 295)
(Loss)/profit for the year	**(148 799)**	**351 574**	**729 501**	**630 873**	**726 338**
Appropriations					
Dividends	**(320 181)**	(332 726)	(332 891)	(246 642)	(161 499)
Retained income	**(468 980)**	**18 848**	**396 610**	**384 231**	**564 839**
Attributable to:					
Equity holders of the parent company	**(201 049)**	287 875	671 554	575 718	652 239
Non-controlling interests	**52 250**	63 699	57 947	55 155	74 099
	(148 799)	**351 574**	**729 501**	**630 873**	**726 338**

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

ANALYSIS OF SHAREHOLDING

Top ten shareholders		31 December 2023 Shares held Number (000s)	%
Botswana Life Insurance Limited	Non Public	597 236	27.46
FNB Botswana Nominees RE: BIFM – ACT MEM & DP EQ	Public	405 529	18.64
Botswana Public Pension Fund Vunani	Public	270 463	12.43
Scbn (Pty) Ltd RE: CITI 024/76	Public	79 751	3.67
Stanbic Nominees Botswana RE BPOPF WT PRO PORT MCP	Public	67 989	3.13
Business Doctor Investment Limited	Public	51 339	2.36
Stanbic Nominees Botswana RE BIFM PLEF	Public	49 356	2.27
Meeta Anadkat	Public	45 586	2.10
Stanbic Nominees Botswana RE BIFM MLF	Public	42 248	1.94
Stanbic Nominees Botswana RE BPOPF NON-PROFIT-MCP	Public	32 977	1.51
		1 642 474	**75.51**
Other corporate entities, nominees and trusts and individuals		520 913	23.95
Treasury shares		11 652	0.54
Total		**2 175 039**	**100.00**

Name	31 December 2023 Number of Shareholders	%	31 December 2023 Number of Share held (000s)	%
Total Public Shareholders	2 867	99.3	1 534 614	70.6
Total Non-Public Shareholders	20	0.7	640 425	29.4
Total Shareholders	2 887	100	2 175 039	100

Top ten shareholders		31 December 2022 Shares held Number (000s)	%
Botswana Life Insurance Limited	Non Public	597 236	27,79
FNB Botswana Nominees RE: BIFM - ACT MEM & DP EQ	Public	405 529	18,87
Botswana Public Pension Fund: Vunani	Public	251 001	11,68
Stanbic Nominees Botswana RE BPOPF WT PRO PORT MCP	Public	77 601	3,61
SCBN (Pty) Ltd RE: CITI 024/76 SCBN (PTY) LTD RE: CITI 024/76	Public	73 572	3,42
Hitesh Natwarlal Anadkat	Public	63 053	2,93
Business Doctor Investment Limited	Public	51 339	2,39
Stanbic Nominees Botswana RE BIFM MLF	Public	46 735	2,17
Stanbic Nominees Botswana RE BIFM PLEF	Public	44 870	2,09
Stanbic Nominees Botswana RE MORULA RE DPF	Public	28 650	1,34
		1 639 586	**76,29**
Other corporate entities, nominees and trusts and individuals		505 538	23,52
Treasury shares		3 990	0,19
Total		**2 149 114**	**100,00**

Name	31 December 2022 Number of Shareholders	%	31 December 2022 Number of Share held (000s)	%
Total Public Shareholders	3 267	99.5	1 535 073	71.4
Total Non-Public Shareholders	18	0.5	614 041	28.6
Total Shareholders	3 285	100	2 149 114	100

Directors' shareholdings

Directors' shareholdings	31 December 2023 Shares held Number ('000)	%	31 December 2022 Shares held Number ('000)	%
Aobakwe Aupa Monyatsi	3 857	–	442	–
Tinotenda Gwendoline Muteiwa	2 467	–	79	–
Jayaraman Ramesh	300	–	300	–
	6 324	**–**	**821**	**–**

ADDITIONAL INFORMATION

Glossary

AFAWA	Affirmative Finance Action for Women in Africa
AfDB	African Development Bank
AGM	Annual general meeting
AI	artificial intelligence
ALM	Asset and Liability Management
AML	anti-money laundering
API	Application programming interface
APMO	Agile Project Management Office
bps	basis points
BSE	Botswana Stock Exchange
BWP/P	Botswana Pula
CEO	Chief executive officer
CFO	Chief finance officer
CFT	Combatting of Financial Terrorism
CODM	Chief operating decision maker
COVID	Corona virus disease
DAS	deduction at source
DFI	Development finance institution
DSAs	direct sales agents
E&S	Environmental and social
EAD	Earnings at default
ECL	expected credit losses
eNPS	Employee net promoter score
EPS	Earnings per share
ERMF	Enterprise risk management framework
ESG	environmental, social, governance
ESMS	Environmental & Social Management System
ESOP	Employee Share Option Plan
ETR	effective tax rate
Exco	Executive committee
F4G	Fit for Growth
FATF	Financial Action Task Force
FVOCI	fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GAC	Group Audit Committee
GDP	gross domestic product
GGNC	Group Governance and Nominations Committee
GIA	Group Internal Audit
GIBS	Gordon Institute Of Business Science
GRemCo	Group Remuneration Committee
Group	Letshego Africa Holdings Limited and its subsidiaries
GRSEC	Group Risk, Social and Ethics Committee
GSIC	Group Social and Investment Committee
I&T	Information and technology
IBOR	Interbank offered rates
ICAAP	Internal Capital Adequacy Assessment Process
ICAG	Institute of Chartered Accountants of Ghana
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivative Associations
IT	Information technology
JSE	Johannesburg Stock Exchange
King IV	King Code of Governance Principles for South Africa
KPI	Key performance indicators
LGD	loss given default
LLR	Loan Loss Ratio
LTIP	Long-term incentive plan
MNO	Mobile network operator
MSE	micro and small entrepreneurs
NCI	Non-controlling interests
NPAT	Net profit after tax
NPLs	non-performing loans
OCI	Other comprehensive income
OECD	organisation for economic cooperation and development
OKR	Objectives and key results
PBT	profit before tax
PD	Probability of default
RCSA	Risk and control self assessments
ROE	return on equity
ROI	return on investment
SAFe	Scaled Agile Framework
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest
TAM	Turnaround Markets
TOM	target operating model
UK	United Kingdom
UN SDGs	United Nations Social Development Goals
US	United States
USD	US Dollars
USSD	unstructured supplementary service data
WACC	Weighted average cost of capital

www.letshegoinvestor.com
Letshego
@LetshegoGroup
Letshego
GroupCorporateAffairs@letshego.com

Letshego
LETSHEGO AFRICA HOLDINGS LIMITED

www.letshego.com