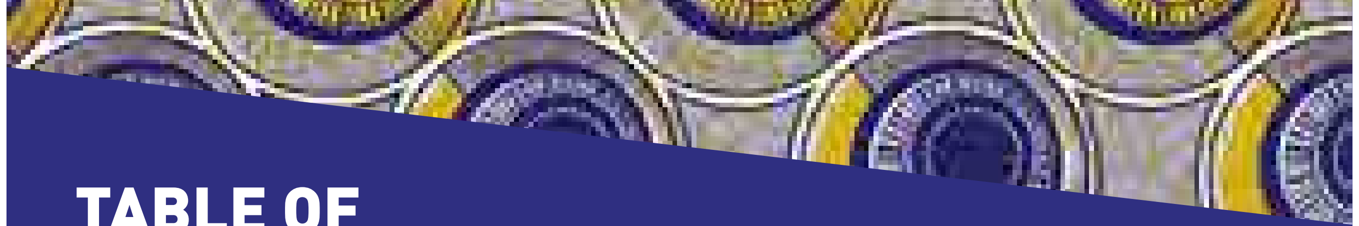
2017

INTEGRATED ANNUAL REPORT

20 Letshego

TWENTY YEARS OF
IMPROVING LIVES

"2017 has seen Letshego achieve a number of strategic milestones towards its transformation agenda to be ***Africa's Leading Inclusive Finance Group.*** *We continue to invest in expanding our African footprint through our people, our technology and the digital delivery platforms we create."*



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About this Report

The Directors of Letshego Holdings Limited are pleased to present the 2017 Integrated Annual Report. This Report describes our strategic intent to be ***Africa's Leading Inclusive Finance Group, as well as our commitment to sustainable value creation for all our stakeholders.***

Our Integrated Annual Report aims to provide a balanced, concise and transparent commentary on our strategy, performance, operations, governance, and reporting progress.

Our integrated reporting process, as well as the contents of this Report, are guided by the principles and requirements of the International Integrated Reporting Framework (IIRC) and the King Code of Governance Principles for South Africa (King III), and is in accordance with the 'core' level of the Global Reporting Initiative (GRI) G4. Also, this Report has been developed in accordance with BSE Listing Requirements.

While directed primarily at Shareholders and providers of capital, this Report should prove of interest to all our other stakeholders, including our Letshego team, customers, strategic partners, governments and regulators, as well as the communities in which we operate.

This Report is not externally assured; however, the Group Audit Committee and the Group Risk Committee is responsible for ensuring corporate accountability and the management of associated risks, combined assurance and integrated reporting. This Report is approved by the Letshego Holdings Limited Board of Directors.

We welcome written comments and feedback from our stakeholders that relate to both this Report and other general matters. Enquiries regarding the Report should be directed to the Company Secretary, Mr L. Khupe, at the registered address that can be found in the Annual Financial Statements.

THE CAPITALS

Financial capital
Funding from investors, shareholders' equity and customers facilitates the growth and innovation of our business and maintenance of our operational activities.

Human capital
Our people allow us to innovate and remain competitive in our sector. Harnessing their skills and experience in working with financially underserved communities is vital in ensuring we remain a leading financial inclusive company, further managing market risk.

Intellectual capital
We continue to innovate the way of working, driving new research and development, focusing on thought leadership, and development of strategic partnerships. These initiatives continue to build our brand and franchise value.

Manufactured capital
Our physical infrastructure enables us to connect with our customers in ways that respond to their needs of being able to access solutions, quickly, affordably, and efficiently. Investment in digital platforms, development of roll out strategies further facilitates the provision of these solutions to our customers where they most need them.

Social capital
This comprises our relationships with our customers and the communities within which we operate, gives us our social licence to operate, and contributes to building a sustainable, strong and resilient society.

SCOPE

The 2017 Integrated Annual Report builds upon the 2016 Report, and covers the 12-month period from 1 January to 31 December 2017.

The Report encompasses our business operations across Letshego's 11-country footprint: Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda.

The central theme of the Report is the utilisation of forms of capital to create sustainable value and we offer an integrated account of our financial and non-financial performance during 2017 in working towards this goal. In line with the central theme of sustainable value creation for all our stakeholders, the Report includes a synopsis of the material issues affecting our organisation. We consider as material those issues, opportunities and challenges that are likely to impact delivery of our strategic intent and ability to create value in the short, medium and long term.

We apply the principles of stakeholder inclusiveness, sustainability context, materiality and completeness when assessing which information to include in our Integrated Annual Report. We apply the principles of accuracy, balance, clarity, comparability, reliability and timeliness when assessing the quality of information included in this Report.

MATERIALITY

We regularly consider material issues that impact on value creation in terms of our operating environment, the interests of our key stakeholders, and the identified priority risks and opportunities facing the organisation.

The material issues presented in the Report were identified through a stakeholder review process. This comprised formal and informal interviews with investors, sector analysts, executive and non-executive Letshego team members, as well as selected Letshego customers, both at focus-group and individual level.

The specific areas reviewed with the potential to impact value creation include strategic, financial, environmental, social, competitive and legislative issues.

Identified issues are ranked according to relevance and potential impact on Letshego and its business model. This process is managed by the executive leadership team and supported by Letshego's Board of Directors at the Holding Company as well as throughout Letshego's subsidiaries.

Where possible, our performance is benchmarked against our peers based on publically available information.

Material issues identified as having an impact on operations are escalated accordingly to the holding company's management and to the Board to obtain necessary support and hence incorporate them into the Group's set strategy and priorities for the year.

Except where indicated there are no material changes to the content of this Report compared with the 2016 Integrated Annual Report. The emphasis is on providing more detailed information on the organisation's strategic direction and sustainability initiatives.

A NOTE ON DISCLOSURES

We are not prepared to disclose confidential data such as granular data on remuneration, yields and margins, as we deem these to be competitively sensitive information given the industry in which we operate.

We use infographics to report on certain metrics while retaining proprietary information.

We welcome individual conversations relating to any aspect of our competitively sensitive operations that we have not publicly disclosed.

All monetary figures used in the Report are in Botswana Pula (BWP).

Letshego Holdings Limited was incorporated in the Republic of Botswana on March 1998 as a publicly listed commercial entity whose liability is limited by shares.

OUR STAKEHOLDERS

- **Customers and communities**
- **Our Shareholders**
- **Our People**
- **Future Acquisitions**
- **Our Governments**
- **Our Strategic Partners**
- **Our Regulators**

OUR UNIQUENESSES

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

LETSHEGO IS

IMPROVING MY LIFE

*Letshego's **'banking in a box'** concept gains traction in Mozambique, while establishing best practice for the Group.*

After winning the Mastercard Foundation's award and funding worth USD1million towards the end of 2016, Letshego's 'LetsGo BlueBox' agency model is achieving considerable inroads towards extending financial inclusion across Mozambique. Given the simplicity and ease of access this 'banking in a box' concept has provided, Mozambique's Financial Sector for Development (FSDM), also committed funding to facilitate the benefit for local under-served communities.

The BlueBox is, in simple terms, a "starter kit" for Letshego's customer sales agents, or appointed Letshego representatives in the community. An agency model or network, takes a traditional bank's "branch or satellite office network", right into communities where customers of Letshego are appointed as 'agents' and provide their business premises as physical outlets for other Letshego customers who wish to open accounts and transact LetsGo financial solutions.

The BlueBox is equipped with a mobile device and tablet loaded with state-of-the-art Letshego encrypted software, a solar powered battery and a biometric point of service machine to authenticate and enhance customer security. Letshego's unique software is pre-loaded onto the devices, and operates with the latest technology to maintain the integrity and security of the system, as well as to protect customer details.

Launched in 2017, Letshego now manages a field of over 120 agents, who are all trained and empowered with operating and authenticating LetsGo solutions.

Commenting on promising start and growth of the BlueBox agency concept, Chipiliro Katundu, the outgoing Mozambique CEO and incoming Group Head of Marketing and Customer Experience commented, **"BlueBox is a Letshego innovation which has been borne as a result of the Group's keen understanding of our customer needs and behaviour. Letshego's agency network is one of the largest networks of its kind in the country, comprising 120 agents as at December 2017 and showing strong growth into 2018. Through this network, we currently activate around 25 LetsGo customers per week, and have supported more than 25,000 successful transactions since our official launch in 2017."**

Going on the success of BlueBox in Mozambique, Letshego is now looking to extend the agency model's benefits to other footprint markets. Chris Low, Letshego's Group Managing Director added, **"Blue Box is just one of the many ways Letshego is forging strategic partnerships to extend our reach and access for customers. The valuable recognition and support from both Mastercard and FSDM, coupled with our partnerships with our agents, enables us to achieve our financial inclusion ambitions ahead of schedule. In an ever-competitive environment, Letshego's ability to research and develop its own infrastructure remains a key differentiator for the Group, improving lives while we deliver commercial value for all our stakeholders."**

Letshego remains committed to supporting underserved communities, with simple, appropriate and accessible solutions - the BlueBox does exactly that. It extends Letshego's reach, while leveraging digital technology and maintaining peace-of-mind for customers by using the latest technology for account and transaction authentication.

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OUR BUSINESS

In this section of our Integrated Annual Report we share the Letshego's journey towards diversification. We are committed to achieving growth, performance and sustainable returns for our shareholders. This is not without its own challenges and risks, all of which require longer-term investment if the commensurate benefits are to be realised.

Letter from our Chairperson

Letshego has a proudly Botswana heritage which has given rise to a dedicated and growing regional team. Based on this heritage, we have enjoyed consistent growth since our establishment in Gaborone in 1998. ***Our solid foundation is therefore the cornerstone of Letshego's growth story that now improves more than 500,000 lives across 11 Sub Saharan Markets.***

Over time, Letshego's competitive edge has been its ability to deliver simple, appropriate and accessible solutions to those who are typically excluded from financial services or under-served, by being appropriately responsive and inclusive in an ethical manner. Letshego's promise is a clear and consistent commitment to Improve Life as well as promote sustainable growth and diversity. Growth and Diversity remain the two core themes within Letshego's history, and will remain so for its future.

2017 has seen Letshego achieve a number of strategic milestones towards its transformation agenda to be Africa's leading Inclusive Finance Group. We continue to invest in expanding our African footprint through our people, our technology and the digital delivery platforms we create. Overall, I am extremely proud of our achievements which have been delivered against the backdrop of a difficult trading environment. Letshego's on-the-ground expertise, insight and understanding of the needs of its customers, have paved the way for growth and collective benefit for all our stakeholders.

> *2017 has seen* ***Letshego achieve a number of strategic milestones*** *towards its transformation agenda to be Africa's leading Inclusive Finance Group.*

Some of our 2017 highlights include:

- The acquisition of Afb Ghana.
- The listing of our Namibian Subsidiary on the Namibian Stock Exchange.
- Winning the Mastercard Foundation's Rural Prosperity Fund's innovation award for our 'BlueBox' agency banking model in Mozambique.
- Successfully defending, diversifying and growing our core Deduction at Source business in key markets.
- The launch of our All-in-1 financial solution, named 'LetsGo'.
- Growing our third party agent networks.
- Accolades from PWC Botswana for The Best Financial Services IAR in 2016, as well as receiving Nigeria's New Age Financial Inclusion Award for our business strategy in Nigeria.
- Cementing Strategic Partnerships with recognised industry leaders.
- Our ongoing commitment to forge effective and mutually productive industry dialogues with public sector stakeholders, namely governments and regulators.

OUR ENVIRONMENT

Letshego has in 2017 faced the twin challenge of difficult macro-economic conditions and a robust competitive environment. The company was impacted by Naira weakness in Nigeria, civil service disruptions in Tanzania as well as operational issues in Rwanda. While these challenges were manifesting themselves, the competitive landscape saw an increase in the number of firms operating in Letshego's traditional markets. Letshego views competition as a factor that needs consideration when crafting effective growth strategies across Africa, but we have always welcomed the benefits that increased competition brings to our customers.

Some of the markets in which we operate are unpredictable. As such, to succeed as a Company operating in several markets we recognise the importance and need to be present, adaptive and flexible. Each country's subtle nuances provide for differentiated success if one appreciates the dynamism inherent within the Region's under-served communities, not forgetting the potential of the continent's entrepreneurial spirit. I am proud of the Letshego Team's ability to deploy resources and support peer subsidiaries who have required interim support from regional centres of expertise. Letshego is a resilient organisation; we watch closely and learn quickly from our experiences, enabling us to take proactive, corrective actions, without hesitation.

As an inclusive finance institution, we have a limited impact on the physical environment in which we operate, although we remain mindful of that impact all the same. As part of our digitisation strategy, we strive to use electronic and digital platforms wherever possible to minimise our carbon footprint through limiting the use of paper.

Letshego remains committed to measuring and analysing our social impact across all our markets and segments, which include agriculture, education, micro and small entrepreneurs, affordable housing and the formally employed (deduction at source). At Letshego, our people are well-informed about our Environmental and Governance policies, Corporate Ethics and Risk Management policies. These standards govern the way we conduct our business on a day-to-day basis. These are principles that not only guide the way we market and describe our solutions to our customers, but also facilitate a clear approach in collections. Also our people understand how to support and advise customers against building unsustainable debt levels.

EMPOWERING OUR STAKEHOLDERS

Letshego continues to invest in strategic training which is directly relevant to supporting the growth and sustainability of our future ambition. The training includes financial inclusion, customer experience, legal and compliance, asset-liability management as well as Leadership development. Staff are encouraged to offer suggestions in how we may improve the way we work via all relevant training workshops, as well as identify external factors which could influence our strategic intent and the way we do business. Collaboration and collective input across all levels of the business is imperative to achieving a commitment and positive culture in any organisation.

Our Sales Agents are not only valued ambassadors in the field, but also provide useful customer data and analysis around how our solutions are being utilised, as well as updated insights around ever-evolving customer needs and behaviour.

Through our Social Impact Surveys, we have evidence that our MSE solutions are also supporting education, agri-business and low cost housing. Further to this, our customer feedback has spurred an enhanced focus in providing a tailored and accredited financial literacy curriculum which meets the diverse needs of our customer base.

Going forward, sector specific insights, such as implementing irrigation methods or using off-grid power technologies will be leveraged to provide customers with simple, appropriate and accessible solutions, not only to access capital but also to increase individual skills and productivity efficiencies. In an age where climate change is impacting all continents, Letshego wishes to make a tangible contribution towards supporting sustainable practices for all MSEs, thereby promoting adaptability and flexibility for small business owners in challenging market conditions.

LOOKING AHEAD

Our footprint across the African continent includes growth markets with positive expansion potential in line with our financial inclusion agenda.

Letshego's Deduction at Source business remains core to our business strategy and is the foundation on which our diversified solutions are built, and from which all our customer offerings emanate. We made good progress during 2017 in defending, diversifying and growing this part of our business in our key markets. We expect this to continue into 2018.

With the launch of the All-in-1 solution LetsGo, we envisage a step-change in operations, business efficiencies, risk mitigation and most importantly, the customer journey and experience. As a result, 2017 saw significant investment into the platforms which will support this agenda, unlocking the potential for harmonisation and sharing of best practice to increase our impact in every market. During the same financial period, our investments are now starting to deliver dividends in customer numbers, access points, alternative channels and critically, in growing our revenues.

ECONOMIC & INDUSTRY POTENTIAL SUPPORTS LETSHEGO'S FUTURE STRATEGY

African economic growth is expected to improve on the continent, with recovery, albeit slow, expected in Nigeria and South Africa. Also growth is expected in our operating geographies due to easing political uncertainty, stronger global growth, rising consumer demands and higher public infrastructure investments. We expect this positive change in our operating landscape to result in increased demand for financial services and access to capital. Given this economic context, we look forward to delivering improved financial performance and increasing our customer base.

Through our tailored solutions, understanding of our target segments and strategic partnerships, our ability to understand the specific needs of our target markets will enable us to differentiate ourselves from the increasing competition. Today our competition arises not only from traditional banks and financial institutions, but also from fintech and mobile network operators.

The Group's Mobilisation Team support structure stands to be a key enabler towards Letshego achieving our 2018 targets. The Mobilisation Team structure was launched in the final quarter of 2017. It comprises of both country and regional expertise, and is ideally structured to bridge the demand gap between meeting existing country targets and launching new group-wide financial solutions and systems, swiftly and efficiently. Mobilisation Teams are the catalyst that will enable Letshego to increase its impact and affect tangible progress within our Strategic Agenda.

BUILDING CAPACITY IN OUR SUBSIDIARY BOARDS

Strong governance and leadership is undoubtedly a key factor in high performance, and all Letshego's Subsidiary Boards are compliant with local regulations. As Letshego continues to diversify its strategy and cement its focused, simple solution via 'LetsGo' we are already attracting Non-Executive Directors whose personal values resonate with our social commitment and financial inclusion ambition. This passion is balanced by a commitment to supporting long term sustainable financial growth and shareholder returns. Letshego remains committed to appointing Subsidiary Boards which achieve a healthy diversity in experience, skills and culture.

GOVERNANCE

As we launch new solutions to better serve our customers, we sometimes have to engage with regulators, as appropriate, in order to resolve delays in approvals of these new solutions. A significant cause of these delays is related to varying interpretations of regulations as well as the increasing influence of other regulators, such as those from the telecommunications sector, in relation to the provisioning of inclusive financial services. These delays pose some challenges to the roll-out of new digital solutions for our customers; however, we are confident that resolution of any issues is possible, as we engage regulators in finding mutually acceptable solutions that serve the best interests of the customer base.

There are significant challenges in achieving the harmonisation of our governance frameworks across our operating countries, while working in countries with differing legislation and outlooks. This is a challenge which we are committed to overcoming. Our response has been to create a robust governance framework that encompasses the best international practices, while accommodating the impact of local variations based on national legislation.

Strengthening our business frameworks is core to our ability to compete in the digital space and remains a key priority, with focus areas being data protection and cyber-crime. We intend to roll out initiatives to standardise service delivery points across segments and access points. In addition, we intend to strengthen our integrated anti-money laundering (AML) and transaction monitoring processes. These initiatives will complement the development of our data management system for environmental and social risks, following the updating of our Environmental and Social Management System (ESMS).

Our strategic partnerships will continue to offer opportunities to accelerate our execution capability in the acquisition of ecosystems.

OUR THANKS

On behalf of the Board of Letshego Holdings Limited, I would like to extend my sincere appreciation to the Management Team, our valued people and customers for their commitment and support in achieving a number of transformational milestones throughout 2017. Also, I wish to extend my most sincere gratitude to our investors, regulators, communities and commercial partners for continuously challenging our concepts, testing our resilience and ultimately contributing to the sustainable infrastructure which will support our future growth story.

Finally, to my fellow Board Members, thank you for your support and guidance in the past year and going forward. I welcome new Members, Catherine Lesetedi and Runa Alam, to the Board and wish to thank departing Board Members, Messrs Gaffar Hassam and Idris Mohammed for your contribution to the work of our Board.

E. N. Banda
Chairman

Group Managing Director's Review

*Our focus in 2017 was on growth, profitability and value for our Shareholders through continued mobilisation and delivery of our inclusive finance agenda - **to provide simple, appropriate and accessible financial solutions to the under-served in a sustainable manner.** Our results for the year are positive against the backdrop of recovering economies and continued competition in our markets.*

> *We are confident we now have the tools to enhance our impact and enable every market to **move closer towards their growth potential.***

Financial highlights:

- Total revenues exceeded BWP2.5 billion; a 15% increase on the previous year.
- Yields on loans to customers and the cost of borrowings were maintained.
- Costs increased by 14% year on year – reflecting the continued investments made in our people and systems.
- The cost of risk was 3.1% (2016: 2.8%), however, excluding specific once off impairments in Rwanda and Tanzania it was 2.4%.
- The Group continues to tighten its impairment methodology in preparation for the adoption of IFRS9.
- Profit before tax was BWP1,003m which is a 6% increase from 2016.
- Gross advances grew by 17% to BWP8.2 billion (or 16% in underlying local currency terms).
- Non-performing loans impairment coverage ratio increased to 70% (2016: 62%).
- Customer savings increased to BWP228m (2016: BWP108m).
- Debt to Equity ratio was 93% up from 87% in 2016.
- Return on Equity was 17% (2016: 15%) and Return on Assets 8% (2016: 8%).
- Share buy backs performed during 2016 and 2017 reduced the weighted average number of shares on issue resulting in earnings per share of 29.8 thebe (2016: 26.2 thebe), a 14% increase.

Non-Financial highlights:

- Total borrowing customers increased from 300,000 to 413,000.
- Savings customers closed at 154,000 up from 106,000 in the prior period.
- Customers were serviced through 314 customer access points, an increase of 13% on 2016.
- Also, Letshego now has 307 third party agents as additional customer access points.
- BWP2.7 billion (2016: BWP2.5 billion) was disbursed in new or top up loans.
- The Group employed 1,905 (2016: 1,620) full time employees supplemented by an additional 1,287 (2016: 1,162) commission-based sales agents.

Financial performance

The Group has achieved a number of key milestones during 2017 as part of its transformation agenda towards creating Africa's leading Inclusive Finance group and we continue to invest in expanding our African footprint and technology platforms. We have delivered good growth in loans to customers and savings mobilisation is gaining momentum, albeit from a modest base. The Group achieved a 6% increase in operating profits and a 14% increase in earnings per share. Our results reflect progress in achieving our strategic goals, diversification of our operating model and provision of innovative solutions to meet the needs of our customers.

OUR STRATEGIC PILLARS

Embracing financial inclusion:

During this year, our focus has been on operationalising our solutions and ensuring new access channels are piloted before full rollout.

Key achievements include the launch of the LetsGo Blue Box agency solution in Mozambique. The LetsGo all-in-1 solution simplifies and streamlines the customer experience by delivering a solution that allows a single relationship with Letshego that facilitates saving, borrowing, being paid and making payments and also meets customers' other financial needs such as insurance. LetsGo is the start of our offering to bring under-served customers into the formal financial sector in a responsible and sustainable manner.

Our third party agency network has continued to expand in Tanzania and other initiatives in Nigeria and Namibia are in pilot or at advanced planning stages. At year end Letshego had 307 third party agents across Mozambique and Tanzania.

Our educational credit solutions have delivered significant growth in this new segment. The loan portfolio was BWP42m at year end (2016: BWP nil) with Tanzania, Nigeria and Kenya now servicing over 250 schools. Cross selling in this ecosystem resulted in more than 750 teachers taking personal deduction at source loans with a value of BWP14m. The schools have become savings customers in Tanzania and Nigeria. The solution was launched in Uganda during January 2018 and Ghana in March 2018.

The low cost housing solution loan portfolio increased from BWP250m to BWP340m during the period and remains an important part of our offering to customers.

Short term mobile loans were introduced in Ghana during September 2017. At year end loans to over 60,000 customers were made with a balance of BWP42m. A new mobile wallet savings solution was introduced in Ghana in late 2017 with encouraging early signs. Mobile loans and savings offerings to new and existing customers are expected to be introduced in more countries during 2018.

A skills development curriculum was rolled out in 2017 whereby we offer teachers at the schools our Financial Eco-System solutions. This same philosophy was expanded through our Employer Solutions Offering, where Letshego has initiated a programme to offer both employers and employees fundamental financial literacy skills, empowering our customers and stakeholders with applicable skills to achieve financial independence. We believe that it is appropriate to make these types of investments in the communities we serve.

Our funding strategy is adopting a sustainable outlook, with our exploration and delivery of grant and impact funding based on our sustainability, social and financial inclusion impact credentials. While this approach enables us to partner with like-minded funders, also we achieve commercial benefits in lowering our funding costs.

Growing the franchise:

Our core business of 'deduction at source lending' performed well in 2017. Good growth was achieved in our three largest markets; Botswana – 3%, Namibia – 16% and Mozambique – 38%. Swaziland increased its loan portfolio by 64% and joined Botswana as countries that have made significant progress in growing and diversifying the non-government deduction at source businesses. Ghana was the latest market added to our regional footprint in 2017, via the successful acquisition of Afb Ghana. Although our growth strategy remains organic, we will continue to consider acquisitions that enhance benefits for our customers, and all our stakeholders, while reducing our risk through diversification.

Ghana is already generating strong revenues in its first year of joining the Group, and we have begun the diversification of this loans only business to offering savings solutions through a mobile wallet.

In Nigeria, our 2017 pilot for deduction at source lending has proven successful. Initially, we will focus on employers in Lagos state, with particular interest in teachers who we will engage through their union. Entry to other states are being considered.

Our customer savings numbers increased and closed with deposits / savings due to customers of BWP228 million. While this is off a low base, we are encouraged by the progress made in conversion of credit customers to savings customers and 2018 will see the roll out of our LetsGo access channel in more markets.

Enhancing customer experience:

Letshego remains committed to continuously reviewing and improving our solutions to enhance sustainable benefits for our customers, as well as providing an ever-improving level of customer experience. Improvement is achieved through our market understanding, listening to customers via our ongoing social impact surveys and leveraging the latest developments in technology. Our marketing campaigns are adopting a more educational approach for our customers by demonstrating how, if effectively administered and managed, our financial solutions can reduce financial stress, and provide opportunity.

Our Direct Sales Agents, now the second largest channel in driving sales, has become a valued extension of our sales team, as they are often well-known and trusted members of the communities we support. This form of referral or direct marketing, is invaluable in entrenching a loyal customer base and trusted partner in business. Our next priority is to reduce sales costs by implementing the right digital tool, at the origination point in the supply chain, for our customers.

Embedding future capability:

Our operational platform, 'Bancs' was implemented in Nigeria in 2017. Achieving consistency in operating systems provides obvious benefits in risk management, cost reduction, reporting, monitoring, delivery in solutions and customer experience. As part of integrating new subsidiaries, Oracle EBS went live in Nigeria at the end of July and the migration to Bancs took place in November. Tanzania and Ghana are now the only markets not on the operational platform and we are working through the detailed program plans for 2018 / 2019.

At a Group level, 2017 included the planning phase of the Group reconciliation system that aggregates all reconciliation data and processes for the Group into the Corona/Smartstream platform. This implementation has been phased for country implementation over the coming year. We continue to invest in new and alternative credit scoring methodologies and a data analytics team has been established.

Business Continuity Policies were enhanced with self-initiated risk self-assessments, supported by the Business Process forum within Letshego.

KEY ENABLERS SUPPORTING OUR COLLECTIVE AGENDA

Every strategy depends on key enablers, and Letshego is no different. In 2017, enablers which were launched or enhanced included:

- The launch of our Mobilisation Team Network to support countries in the effective execution of new solutions and systems as well as to drive business efficiencies.
- The launch of our all-in-1 solution, LetsGo.
- The establishment of new and ongoing strategic partnerships which generate commercial value and enhance our customer experience.
- The ongoing refocusing of existing talent to not only maximise the support around our collective agenda, but also to encourage personal development. This initiative was complimented by the recruitment of select regional skills in disciplines which support our sustainable growth strategy, for example, Governance, Risk, Legal, Compliance and Communications.
- Training, mentoring and leadership development will continue to be areas of investment.
- We secured funding from institutions who stand to not only bring funding value, but additional strategic value through their complimentary service or product strategies. Our 'Blue Box' Agency, for example, secured over USD1.7 million in funding support from both private and public sector partners. This reiterates we are indeed delivering appropriate software to expand financial inclusion in Africa, while also leveraging value through our partners offering.

CONCLUSION

2017 was a year of increased focus on getting traction on our priorities, while investing in the foundation which will mobilise, execute and support the delivery of our collective agenda and long term vision. Although revenues and profits showed positive growth, we acknowledge there is still much to be done on achieving and maintaining sustainable growth rates over the long term, while mitigating business risks - further diversification in country and solution portfolios will assist achievement of this. We are confident we now have the tools to enhance our impact and enable every market to move closer towards their growth potential.

A. C. M. Low
Group Managing Director

OUR BUSINESS

Our Journey

2017

- Letshego Namibia IPO listing
- Acquired AFB Ghana
- Agency launched in Mozambique and Tanzania
- LetsGo launched in Rwanda, Mozambique and Tanzania
- Letshego celebrates 20 years of Improving Lives

2015

- FBN Microfinance Bank in Nigeria (now LetshegoMFB) aquired
- Controlling stake in Advans Bank Tanzania (now Letshego Bank Tanzania) acquired
- Group Profit Before Tax crosses BWP 1 billion
- Letshego is now present in Southern, East and West Africa

2012

- Funds are raised through JSE and BSE listed Medium Term Note programmes
- Micro Africa Ltd (now Letshego Kenya and Letshego Rwanda) is acquired (62.5%)
- Lesotho operations are launched

2011

- Mozambique operations, with deposit-taking capability/licencing, are launched

2008

- Acquisition of Eduloan Namibia (now Letshego Namibia) is completed
- Botswana holding company name is changed to Letshego Holdings Limited
- Letshego team size crosses 1,000

2006

- Swaziland and Tanzania operations are launched

2005

- Uganda operations are launched

2002

- Listing on the Botswana Stock Exchange

1998

- Letshego is founded in Botswana

2017 MILESTONES

JANUARY	• Letshego Group concludes acquisition of Afb Ghana
FEBRUARY	• Publication of Group 2016 Results
MARCH	• 'Leading From Within' development workshops launched for all Group Functional Heads and countries over the year
APRIL	• Mozambique went live with Agency Blue Box Model and launched LetsGo All-in-1 Solution • Payment of Group year-end dividends
MAY	• 2017 AGM held in Gaborone • Letshego represented at the Africa Financial Services Investment Conference (AFSIC) in London
JUNE	• Letshego represented at the Standard Bank's Emerging Markets Investor Conference in London
JULY	• Letshego Namibia renews Deduction Code for 5 years • Group Strategy refresh held in Namibia with Group Board
AUGUST	• Successfully refinanced Botswana MTNs (Medium Term Notes) • Publication of Group 2017 interim results
SEPTEMBER	• Namibia IPO concluded • 'Qwikloan' mobile lending pilot goes live in Ghana through Strategic Financial Technology Partnership • Letshego Mobilisation Teams established to facilitate new project launches and enhance Group-to-Country communications • Letshego Primary Healthcare Innovation Programme ('HIP') launched through Memorandum of Agreement with Botswana Ministry of Health and Wellness and Primary Care International ('PCI') • New Group sub-committees launched: Innovation; Business Growth; Assets & Liabilities; Technology & Operations
OCTOBER	• Payment of Group Interim Dividend • Share Buy-Back program exercised on Botswana Stock Exchange • Inbound Call Centre launched in Letshego Bank Tanzania and Faidika • Nigeria 'Deduction at Source' business goes live
NOVEMBER	• Nigeria conversion to TCS Bancs, our core Group IT system • Public launch of Ghana's mobile Qwikloan, in partnership with MTN Ghana and Jumo, post successful pilot.
DECEMBER	• Namibia launches LetsGo All-in-1 solution • Successful refinancing of Johannesburg Stock Exchange listed bonds

20 Letshego
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OUR BUSINESS

Group Structure

We have introduced an intermediate holding company structure in Mauritius and, over time, our subsidiary companies are expected to be moved towards that same ownership structure. This will not change the ultimate ownership of the subsidiaries and will allow for a more tax-efficient movement of dividends within the Group. The figure below reflects the Group structure as at 31 December 2017.

The following are Letshego's regulated desposit-taking subsidiaries:

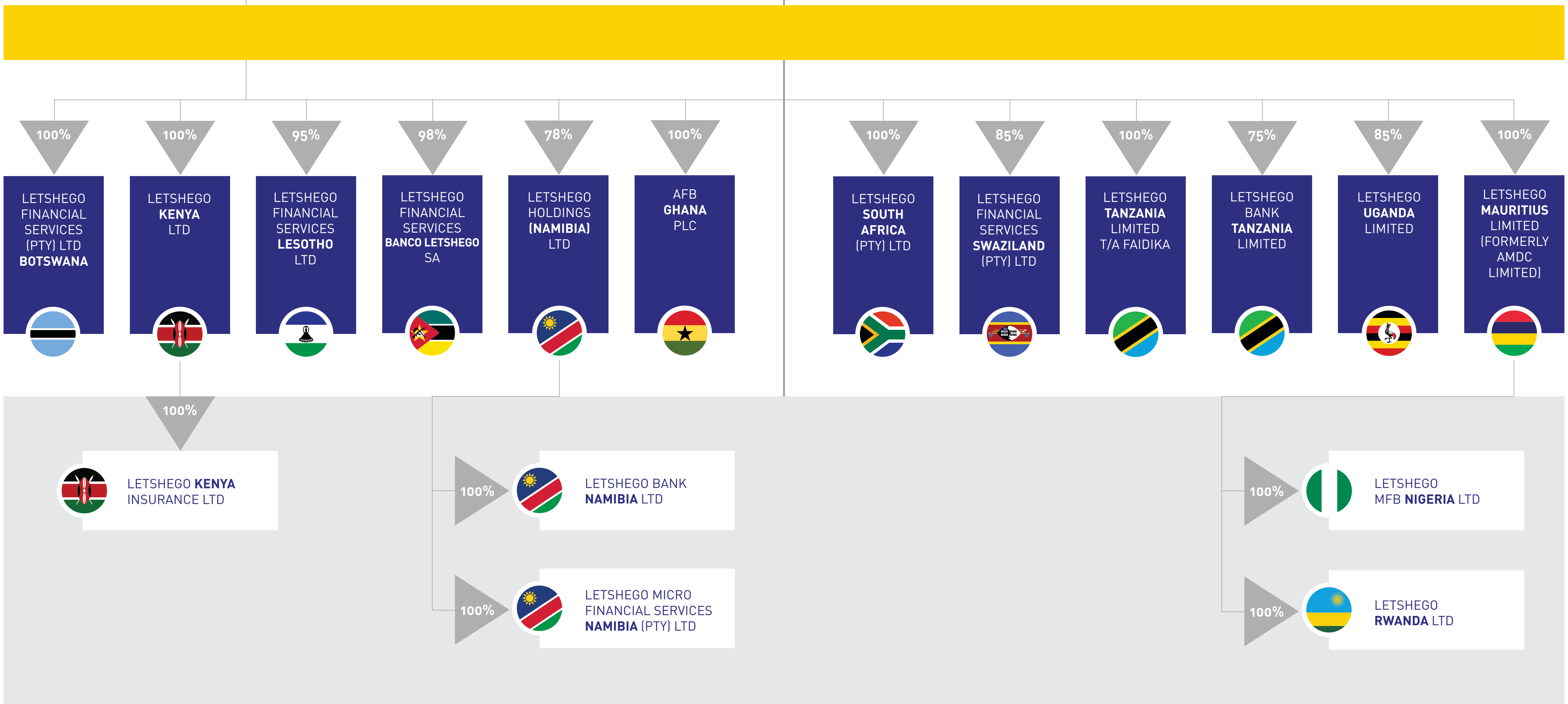
- Letshego Financial Services Mozambique (SA), trading as Banco Letshego
- Letshego Bank Namibia Limited
- Letshego MFB Nigeria Limited
- Letshego Rwanda Limited
- Letshego Bank (T) Limited, trading as Letshego Bank Tanzania

The following Letshego subsidiaries are regulated by the Non Bank Regulatory Authorities in their respective countries:

- Letshego Financial Services (Pty) Limited Botswana - NBFIRA
- Letshego MFS Namibia (Pty) Limited - NAMFISA
- Letshego Financial Services Lesotho Limited - Central Bank
- Letshego Financial Services Swaziland (Pty) Limited - Central Bank

The following subsidiaries are not currently regulated by a specific in-country regulator:

- Letshego Kenya Limited
- Letshego Tanzania Limited (Trading as Faidika)
- Letshego Uganda Limited (pending legislation)



- 100% LETSHEGO FINANCIAL SERVICES (PTY) LTD **BOTSWANA**
- 100% LETSHEGO **KENYA** LTD
  - 100% LETSHEGO **KENYA** INSURANCE LTD
- 95% LETSHEGO FINANCIAL SERVICES **LESOTHO** LTD
- 98% LETSHEGO FINANCIAL SERVICES **BANCO LETSHEGO** SA
- 78% LETSHEGO HOLDINGS **(NAMIBIA)** LTD
  - 100% LETSHEGO BANK **NAMIBIA** LTD
  - 100% LETSHEGO MICRO FINANCIAL SERVICES **NAMIBIA** (PTY) LTD
- 100% AFB **GHANA** PLC
- 100% LETSHEGO **SOUTH AFRICA** (PTY) LTD
- 85% LETSHEGO FINANCIAL SERVICES **SWAZILAND** (PTY) LTD
- 100% LETSHEGO **TANZANIA** LIMITED T/A FAIDIKA
- 75% LETSHEGO BANK **TANZANIA** LIMITED
- 85% LETSHEGO **UGANDA** LIMITED
- 100% LETSHEGO **MAURITIUS** LIMITED (FORMERLY AMDC LIMITED)
  - 100% LETSHEGO MFB **NIGERIA** LTD
  - 100% LETSHEGO **RWANDA** LTD

Letshego Holdings Limited Group Structure as at 31 December 2017

Financial Highlights

*We are committed to achieving **growth, performance and sustainable returns** for our Shareholders. In addition, we are committed to delivering on our financial inclusion mandate for our customers and communities.*

The achievement of these goals comes with risks and challenges, all of which require long term investment for commensurate benefits to be realised. These risks can be defined as follows:

1. **Transformation risk:** we embarked on a focused transformation process in 2014, with a key focus on sustainable inclusive financial services and diversification from the unsecured lending model to civil servants, combined with African expansion. This new focus has so far resulted in expanding to eleven African countries with representation in East, West and Southern Africa. Six of our countries now operate with deposit taking licences which is a key priority in our strategy of becoming Africa's leading inclusive finance provider. This change necessitates a high level of engagement with Governments, Regulators, capacitation of our people and continuous investment in new technologies and ecosystems.
2. **Sovereign risk:** as a result of our geographic diversification we become increasingly subject to this risk. However, the majority of the Groups assets and profits come from Botswana, Namibia, Mozambique and Tanzania.
3. **Funding risk:** We remain reliant on wholesale funding to support the continuing growth of the business. Local funding is prioritised to match the currency of our assets and liabilities. The funding base of the Group has and continues to be diversified. Today it is made up of lines of credit or debt funding from commercial banks, listed and unlisted debt capital market instruments and impact funding from Developmental Financial Institutions – we are increasingly leveraging on our social impact and ESG credentials to attract the latter and expect this to continue. The long term benefits include better matched maturity profile of assets and liabilities. Further savings and deposit mobilisation are expected to mitigate the funding risk, however, it is appreciated that this will take a longer timeframe to have a significant impact.

Summary of overall performance on group level when compared to the 2016 Financial year:

NET ADVANCES TO CUSTOMERS	↑	16%
OPERATING INCOME	↑	11%
OPERATING PROFITS	↑	6%
EARNINGS PER SHARE	↑	14%
TOTAL REVENUE	↑	15%
DEBT EQUITY RATIO	↑	6%
RETURN ON EQUITY	↑	2%

2017 financial performance highlights

	[1]PBMT (BWP'm)			Net disbursements (BWP'm)			Net advances (BWP'm)			[2]LLRs to average advances (%)		
Subsidiary	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Group	1,036	948	1,004	2,367	2,503	2,713	6,312	6,690	7,769	2.3%	2.8%	3.1%
Southern Africa												
Botswana	450	467	461	383	370	302	2,148	2,242	2,319	4.2%	3.4%	1.0%
Lesotho	33	55	69	108	158	59	251	409	403	1.0%	1.6%	1.0%
Mozambique	172	107	75	262	151	361	1,065	735	1,013	0.6%	2.4%	2.2%
Namibia	316	351	436	548	572	647	1,392	1,668	1,930	0.0%	0.1%	0.0%
Swaziland	27	22	31	44	101	191	143	226	370	0.0%	0.0%	0.0%
East Africa												
Kenya	28	3	21	296	285	309	395	409	516	2.7%	5.6%	2.8%
Rwanda	16	1	(42)	146	144	(12)	168	165	43	7.8%	10.2%	42.8%
[3]Tanzania (Bank)	(6)	(10)	(10)	9	157	186	49	97	130	4.0%	6.2%	9.7%
Tanzania (Faidika)	95	100	58	131	157	126	346	391	343	4.4%	3.1%	16.7%
Uganda	40	39	28	202	237	178	285	307	302	6.0%	3.1%	8.1%
West Africa												
Ghana	N/A	N/A	36	N/A	N/A	223	N/A	N/A	346	N/A	N/A	1.7%
[4]Nigeria	N/A	(8)	3	N/A	173	142	70	51	54	N/A	8.5%	20.3%

[1] *Profit before management-fees and tax*

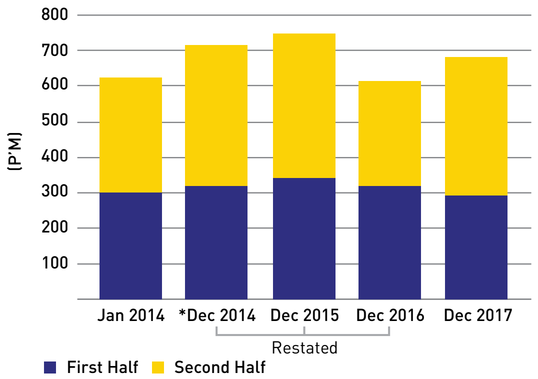
[2] *Loan Loss Ratio*

[3] *Consolidated from 1 November 2015*

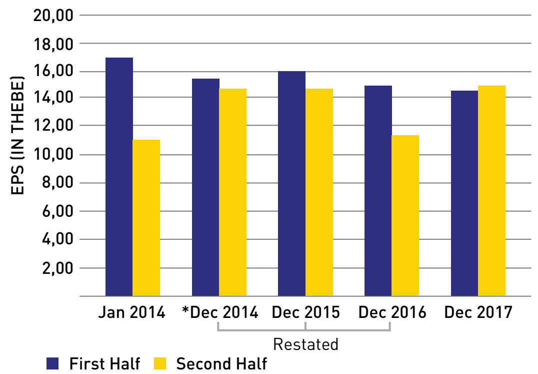
[4] *Consolidated from 31 December 2015*

Financial Highlights (continued)

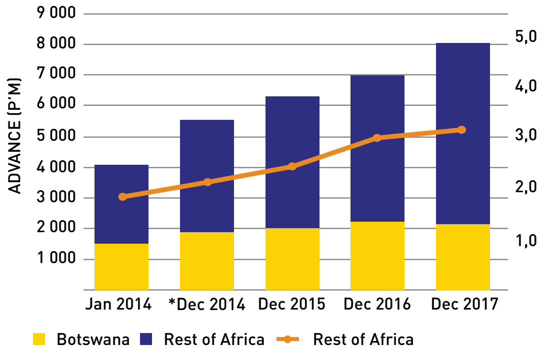
Profit After Tax (P'M)



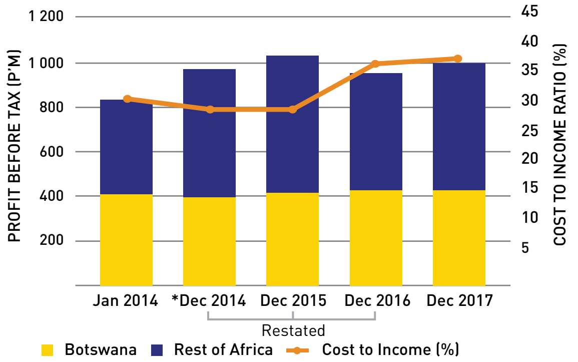
Basic Earnings per Share



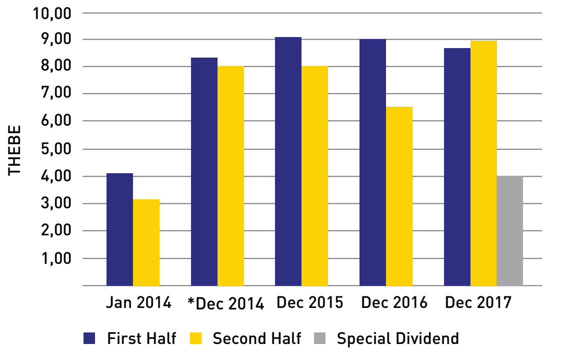
Gross Advances and Impairment



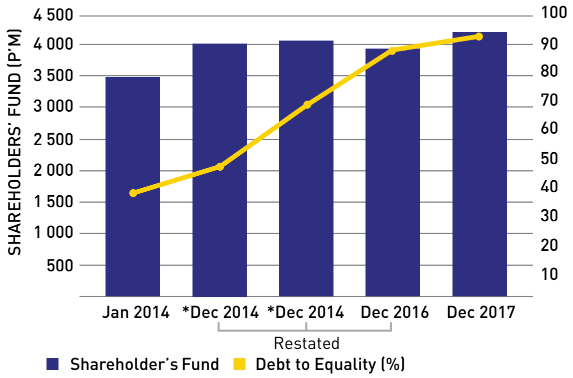
Geographic Diversification and PBT to Cost to Income Ratio



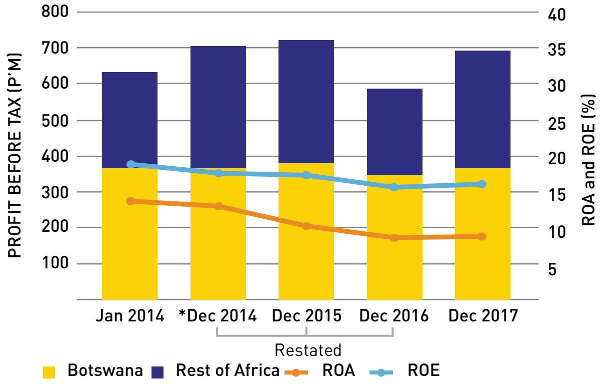
Dividend per Share (Thebe)



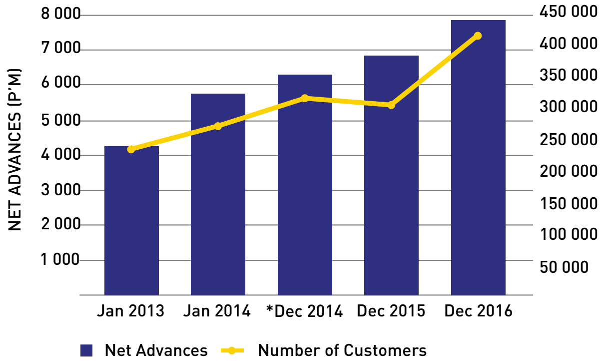
Shareholders' Fund: Debt to Equity



ROA versus ROE versus PAT



Net Advances and Number of Customers



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* 11 month period following the change in year end

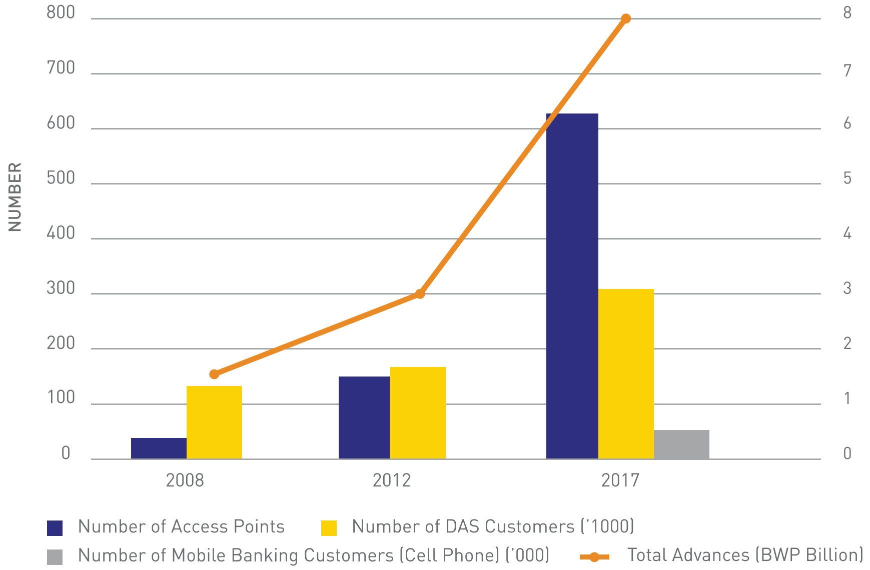
Non-Financial Highlights

In addition to measuring our financial performance, we also measure our non-financial performance. ***The data focuses on specific financial inclusion parameters*** *and are summarised as follows:*

1. **Improving access** to financial solutions for a customer base that is defined as underserved by financial institutions
2. **Developing bespoke service offerings** that are targeted at key development requirements in the communities within which we operate. Currently we focus on:
   a. Deduction at source (DAS) lending to Government and non-Government employees
   b. Affordable housing
   c. Education
   d. Agricultural business support
   e. Micro and small entrepreneurs (MSE) business support
   f. Savings
   g. Informal mobile lending
3. **Tracking levels of improving life** among our customer base once they have been introduced to, and start using our solutions.

Tables which form part of the accompanying narratives provide an overview of how we are increasing access to financial solutions for our customers.

Growth in Advances with Increased Access Channels



Increased access to mobile solutions is key. First launched in 2016 through an assessment of customers during a survey conducted in October 2017, an average 28% of customers are making use of these newly launched access points. In our Kenyan operations, this figure is as high as 67%. Also, walk-in branches are shown to be strategically located with 67% of our customers living less than 10 km from a walk-in branch. We continue to invest in these access solutions to improve on these variables going forward. This will allow us to continue providing easier access to our solutions to the underserved, while reducing the costs of providing these services to these markets.

Non-Financial Highlights (continued)

Tracked non-financial performance indicators

Indicators	2015	2016	2017
Access points	268	278	314
Full-time employees (FTEs)	1,592	1,620	1,905
Commission-based direct sales agents (DSAs)	775	1,162	1,287
Borrowers	296,000	300,000	413,000
Savers	100,000	106,000	154,000
Value of customer savings (BWP 'm)	155	108	228
Training spend			
Training spend (BWP 'm)	2,15	6,85	6,61
Training spend as % of staff costs	2%	2%	2%

Our desire to develop bespoke solutions for our customers is driven by our constantly improving knowledge of our customer needs. Key areas of focus have been identified for development. These areas are business-focused with the aim of stimulating additional economic activities, so that the loans we issue have a compounding effect within the communities where they are deployed. The improved levels of education among our customers and their dependents are seen as a way of improving the future financial positions of families where these funds are deployed. Similarly, our drive to provide affordable housing or improve existing homes within these communities ensures that customers are able to provide for their basic development needs.

Tracked social performance indicators:

Indicator	2016	2017
% Portfolio issued to women	36%	38%
Customer base using mobile money	64%	28%
Customers with formal and informal savings	72%	92%
Level of productive use of loan	72%	84%
Customers less than 10km from access to Letshego products	75%	67%

Research undertaken by Letshego and corroborated through other research findings shows that the increased level of savings in our customer base is an indication of lower levels of over-indebtedness, and subsequently less of a credit risk. Therefore we have developed initiatives to encourage a culture of saving that has culminated in the launch of our LetsGo All-in-1 solution. Also, this drive has been paired with additional financial literacy training programmes that we continue to provide to our business customers. Our customer savings numbers increased from 106,000 to 154,000 and closed with deposits/savings due to customers of BWP228 million. While this is off a low base, we are encouraged by the progress made in conversion of credit customers to full service customers, including savings. An initial 'test and learning' phase that is linked to the LetsGo solution is focused on understanding the impact of key variables such as pricing, access points and marketing approaches. This learning phase will be used to further refine our savings offering going forward.

Our Mozambique subsidiary deserves special mention. Currently they are working on diversifying cash-in/cash-out options for their customers using our newly launched LetsGo agents – these are proving a key factor to successful on-boarding. This initiative will be a future focus for all deposit countries within which we operate, given our limited branch footprint.

Thanks to a loan from Letshego, Sipho Mashelela, a small business owner in Swaziland, built houses to provide valuable rental income.

Portfolio Review

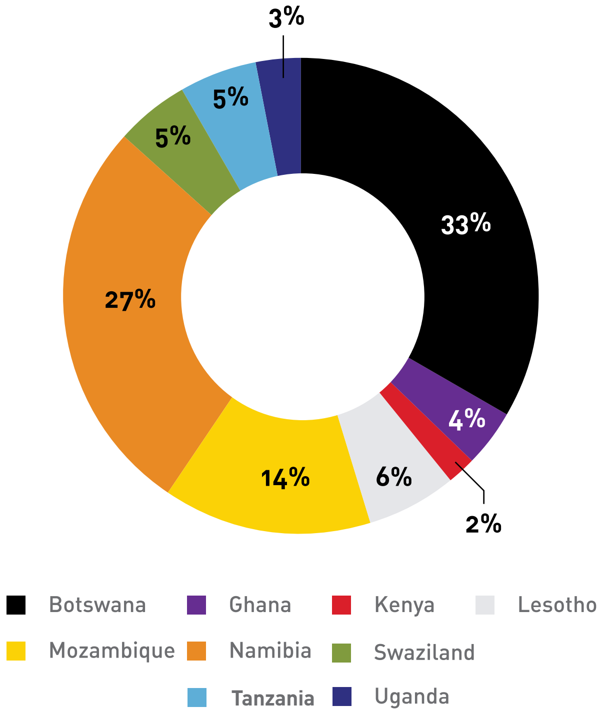
We segment and measure the progress of our focused transformation agenda in a matrix covering deduction at source, Micro Small Entrepeners (MSE) and Informal. Our solution sets focus on meeting the customers needs around their home, education, their business and agriculture all of which improve their lives.

Formal Segment - Deduction at Source Solutions

Our formal segment is the core of our business as it was the focus for our first solution launched by Letshego 20 years ago. It comprises lending on a 'deduction at source' basis to government employees and more recently to non government formally employed employees. This has provided for growth and portfolio diversification.

The deduction at source business performed well in 2017. Acceptable growth was achieved in our three largest markets; Botswana – 3%, Namibia – 16% and Mozambique – 38%. Letshego Swaziland increased its loan portfolio by 64% and joined Botswana as countries that have made significant progress in growing and diversifying the non-government deduction at source business. Ghana was the latest market added to our regional footprint in 2017, via the successful acquisition of Afb Ghana. Ghana is already generating strong revenues while in Nigeria, our 2017 pilot for deduction at source lending is showing encouraging results. Overall, credit customer numbers in this segment increased from 252,000 to 312,000.

Country contribution to Group's Formal Loan Book (Deduction at Source)

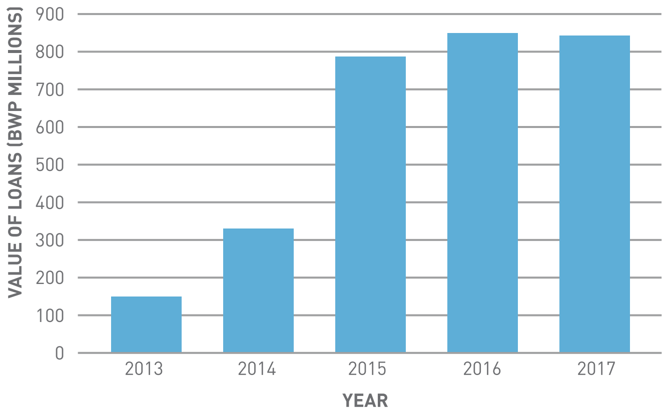


MSE - Overall

The Group's microfinance gross loan book closed the year at BWP843m. The integration of this solution offering into both Nigeria and Tanzania businesses continues and the two combined have contributed 45% of the MSE payouts for the year. Overall, we continued working on improving the efficiency of our business; most operations have experienced a significant increase in average asset per Relationship Officer. Also we are looking to automate key credit processes.

During the course of the year, we took a strategic decision to scale back and exit Group lending as it was inefficient and was being disrupted by technology. While 10,000 customers have exited this sector, a number of these customers were converted to individual MSE borrowers.

MSE Portfolio Growth

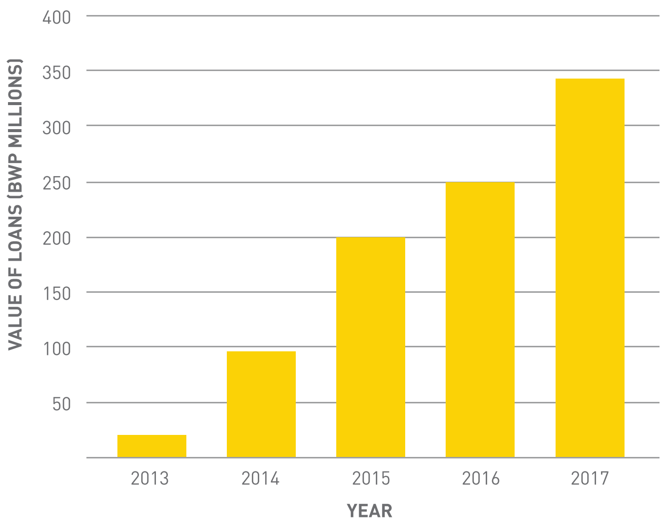


Portfolio Review (continued)

MSE - Affordable Housing Solutions

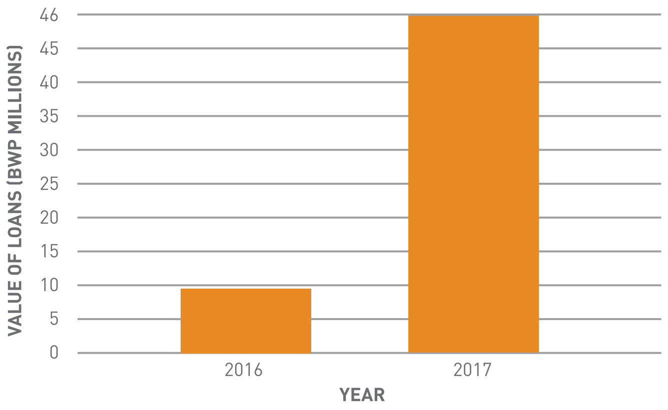
Africa continues to experience urbanisation at a rapid rate as people seek economic opportunities. However, the cost of housing remains high due to factors such as location, transportation and lack of economies of scale. Affordable housing finance provision in the lower income groups of the economy, can have a positive effect on economic growth, and reduce inequality and vulnerability in this customer base.

Our affordable housing offering continues to show momentum in multiple markets. The solution has been scaled up in Kenya, Uganda and Rwanda, where our housing portfolio accounts for over 45% of the combined loan book. In 2017, we have successfully replicated the solution into Nigeria and Tanzania. During the year, this portfolio has grown from BWP250m to BWP340m and remains an important part of our offering to customers.


Affordable Housing Portfolio Growth

MSE - Education Solutions

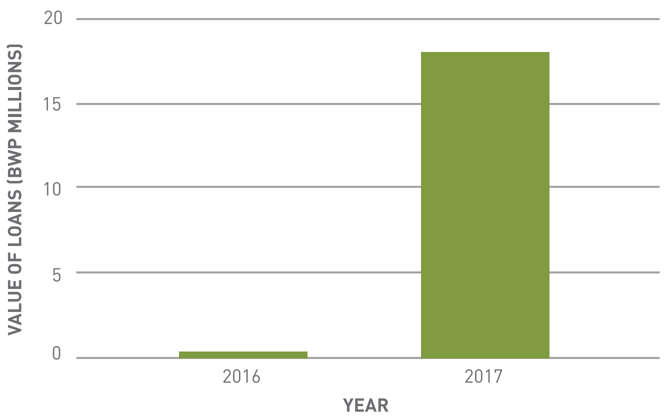
Our education ecosystem pilot programme in Tanzania has shown scalability and we have successfully replicated the solution in Nigeria and Kenya during 2017. Since its inception, the portfolio has grown to BWP46m in loans and there are now over 250 schools in this portfolio. Cross selling in this ecosystem resulted in over 750 teachers taking personal deduction at source loans with a value of BWP14m. The schools have become savings customers in Tanzania and Nigeria. The solution was launched in Uganda during January 2018 and in Ghana in March 2018.


Education Portfolio Growth

MSE - Agri-business Solutions

The agri-business portfolio showed a positive growth trend in 2017. Given that farming represents a primary source of food and income for Africans and provides up to 60% of all jobs on the continent, and that there is a need to increase food production in sub-Saharan Africa by 60% over the next 15 years, this portfolio is likely to continue to grow.

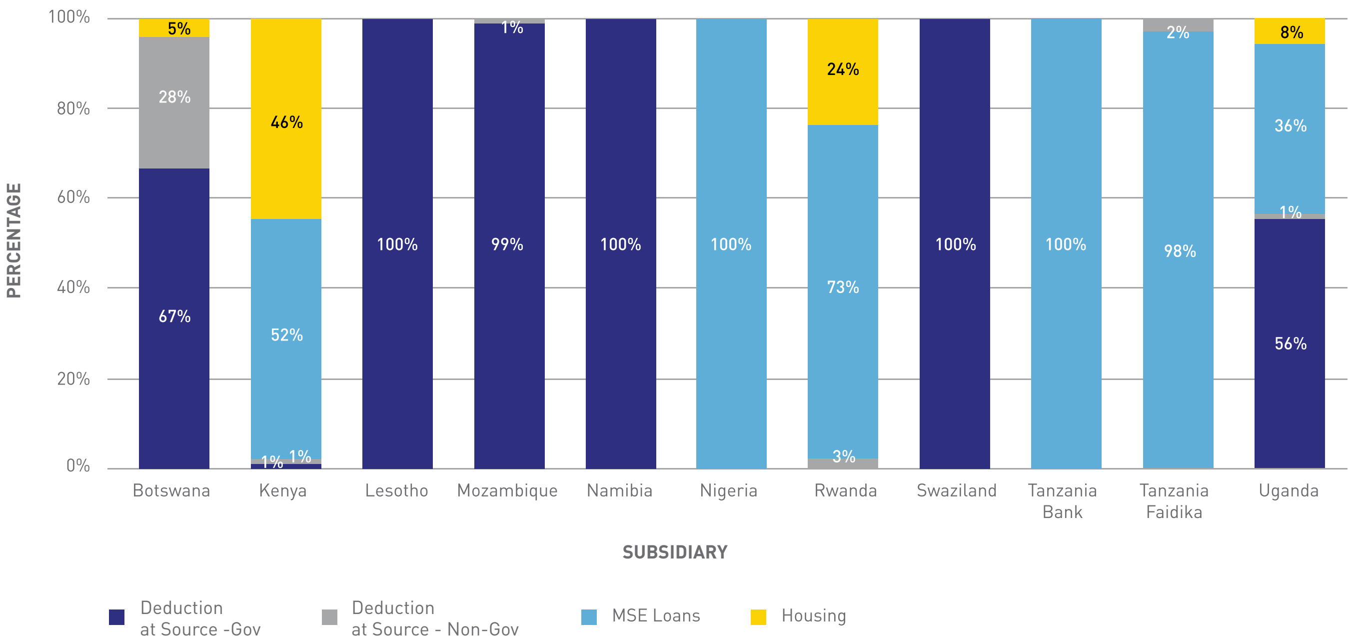
During 2017, we advanced agri-business loans to a value of BWP120m. After our initial pilot conducted in Uganda in May 2016 we introduced the solution in Nigeria. We continue to focus on the lower end of the agriculture supply chain that includes smallholder farmers, agri input distributors, wholesalers, processors and small storage facility provider.

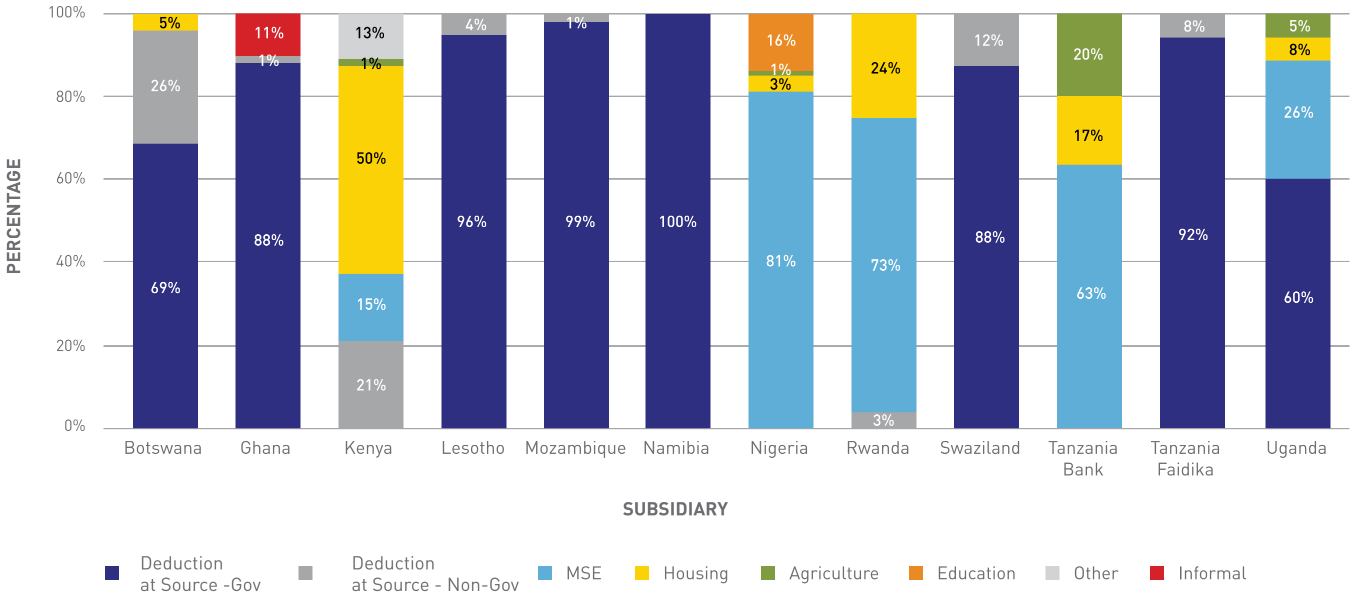

Agri-Business Portflio Growth

Informal - Mobile Lending

Our informal mobile lending diverisification was pilloted in 2017 in Ghana through a Strategic Partnership that has built a virtual infrastructure platform connecting customers through their MNO provider with Letshego. Using behaviour data and predictive technology, customers are able to apply and if approved receive real time micro loans into their MNO wallet.

Initial pilot results have been favourable with the following customer insights – 31% of loans are used for emergencies relating to health care needs, 22% were utilised for micro business needs, 17% for school fees and 17% to pay bills. As at the end of December 60,000 new customers had been acquired through this Strategic Partnership, with the loan portfolio of BWP46million at the year end.


Portfolio Mix as at December 2016


Portfolio Mix as at December 2017

LETSHEGO IS

IMPROVING MY LIFE

Letshego brightens the future of its people.

Letshego's International Assignment Programme provides valuable development potential for employees across the region.

Letshego prides itself in attracting talent from across all 11 countries where we operate. One of the differentiating incentives for talented people is to work with Letshego outside of their home country to gain regional experience and to develop diverse skills associated with working for an inclusive organisation like Letshego.

Up and coming talent are encouraged to join Letshego's International Assignment Programme, that provides talented staff with opportunities to expand their individual development goals in dynamic new roles, in a new country. Over the last three years, 10 people have broadened their skill sets, with long and short-term assignments outside of their home country. Letshego believes this programme not only empowers the individual on assignment, but also those in the hosting country given the sharing of knowledge, culture and expertise which is inevitable and unique to every assignment.

Keneilwe Matseke, Motswana by birth, international and adventurous by nature, shares her experiences from her placement in Nigeria,

"I was born with big dreams in a small village in rural Botswana. I have always cherished new experiences and living life to the full. Since joining Letshego I have been inspired by the commitment, innovation and trailblazing attitude the organisation dedicates to increasing sustainable financial inclusion across Africa. In my role, I can be a change agent, and a force for good. I was delighted with the opportunity to work in Nigeria – the cultural experience and exposure to many similar, but also very different consumer trends, has opened my eyes to new ideas and ways of doing business. I am eternally grateful for the opportunity to make a difference in a new market, while gaining priceless experience and challenging myself to achieve more and venture outside of my comfort zone."

Keneilwe joined Letshego 12 years ago as a Sales Consultant, and currently is on a long-term assignment in Letshego MFB Nigeria as Head of Consumer Solutions. In her Nigerian role, Keneilwe is responsible for delivering, growing and adapting Letshego's financial solutions for the local formally employed market. During her career with Letshego, Keneilwe has worked in Botswana, Lesotho and Kenya, and looks forward to achieving her future goal of turning Letshego MFB consumer solution division into one of the Group's most profitable business units.

BOTSWANA
Keneilwe Matseke
Countries assigned: *Lesotho, Nigeria, Kenya*

2

OUR PEOPLE

In this section of the Integrated Report we showcase Our People - our greatest asset and ambassadors of our Brand, as well as the individuals who create our diverse and differentiating culture. Our people are responsible for driving our transformation agenda, creating our unique customer experience, while supporting our goal to increase sustainable financial inclusion across Africa.

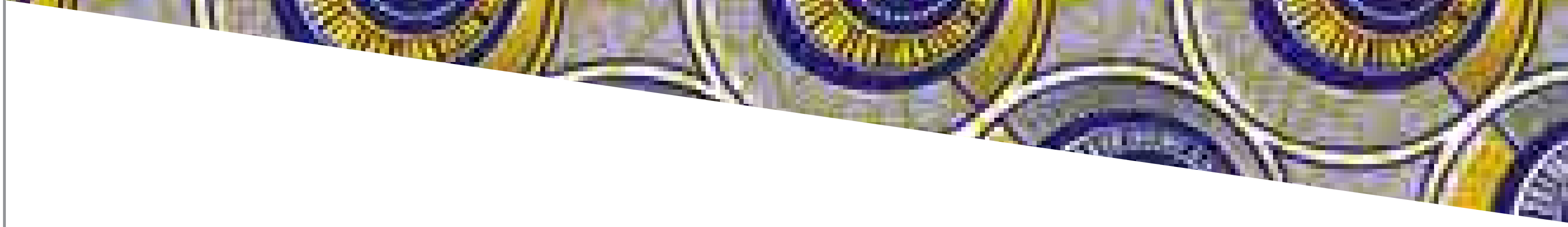
> ***"Our people remain our biggest asset.*** *Through international assignments, bespoke leadership training and enabling every member of our team to connect and understand the unique customers we support, we foster the passion, determination and innovative culture which is synonymous with Letshego's legacy and future."*
>
> **Simon Kioko**
> *Group Head People Experience*

OUR PEOPLE

BOARD OF DIRECTORS

At Letshego we are committed to our people. We are proud of our diversity which embraces over 20 nationalities across our Group - a valuable differentiator that we believe enhances our ability to execute and deliver on our Strategy. It is the combination of our skills, capacity and experience that we grow our business and each other.

Board of Directors



ENOS BANDA (52)

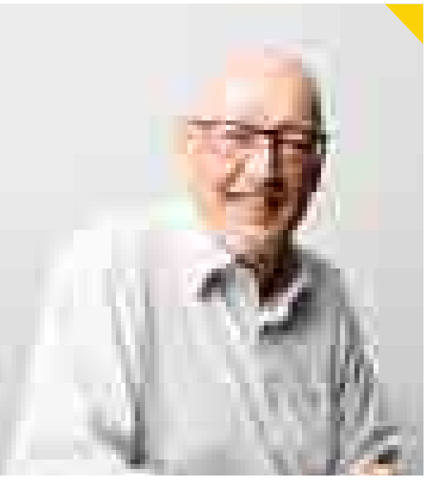
Nationality: South African
D.Jur, BA Financial Accounting

Chairman and Independent Non-Executive Director
Chairman of the Group Nominations and Social and Ethics Committee
Member of the Group Human Resources Committee
(wef 1 January 2018)

Appointed 2016

- A lawyer by training and ex- investment banker, Enos has practiced law in both South Africa and the USA
- Enos has served in national regulatory and government agencies, including the South African (SA) National Electricity Regulator, the Municipal Infrastructure Investment Unit of the SA Government
- Former Chairman of Gold Reef Resorts Limited (now merged with Tsogo Sun) and former Chairman of Budget and Audit Committees of Norilsk Nickel MMC, the LSE listed resources company
- Founder member of Freetel Fund Management, a Gauteng based fund
- Currently Enos serves as a co-Chairman of the South African Chamber of Commerce

Shareholding: None
Residence: USA



STEPHEN PRICE (65)

Nationality: UK
BA (Hons) Chemical Engineering,
Fellow member of the Institute of Chartered Accountants of England and Wales

Independent Non-Executive Director
Chairman of the Audit Committee
Member of the Risk Committee
Member of the Nominations and Social and Ethics Committee
(until 31 December 2017)

Appointed 2013

- Stephen is a Fellow member of the Institute of Chartered Accountants of England and Wales
- Stephen is a former partner at Ernst & Young (UK) where he served for 18 years
- Co-founded AXYS Corporate Advisory (formerly FSI Capital), an advisory firm that supports investment into emerging market financial services companies globally
- Achieved extensive merger and acquisition transaction advisory and consulting experience to banks and other financial institutions in the UK, and more than 40 countries in ASPAC and CEEMEA regions, spanning over 20 years
- Stephen continues to provide consultancy and advisory services in these areas

Shareholding: None
Residence: UAE

DR. GLORIA SOMOLEKAE (60)

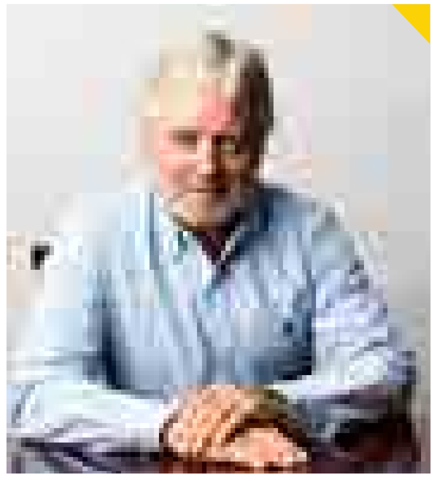
Nationality: Botswana
BA, MA Public Policy and Administration,
PhD in Public Administration

Independent Non-Executive Director
Member of the Group HR Committee
Member of the Group Audit Committee
(wef 1 January 2018)

Appointed 2016

- Gloria is a career academic with strong focus on, and expertise in, philanthrophy and public policy, development management, public sector governance, capacity building and sustainable development
- She has built an illustrious career spanning 30 years that has included leading roles in academia, philanthrophy and public sector
- In 2011 she was appointed as Specially Elected Member of the Botswana Parliament in which she held various cabinet positions
- Her work in the private foundation space involved grant making (including in microfinance) primarily with the Kellogg Foundation

Shareholding: None
Residence: Botswana



CHRISTIAN VAN SCHALKWYK (63)

Nationality: South Africa
B.Comm, LLB, Chartered Accountant (SA)

Independent Non-Executive Director
Chairman of the Group Risk Committee
Member of the Group Audit Committee

Appointed 2017

- Christian is a qualified lawyer and chartered accountant
- Christian has over 20 years experience in banking and legal services
- Held various senior executive roles at Capitec Bank from 2001-2015 including Chief Executive of Credit Risk Management, Head of Risk Management and Company Secretary
- Prior to this, Christian was a partner at legal firm Jan S De Villier, and headed up legal services at Boland PKS

Shareholding: None
Residence: South Africa

RUNA ALAM (58)

Nationality: USA
BA International and Development Economics (Princeton), MBA (Harvard)

Non-Executive Director
Member of the Group Risk Committee, Group Investment Committee and Nominations and Social and Ethics Committee (wef 19 January 2018)

Appointed 2018

- Runa is co-Founding Partner and Chief Executive Officer of Development Partners International (DPI), a Pan-African private equity firm
- She has more than 30 years of investment banking, emerging market management, mergers and acquisitions, corporate and tax-exempt finance and private equity experience
- Formerly, Runa has worked for investment banks including Morgan Stanley and Merrill Lynch and she has held directorships in AIG Africa Infrastructure Fund and is the former Chair of AVCA.
- She continues to serve on the Board of several African companies including being a member of the Emerging Market Private Equity Associations Advisory Council and African Council. She is also on the Steering Committee of Private Equity Women's Investment Network

Shareholding: None
Residence: United Kingdom

HANNINGTON R. KARUHANGA (58)

Nationality: Uganda
BA (Hons), MBA

Independent Non-Executive Director
Member of the Group Audit Committee, Group HR Committee, Group Investment Committee
Member of the Group Nominations and Social and Ethics Committee (until 31 December 2017)

Appointed 2013

- Hannington has over 25 years commodities trading experience, of which more than 15 years have been at executive level as Group Managing Director of Sucafina S.A Group of Companies
- He previously worked as marketing manager for Uganda Coffee Marketing Board Limited for over 9 years
- His former directorships include Board Chairman of Stanbic Bank Uganda (2004-2008)
- He currently sits on various boards including Airtel Uganda, Line Assurance and Uganda Coffee Develpoment Authority and he is the Managing Director of Savannah Commodities

Shareholding: 28,987
Residence: Uganda

Board of Directors (continued)

GERRIT LODEWYK VAN HEERDE (50)

Nationality: South Africa

B. Com (Hons), Fellow of the Institute and Faculty of Actuaries

Non-Executive Director
Member of the Group Audit Committee and Group Risk Committee
From 1 January 2018, member of the Group Risk Committee and Group Investment Committee

Appointed 2014

- Gerrit is a Group Executive of Sanlam Emerging Markets (SEM) and represents SEM on various Boards including Botswana Insurance Holdings Limited
- His responsibilities include life and short term insurance, asset management and credit
- Prior to his current position, he held various positions at Sanlam Group, which include CFO for SEM and the oversight responsibility for Sanlam Home Loans and Angola African Finance

Shareholding: None
Residence: South Africa

ROBERT THORNTON (65)

Nationality: USA

BA (Hons) History and German

Independent Non-Executive Director
Chairman of the Group Human Resource Committee
Member of the Group Investment Committee
Member of the Group Nominations and Social Ethics Committee (wef 1 January 2018)

Appointed 2013

- Robert trained extensively with Citibank in the areas of strategy, risk, marketing and HR management
- Previous experience includes leadership roles at SSB Bank Ltd in Ghana, Bridge Bank Group in the Ivory Coast and Citi Bank
- Most recently, Robert was appointed CEO of West Africa Enterprise Capital in Ivory Coast
- Robert plays an integral role in numerous short-term assignments for offshore investment funds, including Dangote Group and Blakeney Management.
- Robert brings many years of banking consulting experience

Shareholding: None
Residence: USA

CATHERINE LESETEDI (50)

Nationality: Botswana

BA Statistics and Demography, MDP, Advanced Insurance Practice and Diploma in Insurance Studies Associate of the Insurance Institute of South Africa

Non-Executive Director
Member of the Group Nominations and Social and Ethics Committee
Member of the Group HR Committee (wef 1 January 2018)

Appointed 2013

- Catherine is the Group Chief Executive Officer of Botswana Insurance Holdings Limited (BIHL) and represents BIHL on a number of Boards including Funeral Services Group Limited, Bifm Unit Trusts, Botswana Insurance Company Limited, Nico Life, Nico Pensions Company and Nico Holdings.
- She has a history of working in the insurance industry. Skilled in negotiations, budgeting, analytics, coaching and entrepreneurship.
- Prior to her current position, she held various positions within BIHL Group and AON Botswana, which include Head of Corporate and High Value Business and General Manager of Life and Employee Benefits

Shareholding: None
Residence: Botswana

JOSIAS DE KOCK (58)

Nationality: South Africa

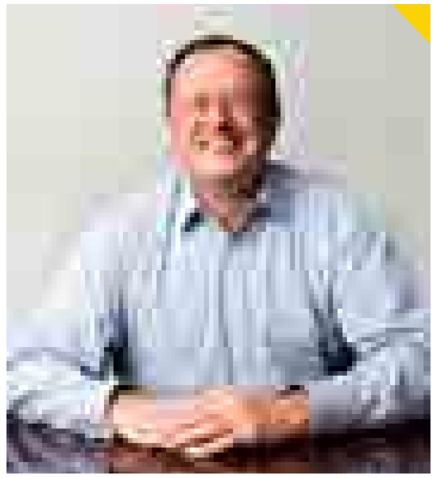
B Comm (Acc), BAcc (Hons), Chartered Accountant (SA), Higher Diploma in Taxation and Executive Development Programme

Independent Non-Executive Director
Chairman of the Group Investment Committee
Member of the Group Audit Committee
Member of the Group Risk Committee
Member of the Group Nominations and Social Ethics Committee (wef 1 January 2018)

Appointed 2013

- Josias has significant financial services experience across the banking, insurance and commercial industry sectors of Africa
- Served as CFO at Premier Foods and as Chief Risk Officer at Sanlam Group
- Held a number of senior management positions at Rand Merchant Bank, Firstcorp Merchant Bank and BOE bank

Shareholding: None
Residence: South Africa



CHRIS LOW (58)

Nationality: UK

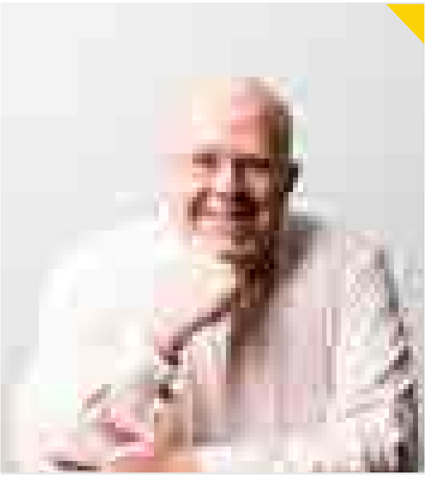
MA (Zoology), Associate member of the Institute of Chartered Accountants of England and Wales

Executive Director
Chairman of the Group Management Committee

Appointed 2013

- Chris has more than 30 years of experience in the financial services industry
- Previously, Chris trained at Arthur Andersen & Co as a Chartered Accountant before moving to Goldman Sachs as Vice President of Finance
- Chris then joined Standard Chartered Bank (during his 18 year career Chris ran operations in Tanzania, Kenya, South Africa and India) and subsequently National Bank of Kuwait (3 years as Deputy Chief Executive Officer, International Banking Diversion)
- Chris is currently Group Managing Director of Letshego Holdings Limited

Shareholding: 3,168,659
Residence: Botswana



COLM PATTERSON (46)

Nationality: Ireland

FCA (Ireland), FCPA (Botswana)

Executive Director
Member of the Group Management Committee

Appointed 2017

- Colm has been the Group CFO for Letshego Holdings since 2007 and has over 25 years experience in the auditing and financial services industries
- Prior to joining Letshego, he was an Associate Director in the audit and assurance division of PricewaterhouseCoopers

Shareholding: 3,371,129
Residence: Botswana

OUR PEOPLE

Group Management Commitee

GROUP MANAGING DIRECTOR

A CHRISTOPHER M LOW (58)

Nationality: UK
MA (Zoology), ACA (England and Wales)

Shareholding: 3,168,659
Residence: Botswana

DEPUTY GROUP MANAGING DIRECTOR

CAREN ROBB (41)

Nationality: UK & South Africa
FCMA (UK), GMCA (UK)

- Strategy, innovation and transformation
- Mobilisation Team 1: Ghana, Mozambique, Namibia and Rwanda
- Governance, Risk, Legal and Compliance
- Corporate Affairs and Reputational Risk

Shareholding: None
Residence: South Africa

GROUP CHIEF FINANCE OFFICER

COLM PATTERSON (46)

Nationality: Ireland
FCA (Ireland), FCPA (Botswana)

- Finance and Management Reporting
- GMC Sponsor for Mobilisation Team: 'Business Automation & Optimisation'
- Commercial
- Tax and Corporate Structuring
- Treasury and Asset and Liability Management including funding strategy
- Credit Risk Management
- Investor Relations
- Data and Analytics
- Premises and Health and Safety

Shareholding: 3,371,129
Residence: Botswana

GROUP HEAD MICRO FINANCE

TOM KOCSIS (48)

Nationality: USA
BSc Engineering (New York)

- Micro and Small Entrepreneurs (MSE) segment
- GMC sponsor Mobilisation Team 2: Kenya, Nigeria, Tanzania and Uganda
- Education and Agri-business Sector
- Affordable Housing

Shareholding: 850,000
Residence: Botswana

GROUP HEAD OF CONSUMER FINANCE

FRED MMELESI (49)

Nationality: Botswana
AAT, MBA, Executive
Development Programme

- Formal Segment
- GMC Sponsor "Mobilisation Team 3: Botswana, Lesotho and Swaziland
- Government / Non-Government Deduction at Source Lending
- Micro-Insurance Strategy

Shareholding: 2,182,811
Residence: Botswana

GROUP HEAD ACCESS AND SALES

JAMES WAINAINA (51)

Nationality: Kenya
BA (Hons) Maths and Economics (Kenya)

- Sales and Service Effectiveness
- Digital and Micro Solutions
- Access Channel Optimisation
- Customer Journey Management

Shareholding: None
Residence: Kenya

GROUP HEAD PEOPLE EXPERIENCE

SIMON KIOKO (44)

Nationality: Kenya
MBA (Kenya), ACCA, CIA, CPA,
CS, SIRM, AKIB

- Recruitment and Succession Planning
- Remuneration
- Performance Management
- Talent and Growth Management
- Learning and Development
- Industrial Relations

Shareholding: None
Residence: Kenya

ACTING GROUP CHIEF OPERATING OFFICER AND CHIEF INFORMATION OFFICER

NEVILLE PERRY (52)

Nationality: South Africa
MSc, ITM

- Information Technology
- GMC sponsor for Mobilisation Team 6: Core Platforms
- Central Operations
- Process Re-engineering

Shareholding: None
Residence: Botswana

Group Functional Heads

HEAD OF GROUP INTERNAL AUDIT

NKOSANA NDLOVU (36)

Nationality: Zimbabwe
Residence: Botswana

HEAD OF GROUP GOVERNANCE, LEGAL, COMPLIANCE AND RISK

CANDICE GLOSSOTI (44)

Nationality: South Africa
Residence: South Africa

HEAD OF GROUP CORPORATE AFFAIRS

LAUREN CALLIE (41)

Nationality: South Africa
Residence: South Africa

HEAD OF GROUP INVESTOR RELATIONS

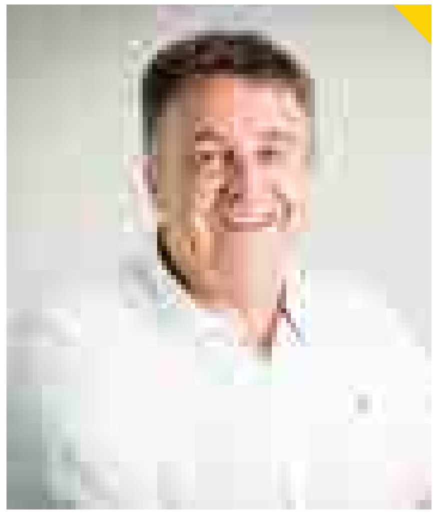
BOIKANYO KGOSIDINTSI (47)

Nationality: Botswana
Residence: Botswana

CHIEF COMMERCIAL OFFICER

MYTHRI SAMBASIVAN-GEORGE (39)

Nationality: Indian
Shareholding: 968,324
Residence: Botswana



HEAD OF GROUP FINANCIAL RISK

BRUCE SNEDDON (49)

Nationality: South Africa
Residence: South Africa

HEAD OF EAST AND WEST BANKING OPERATIONS

PETER CHADWICK (55)

Nationality: Australia
Residence: Botswana

HEAD OF SOUTHERN BANKING OPERATIONS

EDIRETSE RAMAHOBO (45)

Nationality: Botswana
Residence: Botswana

HEAD OF GROUP STRATGEY, INNOVATION AND TRANSFORMATION

BRIAN DEMPSEY (31)

Nationality: USA
Residence: Botswana

HEAD OF GROUP PROGRAMME MANAGEMENT

GARETH YEO (41)

Nationality: South Africa
Residence: South Africa

HEAD OF GROUP MARKETING AND CUSTOMER EXPERIENCE

CHIPILIRO KATUNDU (41)

Nationality: Malawi
Shareholding: 558,333
Residence: South Africa

HEAD OF GROUP CUSTOMER JOURNEY MANAGEMENT

PAULO ANDRADE (47)

Nationality: South Africa
Residence: South Africa

Heads of Business Mobilisation

COUNTRY FOCUS

MOBILISATION TEAM 1:
Ghana; Mozambique; Namibia; Rwanda
NTSETSA MOTHELESI (42)
Head of Business Mobilisation & Delivery
Nationality: Botswana
Residence: Botswana

MOBILISATION TEAM 2:
Nigeria; Kenya; Tanzania; Uganda
BENJAMIN MUKETHA (52)
Head of Business Mobilisation & Delivery
Nationality: Kenya
Residence: Kenya

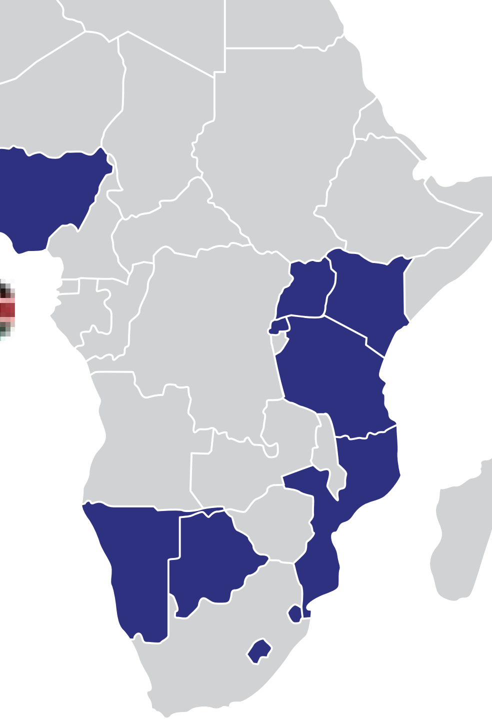
MOBILISATION TEAM 3:
Botswana; Lesotho; Swaziland
DIMAKATSO POLOKELO (39)
Head of Business Mobilisation & Delivery
Nationality: Botswana
Residence: Botswana

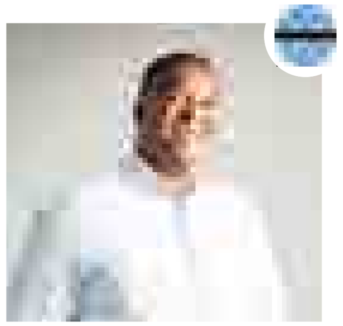
GROUP NETWORK FOCUS

CENTER OF EXPERTISE: PRODUCTIVITY AND AUTOMATION
JP VAN DER GRYP (46)
Head of Productivity
& Digital Automation
Nationality: South Africa
Residence: South Africa

CENTER OF EXPERTISE: TECHNOLOGY AND OPERATIONS
CARLO STEPCIC (38)
Head of Business
Nationality: South Africa
Residence: South Africa

Country CEOs

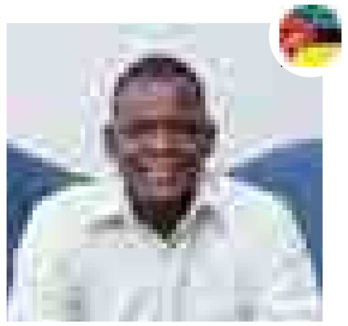




BOTSWANA
FERGUS FERGUSON (37)
Nationality: Botswana
Residence: Botswana

GHANA
ARNOLD PARKER (40)
Nationality: Ghana
Residence: Ghana

KENYA
ADAM KASAINE (39)
Nationality: Kenya
Residence: Kenya



LESOTHO
YANDE SIKAZWE-MOTHAE (49)
Nationality: Zambia
Residence: Lesotho

MOZAMBIQUE
CARLOS JORGE NHAMAHANGO (40)
Nationality: Mozambique
Residence: Mozambique
(Subject to regulatory approval)

NAMIBIA
ESTER KALI (50)
Nationality: Namibia
Residence: Namibia

NIGERIA
TOLULOPE OPAYINKA (50)
Nationality: Nigeria
Residence: Nigeria

RWANDA
DRU JAYARATNE (49)
Nationality: Australia
Shareholding: 799,341
Residence: Rwanda

SWAZILAND
MONGI DLAMINI (36)
Nationality: Swaziland
Residence: Swaziland

TANZANIA
YOHANE KADUMA (43)
Nationality: Tanzania
Residence: Tanzania

UGANDA
GEOFFREY KITAKULE (49)
Nationality: Uganda
Shareholding: 289,492
Residence: Uganda

MSE
BUSINESS

LETSHEGO IS

IMPROVING MY LIFE

> *"This seed capital was invaluable in growing the business."*

Sipho Mashelela lives in Swaziland with his wife and children, and was delighted when his application for a loan to finance his wife's business was granted by Letshego.

This seed capital was invaluable in growing the business, which focused on sewing school uniforms. With the expanded profits, Sipho and his wife invested in local plots of land, as well as a welding machine.

Sipho has since built houses on the land to generate regular rental income. Today, the entrepreneurial couple have 10 rental rooms generating approximately SZL3,000 (+/- BWP2,300) per month, providing a stable income stream for Sipho to pay back his loan and support his family's needs.

With the welding machine, Sipho has generated yet another income stream by providing welding services for the local community.

SWAZILAND
Sipho Mashelela

3

OUR FOOTPRINT

The Letshego Group is a proudly African multinational organisation, headquartered and listed in Botswana and focused on delivering inclusive finance solutions to underserved populations across Sub Saharan Africa. In 2017, we expanded our West African footprint following the acquisition of Afb Ghana, bringing our total footprint markets to 11 – six of which have deposit taking licences. In this section we share insights from each of our markets, including performance, key achievements, our people, customer trends and behaviour.

BOTSWANA

BORROW

Established
1998

Botswana's economy grew 4.3% in 2017, up 1.7% from the previous year with noteworthy challenges being the dip in diamond prices worldwide. Letshego Botswana's performance was tempered, with gross loans and advances up 3% on the prior year. Growth was limited by high early settlement rates and pricing pressures. Profitability remained muted at BWP461mn vs BWP467mn in 2016, impacted by both market challenges and increased investment into people and systems. The subsidiary's Loan Loss Rate (LLR) decreased to 1% in 2017 (3% in 2016), in preparation for implementation of international regulatory impairment methodology to meet IFRS requirements.

Government Deduction at Source loans remains Botswana's core business, with steady progress being made in diversifying the customer base into non-government segments. Successful pilot solutions in MSE (Micro & Small Enterprises) lending were launched during 2017. Operations were also strengthened by embedding the Group's Enterprise Risk Management Framework (ERMF), which includes the development and roll-out of new policies and guidelines. The 'ERMF' was further strengthened by Risk and Control Assessments across all operations.

Letshego Botswana gains a new leadership perspective, with the appointment of Fergus Ferguson as CEO Botswana, effective 1 November 2017. Fergus brings invaluable operational and governance expertise, given his previous role as Letshego Group's Head of Credit Risk.

Going forward, Botswana remains committed to diversifying into non government customer segments, accelerating its MSE solution and expanding into affordable housing, subject to regulatory clearances.

LETSHEGO BOTSWANA CUSTOMER TRENDS

14%
Make use of Mobile Solutions

64%
within 10km of accessing
a Letshego product solution

69%
Savings Culture

87%
Customer Satisfaction Level

99%
Productive Loan Use

LOAN BEHAVIOUR IN LAST 12 MONTHS

Only 1 loan	8%
Less than 3 loans	52%
More than 3 loans	40%

Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

NUMBER OF DEPENDANTS

1	13%
1-4	42%
4-7	40%
› 7	5%

KEY ACHIEVEMENTS

- Pilot launch of MSE lending
- Strong non-government diversification
- Embedded Enterprise Risk Management Framework
- Data analytics driven customer acquisitions pilots

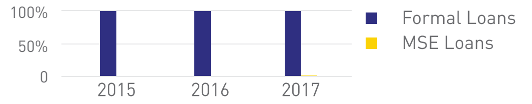
FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	450	467	461
Net disbursements to customers (BWP'm)	383	370	302
Net Advances (BWP'm)	2,148	2,242	2,319
LLRs to average advances	4%	3%	1%
NPL provision coverage	69%	85%	70%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	38	37	36
Savers ('000)	N/A	N/A	N/A

Customer Numbers by Business Segment

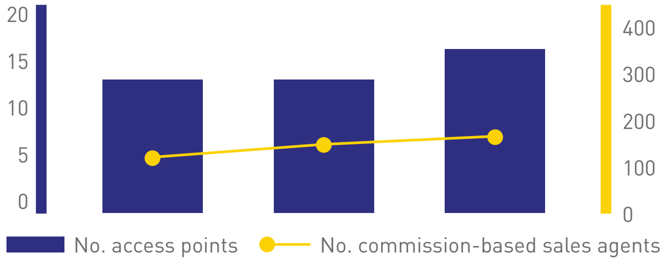


	2015	2016	2017
SSI Spend (BWP'000)	193	223	240

ACCESSIBILITY & ECONOMIC CONTRIBUTION

2015	2016	2017

Accessibility

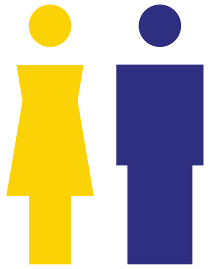


	2015	2016	2017
Tax Paid (BWP'm)	100	104	96

OUR PEOPLE

	2015	2016	2017
Number of FTEs and DSAs	205	242	263
Training Spend (BWP'm)	1.4	2	2.2
Training per FTE (BWP)	6,765	7,897	5,504

FTE Gender Split



	● Female	● Male
2015	60%	40%
2016	60%	40%
2017	59%	41%

GHANA

BORROW SAVE

2017
Acquired Afb Ghana

Ghana's economy grew 8.5% in 2017, the highest level in five years, demonstrating strong resilience in oil and gas as well as services sectors. Letshego's subsidiary, Afb Ghana has already demonstrated its value by generating positive earnings within the first financial year, following Letshego Group's acquisition in January 2017. The Ghana subsidiary is predominantly a formal Deduction at Source offering, focusing on both public and private sector salaried workers.

While progressing integration and alignment with Letshego processes, systems and reporting, the Afb Ghana team remained committed to sound performance for the 2017 financial year. Although off a low base, Afb Ghana enjoyed an increase of 70% year-on-year for loans and advances, to BWP346million. This growth resulted in a 166% upswing in Profit-before-tax to BWP36million – almost 30% above original budgeted targets. On 1 July 2017, the business implemented pricing adjustments to improve its competitiveness in the market and rolled out a new credit life insurance offering.

Qwikloan’, a mobile borrowing solution in collaboration with MTN Ghana and Jumo, was piloted in Q2 2017 and launched in Q4 of the same year. Its success was demonstrated in Afb's disbursement of more than 800,000 Qwiloans to over 60,000 new customers by the end of 2017. Ghana aims to increase its reach by expanding the current MSE segment (Micro & Small Entrepreneurs), constituting 3% of the loan book as at December 2017.

Going forward, Ghana will continue to leverage Group best practice with a view to rolling out solutions to support the Education, Agriculture and Affordable Housing sectors of the economy. AFB Ghana will rebrand to Letshego during 2018 and apply to convert into a Savings and Loan Company.

LETSHEGO GHANA CUSTOMER TRENDS

10%
Make use of Mobile Solutions

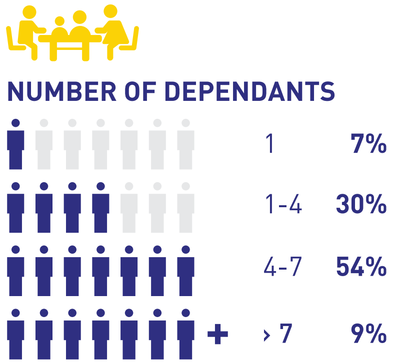
41%
within 10km of accessing a Letshego product solution

69%
Customer Satisfaction Level

81%
Productive Loan Use

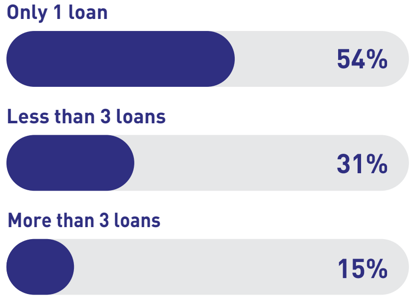
87%
Savings Culture

NUMBER OF DEPENDANTS



1	7%
1-4	30%
4-7	54%
› 7	9%

LOAN BEHAVIOUR IN LAST 12 MONTHS



Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

KEY ACHIEVEMENTS

- 2017 Profit after tax up 166%
- Launched Qwikloan, mobile loan solutions in partnership with MTN Ghana & Jumo
- Launched Smartsave, a mobile savings solution

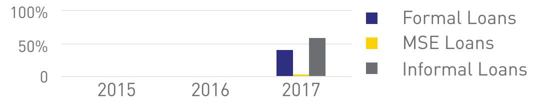
FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	N/A	N/A	36
Net disbursements to customers (BWP'm)	N/A	N/A	223
Net Advances (BWP'm)	N/A	N/A	346
LLRs to average Advances	N/A	N/A	2%
NPL provision coverage	N/A	N/A	98%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	N/A	N/A	109
Savers ('000)	N/A	N/A	1.5

Customer Numbers by Business Segment



	2015	2016	2017
SSI Spend (BWP'000)	N/A	N/A	229

ACCESSIBILITY & ECONOMIC CONTRIBUTION

2015	2016	2017

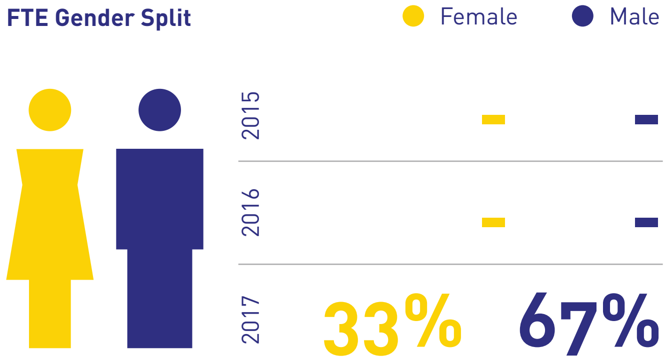
Accessibility

	2015	2016	2017
Tax Paid (BWP'm)	N/A	N/A	11

OUR PEOPLE

	2015	2016	2017
Number of FTEs and DSAs	N/A	N/A	233
Training Spend (BWP'm)	N/A	N/A	1.2
Training per FTE (BWP)	N/A	N/A	5,341

FTE Gender Split



KENYA

BORROW

2012
Acquired Micro Africa Group

In 2017, Kenya's economy grew by 5.5%, dropping 0.5% from the previous year due to prolonged drought and instability around national elections. Despite these market challenges, Letshego Kenya's performance improved for the year ended December 2017.

In 2017 Kenya invested into strategic initiatives that support future growth and expansion, namely: increasing the number of non-government employer partnerships in Deduction at Source; a new performance incentive scheme for both Relationship Officers and the Direct Sales Agents; as well as the recruitment of specialist skills and expertise into operations teams to increase efficiencies and mitigate risk. Kenya also gained new leadership with the appointment of Adam Kaisane as CEO Kenya, effective 15 May 2017.

Under Adam's leadership, Kenya's refocused investment is already starting to deliver dividends, with the business achieving two record months in the second half of the year, for both Deduction at Source and MSE (Micro and Small Entrepreneurs).

Launched in 2017, Kenya's Education solution is showing strong prospects and appeals to the Group's inclusive finance agenda by supporting the education ecosystem as a whole - benefiting teachers, parents, pupils and suppliers.

Looking forward, Kenya will continue to diversify its solutions and increase digital access channels by leveraging Group best practice from across the region.

LETSHEGO KENYA CUSTOMER TRENDS

65%
within 10km of accessing a Letshego product solution

67%
Make use of Mobile Solutions

78%
Customer Satisfaction Level

86%
Productive Loan Use

95%
Savings Culture

LOAN BEHAVIOUR IN LAST 12 MONTHS

Only 1 loan	70%
Less than 3 loans	24%
More than 3 loans	7%

Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

NUMBER OF DEPENDANTS

1	13%
1-4	45%
4-7	40%
› 7	1%

KEY ACHIEVEMENTS

- Launched Education EcoSystem Solution
- Achieved record monthly sales in Deduction at Source
- Increased employed skills in operational efficiencies and risk mitigation

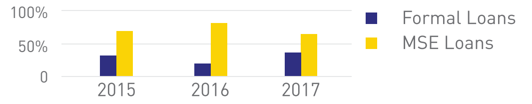
FINANCIAL PERFORMANCE

2015	2016	2017
PBMT (BWP'm)		
28	3	21
Net disbursements to customers (BWP'm)		
296	285	309
Net Advances (BWP'm)		
395	409	516
LLRs to average Advances		
3%	6%	3%
NPL provision coverage		
217%	172%	135%

CUSTOMERS & COMMUNITIES

2015	2016	2017
Number of Borrowers ('000)		
36	28	26
Savers ('000)		
N/A	N/A	N/A

Customer Numbers by Business Segment

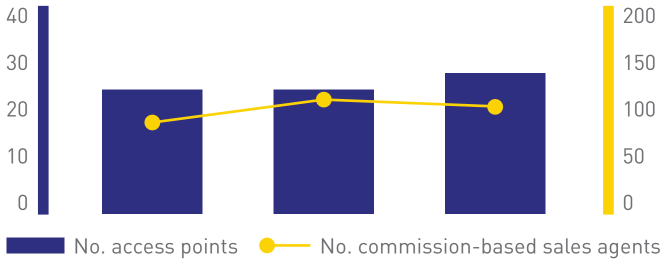


2015	2016	2017
SSI Spend (BWP'000)		
34	17	10

ACCESSIBILITY & ECONOMIC CONTRIBUTION

2015	2016	2017

Accessibility



2015	2016	2017
Tax Paid (BWP'm)		
6	0.4	10

OUR PEOPLE

2015	2016	2017
Number of FTEs and DSAs		
218	222	220
Training Spend (BWP'm)		
0.7	0.9	0.3
Training per FTE (BWP)		
3,034	4,105	1,253

FTE Gender Split

	Female	Male
2015	50%	50%
2016	50%	50%
2017	55%	45%

LESOTHO

BORROW

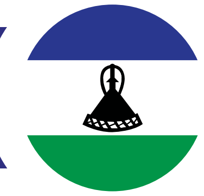
Established
2012

The economy of Lesotho grew by 4.6% in 2017, primarily driven by the textile manufacturing, mining and agriculture industries. Letshego Lesotho achieved Profit-before-tax of BWP69million for 2017, indicating a growth trajectory of 25% year-on-year. Net advances decreased by 1% in the same period, indicative of challenging market conditions.

Letshego Lesotho is committed to diversifying both its customer base and solutions offering, particularly in light of the increased competition from the state-owned bank and aggressive introduction of broad-based schemes by other banks.

In 2017, Lesotho piloted a partnership with a local telecom provider, which aligns to the organisation's commitment to increase the reach and access of simple and appropriate financial solutions to broader, underserved populations. To support future growth, Letshego Lesotho is on track to launch new solutions in the medium term – these include Affordable Housing, a building loan and home improvement solution, as well as an MSE (Micro & Small Entrepreneurs) financing solution in the medium term.

LETSHEGO LESOTHO CUSTOMER TRENDS



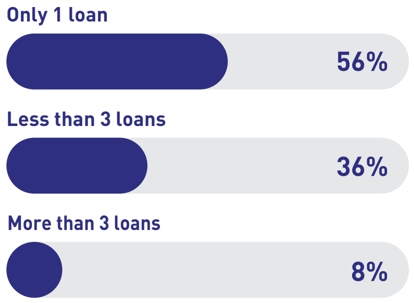
61%
within 10km of accessing a Letshego product solution

73%
Productive Loan Use

97%
Customer Satisfaction Level

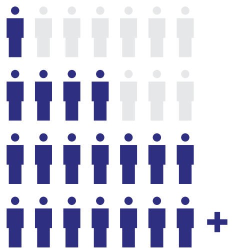
100%
Savings Culture

LOAN BEHAVIOUR IN LAST 12 MONTHS



Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

NUMBER OF DEPENDANTS



1	16%
1-4	43%
4-7	41%
› 7	1%

KEY ACHIEVEMENTS

- Profit-before-Tax up 25% YOY
- Piloted partnership with telecom provider
- Diversifying customer base into non-government segment

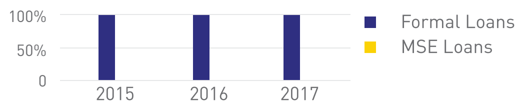
FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	33	55	69
Net disbursements to customers (BWP'm)	108	158	59
Net Advances (BWP'm)	251	409	403
LLRs to average Advances	1%	2%	1%
NPL provision coverage	116%	9%	56%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	7	8	7
Savers ('000)	N/A	N/A	N/A

Customer Numbers by Business Segment

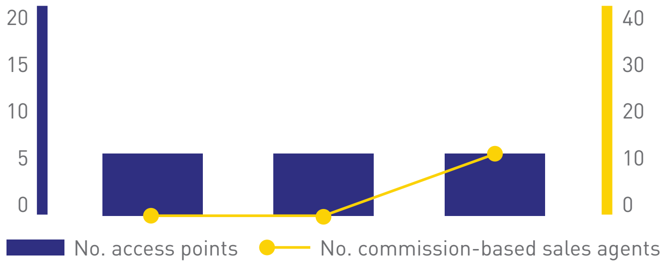


	2015	2016	2017
SSI Spend (BWP'000)	104	74	21

ACCESSIBILITY & ECONOMIC CONTRIBUTION

2015	2016	2017

Accessibility

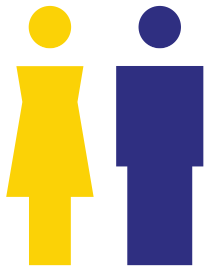


	2015	2016	2017
Tax Paid (BWP'm)	6	12	15

OUR PEOPLE

	2015	2016	2017
Number of FTEs and DSAs	32	37	40
Training Spend (BWP'm)	0.1	0.3	0.2
Training per FTE (BWP)	4,046	7,077	4,108

FTE Gender Split



	Female	Male
2015	75%	25%
2016	75%	25%
2017	72%	28%

MOZAMBIQUE

BORROW SAVE

Established
2011

Mozambique's economy grew 3.7% in 2017, supported by the mining, agriculture and communication sectors. Letshego Mozambique recorded an increase in performance with double digit growth of 38% in its loan book. Profit-before-Tax (PBT), however, dipped by 30% year-on-year in preparation for the implementation of IFRS9, as well as an increase in the cost of funding following local macroeconomic challenges.

Letshego Mozambique's expansion was supported by the award-winning Blue Box agency solution, with community agents now bringing in more than half of Mozambique's new business. Processes have also been enhanced around collections and recovery.

Although government Deduction at Source remains Letshego Mozambique's core business, the subsidiary remains committed to increasing financial inclusion by embedding the LetsGo All-in-1 solution. LetsGo includes savings and cash-in/cash out options, while giving customers increased access via community-based agents and digital channels.

Focused investment and initiatives in 2017 that support sustainable future growth include: an enhanced Direct Sales Agent programme, where agents are provided with structured support and training; Call Centre activation campaigns based on enhanced data analysis; a step up in Operational Efficiencies, such as turnaround times and collections policies.

With Mozambique's CEO, Chipiliro Katundu moving to a Group role, Letshego has appointed *Carlos Nhamahanga, former Country CFO, as the country's new CEO. Mozambique is committed to entrenching its agency network, increasing savings via the LetsGo solution and diversifying its offering with education and affordable housing solutions, leveraging regional best practice.

**This appointment is pending regulatory approvals at the time of going to print.*

LETSHEGO MOZAMBIQUE CUSTOMER TRENDS

7%
Make use of Mobile Solutions

61%
within 10km of accessing a Letshego product solution

80%
Customer Satisfaction Level

89%
Productive Loan Use

100%
Savings Culture

LOAN BEHAVIOUR IN LAST 12 MONTHS

Only 1 loan	86%
Less than 3 loans	13%
More than 3 loans	1%

Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

NUMBER OF DEPENDANTS

1	3%
1-4	27%
4-7	53%
› 7	13%

KEY ACHIEVEMENTS

- Growth in Sales Agents
- Good loan book growth
- Launched Blue Box
- Increased traction in LetsGo mobilisation

FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	172	107	75
Net disbursements to customers (BWP'm)	262	151	361
Net Advances (BWP'm)	1, 065	735	1,013
LLRs to average Advances	1%	2%	2%
NPL provision coverage	15%	36%	29%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	59	67	79
Savers ('000)	0	3	18

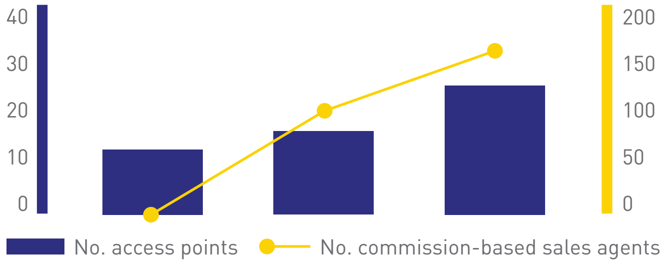
Customer Numbers by Business Segment

	2015	2016	2017
SSI Spend (BWP'000)	0	0	43

ACCESSIBILITY & ECONOMIC CONTRIBUTION

2015 2016 2017

Accessibility

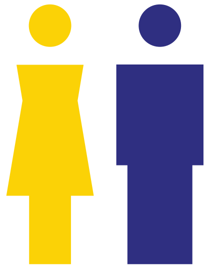


	2015	2016	2017
Tax Paid (BWP'm)	56	38	22

OUR PEOPLE

	2015	2016	2017
Number of FTEs and DSAs	144	158	162
Training Spend (BWP'm)	0.1	0.2	0.2
Training per FTE (BWP)	590	1,371	1,531

FTE Gender Split



	● Female	● Male
2015	38%	62%
2016	38%	62%
2017	39%	61%

NAMIBIA

BORROW SAVE

2008
Acquired Edu Loan Namibia

Namibia's economy had a tough year with low-levels of economic growth in the domestic economy and those of its largest trading partner, South Africa. Despite this, Letshego Namibia recorded good performance, with both revenue and loans achieving double-digit growth of 16%, year-on-year. The Namibian subsidiary remains focused on effective risk management, evidenced by non-performing loans of 2.9% in 2017. This positive performance is evidence of the appropriateness and the value Letshego's solutions bring to the local market.

2017 was a year for Letshego Namibia's history books, with the 'Ekwafu Letu IPO' and subsequent successful listing on the Namibian Stock Exchange. Additional highlights include the pilot and launch of the LetsGo savings solution, offering extended reach via Letshego's innovative digital, access channels. These achievements provide a solid platform for Namibia's sustainable growth strategy going forward, benefiting all stakeholders, including customers and new shareholders.

In measuring our social impact, Letshego Namibia remains inspired by the majority of our customers using their loans productively, and demonstrating an appetite to access our improved solutions via both digital and mobile platforms.

Going forward, Letshego Namibia looks forward to further diversifying its customer base into non-government segments, and expanding our range of financial solutions to support Namibia's financial inclusion agenda.

LETSHEGO NAMIBIA CUSTOMER TRENDS

NUMBER OF DEPENDANTS

1	8%
1-4	26%
4-7	37%
› 7	29%

5%
Make use of Mobile Solutions

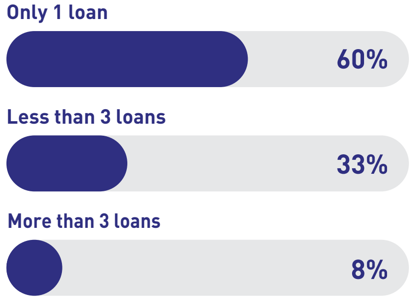
44%
Customer Satisfaction Level

72%
within 10km of accessing a Letshego product solution

79%
Productive Loan Use

99%
Savings Culture

LOAN BEHAVIOUR IN LAST 12 MONTHS



Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

KEY ACHIEVEMENTS

- Double digit revenue and portfolio growth (up 16% YOY)
- Successful listing of subsidiary on Namibian Stock Exchange
- Pilot & Launch of LetsGo All-in-1 solution

FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	316	351	436
Net disbursements to customers (BWP'm)	548	572	647
Net Advances (BWP'm)	1,392	1,668	1,930
LLRs to average Advances	0%	0%	0%
NPL provision coverage	69%	45%	19%

CUSTOMERS & COMMUNITIES

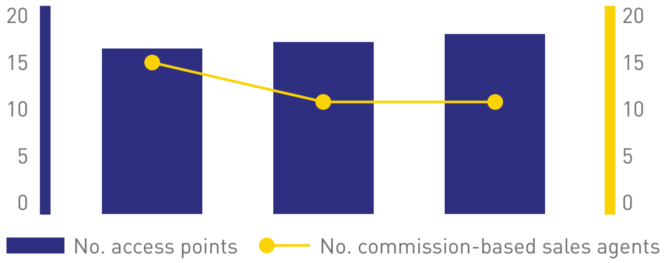
	2015	2016	2017
Number of Borrowers ('000)	56	51	52
Savers ('000)	N/A	N/A	0.1

Customer Numbers by Business Segment

	2015	2016	2017
SSI Spend (BWP'000)	725	398	490

ACCESSIBILITY & ECONOMIC CONTRIBUTION

Accessibility

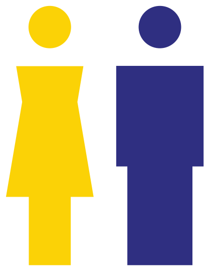


	2015	2016	2017
Tax Paid (BWP'm)	67	78	92

OUR PEOPLE

	2015	2016	2017
Number of FTEs and DSAs	66	86	98
Training Spend (BWP'm)	0.2	0.3	0.6
Training per FTE (BWP)	2,758	3,827	5,976

FTE Gender Split



	● Female	● Male
2015	80%	20%
2016	60%	40%
2017	60%	40%

NIGERIA

BORROW SAVE

2015
Acquired FBN Microfinance

Nigeria's economy emerged from a recession in 2017, with GDP back in positive territory at 0.83%. The resurgence is attributable to the increase in international oil prices and improved economic stability. GDP is forecast around 3% in 2018, if oil prices maintain an upward trend.

Letshego Nigeria is in its second year of operation since Letshego Group's acquisition of FBN MicroFinance Bank in 2015. The Nigerian subsidiary's loan book grew 4% in 2017 (48% in local currency).

Nigeria invested in a number of strategic initiatives during the year, which stand to provide an ideal platform for future sustainable growth. These include the implementation of the Group's core banking system, 'BaNCS', and the recruitment of relevant expertise into the local management team.

A number of new solutions were launched during the year, which expand Nigeria's offering and assist the entity to extend their ambition to reach broader underserved communities. New solutions include the Deduction at Source loan offering, as well as the Education Ecosystem and Affordable Housing solutions. With these additional solutions, Nigeria now has a full suite of credit and savings solutions to support its growing customer base.

In March 2018, Letshego Nigeria gained a new leader, following the appointment of Tolulope Opayinka. With Tolulope's experience in the inclusive and traditional finance sector, she is well-placed to lead Letshego's expansion and reach into local underserved communities.

LETSHEGO NIGERIA CUSTOMER TRENDS

34%
Make use of Mobile Solutions

70%
within 10km of accessing a Letshego product solution

71%
Customer Satisfaction Level

98%
Savings Culture

100%
Productive Loan Use

LOAN BEHAVIOUR IN LAST 12 MONTHS

Only 1 loan 46%

Less than 3 loans 40%

More than 3 loans 14%

Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

NUMBER OF DEPENDANTS

1	18%
1-4	44%
4-7	34%
› 7	5%

KEY ACHIEVEMENTS

- Returned to profitability
- Launched Deduction at Source
- Launched Education & Agriculture Eco system & Housing
- Implemented the Group's core systems platform

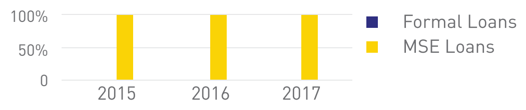
FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	N/A	(8)	3
Net disbursements to customers (BWP'm)	N/A	173	142
Net Advances (BWP'm)	70	51	54
LLRs to average Advances	N/A	8%	20%
NPL provision coverage	N/A	287%	218%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	12	5	5
Savers ('000)	70	56	84

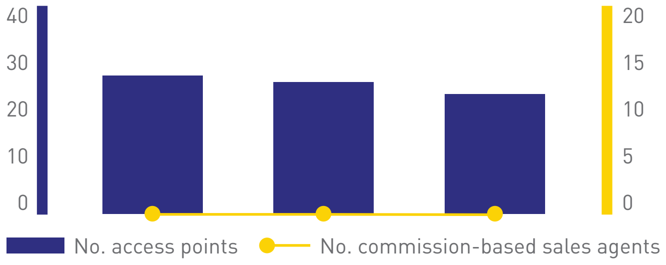
Customer Numbers by Business Segment



	2015	2016	2017
SSI Spend (BWP'000)	0	0	0

ACCESSIBILITY & ECONOMIC CONTRIBUTION

Accessibility

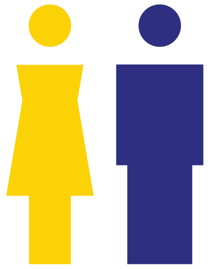


	2015	2016	2017
Tax Paid (BWP'm)	N/A	0	0.9

OUR PEOPLE

	2015	2016	2017
Number of FTEs	315	237	268
Training Spend (BWP'm)	N/A	3.6	0.5
Training per FTE (BWP)	N/A	18,392	1,932

FTE Gender Split



	● Female	● Male
2015	-	-
2016	48%	52%
2017	49%	51%

RWANDA

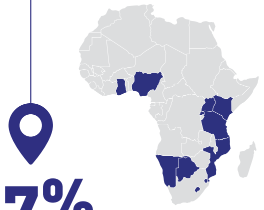
BORROW SAVE

2012
Acquired Micro Africa Group

The Rwandan economy performed well in 2017 with a GDP growth of around 5.2%, which was lower than 2016, and projected to be 6.5% in 2018. During 2017 the financial sector continued to register positive growth with total assets of the sector growing by 14%. The largest share of assets was held by banks (66%) followed by pension (18%), insurance (10%) and MFI's (6%). During the period the numbers of institutes making up the financial sector was 504 with 17 banks, 16 insurance companies. 470 MFI's and 1 pension fund. In 2017, Letshego Rwanda's Management Team was enhanced with the CEO, CFO, CRO and Head of Internal Audit participating in best practice sharing assignments in subsidiaries cross the region. The Group's 'PULSE' recovery system was implemented to drive efficient recoveries, and performance-based incentives introduced for collection and sales teams to promote a more performance orientated culture.

Financial performance in 2017 was poor due to a 72% write down of the loan book from December 2016 - a legacy issue in poor portfolio performance. Loans issued since the new management assumed leadership in 2017 currently comprise almost 50% of the total loan book. This portion of the portfolio has PAR (Portfolio at Risk) levels within Group structured limits, indicating positive progress towards a recovery.

LETSHEGO RWANDA CUSTOMER TRENDS*



67%
Within 10km of accessing a Letshego product

58%
Make use of Mobile Solutions

73%
Customer Satisfaction Level

77%
Savings Culture

86%
Productive Loan Use

NUMBER OF DEPENDANTS

1	9%
1-4	34%
4-7	47%
‹ 7	10%

LOAN BEHAVIOUR IN LAST 12 MONTHS

50%	Only 1 loan
33%	Less than 3 loans
16%	More than 3 loans

***Note: In absence of customer survey, statistics have reverted to Group averages**

KEY ACHIEVEMENTS

- Launched Pulse System to automate recoveries process
- Strengthened capability & risk framework
- Refocused business strategy to support sustainable growth

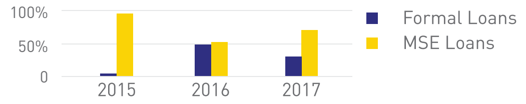
FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	16	1	(42)
Net Advances (BWP'm)	168	165	43
Net disbursements to customers (BWP'm)	146	144	(12)
LLRs to average Advances	8%	10%	43%
NPL provision coverage	131%	157%	142%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	3	4	1
Savers ('000)	6	10	11

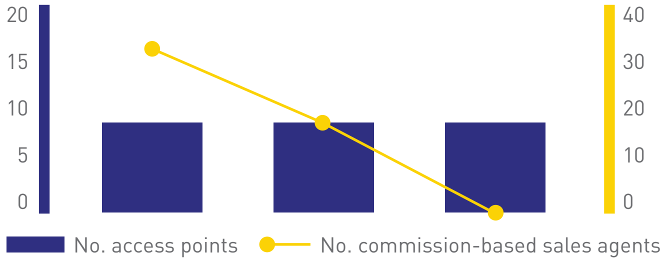
Customer Numbers by Business Segment



	2015	2016	2017
SSI Spend (BWP'000)	0	41	92

ACCESSIBILITY & ECONOMIC CONTRIBUTION

Accessibility

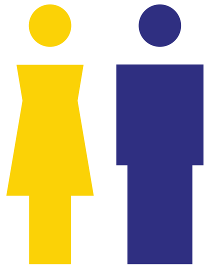


	2015	2016	2017
Tax Paid (BWP'm)	5	0	0

OUR PEOPLE

	2015	2016	2017
Number of FTEs	94	89	97
Training Spend (BWP'm)	0.3	0.5	0.2
Training per FTE (BWP)	2,660	6,156	1,747

FTE Gender Split



	Female	Male
2015	50%	50%
2016	50%	50%
2017	51%	49%

SWAZILAND

BORROW

Established
2006

In 2017, Swaziland's financial services sector experienced sluggish growth, hindered by reduced government spending due to fiscal challenges. Inflation was estimated at 7% in 2017 after peaking at 8% in 2016, largely reflecting the decline in food prices following inadequate precipitation. To manage inflation rates, the Swaziland Central Bank raised the discount rate by 25 basis points to 7.25% in January 2017. While the monetary stance has tightened, fiscal policy remains expansionary to boost economic activity.

Despite market challenges, Letshego Swaziland enjoyed strong growth in 2017, expanding its loan book by 64%, year-on-year. Profit-before-Tax increased by 43% year-on-year, reflecting increasing operational efficiencies and local governance standards. This positive double digit expansion was attributable to Letshego Swaziland's ongoing diversification of its customer base into the non-government sector.

Swaziland stands to gain a fresh focus and financial expertise following the appointment of Mongi Dlamini, who took the helm as Swaziland's new CEO as of 1 November 2017.

Looking forward, Letshego Swaziland remains committed to further diversiying its customer base and leveraging the Group's investment into increasing customer access via innovative digital channels and IT systems.

LETSHEGO SWAZILAND CUSTOMER TRENDS

11%
Make use of Mobile Solutions

40%
within 10km of accessing a Letshego product solution

63%
Customer Satisfaction Level

100%
Productive Loan Use

100%
Savings Culture

LOAN BEHAVIOUR IN LAST 12 MONTHS

Only 1 loan	**40%**
Less than 3 loans	**40%**
More than 3 loans	**20%**

Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

NUMBER OF DEPENDANTS

	1	**0%**
	1-4	**20%**
	4-7	**60%**
+	› 7	**20%**

KEY ACHIEVEMENTS

- Established successful partnership with Swazi Post
- Loan book growth of 64% YOY; Profit before tax 43% YOY
- Hosted second successful 'Improving Life' marketing campaign where customers share their personal stories, boosting customer & brand value

FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	27	22	31
Net Advances (BWP'm)	143	226	370
Net disbursements to customers (BWP'm)	44	101	191
LLRs to average Advances	0%	0%	0%
NPL provision coverage	87%	47%	18%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	5	6	8
Savers ('000)	N/A	N/A	N/A

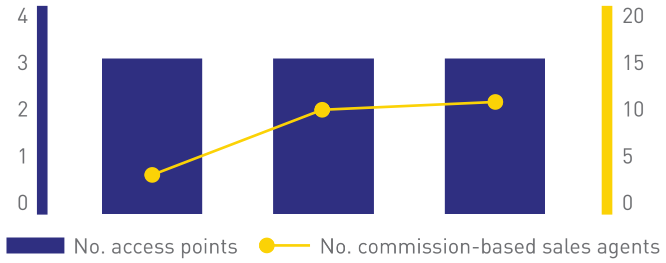
Customer Numbers by Business Segment

	2015	2016	2017
SSI Spend (BWP'000)	4	17	78

ACCESSIBILITY & ECONOMIC CONTRIBUTION

2015	2016	2017

Accessibility



	2015	2016	2017
Tax Paid (BWP'm)	4	1	7

OUR PEOPLE

	2015	2016	2017
Number of FTEs	20	23	25
Training Spend (BWP'm)	0.1	0.3	0.3
Training per FTE (BWP)	5,250	13,043	10,354

FTE Gender Split

● Female ● Male

	Female	Male
2015	62%	38%
2016	60%	40%
2017	71%	29%

TANZANIA

BORROW SAVE

2006
Established Faidika

2015
Acquired Advans Bank

Tanzania's economy grew by 6.8% in 2017, up 0.2% from 2016. In March 2017, Tanzania's Central Bank reduced its discount rate by four percentage points to 12%, while statutory minimum reserves were cut by two percentage points to 8% to ease access to liquidity. Key decisions by the Tanzanian Government to review qualification criteria within its employee base, caused a number of public sector layoffs. Regrettably this had negative repercussions for the local economy, as well as Letshego Tanzania's Deduction at Source portfolio.

Overall, Letshego Tanzania's performance in 2017 was significantly impacted following the Government's decision to restructure its employee base, resulting in a write-off of 3,500 loans. Despite this event, the Letshego business secured a number of positive wins, including 92% growth in deposits (one of the highest amongst 56 banks in Tanzania), and strong progress in the diversification of its formal portfolio into the non-government segment (5% of Tanzania's loan portfolio as at December 2017).

Initiatives which contributed to the sustainable growth of our Tanzania business included: the launch of our Affordable Housing solution, contributing 20% of the portfolio in 2017; the doubling of independent sales agents; and the achievement of an expanded brand profile through Letshego's partnership with the UN and Ministry of Health - a campaign which reached over 20,000 youths.

Looking forward, Tanzania will continue diversifying into the non-government customer segment, embed the benefits of both the Education and Affordable Housing portfolios, and consistently enhance operations and collections methodologies.

LETSHEGO TANZANIA CUSTOMER TRENDS

NUMBER OF DEPENDANTS

1	5%
1-4	31%
4-7	49%
› 7	14%

32%
Make use of Mobile Solutions

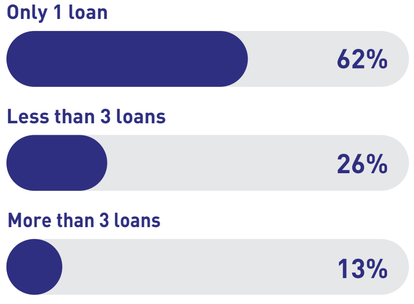
53%
Productive Loan Use

71%
within 10km of accessing a Letshego product solution

71%
Customer Satisfaction Level

81%
Savings Culture

LOAN BEHAVIOUR IN LAST 12 MONTHS



Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

KEY ACHIEVEMENTS

- 92% growth in deposits, one of the highest across the Tanzanian banking sector
- More than doubled third party sales agents
- Launched Affordable Housing solution
- Progressed diversification of portfolio with non-government segment

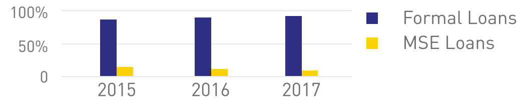
FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	89	90	48
Net Advances (BWP'm)	396	488	473
Net disbursements to customers (BWP'm)	140	314	312
LLRs to average Advances	4%	4%	15%
NPL provision coverage	49%	68%	94%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	52	53	50
Savers ('000)	29	38	40

Customer Numbers by Business Segment

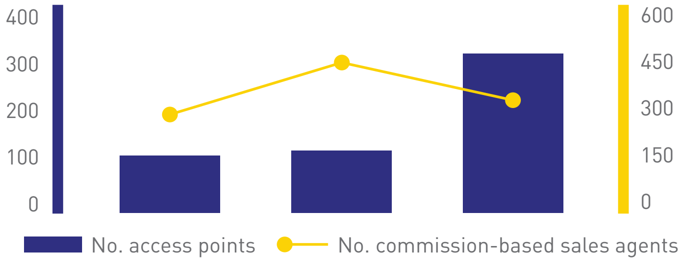


	2015	2016	2017
SSI Spend (BWP'000)	20	112	137

ACCESSIBILITY & ECONOMIC CONTRIBUTION

2015 2016 2017

Accessibility



	2015	2016	2017
Tax Paid (BWP'm)	27	26	25

OUR PEOPLE

	2015	2016	2017
Number of FTEs	285	284	262
Training Spend (BWP'm)	0.5	1.5	0.5
Training per FTE (BWP)	1,790	5,282	1,943

FTE Gender Split

● Female ● Male

	Female	Male
2015	46%	54%
2016	47%	53%
2017	50%	50%

UGANDA

BORROW

Established
2005

Uganda's economy grew 4.4% in 2017 with increased economic stability reflected in the significant recovery in Foreign Direct Investment, which grew by 18.5% in 2017, compared to a decline of 30.5% in 2016.

Letshego Uganda enjoyed double digit growth in local currency terms, but a decline in Botswana Pula terms, due to the significant devaluation of the Ugandan Shilling against the Botswana Pula in 2017. Uganda's Deduction at Source business expanded by 20% in local currency terms, year-on-year. Profit-before-tax dropped year-on-year, in preparation for the change in the impairment provisioning methodology.

In 2017, the Government of Uganda partnered with Letshego and other financial institutions who have deduction code licences, to pilot and roll out a 'Single Code' collection platform. The platform has resulted in the automation of 70% of government loan origination and collection processes, increasing efficiencies and reducing risk.

Uganda's MSE (Micro & Small Enterprises) sector struggled in 2017 following an extended drought, and thus a drop in agricultural production. Despite this, Letshego's borrowings to support the agriculture value chain achieved positive growth of 15% year-on-year.

Letshego Uganda will continue to leverage the Ugandan Government's automation process to increase its Deduction at Source segment, as well as extend our existing Agricultural and Education Sector lending solutions.

LETSHEGO UGANDA CUSTOMER TRENDS

NUMBER OF DEPENDANTS

1	6%
1-4	38%
4-7	44%
› 7	12%

20%
Make use of Mobile Solutions

70%
Customer Satisfaction Level

84%
within 10km of accessing a Letshego product solution

95%
Productive Loan Use

100%
Savings Culture

LOAN BEHAVIOUR IN LAST 12 MONTHS

Only 1 loan	22%
Less than 3 loans	39%
More than 3 loans	39%

Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.

KEY ACHIEVEMENTS

- Deduction at Source business up 20% (in local currency)
- Successful industry-wide partnership forged with Ugandan Government to automate government loans

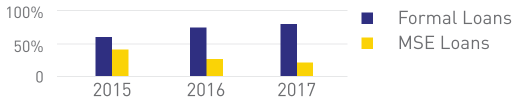
FINANCIAL PERFORMANCE

	2015	2016	2017
PBMT (BWP'm)	40	39	28
Net Advances (BWP'm)	285	307	302
Net disbursements to customers (BWP'm)	202	237	178
LLRs to average Advances	6%	3%	8%
NPL provision coverage	46%	39%	56%

CUSTOMERS & COMMUNITIES

	2015	2016	2017
Number of Borrowers ('000)	43	40	40
Savers ('000)	N/A	N/A	N/A

Customer Numbers by Business Segment

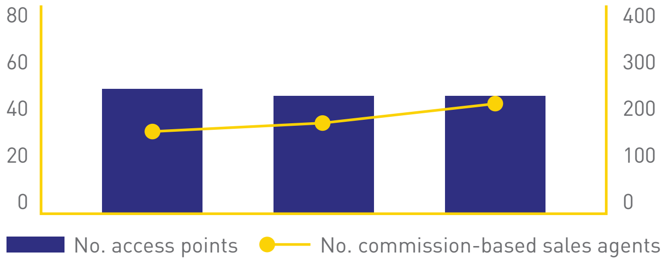


	2015	2016	2017
SSI Spend (BWP'000)	18	27	392

ACCESSIBILITY & ECONOMIC GROWTH

2015	2016	2017

Accessibility



	2015	2016	2017
Tax Paid (BWP'm)	11	8	11

OUR PEOPLE

	2015	2016	2017
Number of FTEs	213	246	235
Training Spend (BWP'm)	0.4	0.8	0.4
Training per FTE (BWP)	1,653	3,269	1,662

FTE Gender Split

	Female	Male
2015	50%	50%
2016	50%	50%
2017	46%	54%

MSE BUSINESS

LETSHEGO IS

IMPROVING MY LIFE

> *“Jacqueline firmly believes that Letshego has improved her quality of life.”*

Jacqueline Nyirakanyamanza started her business with minimal capital selling bed covers, bed sheets and bath towels, and soon noticed that her competitors' businesses were growing at a more rapid rate than her own. After some investigation, Jacqueline discovered the secret to her competitors' success - micro and small loans from Letshego! Determined not to be left behind, Jacqueline applied for and secured her first Letshego loan valued 1,800million Rwandan Francs (+/- BWP20,000). This initial funding was used to increase stock. After a year, one of Letshego's Branch Managers introduced Jacqueline to a local school headmaster, who subsequently offered Jacqueline the opportunity to supply bed covers to the school. The extended demand in bed clothes and towels was supported by a second successful loan application.

Thanks to Jacqueline's strong repayment record, her latest loan has enabled Jacqueline to build the house in which she is now living. Following this ongoing successful partnership with Letshego, Jacqueline firmly believes that Letshego has improved her quality of life, and is now considering additional capital to invest in a second-hand shoe business.

RWANDA
Jacqueline Nyirakanyamanza

4

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

At Letshego, we are clear about our strategic intent, which is to be Africa's leading inclusive finance group while working to deliver strong performance, growth and returns for our shareholders. We believe that the delivery of inclusive finance across the continent will significantly contribute to Africa's sustained socio-economic development. In our efforts to realise our vision, we carefully consider the interests of our material stakeholders and how our actions impact on them.

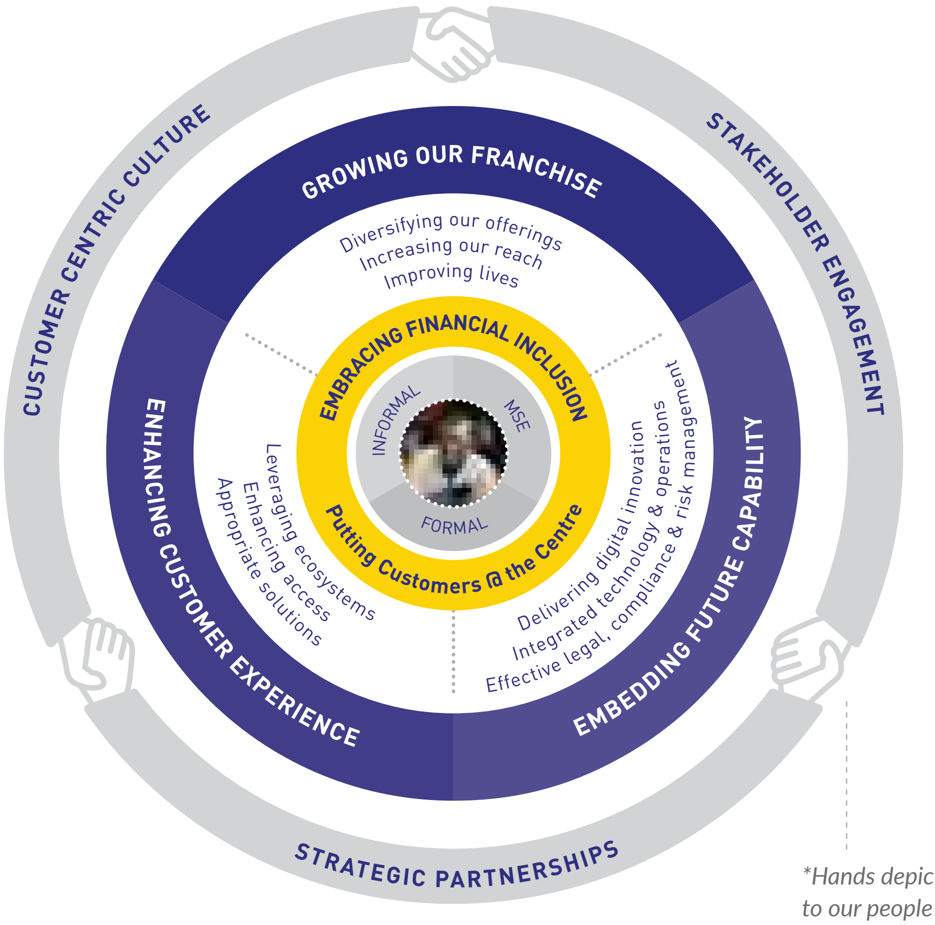
STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

Our Strategic Intent

In 2014 Letshego embarked on a focused transformation to ensure our business remained relevant in the ever changing landscape across the African continent. We are progressing on this journey embracing the new world of digitisation, increased access and ensuring our relevance through expanding our customer reach that historically was only formally employed government employees. ***It now includes non government employees, micro and small entrepreneurs and informal customers across our 11 country footprint.***

Our Strategic Intent is to be Africa's leading inclusive finance group and we believe this will be achieved through providing simple, appropriate and accessible solutions to under-served communities in a sustainable manner. While our strategic intent has not materially changed since we embarked on the journey in 2014, we do constantly refresh our thinking to ensure our relevance and long term success in a fast pace and changing landscape. We do this through our customers and potential customer feedback, our competitors and following international trends.



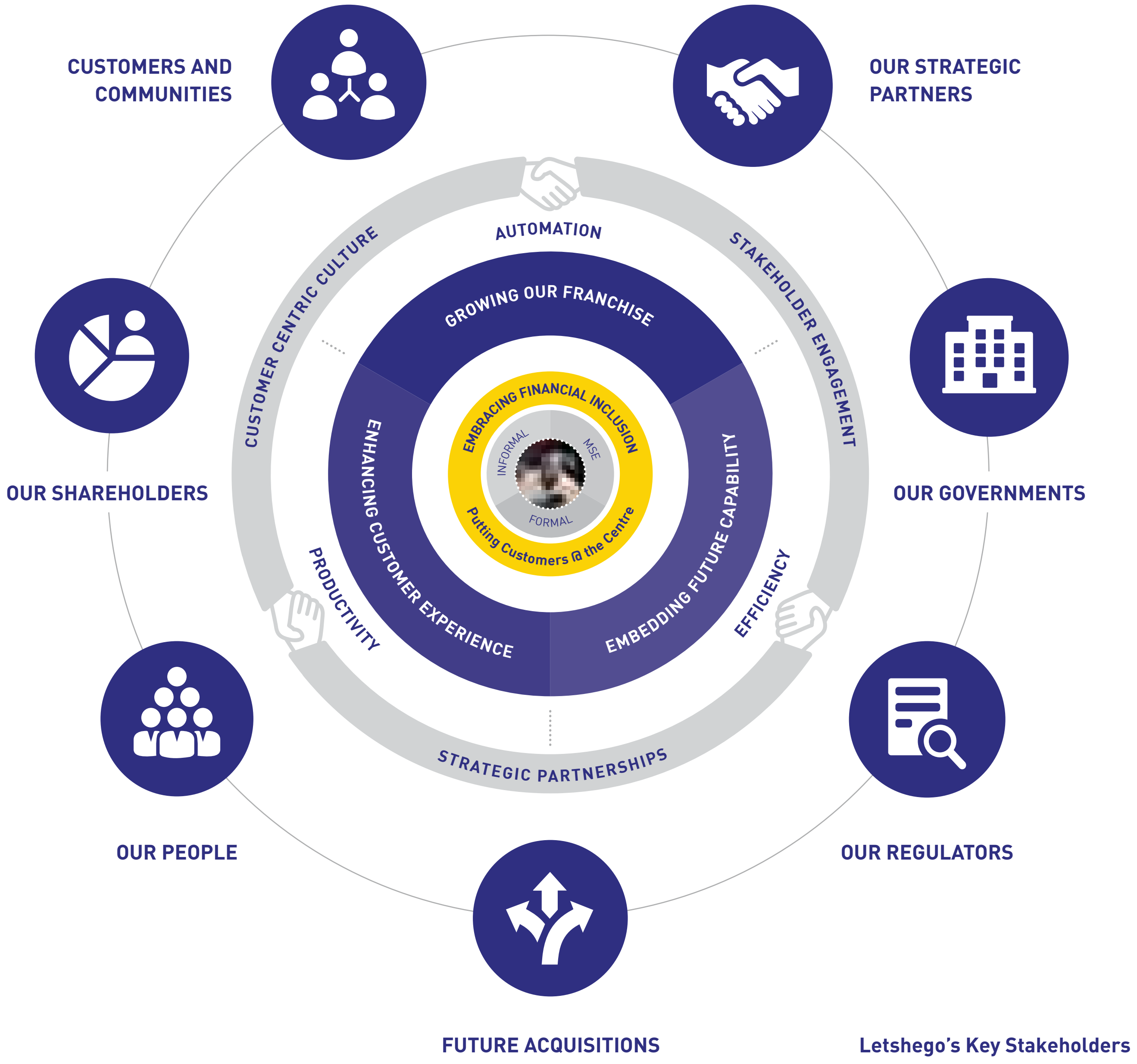
**Hands depict our commitment to our people and to governance*

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

Stakeholder Mapping Process

We consider our stakeholders to be an essential component of our ability to achieve our vision, and by enhancing our relationships with our stakeholders, we are able to enhance our ability to deliver, defend and develop value. We consider our stakeholders to be the entities or individuals that can reasonably be expected to be significantly affected by our activities, and whose actions can affect our ability to successfully achieve our mission.

We engage with our stakeholders through a process of ongoing feedback, dialogue, as well as informal and formal and interviews with investors, sector analysts, executive and non-executive Letshego team members and selected Letshego customers, both at a focus-group and individual level. This process is managed by the executive leadership team and supported by Letshego's Board of Directors at the holding company, as well as across Letshego's subsidiaries.



Letshego's Key Stakeholders

**Our customers remain at the centre of everything we do. Whether it's our Strategic Intent, capabilities in productivity, automation and efficiency, the selection of strategic partners, or how we engage with our stakeholders, every element of our business works towards one core goal: Increasing Financial Inclusion and enhancing our Customer Experience.*

Our Key Stakeholders

We have identified our key stakeholders as follows:

Letshego Key Stakeholders

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2017
Our customers and communities	Our customers remain our most important stakeholder. Letshego's ability to deliver on its ambition of increasing Financial Inclusion across our regional markets, depends on our ability to provide simple, accessible and appropriate financial solutions in a sustainable manner. Communities represent the eco-system which supports a stable and supportive living and working environment for society in general. By supporting a community, one supports existing customers from a broader perspective, as well as create a general force for good in supporting sustainable economic development.	Letshego engages its customers via multiple and diverse channels, which include both digital and physical streams. Customers can access financial solutions via our call centres, physical branches and outlets, as well as open accounts via direct and indirect agents. Customers enjoy remote access to Letshego's financial solutions via mobile access and digital communication channels such as USSD and text. Online portals such as our company website and social media channels also provide our customers with a reliable and regular source of information and options. Communities gain a greater understanding of Letshego's strategic ambition and investment via local media coverage, industry platforms, media events as well as online and social media platforms. Letshego remains committed to sharing our progress and achievements on a regular basis.	• Social Impact Survey conducted across 10 markets • Ongoing Call Centre engagement • www.letshego.com • Social media • Press releases • Media Articles • Improving Lives Campaign
Our people	Our people create the culture of our organisation. A solid and committed culture remains a competitive advantage for any organisation who wishes to succeed in an increasingly competitive market. The combination of their skills, knowledge, motivation and customer-focus contribute to our vision of an inclusive financial society.	Engaging our people via multiple touch points across the organisation, ensures we provide choice and diversity in how we connect with each other. Regular communication, via both physical and digital streams, enables individuals to absorb information at their own pace and at their own convenience. Encouraging open and regular feedback on how we are doing and where we can improve also empowers our people to make a tangible contribution to enhancing our people culture, thus creating a place to work with collective drive to achieve social change via financial inclusion.	• Monthly calls • Quarterly town halls • Strategy update process • Leadership conferences • Website • Intranet • Q12
Our shareholders	Our shareholders are not only our investors, providing essential capital to support the growth and success of our business, but they are also valuable ambassadors in supporting and promoting our strategic intent and achievements to the broader market and international communities.	As a valued business partners, Letshego maintains open and regular communication with all our shareholders to ensure they remain up to date on strategic developments and performance. Annual General Meetings (AGMs), Results Presentations, Investor Roadshows (deal and non-deal), and Investor Conference Calls for existing and potential investors are just some of the tools we use to facilitate our regular updates and direct engagement. Letshego is proactive in speaking at and attending relevant Industry Forums and Conferences – both regionally and internationally – to showcase Letshego's differentiated and innovative strategy.	• AGMs • Results presentations • Website • Press releases • One-on-one meetings • Attendance and presentations at international conferences
Our governments	Governments remain an important partner in Letshego achieving increased financial inclusion and achieving our ambition to be Africa's leading inclusive finance provider. Effective public and private collaboration, synergy and partnership is essential in reaching and supporting government employees as well as underserved members of our communities. Governments support, extended reach and well-established community networking frameworks provide valuable channels to reach under-served populations.	Group Management Committee Members and Country CEO's are mandated to foster and build stakeholder relations with relevant Government partners and Government Employers, especially in those markets where Letshego has been awarded Deduction Codes. Engagement involves regular formal and informal meetings, Group and Country Results Presentions and stakeholder events.	• Results presentations • Annual Reports
Our regulators	Regulators are naturally a primary stakeholder through their licencing and governance roles. As Letshego expands other operating licences from borrowing to deposit-taking (now active in six of our eleven markets). Regulators are a strategic partner in enabling our business the opportunity to fulfill our future potential. Also, our engagements with regulators provide additional insight into how our customers experience their interactions with us. This provides our regulators with improved insight into our business model and how it improves the customer experience.	Over and above official regulatory requirements in meetings and reporting, Letshego Country CEO's remain proactive in communicating and sharing our progress in innovation and financial inclusion opportunities. As a private section member of 'AFI' (Association of Financial Inclusion), Letshego Group Executives have direct access to more than 30 Africa AFI regulator members via public private dialogues, regional platforms and round tables.	• Ongoing membership of the Association of Financial Inclusion / Public Private Dialogues with global regulatory members • Acquiring approval for solution innovations, eg. Mozambqiue Blue Box; Ghana mobile loans; • Participation in BSE sustainable practices questionnaire

Our Key Stakeholders (continued)

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2017
Our strategic partners	Letshego understands the value in forging sustainable and effective strategic partnerships. Given the challenges of emerging market economies, and the scale of need, increasing financial inclusion on a sustainable basis, cannot be achieved by one organisation alone.	Letshego adopts a consistent and methodical approach in identifying and engaging potential strategic partners. Successful partnerships arise from shared values, beliefs and principles between organisations with complimentary skills, and an adaptive, flexible culture. It's important that not only customers gain benefit from any partnership, but both partners and all shareholders alike, to ensure mutual support, facilitation and progress towards a clearly defined goal.	• Conference calls • Workshops • On-site visits
Future acquisitions	Letshego is committed to embedding and integrating its most recent acquisitions, however will continue to review all inorganic opportunities which deliver strategic value to customers and all stakeholders concerned.	Potential entities approach Letshego directly or are introduced by existing and mutual stakeholders.	• Letshego concluded the acquisition of Afb Ghana in 2017

> ***"Letshego understands the value of the multiplier effect, which is why partnerships remains a continuous theme throughout our business.*** *Forging strategic partnerships with like-minded entities enables Letshego to extend our reach in increasing financial inclusion across Sub Saharan Africa. Whether our partners support our digital, ecosystem, commercial or financial strategies, they each play an integral role in helping us achieve sustainable commercial value and growth for the benefit of all our stakeholders."*
>
> **James Wainaina**
> *Group Head: Access & Sales*

Our Material Issues Identification and Management Process

In identifying our Material Issues, Letshego followed a clear process from the collaboration of senior management around what constituted a material issues, to the identification, ranking and ultimately agreement on our approach and strategy in managing that material issue in the interest of sustainable business practice.

Letshego's Material Issues identification and process can be summarised as follows:

IDENTIFY	RANK	RESPOND	ASSESS
All Business Units provide input in identifying key material issues.	Rank according to greatest relevance and highest potential to impact on viability of our business and relationships with stakeholders	We respond to the material issues by assessing the impact on our risk tolerance and risk appetite.	We regularly assess the material matters to ensure that our strategy remains relevant.
A material issue must provide sustainable earnings for the business and create value to stakeholders.	Collaborative effort on ranking.	We evaluate scenario-modelling outcomes.	Regular re-evaluation of risks undertaken.
Areas of impact assessed: financial, environmental, social, strategic, competitive, legislative, reputational and regulatory matters (including policy matters).	Group Management Committee assumes responsibility for approval.	We evaluate the trade-offs between our forms of capital.	Regular reporting of changes in risks undertaken at Board level.
	Endorsement required by the Board.	We action activities required to manage material matters.	

Material Stakeholder Issues

We engaged our stakeholders throughout the year on material issues. The following table summarises the most material stakeholder issues identified.

Material Stakeholder Issues

Stakeholder	Material issue (to the stakeholder)	Letshego response to material issue identified	Logo to find section in report
Our customers and communities	Customers remain at the centre of everything we do, the material issues impacting our customer experience, apply in the cost and appropriateness of the solutions, as well as to the suitability in terms of access and delivery channels.	Letshego remains committed to understanding the needs, behaviour and trends in our customer populations and the communities in which we operate. Thorough exploration, benchmarking, due diligence and commercial viability are researched and analysed before any pilot solutions are launched.	💰 🧠 💬 ⚙
	Communities provide the ecosystems in which our solution is delivered, and as such, need to be supportive, conducive and facilitative in ensuring our solutions can achieve their maximum value, and deliver on our ambition of increasing financial inclusion.	Relevant community stakeholders are also engaged and consulted prior to launching any pilot solution, be they regulatory, governance, or infrastructure providers. The 'ecosystem' in which any solution is piloted or launched is integral to the sustainability and success of that solution.	💰 💬 ⚙
Our people	Our people are concerned with issues relating to organisational effectiveness, and their own growth and development. They would like assurance that remuneration packages are benchmarked, and remuneration policies adequately address of the need for rewards and incentives.	We believe attracting talent is not only about monetary compensation, but also about the experience and cultural insights individuals gain from working in a dynamic organisation such as Letshego. We aim at fostering a people culture where individuals are eager to adapt new ways of working, enjoy contributing to our collective ambitions, and help to craft their own personal development paths.	💰 👤
Our people (continued)		We have implemented talent development programmes like 'Leading from Within', encourage new ways to maximise personal and team potential, by exploring and understanding how every individual can make a tangible change in how we relate, respond, perform and collaborate. Also, we use staff engagement surveys, staff initiatives and individual development programmes to solicit valuable feedback to management so Letshego can consistently adapt and improve on ways of working and support our people, in an ever-changing society. Letshego's remuneration strategy is based on international best practice with the aim of creating an inspiring, fulfilling and exciting place to work for passionate people who appreciate new opportunities, new challenges and international experience.	💰 👤
	Our people realise that the development of transformational skills and leadership capacity is required to support a rapidly evolving and growing Pan-Africa business.	Letshego understands that in an ever-evolving and growing business like ours, the skills and leadership demands are also constantly changing and evolving. For this reason Letshego leverages its regional and multinational footprint to share regional talent to support businesses with limited resources and best practice, as well as providing opportunities to upskill and building capacity in bright young leaders who wish to expand their horizons and experiences across new markets, outside of their own. Cross-funtional and cross-border assignments on offer are flexible with both short and long term opportunities available, depending on the needs of the individual or division's support and capacity requirements.	💰 🧠 👤
Our shareholders	Our shareholders who have invested financial capital expect a return on their investment and are interested in our ability to deliver financial returns and maintain healthy financial performance.	Our business case remains convincing and will continue to deliver sustained growth, even as markets become more challenging. We make decisions with our long-term sustainability in mind that will often only bear fruit in the future. We consistently balance achieving our long-term strategic goals with delivering on shareholder financial performance expectations. At times, to ensure sustained value creation, we need to make decisions that are right for our long-term growth, but may have negative short-term consequences.	💰

Material Stakeholder Issues (continued)

Stakeholder	Material issue (to the stakeholder)	Letshego response to material issue identified	Logo to find section in report
Our shareholders (continued)	Our shareholders are interested in how we manage issues of capital management, liquidity and the ability to source funds at a reasonable price, as these can impact our share price.	Our credit rating remains stable at Ba3 rating, and we are taking advantage of opportunities in local currency debt capital markets. We are accelerating the launch of deposit mobilisation activities and leveraging our ESG credentials to attract Impact/DFI lenders. Our financial ratios signal improvement in our liquidity. We continue to strengthen coverage ratios and improve Group Portfolio at Risk. Significant investment continues to be made in collections and recoveries capabilities as well as credit policy reviews.	💰 🧠
	Governance and environmental and social performance are now mainstream issues of concern for our shareholders, who consider their management to be a factor in long-term sustainability.	We continue to enhance our governance frameworks and processes. Delivering on our inclusive financial mandate requires a strong focus on the social component of our ESG compliance. Letshego's ESMS has been updated, and in 2018 we will continue to work on implementing this system and embedding the necessary processes to ensure its success and value.	🧠
	Our vision to be Africa's leading inclusive finance group, is a vision shared by our shareholders. They are always interested to know how we are preforming in this regard.	At the core of our business activities is our commitment to increasing financial inclusion in Africa. In line with this agenda, Letshego continues to innovate simple, accessible and appropriate financial solutions for the sustainable benefit of our customers across 11 Sub Saharan Markets. Through our Social Impact Surveys, we can measure and analyse the success of our delivery on a long term basis.	🧠 💬
	Cyber security is fast rising up the list of global investor concerns, and our shareholders are naturally interested in how we manage risks and opportunities in this regard.	We continue to invest and upgrade our technology and systems to mitigate the risks of cyber crime, fraud and hacking. We are mindful of maintaining regulatory standards in customer security, while ensuring customer access remains simple and user-friendly.	⚙ 💬
	Accounting regulations are changing to enhance the quality of reporting. Our shareholders are interested in our ability to maintain high levels of compliance with international accounting requirements.	Letshego has implemented a number of reporting and financial reporting changes to align with the regulatory requirements of IFRS9, and will meet 2018 compliance standards.	🧠
Our shareholders (continued)	Shareholders are interested in understanding how we will grow our footprint through acquisitions.	Letshego remains committed to integrating and embedding recent acquisitions, as well as increasing the impact and success of existing businesses. From an inorganic growth perspective, the Group continuously reviews and explores opportunities which make strategic sense and deliver tangible benefits to customers and all stakeholders concerned.	💰 🧠
	Shareholders are focused on confirmed shareholder value creation.	Since Letshego has listed on the BSE in 2002, we have raised BWP400m from shareholders and returned over BWP 2 Billion to shareholders by way of dividends and share buy backs.	💰
Our regulators and governments	With Deduction at Source being a foundation and a core business for the Letshego Group, our deduction codes awarded by various governments remain an important requirement for the sustainability of our business, which is the main source of our regulators concern.	Through ongoing proactive engagement with regulators and governments, while providing detailed insight into how Letshego is providing inclusive finance for all our customers, we can demonstrate the value and benefits Letshego's Deduction Codes provide to thousands of individuals. We are compliant with the regulations applicable in the geographies in which we operate. We are always looking to improve on our levels of compliance. During 2017 we focused in particular on the area of governance, strengthening the composition of our Boards, with the addition of non-executive Board members, as well as splitting some of our governance committees, such as audit and risk, in order to pay more attention to important governance areas, arising from our transformation into a full-service banking operation.	💰 🧠 💬
Our strategic partners	Our strategic partnerships are interested in the continued growth that partnering with Letshego brings them and how to accelerate this growth.	As an extension of our business in Africa, strategic partners need to be like-minded in their goals and ambitions in providing sustainable, simple, and appropriate solutions which support financial inclusion in Africa. Letshego partners have to be aligned in open and transparent business practice, managing risk and adhering to the strictest levels of compliance and regulatory requirements - or assist Letshego in the facilitation of respective financial regulation. In order to maximise the benefits and mitigate the risks of strategic partnerships, Letshego has developed its own internal policy and protocol, leveraging two decades of experience. From a high level perspective, partnerships are managed on a 4 tier approach: Relationship & Strategic Management (Group CEO; Group Strategy); Support Management (legal, compliance, commercial and technology); Project Management (Structured levels of project committees); Operational Management (Day to day operations, reporting and engagement).	💰 🧠

LETSHEGO IS

IMPROVING MY LIFE

'EKWAFU LETU'

Insights into Namibia's IPO – quotes by Ester Kali, CEO Namibia

Letshego Namibia celebrated an historic milestone for the Letshego Namibia business in 2017, with the successful listing of the Group's Namibian subsidiary on the local bourse. Although the business has been operational for a decade, from a solution diversification perspective, Letshego Namibia remains in the growth phase of its financial inclusion journey. The decision to launch an IPO was not taken lightly, particularly given the backdrop of challenging market conditions and in advance of Letshego launching a line up of innovative financial solutions and technical innovations.

Ester Kali, Letshego Namibia's CEO commented, "Leading a roadshow for a business which has demonstrated growth and stability, but yet to deliver its expansive potential, was a challenge. But the commitment and investment into Letshego Namibia was tangible, and the opportunity to increase financial inclusion and the business' growth potential, real. Letshego Namibia has supported Namibian Government employees for over a decade, and a listing enabled more Namibian's to participate in Letshego's future success, while achieving Letshego Namibia's objective of increasing local ownership."

This was no ordinary IPO, with Letshego Namibia aptly naming the campaign "Ekwafu Letu", meaning 'support' in Namibia's local language. Ekwafu Letu was one of Namibia's most inclusive IPO roadshows in history, with Letshego's community roadshow team covering more than 6,000 kilometers of Namibia's stark highways in less than 23 days. By the time the team returned to Windhoek, they had engaged and educated more than 75,000 Namibians. Community shows, often held in parking lots in central areas, included educational awareness sessions which empowered communities on the merits, opportunities as well as challenges one faces in investing in stock markets.

Following a successful community and corporate roadshow, Letshego Namibia, a subsidiary of Letshego Holdings Limited, was successfully listed on the Namibian Stock Exchange on Thursday, 27 September 2017. Over 3,600 qualifying applications, valued at a total of N$182 million, were received during the four week share offer period. Members of the public and non-institutional investors contributed N$40 million toward this total, with the remaining N$142 million being raised through offers from leading institutional investors.

NAMIBIA
Ester Kali

5

USE OF OUR FIVE CAPITALS

Our continued sustainability and our ability to sustainably create long-term value for our stakeholders is inextricably linked not only to the availability of certain forms of capital, but also to how we utilise this capital and our impact on them. This determines the value that we are able to generate. Our capitals and an explanation of what they represent to us, are provided in this section.

CREATION OF VALUE

STRATEGIC PILLARS	EMBRACE FINANCIAL INCLUSION	GROW THE FRANCHISE	ENHANCE CUSTOMER EXPERIENCE	EMBED FUTURE CAPABILITY MODEL
FINANCIAL CAPITAL	• Continued contributing to the tax base in each country we operate	• Through group structure • Diversified funding pool • Robust cost to income ratios • Diversification of Portfolio • Credit rating	• Increased Customer Numbers • Asset Book • Improved portfolio quality • Increased customers with Savings • Increased fee income	• Reduced cost of income • Reduced and managed operating expenses
HUMAN CAPITAL	• Maintain Employee Diversity	• Training our people • Monitoring leadership effectiveness	• Tracking and maintaining high levels of employee satisfaction • Investing in a customer centric culture	• Adequately remunerate our people • Continue to provide people with opportunities to learn and grow • Maintain people retention levels • Drive length of people tenure, through facilitation of people exchange programs
INTELLECTUAL CAPITAL	• Maintain Employee Diversity • Lead by example to further enhance brand and reputation • Continue to actively gather market intelligence	• Maintain Brand Value • Invest in specialist financial skills • Actively responding to changing customer needs • Ensuring solutions offered to customers are relevant, applicable, safe, affordable	• Maintain social network presence • Diversify channels to access information • Maintain knowledge sharing amongst stakeholder groups • Gain improved insights through customer surveys	• Constant improvement in technology and operational efficiencies • Improved risk mitigation and compliance management • Improved resilience • Investing in innovation capabilities • Enhance new financial technology partnerships
MANUFACTURED CAPITAL	• Provision of digital Access Channels	• Introduction of mobilisation teams to effectively deploy solutions into the market • Leveraging Ecosystems • New deposit licences	Improving Access through: • Branches • Satellites • Digital solutions • Agents • Call centres	• Continued focus on cyber security and other measures required to protect customer data. • Streamlining onboarding processes for customer, reducing time to acquiring a solution • Improved data analysis required for decision making, and process improvements • Improvement in data storage and IT systems
SOCIAL CAPITAL	• Maintain good working relationship with stakeholders and communities • Focus on productive use of funds by our customer base	• Work within regulatory framework • Adherence to customer protection principles	• Tracking and responding to compliments and complaints • Striving to improve on social scorecard outputs	• Maintenance of license to operate • Facilitating additional, spin off economic activity in the community through the ecosystem model

NET LOANS DISBURSED	TOTAL NUMBER OF BORROWING CUSTOMERS	TRAINING SPEND	GOVERNMENT TAXES PAID
BWP 2.7 bn	413000 Total 154000 With Savings	BWP 6.61 mn	BWP 322 mn

NUMBER OF EMPLOYEES	GENDER SPLIT	DEMOGRAPHIC	EMPLOYEE SPLIT
3192 (FTEs & DSAs)	♂ 50.4% ♀ 49.6%	EXPAT 1.5% CITIZEN 98.5%	FULL-TIME 1905 COMMISSION-BASED 1287

CUSTOMER DATA	COST OF RISK	CUSTOMER GROWTH	NUMBER OF AWARDS IN 2017
>1700 CUSTOMERS SURVEYED ACROSS AFRICA	LLRS 3.1%	BORROWERS 113k SAVERS 47k	3

CUSTOMER ACCESS	NUMBER OF AGENTS	NEW MARKETS	IT SPEND
ACCESS POINTS INCREASED BY 13%	307	GHANA	BWP 42 mn OPEX & CAPEX

PRODUCTIVE LOAN USE	LEVEL OF CUSTOMER SATISFACTION	CUSTOMERS WITH FORMAL SAVINGS	FEMALE CUSTOMERS
85%	73%	77%	38%

USE OF OUR FIVE CAPITALS

USE OF OUR FIVE CAPITALS

Financial Capital

In order to grow the franchise and make strategic investments, we source capital from various debt and equity sources. Our ability to source financial capital at affordable rates is a significant component of ***our ability to provide and develop solutions for our customers, adhere to regulatory requirements and provide a conducive working environment for our people.***

CREDIT RATING

The Ba3/Not Prime issuer ratings assigned to Letshego Holdings Limited (Letshego) capture the company's solid capitalisation and profitability, supported by its niche, low-cost, franchise. It also captures growing diversification across regional countries, which makes the company more resilient to an adverse change in any one of its operating markets.

Global Credit Ratings have upgraded the national scale ratings accorded to AFB (Ghana) Plc to BB+(GH) and B(GH) in the long term and short term respectively; with the outlook accorded as Positive.

USE OF OUR FINANCIAL CAPITAL

The usage of our financial capital impacts on our financial ratios. During 2017, due to our significant investments in transformation and growth, our operating ratios were impacted. Our cost of borrowing remained constant, our cost of credit increased by 0.3%, and our cost to income ratios increased by 2%. Some of the major factors influencing these increases relate to events such as the introduction of PD and LGD impairment methodology across the Group, which increased our impairment cost from 2.8% to 3.1%.

NEW INFRASTRUCTURE

Our uses of financial capital have resulted in 621 access points across the Group. We are focused on creating additional access points rather than additional branches, to create a virtual network for our customers that gives them access to our solutions via more channels. We advanced BWP 2,713mn in new loans during 2017 to our customers in support of their goals.

MAIN SOURCE OF INCOME

Deduction at source remains a significant income stream for the Group, with seven countries in the Letshego group having captured →10% market share in government employee deduction at source.

SUCCESSFUL ACQUISITION

Group results include Ghana for the first time, following the acquisition of AFB Ghana during January 2017. Since this latest acquisition, Letshego's regional footprint now comprises 11 markets, six of which have deposit-taking licences.

			TARGET MET?
BORROWINGS	Cost of borrowings remained consistent with the prior period; however, borrowings increased by 17% resulting in a 42% increase in interest expense.	⬆	✓
EXPENSES	Staff and operational expenses increased by 14%.	⬆	✓
TRAINING	Amount spent on staff training was BWP 6,61 million	−	✓
COST TO INCOME RATIO	This resulted in the cost to income ratio increasing to 40%.	⬆	✗
COST OF CREDIT	Cost of credit risk was 3.1% and higher than target levels of 3%.	⬆	✗
DIVIDENDS	A final dividend of 13.1 thebe per share was declared. The dividend pay-out ratio has been maintained at 50% following an internal review, and the debt to equity ratio improved to 93% at year-end (2016: 87%). However, following the re-issue of the 2017 results and the restatement of prior year figures, the effective dividend pay-out ratio is 55% (2016: 55%).	⬆	✓
BORROWING SOLUTIONS PORTFOLIO	Letshego advanced more than BWP2.7billion to support customers goals and small businesses	⬆	✓

USE OF OUR FIVE CAPITALS

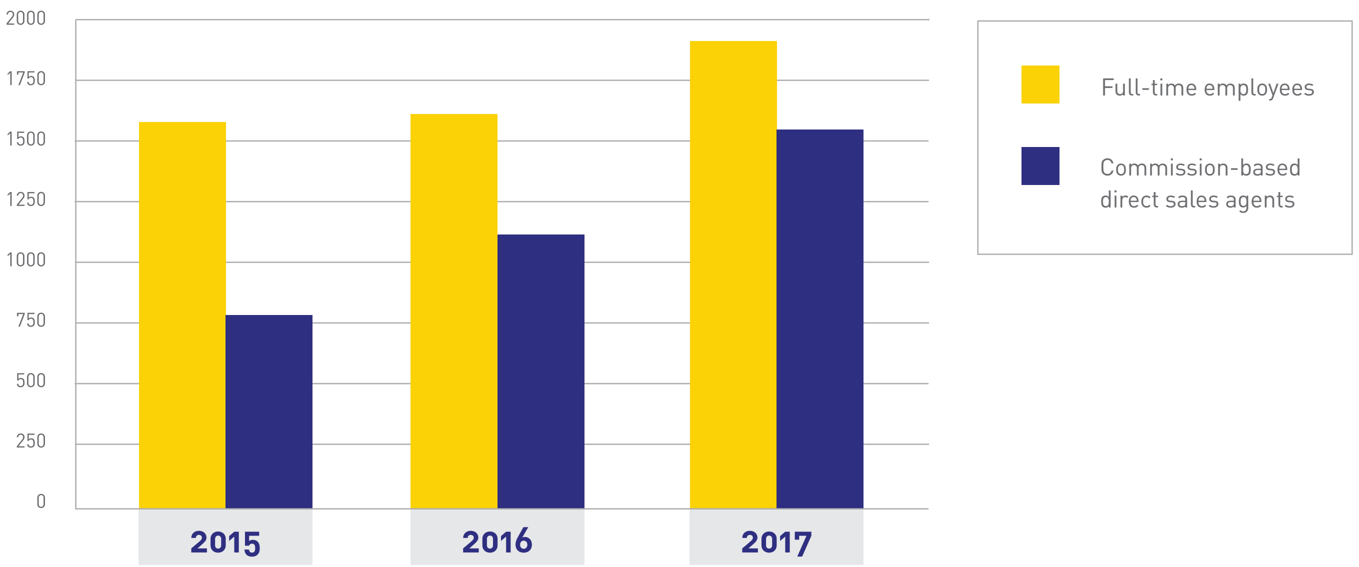
Human Capital

Our people are our greatest asset, ambassadors of our brand, and the source of our competitive advantage. It is their commitment, experience, skills and engagement that allow us to provide solutions to our customers in a responsible manner, which in turn ensures customer satisfaction, brand reputation, regulatory compliance and sustainable profit. Our people are supported in this by our strong leadership team who stimulate a high-performance culture. ***We are committed to investing in our people to both attract and retain this high-performing and value-aligned team.*** *Our People are profiled in Section 2 of this report.*

PROFILE

Our people profile consists of full time employees and commission based direct sales agents. They remain the driving force behind our ability to maintain our position as Africa's leading inclusive financial institution. Our people are profiled in Section 2 of our report.

Letshego Staff Profile 2015-2017



OUR UNIQUENESSES

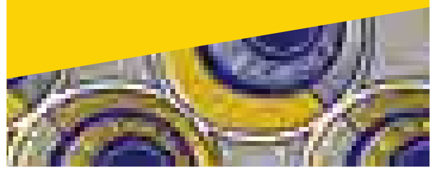
Our uniquenesses drive every aspect of our business, ensuring we reach our customers in a way which is:

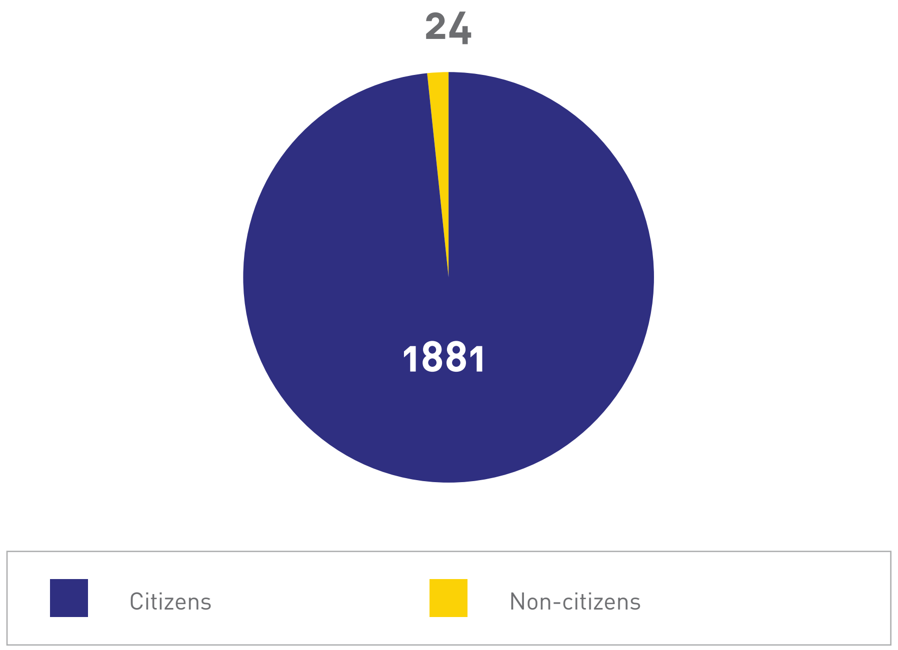
SIMPLE	APPROPRIATE	ACCESSIBLE	ETHICAL	RESPONSIVE	INCLUSIVE
Easy and clear	Affordable and useful	Convenient and obtainable	Transparent and trusting	Efficient and warm	Positive and respectful

DIVERSITY

Our team is diverse allowing us to respond to our customer base in a manner that they can understand. Our People comprise of more than 20 nationalities, with a large majority of staff in each country being local.

CITIZENS VS NON-CITIZENS

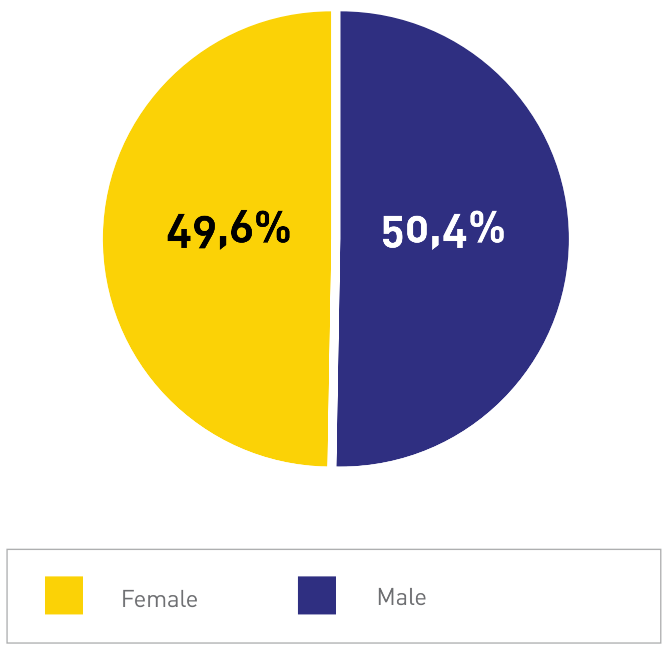




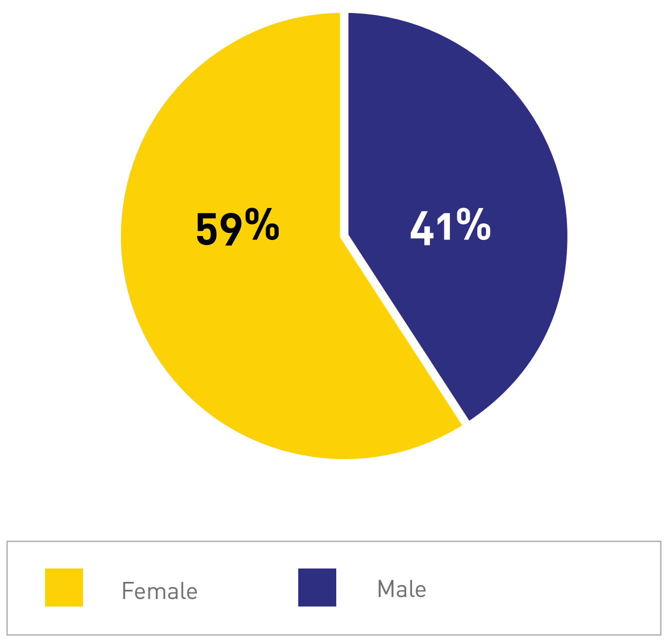
GENDER

We have an equitable gender split in our workforce.

Gender split as % of workforce



Gender split as % of new appointments 2017



RETENTION RATE

Our staff turnover rates remain low at below 1.5%. This is particularly relevant in an industry where turnover rates can be as high as 18%.

SECONDMENT

International Assignments were afforded to 10 team members. They have gained more experience via long or short term assignments in the last three years.

Q12

People Engagement Survey, indicated that 92% of staff are engaged.

Intellectual Capital

*Our investments in **our systems and processes are vital to ensuring that we are able to provide our customers with high quality solutions, while remaining compliant with applicable legislation.** During 2017, we embarked on a number of initiatives in this regard. These initiatives are often complex and time-consuming, but necessary to build our capabilities.*

LAUNCHING OF LETSGO

LetsGo

Opening up a world of flexible solutions.

***LetsGo* is an All-in-1 solution that provides customers with an entry point for everyday transactional and saving needs**

- LetsGo enables customers to pay, get paid, save, borrow and earn financial wellness benefits through the All-in-1 solution
- With LetsGo, customers have various saving options and are paid a higher interest rate on lower balances

✓ Earn interest, even on low balances

✓ Money can be transferred into FlexiSave at no cost

✓ Competitive interest rates

✓ Transfers between transaction and savings options are free

✓ Multiple channels to cash in or out

✓ Customer can deposit, pay utility bills, transfer or borrow

✓ Pay-as-you-use fees

✓ Free deposits

> *20 years' experience has given us a unique insight into understanding our customers and their needs. LetsGo is a dynamic and adaptive All-in-1 solution which is simple, accessible and appropriate in extending the reach of Letshego's financial solutions.*
>
> **Chipiliro Katundu**
>
> *Head of Group Marketing and Customer Experience*

CUSTOMER PROTECTION

The protection of customer data remains a key concern influencing the uptake of digital solutions. During 2017, we strengthened our customer data protection systems by improving ways to identify our customers with the use of biometric data, thus reducing the risks of identity theft and fraudulent processing. These biometric solutions are being incorporated into our customer facing solutions both in the branches, LetsGo Agent and Direct Sales Agent solutions. We have further enhanced this by incorporating biometric randomisation, thus reducing the risk further of identity impersonation.

During 2017 we saw a reduction in the growth rate of LLRs. We expect this trend to continue as we improve our risk methodology. This reduction will translate into a higher quality portfolio and in the long-term an increased ability to serve customers who are managing their finances well.

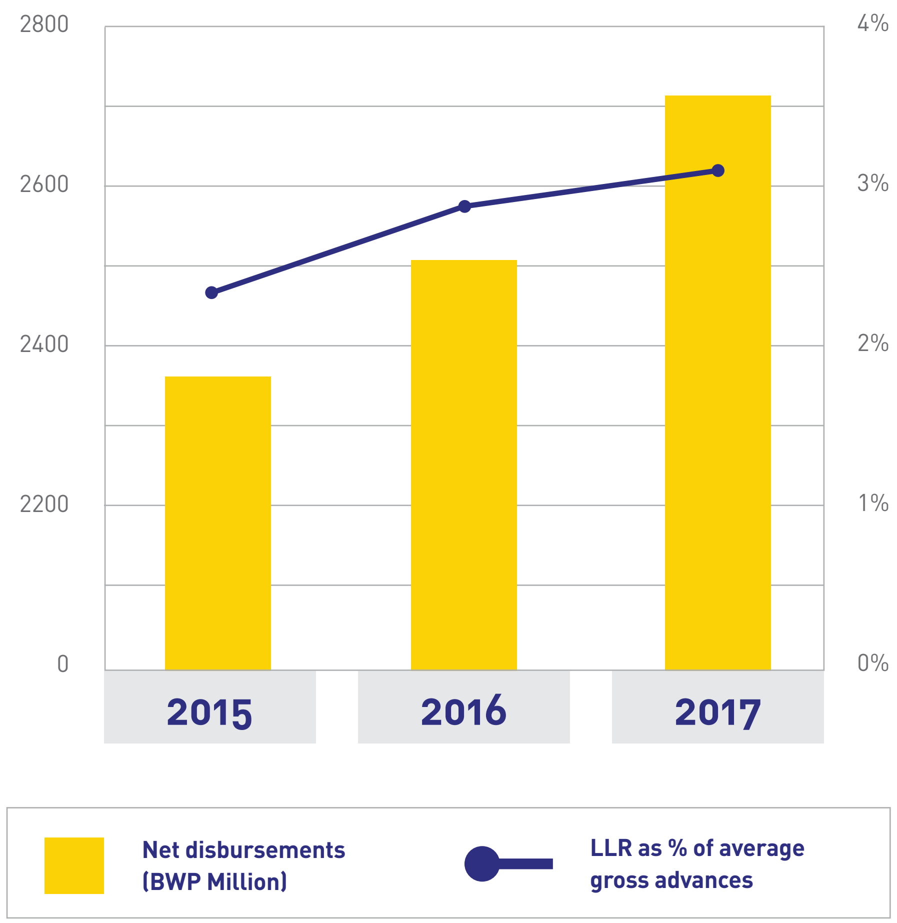
INFRASTRUCTURE

Nine out of eleven markets in which we operate have now migrated to a single operating platform (BaNCS).

RISK MANAGEMENT

Standardisation supports our Enterprise-wide Risk Management Framework (ERMF), which has now been implemented in all 11 markets, enhancing identification, mitigation, tracking and management of business risks as well as offering comprehensive customer solutions across our footprint.

Growth in Disbursements Compared to % LLR



PARTNERSHIPS

Ghana is the first market to forge a new financial technology partnership with local mobile operators. These pilots introduced Letshego to over 60,000 new customers in our emerging informal segment. If successful, we intend to expand this digital solution into other Letshego countries, and to introduce mobile savings, financial wellness and relationship-based models to compliment the micro loans offering.

Manufactured Capital

***Enabling and innovating access to our financial solutions remains the cornerstone of our strategic agenda to increase financial inclusion** in all 11 Sub Saharan Markets where Letshego operates.*

ACCESS

Letshego continues to increase the channels in which customers can assess their solutions. During 2017, 343+ access points were added to network, this is an increase of 55% from 2016. This is mostly attributable to the roll out of our agency based model.

CONNECTING TO OUR CUSTOMERS

We have multiple access points to extend our reach

MOBILE

- USSD
- Text
- Online

AGENCY NETWORK

- Owned
- Third-party

STRATEGIC PARTNERSHIPS

- Digital, sustainability, ecosystem and commercial

PHYSICAL

- Branched
- Call centres
- Satellite points

INFRASTRUCTURE SPEND

During 2017 BWP2.3mn was invested in upgrading our IT systems.

TRAINING AND DEVELOPMENT

More than 2,800 training interventions, valued at BWP6.61mn, were conducted with our people to embed systems policies during 2017. Also, seven country management teams were trained in "Leading from Within".

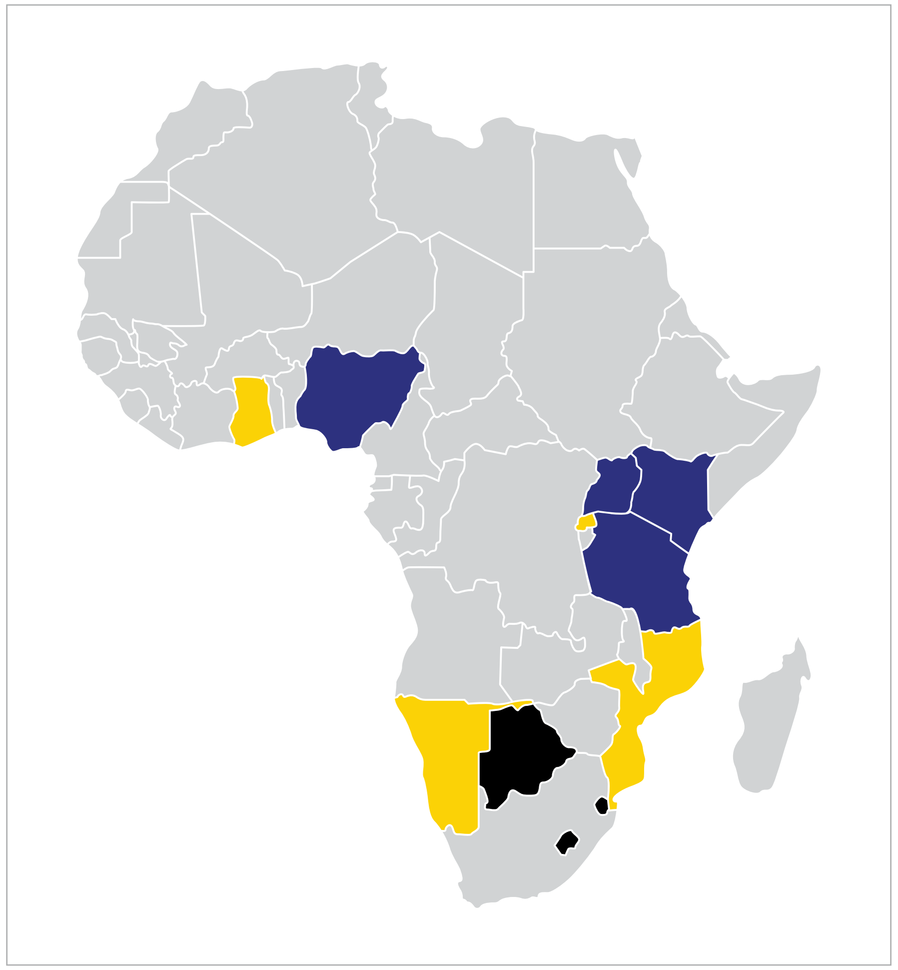
USE OF THE BLUE BOX

We have embedded the use of the Blue Box, an award-winning agency banking model in Mozambique a staff story is presented in the introductory section of this report for further review.

MOBILISATION TEAMS

In 2017 a Group Mobilisation Team network was launched. The objective with these teams was to provide a bridge between Group and Country, and will be key to improving our execution speed when launching new solutions or systems. Different country mobilisation team leaders will manage different focus areas within the business.

TEAM 1	Ghana Mozambique Namibia Rwanda
TEAM 2	Kenya Nigeria Tanzania Uganda
TEAM 3	Botswana Lesotho Swaziland



ECOSYSTEM THEORY

Rather than considering targeting customers in isolation, Letshego designs and develops its financial solutions and delivery channels to benefit the broader community eco-system. Our Education EcoSystem is an ideal example of how this inclusive approach with our financial solutions and literacy education programme not only aimed at supporting the school, but also teachers, parents, pupils and suppliers. The Blue Box Agency model is another example of how Letshego's solution benefits broader eco-systems with the business training and support of agents, as well as empowering both agents and customers with financial literacy education.

Social Capital

We recognise the ***importance of strengthening our communities and our interactions with them. Our levels of social capital represent a key indicator of our long-term sustainability.*** *We are proud to contribute to our communities through our investments in strategic social initiatives and to use our position as a trusted financial institution to advocate for new safe access channels to financial solutions by the traditionally financially underserved.*

SOCIAL SURVEY

We reached out to customers again this year, this time extending to ten markets, to gain feedback on how our solutions are impacting their lives. The results of this survey are outlined in 'Customer Trends' within this section.

CUSTOMER PROTECTION

The most significant drivers to determining that good customer protection principles are being implemented by Letshego, include the level of productive loan use, levels of savings amongst the customer base, with loan provision to woman noted to have a greater socio-economic impact.

Both productive loan use and levels of savings (both formal and informal) are good. Greater focus on provision of solutions to woman is required to increase positive socio-economic impacts in the communities we serve.

CUSTOMER SATISFACTION

The level of customer satisfaction was variable, dependent on use of loan. Sectors under significant stress such as agriculture (current drought), reported much lower satisfaction levels; however the average score across the group surveyed was still good at 73%.

STAKEHOLDER ENGAGEMENT

Continued engagement with key stakeholders allows us to maintain and build on our social capital. Section 4 of this report outlines the nature and type of engagement undertaken during this reporting period.

LETSCONNECT (INITIATIVES TO ENGAGE DIGITALLY WITH INTERNAL AND EXTERNAL STAKEHOLDERS):

Our Letshego intranet is now live, with a few minor issues being worked on to enhance the user experience. Work on the induction (LetsGrow) portal is being finalised and is expected to be launched shortly. Social media governance is introduced as we build our social media engagement, with the release of a Group Social Media Policy and Guideline – Community managers will be trained across our footprint.

'EKWAFU LETU' MILESTONE

Our listing on the Namibian Stock Exchange (NSX), the second African listing in the Letshego family, adds to the overall deepening of the country's capital markets and diversification of investments. The listing reflects our confidence in the Namibian economy.

The over 3,600 qualifying applications valued at a total of N$182 million that were received during the four-week share offer period, reflects Namibia's confidence in us. Members of the public and non-institutional investors contributed N$40 million towards this total, with the remaining N$142 million raised through offers from leading institutional investors.

Social Capital (continued)

ESMS UPDATE

Also, we have in 2017 updated and enhanced our Environmental and Social Management System (ESMS), which will facilitate the alignment of processes to an overall sustainable way of doing business.

THOUGHT LEADERSHIP

We are committed to driving responsible lending at all levels of the organisation, from our executive leadership's participation in forums such as the AFI, to our frontline staff who ensure that our customers understand the financial solutions and their responsibilities properly.

FT AFRICA PAYMENTS INNOVATION SUMMIT 2017: Chris Low, Letshego Group MD, discusses market trends in mobile payments and how FinTech is driving financial inclusion in Africa.

FT BANKING CONFERENCE 2017: Caren Robb, Letshego's Deputy MD, discusses the impact of innovation and FinTech.

FEMMA CONFERENCE, MOZAMBIQUE 2017: Chipiliro Katundu, outgoing CEO Mozambique and incoming Head of Group Marketing & Customer Experience, seated with Graça Machel, at the 'Femme and Graça Machel Trust' conference in Maputo, Mozambique in November 2017. Letshego Mozambique was the event's lead sponsor, given the Group's ambition to increase support and development of women both within and outside of the organisation.

Measuring our Social Impact

Building on the success of our Social Impact Scorecard launched and published in 2016, where Letshego surveyed customers across six markets, the Group has since ***expanded the reach of this valuable analytical tool and polled customers from another four countries.***

This brings the number of presence countries polled to 10, with surveys adjusted to include questions which analyse the impact and response to more recently launched segments such as the Education EcoSystem and Affordable Housing solutions.

The ongoing investment and expansion of Letshego's annual customer survey is not only motivated by the social data the survey and customer feedback provides, but also the sustainable commercial value such data provides to Letshego's strategy going forward. Through its research, Letshego is gaining a detailed understanding of demographic trends, needs and behavioural characteristics of their customers across Sub Saharan Africa.

In analysing this data, the unique research enables us to achieve differentiating benefits in understanding how demographic trends may or may not influence the financial needs and behaviour of its customers across various segments and geographies. Not only does the data enable us to understand our social impact, and whether its achieving our commitment to improving the lives of individuals, but we are also gaining unique research which helps the Group to mould and enhance our financial solutions to meet the evolving needs and trends of the communities we support.

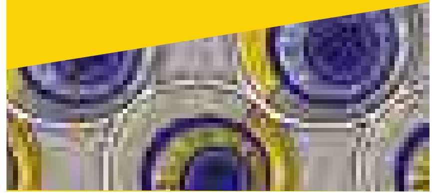
Customer survey questions focus on three categories:

1 **ACCESS**
A predominant barrier to financial inclusion

2 **PRODUCTIVE USAGE**
focusing data around Letshego's core segment streams:

- Affordable Housing
- Agri-Business
- Education Eco Sytem Solutions
- MSE businesses

3 **IMPROVING LIFE**
a measurement of whether an individual's quality of life has been tangibly improved by either one or a culmination of committed attributes Letshego strives to deliver, namely access, simplicity and appropriateness of financial solutions.



Customer Surveys are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

Overall, year on year Letshego has maintained the same baseline score within our Social Impact Scorecard. This is positive given the survey has been expanded from six to ten countries, and survey polls have been adjusted to include newly launched solutions.

Letshego's targets in improved financial inclusion are set against a five-year horizon, given the increasing social need and the fact that achieving a tangible and sustainable social impact in emerging markets is a longer term ambition. From the social surveys conducted to date, Letshego has committed to increase its focus on achieving greater consistency in digital access points across all its footprint markets, enhance customer-centric strategies and operations, and offer simple and appropriate asolutions.

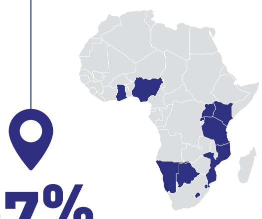
The attributes of Letshego's All-in-1 LetsGo solution appeals and meets each of these commitments, given its multi-faceted approach.

Letshego is also making progress in inceasing our number of female customers and providing greater access to financial solutions for first-time borrowers – two well-known social demographics which play an integral role in increasing financial inclusion across regional communities.

LETSHEGO
CUSTOMER TRENDS

Aggregated over 11 African Markets

The Letshego Group is committed to measuring our social impact andensuring we know and understand our customers, as well as deliver on ourpromise to Improve Lives in all 11 markets where we have a presence. Inconducting regular surveys and polls with our customers, not only do wegain a deeper understanding of our customers' needs, but we also learnmore about the personal traits and general behaviour of the individuals that we support. From our 2017 surveys, we have aggregated the general trends andbehavioural characteristics of our customers (diagram below). Letshego continues to set our own challenging benchmarks in continuouslyimproving our social performance, and gaining an ever-deeperunderstanding of our customers, wherever they may be located.



67%
Within 10km of accessing a Letshego product

58%
Make use of Mobile Solutions

73%
Customer Satisfaction Level

77%
Savings Culture

86%
Productive Loan Use

NUMBER OF DEPENDANTS

1	**9%**
1-4	**34%**
4-7	**47%**
‹ 7	**10%**

LOAN BEHAVIOUR IN LAST 12 MONTHS

50%	Only 1 loan
33%	Less than 3 loans
16%	More than 3 loans

Customer Surveys are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

Measuring our Social Impact (continued)

INVESTING IN OUR COMMUNITIES

Non-Communicable Diseases or "NCD's", such as diabetes or heart disease, pose an increasing health risk for many rural and under-served communities across emerging markets, including Africa. For this reason, Letshego, together with Primary Care International (PCI), has established an initiative entitled the 'Healthcare Innovation Programme' (HIP). This initiative provides support, longevity and wellness to communities where Letshego operates in Africa. The HIP programme was launched publicly in Nairobi, in 2016, and this year marks the three-year anniversary of our PCI Partnership, with the programme being extended to run until the end of 2019.

The objective of the Healthcare Innovation Programme is to implement the building blocks for local non-communicable disease (NCD) projects which can then be used as a platform to build scale in other financially-sustainable primary healthcare models. Letshego's partnership with PCI, enables regional projects to gain from international best practice, thanks to the hands-on support provided by internationally qualified doctors and medical experts, specifically trained in effective NCD identification and treatment frameworks.

In line with Letshego's commitment to leveraging the benefits of strategic partnerships, the Group provides 'seed' or initiation funding, with PCI seeking and establishing additional funding partners to increase capacity and reach of every country project.

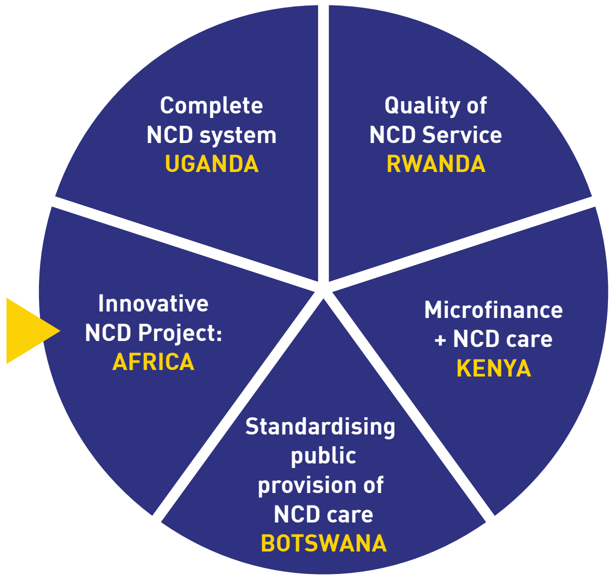
NCD services and support include a variety of initiatives to support the local community's healthcare framework, as well as training of healthcare workers including doctors; nurses and community workers; provision of NCD management tools such as clinical guidelines; facility supervision tools; record keeping and reporting templates; enhanced project management to increase reach and outputs of existing NCD programmes etc.

Currently Letshego has HIP projects active in 4 markets: Kenya; Rwanda; Uganda and Botswana. All projects will complete their initial capacity building strategy by end of March 2019. To date we have contributed approximately BWP3.5m to this initiative, training more than 100 health workers, who are estimated to reach more than 52,000 individuals in NCD identification, care and prevention.

HEALTHCARE INNOVATION PROGRAMME

Together with our partners, we build a solid foundation for primary health care systems based on the key **Building Blocks for NCD care.**

We are looking forward to work with innovative and sustainable pilot projects across the Letshego footprint.



STRENGTHENING THE QUALITY OF CLINIC MANAGMENT IN PRIMARY CARE HEALTH CENTRES

HIP Partner: Health Builders, Rwanda

Health Builders and the HIP are working with facilities to improve their quality of clinical managment for NCD diagnosis and care. This project looks to show that a strong, well-managed primary health care delivery can bring real measurable improvements to NCD care.

FUNDING AMOUNT:	£63,838
POPULATION* SERVED:	100,000

PROVIDING A WHOLE SYSTEM FOR NCD CARE

HIP Partner: LifeNet, Uganda

From community awareness, screening and diagnosis, through to treatment and continued care, LifeNet and the HIP are developing a complete NCD system to assess uptake and affordability.

Through LifeNet's existing quality improvement programme, we will be able to assess whether those diagnosed with NCDs proceed to access care and continue with treatment.

FUNDING AMOUNT:	£53,220
POPULATION* SERVED:	15,000

STANDARDISED NCD CARE THROUGH GUIDELINES AND TRAINING

HIP Partner: Ministry of Health and Wellness, Botswana

A structured training cascade programme for front line clinicians - nurses, medical officers and dieticians. The project is part of the overall MoWH plans for countrywide NCD services that will deepen the overall provision of primary care and facilitate long term continuation and sustainability of NCO services.

FUNDING AMOUNT:	£63,838
POPULATION* SERVED:	100,000

LINKING NCD CARE TO VILLAGE AND LOANS SAVINGS GROUPS

HIP Partner: AMPATH, Kenya

Patients with diabetes or heart disease attend regular microfinance meetings and also receive health education and mobile health services including check-ups testing and medication.

Members are motivated to attend regularly, with peer-to-peer support and accountability leading to long-term healthcare compliance and lifestyle change, impressive results already shown elsewhere in Kenya, AMPATH and the HIP are further developing the concept in a new rural district ahead of future roll-out.

FUNDING AMOUNT:	£53,220
POPULATION* SERVED:	15,000

BOTSWANA	UGANDA	RWANDA	KENYA	TANZANIA
NAMIBIA	SWAZILAND	NIGERIA	MOZAMBIQUE	LESOTHO

Overview of Letshego's SSI Programme

AGRI BUSINESS

LETSHEGO IS

IMPROVING MY LIFE

"Today Wilson is self-sufficient and self-employed, and looks forward to growing his business."

Wilson Karuri lives in a small village named Ndemi on the outskirts of Nairobi, Kenya. For many years, Wilson had no permanent job and relied on menial jobs to provide sporadic income and struggled to survive.

Through a loan granted by Letshego Kenya, Wilson qualified for KES90,000 (BWP9,000) which he used to buy two dairy cows. In addition, he also farms maize, beans and vegetables. Today Wilson is self-sufficient and self-employed, and looks forward to growing his business by purchasing more dairy cows and land where he can plant Napier grass - ideal fodder for a healthy dairy herd.

KENYA
Wilson Karuri

6

CORPORATE GOVERNANCE REPORT

At Letshego, we remain committed to upholding strong principles of corporate governance that facilitates accountability and responsibility for effective performance and ethical behaviour across the Group. We believe that the application of integrated corporate governance protects the Board, management and our people in undertaking their duties and ensures stakeholder confidence in our ability to manage and achieve meaningful value creation.

CORPORATE GOVERNANCE REPORT

***At Letshego, we remain committed to upholding strong principles of corporate governance** that facilitates accountability and responsibility for effective performance and ethical behaviour across the Group. We believe that the application of integrated corporate governance protects the Board, management and our people in undertaking their duties and ensures stakeholder confidence in our ability to manage and achieve meaningful value creation.*

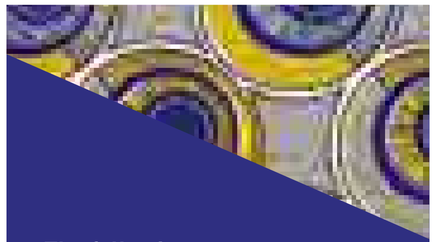
The Group continued to operate in line with the King Code of Governance Principles (King III) and we have summarised our King III application and non-application (comply or explain) which occurred during the 2017 reporting year under the Compliance with King III section below. The Board supports the revised King Code (King IV) and work is underway to assess our readiness in adopting the specific practices and disclosure requirements attendant to the principles, ahead of our full adherence to the King IV principles for the 2018 financial year. This will further enhance our commitment to integrating inclusive corporate governance practices across all areas of our business.

CORPORATE GOVERNANCE REPORT

Strengthening Governance

During 2017 we continued to strengthen governance across key focus areas including Business Strategy, Risk and Oversight, Governance and Stakeholder Engagement. Highlights included:

- The Board Group Audit and Risk Committee was split into a Group Audit Committee and a Group Risk Committee from May 2017 onwards.
- The Group Board Charter and all Committee Charters were reviewed and updated in line with King III and best practice.
- Subsidiary Board's letters of representations were introduced to allow these Board's to report their material issues to the Group Audit Committee.
- A Head of Group Governance, Risk, Legal and Compliance was recruited to coordinate and implement a comprehensive strategy for managing the broad issues of corporate governance
- Post year end, the composition of all Board Committee was reviewed and amended to allow a better balance of the memberships of each committee and to change the membership of the Group Audit Committee to comprise only of Independent Non-Executive Directors.
- The inclusion of a Statement of Application and Non Application of Corporate Governance Principles (comply or explain) in this IAR.



The following management committees were introduced during the year:

- Group Innovation Management Committee
- Group Business Growth Committee
- Group Asset and Liability Management Committee
- Group Technical and Operations Committee

These complimented the existing Committees in place being:

- Group Management Committee
- Group Risk Management Committee
- Group Sustainability Committee

CORPORATE GOVERNANCE REPORT

The Board Composition and Structure

Letshego Holdings Limited main Board membership comprised of twelve Directors as at 31 December 2017. The Board composition was seven INEDs, three non-executive Directors (NEDs) and two executive Director (EXD). There were a number of changes to the Board during 2017 as follows:

- J Burbidge retired from the Board on 1st March 2017
- C van Schalkwyk appointed to the Board on 1st April 2017
- I Mohammed resigned from the Board on 30th September 2017
- R Alam appointed to the Board on 19th January 2018 to replace I Mohammed as the ADP representative
- G Hassam resigned from the Board on 14th November 2017
- C Lesetedi appointed to the Board on 14th November 2017 to replace G Hassam as the BIHL representative

Director	Status	Number of Committees of Membership	Main Board	Group Audit Committee	Group Risk Committee	Group Human Resources Committee	Group Investment Committee	Group Nominations and Social Ethics Committee
E Banda	INED	1	✓ c					✓ c
J Burbidge	INED	-	✓					
S Price	INED	3	✓	✓ c	✓			✓
R Thornton	INED	2	✓			✓ c	✓	
H Karuhanga	INED	4	✓	✓		✓	✓	✓
J de Kock	INED	3	✓	✓	✓		✓ c	
G Somolekae	INED	1	✓			✓		
C van Schalkwyk	INED	2	✓	✓	✓ c			
I Mohammed	NED	4	✓		✓	✓	✓	✓
R Alam	NED	N/A	✓					
G Hassam	NED	2	✓				✓	✓
C Lesetedi	NED	1	✓					✓
G van Heerde	NED	3	✓	✓	✓	✓		
C Low (GMD)	EXD	-	✓					
C Patterson (CFO)	EXD	-	✓					

C	Chairman	**GMD**	Group Managing Director	**INED**	Independent Non-Executive Director
EXD	Executive Director	**CFO**	Chief Finance Officer	**NED**	Non-Executive Director

The Board Composition and Structure (continued)

From 1 January 2018 onwards, the Board and its committees are constituted as follows:

Director	Status	Number of Committees of Membership	Main Board	Group Audit Committee	Group Risk Committee	Group Human Resources Committee	Group Investment Committee	Group Nominations and Social Ethics Committee
E Banda	INED	2	✓ c			✓		✓ c
S Price	INED	2	✓	✓ c				
R Thornton	INED	3	✓		✓	✓ c	✓	✓
H Karuhanga	INED	3	✓	✓		✓	✓	
J de Kock	INED	4	✓	✓	✓		✓ c	✓
G Somolekae	INED	2	✓	✓		✓		
C van Schalkwyk	INED	2	✓	✓	✓ c			
R Alam	NED	3	✓		✓		✓	✓
C Lesetedi	NED	2	✓			✓		✓
G van Heerde	NED	2	✓		✓		✓	
C Low (GMD)	EXD	-	✓					
C Patterson (CFO)	EXD	-	✓					

C **EXD**	Chairman Executive Director	**GMD** **CFO**	Group Managing Director Chief Finance Officer	**INED** **NED**	Independent Non-Executive Director Non-Executive Director

The Board and its' Committees compile an annual work plan to ensure all relevant matters are prioritised and addressed. Members of senior leadership, assurance providers and professional advisers are invited to attend meetings and do not form part of the quorum of any meeting.

The Non-Executive Directors are individuals who objectively contribute a wide range of industry skills, knowledge and experience to the Board and are not involved in the daily operations of the Group. All Non-Executive Directors have unrestricted access to executive management and leadership at any time. When required, Non-Executive Directors are entitled to access the external auditors and, at Letshego's expense, are able to seek independent professional or expert advice on any matters pertaining to the Group. The Group Audit Committee (GAC), has constant interaction and independent consultation with the Group Internal Audit function, which reports directly to the Chairman of GAC.

Board Evaluation and Meetings

The last Board self-assessment was performed in 2014. Going forward, and in line with King III requirements, the evaluation of the Board, its Committees and the individual Directors will be performed every year. The 2018 appraisals will be facilitated by the Institute of Directors in Southern Africa, an independent governance facilitator. The Board self-assessment and appraisal processes are designed to review the effectiveness of the Board and members of various sub-committees. The self-assessment exercise provides open and constructive two-way feedback to members that enables the collective establishment of acceptable levels of performance across various principal governance areas.

The Board meets at least quarterly. In addition, there is an annual strategy review meeting and a special meeting to review and approve the interim results and dividend declaration. Therefore, six regular Board meetings were held during 2017. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled Board and Committee meetings to enable effective discharge of their responsibilities.

Non-Executive Directors meet at each quarterly Board meeting in the absence of executive management to discuss and exercise objective judgment on the affairs of the Group and to independently assess the performance of executive management. At least one third of the Non-Executive Directors rotate every year in line with the Board Charter.

ROLE OF THE BOARD

The Board provides effective leadership based on an ethical foundation and ensures that the Group is, and is seen to be, a responsible corporate citizen. An Enterprise Risk Management framework is used to align strategy and risk appetite.

In addition, the Board:

- Ensures the Group has an effective independent Group Audit Committee (GAC).
- Established a separate Group Risk Committee.
- Oversees the governance of risk by ensuring that appropriate enterprise risk management frameworks are in place and functioning effectively.
- Manages the governance of enterprise information technology.
- Ensures compliance with applicable laws and adherence to non-binding rules, codes and standards.
- Ensures that an effective risk-based internal audit function and plan is in place.

BOARD CHARTER

The Board Charter, which is aligned to King III, sets out the following:

- The Board's responsibilities and functions, including safeguarding the Board's collective and individual members' independence.
- Role of the Board, as distinct from the roles of the Shareholders, the Chairman, individual Board members, the Company Secretary and other executives of the Group.
- Powers delegated to various Board committees.
- Matters reserved for final decision-making or approval by the Board.
- Policies and practices of the Board in respect of matters such as corporate governance, trading by Directors in the securities of the Group, declaration and conflicts of interest, Board meeting documentation, alternative dispute resolution, business rescue proceedings and procedures.

COMPANY SECRETARY

The Company Secretary plays a critical role in Letshego, acting as an advisor to the Board and guiding individual Directors in areas such as corporate governance, updates on legal and statutory amendments and the effective execution of Directors' responsibilities and fiduciary duties. The Company Secretary ensures that Board and sub-committee charters are kept up to date, and that Board papers are circulated in good time. Also, he assists in eliciting responses, input and feedback for the Board meeting. The Group Head of Governance, Risk, Legal and Compliance works closely with the Company Secretary and provides Corporate Governance Support for Board sub-committees, including ensuring that the correct procedures are followed for the appointment of Directors.

Whenever deemed necessary, the Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the Board. If necessary, the services and guidance of the corporate sponsor and other experts are procured to ensure that the Directors have adequate insight to discharge their responsibilities effectively.

Board Evaluation and Meetings (continued)

COMPANY SECRETARY (Continued)

Furthermore, the Company Secretary assists in the process of self-assessment of the Board and its sub-committees.

On 1 January 2018, Lawrence Khupe became the Company Secretary of Letshego Holdings Limited. He replaced Topiwa Chiluwe who held the position during 2017 following the retirement of Dumisani Ndebele.

PERFORMANCE APPRAISAL OF EXECUTIVE LEADERSHIP AND MANAGEMENT

Executive Directors, senior leadership and management are appraised based on predetermined strategic objectives and achievement of specific Group performance targets that are approved by the Board annually.

BOARD PROCESSES

Appointments to the Board

New Board appointments are proposed by the GNSE Committee, taking into account the appropriate balance of skills, experience and diversity required to lead, control and best represent the Group. To this end, GNSE Committee submits a formal proposal to the Board for its consideration. Background and reference checks are performed before the nomination and appointment of Directors. The appointment of Non-Executive Directors is formalised through a letter of appointment and the Board makes full disclosure regarding individual Directors to enable Shareholders to make their own assessment of Directors. On-going training and development of Directors is provided as necessary.

Succession planning

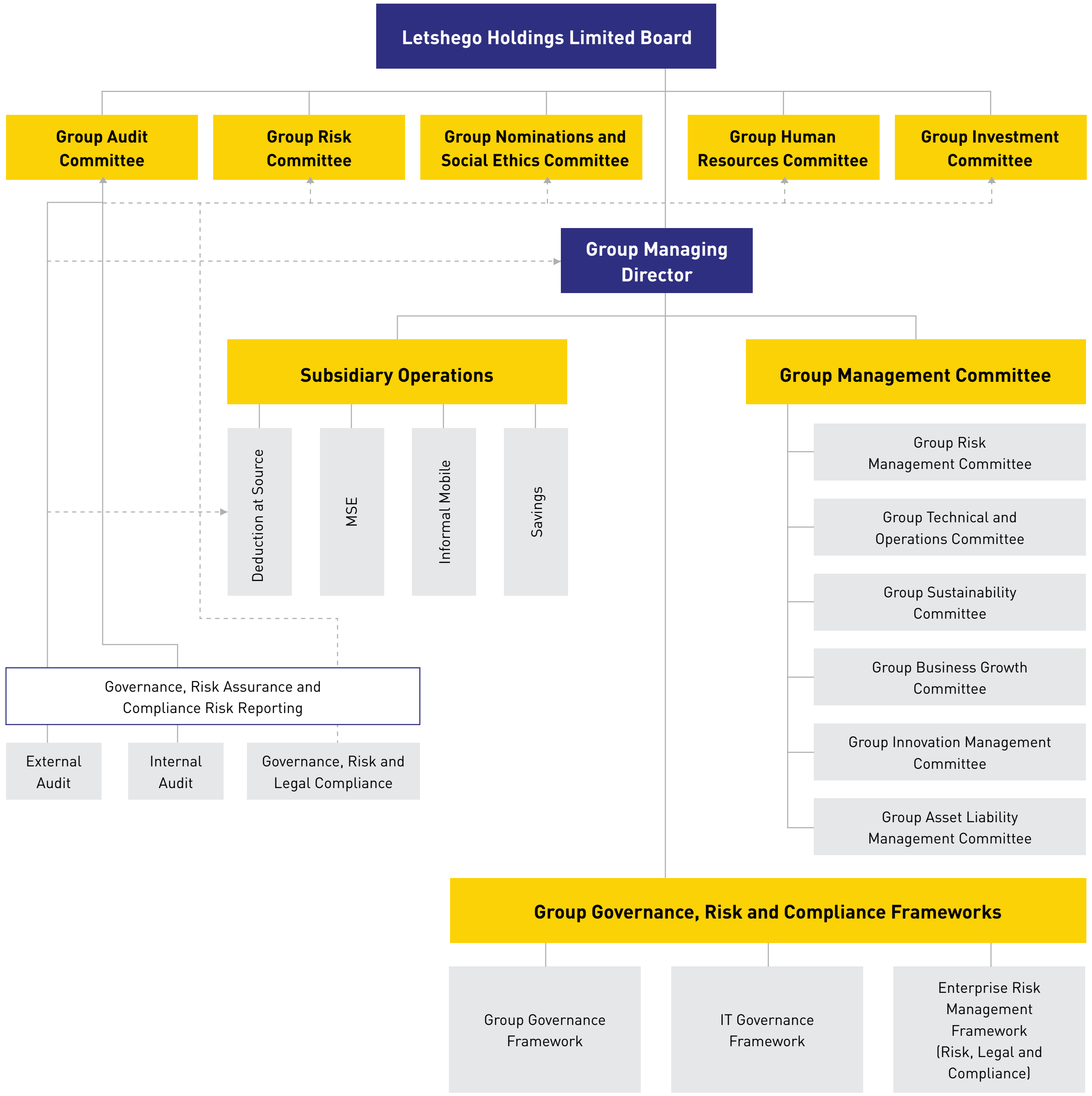
Letshego promotes succession planning for all key positions. Succession plans are reviewed by the Group Human Resources Committee (GHRC) for key Group personnel throughout the year and report-backs are given to the Board at subsequent meetings. Board succession is the responsibility of the GNSEC. Further, the Group has a comprehensive programme of identifying and developing a pipeline of talent for future leadership positions across its footprint.

Board Evaluation and Meetings (continued)

GOVERNANCE AND RISK MANAGEMENT TRANSFORMATION

The Letshego Group is transforming and diversifying into a broader financial services entity with deduction-at-source lending, microfinance and deposit-taking businesses. As such, the Governance, Risk, Legal and Compliance function has been consolidated as one to ensure enhanced focus in addressing the changing risk profile of the Group. Financial and Credit risk falls under the Finance Department.

Below is the Group Governance Structure that supports the business model:



COMPOSITION OF THE BOARD AND ITS SUB-COMMITTEES

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
1	**Group Audit Committee (GAC)**	• Safeguards assets and ensures the operation of adequate systems, control processes and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards. • Ensures corporate accountability and the management of associated risks, combined assurance and integrated reporting. • Reviews group financial and integrated reports and recommends to Board for approval. • Recommends to the Board for the appointment of external auditors and oversight of the external audit process and the results thereof. • Approves annual internal and external audit plans. • Monitors the ethical conduct of the group. • Annually assesses the adequacy and skills of the internal audit, group financial management and reporting functions. *Post year end, on 1 January 2018, the membership of the Committee changed – refer to section 2.*	**Independent Non-Executive Directors** S Price *(Chairman)* J de Kock H Karuhanga C van Schalkwyk **Non-Executive Directors** G van Heerde **Independent attendees** Engagement partner from PricewaterhouseCoopers **Management attendees** C Low *(Group Managing Director)* C Patterson *(Group Chief Financial Officer)* C Robb *(Deputy Group MD)* **Permanent invitee** N Ndlovu *(Group Head of Internal Audit)* C Glossoti *(Group Head of Governance, Risk Legal and Compliance)*	Minimum of three members and majority required for a quorum	Meets at least four times a year
2	**Group Risk Committee (GRC)**	• Formulates the risk profile and risk appetite across the Group, for approval by the Board. • Establishes a risk management framework and review the process developed by management to identify principal risks, evaluate their potential impact, and implement appropriate systems. • Monitors different risks against an agreed risk appetite statement inclusive of operational risks, strategic risks, compliance risks and financial risks. • Approves principles, policies, strategies and processes for the management of risk including the establishment of other risk committees and the delegation of matters to those committees. • Approves the nature, role, responsibility and authority of the risk management function within the Company and outline the scope of risk management work. • Reviews and assess the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed • Monitors and reviews external developments relating to the practice of corporate accountability and the reporting of specifically associated risks, including emerging and prospective impacts.	**Independent Non-Executive Directors** C van Schalkwyk *(Chairman)* J de Kock S Price **Non-Executive Directors** I Mohammed *(replaced by R Alam)* G van Heerde **Management attendees** C Low *(Group Managing Director)* C Patterson *(Group Chief Financial Officer)* C Robb *(Deputy Group MD)* **Permanent invitee** N Ndlovu *(Group Head of Internal Audit)* C Glossoti *(Group Head of Governance, Risk Legal and Compliance)* N Perry *(Acting CIO)* B Sneddon *(Head of Financial Risk)*	Minimum of three members and majority required for a quorum	Meets at least four times a year
3	**Group Human Resources Committee (GHRC)**	• Reviews the remuneration policies of the Group. • Ensures that policies for selecting, planning for succession and professional development of executive directors and senior management is appropriate. • Ensures that directors and staff are fairly rewarded. • Ensures that market-related reward strategies are adhered to. • Establishes performance targets for the group's incentive scheme. *Post year end, on 1 January 2018, the membership of the Committee changed – refer to section 2.*	**Independent Non-Executive Directors** R Thornton *(Chairman)* H Karuhanga G Somolekae **Non-Executive Directors** I M Mohammed *(Replaced by R Alam)* G van Heerde **Management attendees** C Low *(Group Managing Director)* S Kioko *(Group Head of HR)* C Patterson *(Group Chief Financial Officer)* C Robb *(Deputy Group MD)*	Minimum of three members and majority required for a quorum	Meets at least twice a year
4	**Group Investment Committee (GIC)**	• Reviews and recommends to the Board regarding all new strategic investments and major funding initiatives the Group may enter into including the mechanism for investment (e.g. startup operations, mergers, acquisitions, joint ventures etc.), selecting between priority and non-priority investments. • Ensures divestment from existing investments if the investment objectives are not achieved. • Decides on appropriate funding mechanisms in the context of the overall funding strategy of the group. • Participates in the negotiations with potential investors/funders, acquisition/merger candidates, etc.) when appropriate. • Formulates and recommends to the Board the overall investment policies and guidelines of the Group. *Post year end, on 1 January 2018, the membership of the Committee changed – refer to section 2.*	**Independent Non-Executive Directors** J de Kock *(Chairman)* R Thornton H Karuhanga **Non-Executive Directors** I Mohammed *(replaced by R Alam)* G Hassam *(replaced by G van Heerde)* **Management attendees** C Low *(Group Managing Director)* C Patterson *(Group Chief Financial Officer)* C Robb *(Deputy Group MD)*	Minimum of three members and majority required for a quorum	Meets as and when necessary
5	**Group Nominations and Social Ethics Committee (GNSEC)**	• Recommends to the Board on all new Board appointments. • Undertakes a formal process of reviewing the balance and effectiveness of the Board. • Ensures that directors' induction, performance evaluation and directors' development are carried out. • Conducts annual directors' independence assessment. • During the year, the Group Nominations Committee terms of reference were changed such that it became the Group Nominations and Social Ethics Committee. Its mandate was expanded to include oversight of governance, sustainable development, social ethics and stakeholder relationships. *Post year end, with effect from 1 January 2018, the membership of the Committee changed – refer to section 2.*	**Independent Non-Executive Directors** E Banda *(Chairman)* H Karuhanga S Price **Non-Executive Directors** G Hassam *(replaced by C Letseidi)* I Mohammed *(replaced by R Alam)* **Management attendee** C Low *(Group Managing Director)* C Patterson *(Group Chief Financial Officer)* C Robb *(Deputy Group MD)*	Minimum of three members and majority required for a quorum	Meets at least once a year

GROUP AUDIT COMMITTEE

***Special report to Shareholders** on a breach of independence by the external auditors and actions taken to address the breach*

During January 2018, our external auditors, PricewaterhouseCoopers ("PwC") identified a breach of their independence rules relating to the external audit of Letshego Holdings Limited ("LHL") and informed the Group Audit Committee ("GAC") thereof.

The breach related to a senior member of the audit team holding a shareholding of less than 0.0018% in Botswana Insurance Holdings Limited (BIHL). BIHL holds a material and strategic shareholding of 26.2% in LHL. Upon becoming aware of the breach, the team member immediately sold the shares in BIHL.

As required by relevant professional standards, the auditors remedied this breach, instituted remedial procedures to address the risks that the breach may have caused and reported the matter to the GAC.

The GAC took the following actions:

- obtained a detailed explanation from the external auditor of the nature and cause of the breach;
- obtained written assurances about the procedures taken to ensure the integrity of the 2015 and 2016 external audits of LHL;
- confirmed that the same remedies were carried out for the audit of the Botswana subsidiary;
- reviewed the actions taken and ensured those actions were in compliance with relevant regulations and standards;
- obtained an independent legal opinion concerning LHL's reporting obligations towards stakeholders;
- agreed with PwC that a new audit partner would take over responsibility, including acting as signing partner, for the 2017 external audit;
- agreed with PwC that a precondition of the new appointment was that the partner identified should have had no prior direct involvement in the current or prior period audits of LHL. PwC informed the GAC that the partner taking over audit responsibilities had no direct involvement in the 2015 and 2016 audits but had been involved in the internal quality assurance reviews of the LHL 2015 and 2016 audits, within the risk management framework of PwC.
- obtained assurance from PwC that the LHL audits were subject to a second partner or 'Quality Review Partner' who was and continues to be independent of the audit signing partner.
- Based on the above, the GAC concluded that sufficient actions have been taken to assure the independence of the 2017 external audit of LHL and Letshego Financial Services (Pty) Limited (Botswana) and that the integrity of the 2015 and 2016 audits were not compromised. The nature of the breach means that the audits of the other group subsidiaries that were performed by PwC were not compromised and required no remedial actions given that they were performed and signed by other, in-country PwC audit partners.

The GAC, as a matter of good practice, formally notified LHL's relevant regulators, being the Botswana Stock Exchange and the Non-Bank Financial Institutions Regulatory Authority of Botswana. In addition, the GAC decided to provide full disclosure to its shareholders in this 2017 Integrated Annual Report.

The Board of Directors of LHL agreed with the conclusions of the GAC.

EXECUTIVE MANAGEMENT COMMITTEES

In addition to the Board and its sub-committees, executive management of the Letshego Group discharges its duties through the Group Management Committee and its management sub-committees as laid out below.

	Committee	Purpose	Composition (at 31 December 2017)	Quorum	Frequency of meeting
1	**Group Management Committee (GMC)**	• Ensures delivery of the Group, country and business strategies against the Group's collective agenda and budget, and reports on such progress to the Board as well as escalating any significant risks or issues on a timely basis. • Monitors external developments in the Group's country footprint as well as internal risk issues arising, to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group as well as to mitigate potential financial losses. • Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people commitment and stakeholder engagement, underpinned by exemplary governance and effective cost control. • Provides unified leadership on key transformation, brand and other business initiatives by determining and agreeing the response to cross-geography and business challenges.	C Low *(Group Managing Director) (Chairman)* C Robb *(Deputy Group MD)* C Patterson *(Group Chief Financial Officer)* T Kocsis *(Group Head of Micro Finance Banking)* F Mmelesi *(Group Head of Consumer Lending)* J Wainaina *(Group Head of Sales)* N Perry *(Acting Group Chief Operating Officer)* S. Kioko *(Group Head of Human Resources)* **By invitation** N. Ndlovu *(Group Head of Internal Audit)*	Majority of GMC members	Monthly
2	**Group Risk Management Committee (GRMC)**	• Promotes a culture of risk management discipline, anticipation and compliance across the Group's footprint. • Reviews and recommends to GMC models and approach to determining risk appetite at group and country levels as a basis for obtaining GMC, GAC and GRC approvals, and to monitor compliance with the same. • Proactively manages potential capital, interest rate, foreign exchange, liquidity, credit, operational, and compliance risks and initiates actions to mitigate those risks. • Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence. • Ensures the adequacy and effectiveness of policies, procedures and tools in all countries for the identification, assessment, monitoring, controlling and reporting of risks by reference to the group's Enterprise Risk Management framework and that they conform to the minimum requirements laid down by the group as well as external regulators.	C Robb *(Deputy Group MD) (Chairperson)* P Chadwick *(Head of Group Banking Operations)* A Prahlad *(Regional Finance Manager)* B Sneddon *(Head of Group Financial Risk)* T Kocsis *(Group Head of Micro Finance Banking)* C Glossoti *(Group Head of Governance, Risk, Legal and Compliance)* N Perry *(Acting COO and CIO)* **By invitation** Group Heads of Business, Risk Owners and other specialists **Permanent invitee** N. Nkosana *(Head of Group Audit)*	Majority of GRC members	Quarterly

EXECUTIVE MANAGEMENT COMMITTEES (continued)

	Committee	Purpose	Composition (at 31 December 2017)	Quorum	Frequency of meeting
3	**Group Asset and Liability Management Committee (GALMC)**	• Ensures Group's and Subsidiaries' balance sheet management is optimised (liquidity and capital). • Defines liquidity and other ALM limits, and ensure compliance with all internal and regulatory guidelines. • Approves foreign currency mitigation and tax planning initiatives.	C Patterson *(Group Chief Financial Officer)* *(Chairperson)* C Low *(Group Managing Director)* B Sneddon *(Head of Group Financial Risk Management)* C Glossoti *(Group Head of Governance, Legal, Risk and Compliance)* A Prahlad *(Regional Finance Manager)* B Kgosodiski *(Head of Investor Relations)* **Permanent invitee** C Robb *(Deputy Group MD)*	Majority of GALMC members	Quarterly
4	**Group Sustainability Committee (GSC)**	• Ensures that an effective sustainability framework is in place across the Group. • Reviews and approves all SSI proposals above P100 000. • Ensures that appropriate brand and communications policies are in place to protect the Group's reputation.	C Robb *(Deputy MD) (Chairperson)* F Mmelesi *(Group Head of Consumer Solutions)* L Callie *(Head, Group Corporate Affairs)* M Ketsitlile *(Head, Sustainability and SE)* M Pilara *(Head, Brand and Communications)* S Maviala *(Group Marketing Manager)* P Mkpayah *(Head, Financial Reporting)*	Majority of GSC members	Quarterly
5	**Group Technical and Operations Committee (GTOC)**	• Ensures delivery of technology platform release updates, fixes and change requests. • Ensures delivery of operational patches and process enhancements (automation) without BAU disruption. • Ensures delivery of Tech and Ops projects on a timely basis, manage resourcing, mitigate risks as well as priorities in line with strategic business projects.	N Perry *(Acting COO and CIO)* *(Chairperson)* P Chadwick *(Head, Group Banking Operations)* B Ncayiyana *(Head, Group Business Support)* Mobilisation Team Leaders	Majority of GTOC members	Quarterly
6	**Group Innovation Management Committee (GIMC)**	• Approves innovative and digital initiatives, projects and new solutions, as well as related funding. • Provides guidance on strategic partner opportunities (focus on ecosystems, access, and technology) and commercial agreements. • Provides Group oversight to global trends and developments.	C Low *(Group Managing Director) (Chairperson)* C Robb *(Deputy Group MD)* J Wainaina *(Group Head of Sales)* M Sambasivan-George *(Chief Commercials Officer)* B Dempsey *(Head of Group Strategy)* C Katundu *(Group Head of Marketing)*	Majority of GIMC members	Quarterly

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EXECUTIVE MANAGEMENT COMMITTEES (continued)

	Committee	Purpose	Composition (at 31 December 2017)	Quorum	Frequency of meeting
7	**Group Business Growth Committee**	• Approves changes to existing solution parameters including tenure, amount limits, interest, fees, insurance and other value added services. • Approves new solutions for replication and scaling across the Group. • Approves campaign plans for all country initiatives.	T Kocsis *(Group Head of Micro Finance Banking)* *(Chairperson)* C Robb *(Deputy Group MD)* J Wainana *(Group Head of Sales)* M Sambasivan-George *(Chief Commercials Officer)* C Katundu *(Group Head of Marketing)* B Dempsey *(Head of Group Strategy)* G Yeo *(Head of Group Prog. Mngt)* B Sneddon *(Head, Financial Risk Management)* N Neville *(Acting Group COO)*	Majority of GBGC members	Monthly
8	**Country Management Committee (CMC)**	• Delivers on the country business strategy against the country's collective agenda and budget, and reports on such progress to the Regional Heads as well as escalating any significant risks or issues on a timely basis. • Monitors external developments in the country's operations and internal risk issues arising to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group and to mitigate potential financial losses. • Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement, underpinned by exemplary governance and effective cost control. • Provides unified leadership on key strategic and other business initiatives in the country. • Promotes and implements an effective risk management framework that encapsulates setting of risk appetite, management discipline, anticipation and compliance across the country and escalating and significant issues Regional Heads and Head of Risk and Assurance as appropriate. • Ensures that the country business is operating according to the highest standards of regulatory compliance and best practice as defined by external regulations and internal policies and procedures respectively, including banking and labour laws as well as anti-money laundering legislation (AML), KYC, ALM and any other regulatory requirement. • Approves and recommends to Group Committees all new products and service offerings.	Chief Executive Officer *(or her / his deputy in absence of CEO)* Country Head of Sales/Marketing/ Business Development Country Chief Operating Officer Country Chief Finance Officer Country Head of Human Resources Country Head of Risk and Compliance Country Project Manager	Majority of CMC members	Monthly

ATTENDANCE AT MEETINGS

The attendance of Board Members at various Board and committee meetings during the year under review was as follows:

Director	Status	Main Board	Group Audit Committee	Group Risk Committee	Group Human Resources Committee	Group Investment Committee	Group Nominations and Social Ethics Committee
E Banda (Chairman)	INED	6/6					3/3
J Burbidge	INED	1/1					
S Price	INED	3/6	5/5	2/3			2/3
R Thornton	INED	6/6			4/4	1/1	
H Karuhanga	INED	6/6	5/5		4/4	1/1	3/3
J de Kock	INED	6/6	5/5	3/3		1/1	
G Somolekae	INED	6/6			4/4		
C van Schalkwyk	INED	5/5	4/4	3/3			
I Mohammed	NED	4/5	1/1	2/2	3/3	1/1	2/2
R Alam	NED	N/a					
G Hassam	NED	4/5				1/1	2/2
C Lesetedi	NED	1/1					1/1
G van Heerde	NED	6/6	5/5	3/3	4/4		
C Low (GMD)	EXD	6/6	4/5	2/3	3/4	1/1	3/3
C Patterson (CFO)	EXD	6/6	5/5	3/3	4/4	1/1	3/3

Note – the Group Audit and Risk Committee was separated into two difference committees from May 2017 onwards

Board fees are as follows:

Board Chairperson	BWP29,000 per meeting
Directors	BWP27,285 per meeting
GARC members	BWP27,285 per meeting
Other committees	BWP15,000 per meeting attended or BWP10,000 if meeting held via conference call
Strategy review meeting	BWP29,000 for the Chairman and BWP27,285 for Directors
Annual retainer – Chairman	BWP880,000
Annual retainer – Directors	BWP360,000

Following the replacement of the GARC with a Risk Committee and an Audit Committee, the fees are:

Risk Committee	BWP15,000 per meeting
Audit Committee	BWP15,000 per meeting

The above Directors fees were approved by Shareholders at the Annual General Meeting held on 28 May 2017. There have been no changes to Directors fees in 2017 and none are proposed for 2018.

REMUNERATION POLICY

The broad terms of reference of the Group Human Resources Committee are outlined in the table above. A key strategic objective of the Group is to attract and retain high caliber staff and individuals, and their remuneration for the 2017 financial year is laid out below:

Director	Status	Main Board	Annual Retainer	Group Audit Committee	Group Risk Committee	Group Human Resources Committee	Group Investment Committee	Group Nominations and Social Ethics Committee	Total
E Banda (Chairman)	INED	174,000	880,000					45,000	1,099,000
J Burbidge	INED	27,285	146,667						173,952
S Price	INED	81,855	360,000	87,285	30,000			30,000	589,140
R Thornton	INED	163,710	360,000			60,000	15,000		598,710
H Karuhanga	INED	163,710	360,000	87,285		60,000	15,000	45,000	730,995
J de Kock	INED	163,710	360,000	87,285	45,000		15,000		670,995
G Somolekae	INED	163,710	360,000			60,000			583,710
C van Schalkwyk	INED	176,425*	270,000	60,000	45,000				551,425
** I Mohammed	NED	109,140	360,000	27,285	30,000	45,000	15,000		616,425
** R Alam	NED								
** G Hassam	NED	109,140	360,000				15,000		514,140
** C Lesetedi	NED	27,285						30,000	42,285
** G vanHeerde	NED	163,710	360,000	87,285	45,000	60,000		15,000	715,995
C Low (GMD)	EXD								
C Patterson (CFO)	EXD								
Total:									**6,886,772**

All figures in BWP

‘* *C van Schalkwyk attended the February 2017 board and committee meetings as an observer pending regulatory clearance of his appointment to the Board and was paid BWP 40,000 for attending*

‘** *Fees are paid to the organisations they represent.*

After conducting research into trends in Non-Executive Director remuneration, Non-Executive Directors' fees are proposed by the GHRC. Non-Executive Directors' fees are fixed for two years. Generally, Directors of the Group's Board and Subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. Non-Executive Directors do not receive any fees which are related to the performance of the Group and do not participate in any share-based payments or incentives. The revised fee structure was approved by Shareholders at the Annual General Meeting held on 27 May 2017. No other changes were made to the remuneration of Non-Executive Directors in 2017 and no changes are being made or proposed for 2018.

Executive Directors' remuneration as at 31 December 2017

Executive Directors' incentive bonuses are evaluated and recommended by the GHRC for the approval of the Board. All amounts disclosed below are in Botswana Pula (BWP).

Executive Directors	For Management Services	Performance Bonus	Total
A C M Low*	4,052,420	2,027,382	6,079,802
C Patterson**	2,237,500	-	2,237,500

Executive Directors' remuneration as at 31 December 2016

Executive Directors	For Management Services	Performance Bonus	Special Incentive Payment***	Total
A C M Low	3,150,000	2,885,000	1,500,000	7,535,000
C Patterson	2,031,000	600,000	456,000	3,087,000

'* A salary increase was awarded to A C M Low on 1 November 2016 on the expiry of his initial three-year employment contract

'** A salary increase was awarded to C Patterson on his appointment as the Finance Director – prior to this he was the Group Chief Financial Officer

'*** The special incentive payment was a once off payment arising from a corporate activity involving the Group

'**** The Executive Directors have no pension benefits

In terms of the Long Term Incentive Scheme 1,202,511 ordinary shares vested to ACM Low and 614,692 ordinary shares vested to C Patterson, for no consideration, during March 2018 that related to the 31 December 2017 financial year end. In the prior period, 2,021,250 and 990,000 ordinary shares vested to ACM Low and C Patterson respectively, during March 2017 that related to the 31 December 2016 financial period.

Top three earners that are not Executive Directors as at 31 December 2017

Executive Directors	For Management Services	Performance Bonus	Total
Employee 1	2,384,844	400,000	2,784,844
Employee 2	2,308,870	435,000	2,743,870
Employee 3	2,040,000	400,000	2,440,000

Top three earners that are not Executive Directors as at 31 December 2016

Executive Directors	For Management Services	Performance Bonus	Special Incentive Payment	Total
Employee 1	2,332,200	390,000	570,000	3,240,000
Employee 2	2,100,000	550,000	-	2,650,000
Employee 3	2,040,000	375,000	-	2,415,000

In terms of the Long Term Incentive Scheme 781,499 ordinary shares vested to the top three earners, for no consideration, during March 2018 that related to the 31 December 2017 financial year end. In the prior period, 825,000 ordinary shares vested to the top three earners, during March 2017 that related to the 31 December 2016 financial period.

The following incentive scheme is offered by Letshego Group:

	Share-based plans	Deferred bonus plans	Standard annual bonus plan
Group Management Committee and CEOs	✓		✓
Extended leadership team		✓	✓
Management			✓
Middle management			✓
Sales and support staff			✓

The key elements of the Long-Term Incentive Plan are:

- Calculation of grants – Ranges between 75% to 200% of basic salary for participants
- Grant term – the vesting is at the end of three years
- Grant targets – is based on Earnings per Share and Return on Equity targets set at the start of each three-year period
- These targets can be amended during the course of the three year period and the GHRC can apply its judgment to recommend to the Board additional vesting over and above the achievement of targets
- For the 2017 financial year, there was no uplift (2016:50%)

As a further retention tool, a deferred cash bonus scheme is in place for selected members of the extended leadership team that do not participate in the share scheme. The deferred cash bonus is paid over three years (50% at the end of the second year and 50% at the end of the third year). The deferred cash bonus is adjusted upwards for any increase in the Group's share price during the bonus period.

These remuneration and incentive schemes are designed to ensure that executive leadership and senior management remuneration is driven by increase in shareholder value as well as delivery of the Group's strategic objectives. Surveys conducted by independent consultants indicate that basic salaries paid by the Group to staff are aligned to industry and market norms. In awarding annual increases to employees, consideration is given to an employee's performance as well as the impact of inflation in the countries in which the Group operates.

GOVERNANCE AND COMPLIANCE IT FRAMEWORK

Ultimately, the Group continues to enhance its information technology (IT) governance framework as the Group's operations and sustainability are critically dependent on IT. Specifically, IT supports the Group's innovation and technological competitive advantage, the management of IT related risks and increased requirements for control over information security.

The framework addresses the following, in line with best practice:

- The IT activities and functions of the organisation are aligned, to enable and support the priorities of the Group
- IT delivers the envisioned benefits against strategy, costs are optimised, relevant best practices incorporated and the value created for the Group by its IT investment is maximised
- The optimal investment is made in IT and critical IT resources are responsibly, effectively and efficiently managed and utilised
- Compliance requirements are understood and there is an awareness of risk, allowing the organisation's risk appetite to be managed
- Performance is optimally tracked and measured and the envisioned benefits are realised, including implementation of strategic initiatives, resource utilisation and the delivery of IT services
- Synergies between IT initiatives are enabled and where applicable, IT choices are made in the best interest the Group as a whole

LEGAL COMPLIANCE

The Board is ultimately responsible for overseeing the Group's compliance with specific legislation, rules, codes and standards in terms of King III. The Board has delegated responsibility to management for the implementation of an effective governance, risk, legal and compliance framework and processes, as envisaged by King III.

ASSETS AND LIABILITIES MANAGEMENT (ALM)

ALM is the responsibility of the Group Management Committee. ALM deals with the management of capital adequacy, currency, liquidity, interest rate and market as well as credit risks ensuring that the regulatory prudential ratios are maintained. With regard to central bank regulated subsidiaries the ALM function falls under the Country Management Committee.

GOVERNANCE AND COMPLIANCE

Ultimately, the Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III. The Board has delegated responsibility to management for the implementation of an effective legal compliance framework Corporate Governance Framework and processes, as envisaged by King III.

Through the Group Governance and Compliance Function, Letshego Holdings Limited remains resolute in implementing and embedding the Group-wide Compliance and Corporate Governance Frameworks premised on the following enablers:

- Corporate Governance Framework for Group and its subsidiary Boards
- Relevant Group wide policies
- Group wide Code of Ethical Conduct and Whistleblowing Facility
- Commitment to Group strategy and brand promise

The Group Governance and Compliance function commenced the preliminary phased in rollout of the Framework through presentation to the country Chief Executive Officers in early 2016, focusing on the key compliance areas that the Framework aims to address. These are Regulatory Compliance, Legal Compliance and Governance Compliance.

GOVERNANCE AND COMPLIANCE (continued)

To augment the Group-Wide Governance Legal and Compliance Framework, the following ancillary tools were developed and were rolled out across the Letshego footprint in 2017, following further enhancements so as to ensure that they are "fit for purpose" in line with the Letshego model.

- High level document highlighting key legislative areas - the document provides a holistic overview of the applicable requirement to document all legislative areas relevant to Letshego across all its areas of operation.
- Compliance Risk Management Plans (CRMPS) - the plans provide comprehensive and granular detail of legislation and relevant provisions.
- Suspicious Activity Reporting procedures and Customer Due Diligence procedures - the procedures are premised on anti-money laundering and financial intelligence legislation across the Letshego footprint and have been developed in a manner where they are fit for purpose across the entire business.
- Manual on Communication of New Legislation - in an effort to ensure all legislative developments and reforms are captured, the function came up with an end to end process detailing the management of new legislation and amendments to existing legislation. The manual provides for the performance of gap analysis, impact analysis and implementation of control standards.
- Manual on Regulatory Interaction (Managing inspections) - the manual was developed to ensure management of engagements with our respective regulators and covers all operating entities, even if they are not formally regulated. The manual provides a detailed end to end process on managing expectations, deliverables of during inspections and reviews by regulators.
- A Legal Toolkit that enables the Legal function to track and manage all legal contracts, company secretarial information and litigation management.

SUBSIDIARY BOARDS – LETTERS OF REPRESENTATION

The Group and its subsidiaries have an established governance framework approved by the Group Board. In 2017, Letters of Representation from the subsidiary Boards to the Group Audit Committee were introduced. The purpose of the letter is to enable the subsidiary Boards to conduct a business assessment and confirm adherence with corporate governance, audit, risk, compliance and financial management processes as well as highlight any associated risks. This process is aligned to the Governance Framework for Subsidiary Boards that, in turn, is aligned to the Group Board Charter. The Representation Letter ("Rep Letter") process and assessment, is an integral part of the fiduciary duties of Directors and the Board utilises the information gathered as a method to track successful transformational change per country.

The 2017 Rep Letters highlighted a number of common risk themes that the Group will track in the coming year and the below overview provides an assessment of the representations based on our integrated approach to risk, which balances the materiality of the risk against the potential impact and/or likelihood of the risk occurring.

Representation Letters Overview

Transformational Scorecard Risks

Our core deduction at source lending business (DAS) performed well across most of our subsidiaries; however our strategy to diversify the non-Government deduction at source business has been slower to yield significant results. A number of risk factors in achieving real growth include:

- an increase of new entrants in this space who compete with Letshego on fees, solutions, access and service;
- execution risk due to multiple projects being implemented or piloted;
- the necessity for increased regulatory interaction as we mature our operating model, with less then optimum turnaround times from regulators; and
- the time it takes to establish and increase the number of access points for customers - this is a critical component to achieving meaningful financial inclusion.

What is particularly noted across this category, is that the overall business transformational journey is well underway, that there is a continual need to improve our regulatory compliance, IT systems, human capacity, policy implementation and operational processes to keep up with our transformation and that the Representation Letter process, is an effective method of tracking real transformational progress across the Group.

Information Technology Risks

A stable IT system and appropriate and sustainable infrastructure are crucial to the success of our business which relies heavily on our ability to provide innovative technology solutions to our customers. While there were a few reported outages in 2017, the speed at which the Group was able to manage and resolve these system downtimes mitigated the severity of the risk.

Almost all the subsidiary boards recognised IT and Cyber Security detection, monitoring, and prevention along with awareness training, as a key risk and thus a key focus for the year ahead. The speed at which we are able to roll out system upgrades and establish new capabilities, as well as prepare for and manage potential disasters and ensure business continuity, is critical to embedding future capability.

Governance, Legal and Regulatory Compliance Risk

Our subsidiary boards have demonstrated their commitment to managing their regulatory licenses and governance requirements responsibly, through the regular and on-going feedback received from various regulators on-site visits, compliance monitoring reports and internal and external audits.

There were no significant regulatory penalties instituted against any of our businesses in 2017. However, the main emerging regulatory theme that requires attention and further enhancement across the Group is around Anti-Money Laundering ("AML"). These will be incorporated into a Group-wide AML project in 2018.

The Group recruited a Head of Group Governance, Risk, Legal and Compliance to coordinate and implement a comprehensive strategy for managing the broad issues of corporate governance across the Group and there were no significant corporate governance issues to report from any of the Rep Letters. In country teams were strengthened with the appointments of Chief Risk Officers and Compliance Managers.

Ongoing litigation matters include a number of labour related issues where ex-employees have been dismissed mainly due to fraud and non-compliance to internal policies and processes; however improvements have also been noted in the managing of Legal Risk with the appointments noted above.

Financial Control Risks

Funding risk

Funding risk remains significant in terms of the impact to the Group. Currently we manage this by negotiating maturities in advance to allow Group Finance time to prepare adequate funding in the event of a non-roll over. Also, management continues to be proactive in sourcing funding and ensures that the bulk of the funding mix is on the long-term horizon with the exception of rolling maturities. This risk will be further mitigated as our deposit-taking subsidiaries grow their local deposit base.

Transformation risk

We embarked on a focused transformation process in 2014, with a key focus on sustainable inclusive financial services and diversification from the unsecured lending model to civil servants, combined with African expansion. This new focus has so far resulted in expanding to eleven African countries with representation in East, West and Southern Africa. Six of our countries now operate with deposit taking licences which is a key priority in our strategy of becoming Africa's leading inclusive finance provider. This change necessitates a high level of engagement with Governments, Regulators, capacitation of our people and continuous investment in new technologies and ecosystems.

Sovereign risk

As a result of our geographic diversification we become increasing subject to this risk. However, the majority of the Groups assets and profits come from Botswana, Namibia, Mozambique and Tanzania.

Foreign exchange risk

All lending and savings to and from customers are in the respective local currencies of our businesses. However, in some instances, liabilities are taken on in foreign currencies leaving the subsidiary and Group open to foreign exchange risk. In most but not all cases this is hedged and therefore the Group remains exposed to foreign exchange risk.

Early settlement risk

Early settlements are always of concern across the Group; however several promotional initiatives have been noted from the Rep Letter submissions, that will be launched towards mitigating this risk.

Tax Risks

Transfer pricing risk is noted as a growing concern and Group will work closely with the subsidiary boards to manage this area.

Credit risk

Most of our businesses reported challenges with respect to containing the Portfolio At Risk ("PAR") ratios within acceptable Group limits, and are an indicator of deteriorating or below standard loan book quality. The Group standard for Par30 is below 10% while PAR 90 is below 5%. Appropriate provisions however, have already been made in the 31 December 2017 results.

Conclusion

While this is the first iteration of the Representation letters, there has been good engagement from the local Subsidiary Boards to ensure quality submissions to GAC. During 2018, the Representation Letter process will be workshopped with CEOs to ensure continuous improvement.

All significant matters reported in the Representation Letters are already in hand for resolution with most being tracked through the ongoing risk management process.

COMPLIANCE WITH KING III

The Group continues to apply the principles of King III and the Board is satisfied with the manner in which the Group is improving each year in applying the recommendations of King III and the other codes used in the countries in which the Group operates. All the 75 governance principles in King III apply to our business and what follows is a summary of our evaluation of where we have complied, or if not, the explanation:

King III Reference	King III Principle(s)	2016	2017	Commentary
1. Ethical leadership and corporate citizenship				
1.1	The Board should provide effective leadership based on an ethical foundation.	Applied	Applied	Our Group Board Charter clearly outlines the responsibility for effective leadership based on an ethical foundation. The Board's performance with respect to this requirement will be evaluated on an annual basis.
1.2	The Board should ensure that the Group is and is seen to be a responsible corporate citizen.	Applied	Applied	The Group has a Strategic and Social Investment (SSI) Policy approved by the Board and remains committed towards sustainable development and improvement of lives in the communities within which the Group operates. Further, this policy ensures that the Group is a socially responsible corporate citizen and occupies a positive and impactful role in its subsidiaries and communities. To this end, the Group has a Group Sustainability Committee (GSC) that reviews and approves all SSI proposals above P100 000.
1.3	The Board should ensure that the Group's ethics are managed effectively.	Applied	Applied	The Group has a code of ethics policy approved by the Board and the responsibility to oversee the performance against the principles is delegated to the Group Risk Committee. Section 5.2.2 (c) of the Board charter stipulates that the Board should determine and set the tone for Company values including the framework of the code for ethical conduct, ethical business principles and practices, requirements for a responsible corporate citizen.
2. Boards and Directors				
2.1	The Board should act as the focal point for and custodian of corporate governance.	Applied	Applied	The Board Charter of the Group and its Subsidiaries clearly set out the Board responsibilities and the Board meets at least four times per year. According to section 5.2.2(e) of the Charter, the Board must satisfy itself that the Company and Subsidiary Companies are governed effectively in accordance with corporate governance best practices including risk management, legal compliance management, appropriate and relevant non-binding industry rules, codes and standards.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	Applied	The principle is recognized in the Board Charter and it is part of the Board's responsibility to determine the strategies and strategic objectives of the Company and ensure that the strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced.
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	Applied	Refer to principle 1.1 above.
2.4	The Board should ensure that the Group is and is seen to be a responsible corporate citizen.	Applied	Applied	Refer to principle 1.2 above.
2.5	The Board should ensure that the Group's ethics are managed effectively.	Applied	Applied	Refer to principle 1.3 above.
2.6	The Board should ensure that the Group has an effective and independent Audit Committee.	Applied	Applied	An independent Audit Committee is in place and its main objectives are outlined in the section above on composition of the Board and its sub-committees. The Committee's terms of reference outline the roles, powers, responsibilities and membership. As set out elsewhere in this report, during 2016 and 2017 the majority of members of the Group Audit Committee were Independent. The composition of the Group Audit Committee was changed with effect from 1 January 2018 so that all members are Independent Non-Executive Directors.
2.7	The Board should be responsible for the governance of risk.	Applied	Applied	The Group Risk Committee whose main purpose is outlined above under composition of the Board and its sub-committees assists the Board in executing its responsibility in terms of the governance of risk. The Committee meets on a quarterly basis and top risks are considered during the meetings and reported to the Board.
2.8	The Board should be responsible for information technology (IT) governance.	Applied	Applied	The Board Charter requires the Board to assume responsibility for IT governance. The Board has delegated responsibility to the Group Risk Committee for the oversight. At Management level, the Group established Group Technical and Operations Committee to ensure effective IT governance.
2.9	The Board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	Applied	The Group Risk Committee assists the Board in ensuring that the Group Governance, Risk, IT and Compliance Frameworks are maintained and that compliance to applicable laws and regulations are effectively monitored. Further, the Group Risk Management Committee at management level meets quarterly to consider the level of adherence of the Company to rules, codes and appropriate standards.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Applied	Applied	In line with King III, our Group Internal Audit Function reports directly to the Group Audit Committee. The Group Audit Committee approves a risk based internal audit plan at the beginning of each year and ensures that the Internal Audit function has adequate resources, budget standing and authority to enable it to discharge its functions.
2.11	The Board should appreciate that stakeholders' perceptions affect the company's reputation.	Applied	Applied	The potential impact of stakeholders' perceptions on the reputation of the Group is highly appreciated and highlighted in the Board Charter. According to the Charter, only individuals with sound ethical reputations will be considered for appointment to the Board.
2.12	The Board should ensure the integrity of the Company's integrated report.	Applied	Applied	This integrated annual report is approved by the Board after satisfying itself with respect to the accuracy and integrity of the report based on the recommendation from the Group Audit Committee.
2.13	The Board should report on the effectiveness of the Group's system of internal controls.	Applied	Applied	The Board's opinion on the effectiveness of the system of internal controls is expressed in the statement of the Board of Directors forming part of the annual financial statements. This opinion is based on the recommendation of the Group Audit Committee that reviews and satisfies itself with the adequacy of the controls in place.
2.14	The Board and its Directors should act in the best interests of the Group.	Applied	Applied	The Board makes decisions giving due regard to their fiduciary duties and duty of care with an independence of mind. Further, Directors are required to declare their direct and indirect interests at each Board meeting and a register is maintained.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Group is financially distressed as defined in the Act.	Applied	Applied	The Board considers the Company's going concern status at its interim and full year meetings. The Board continuously monitors the solvency and liquidity of the Company on a regular basis. This enables the Board to consider business rescue should the Company become financially distressed. Further, all deposit taking subsidiaries have developed Liquidity Contingency Plans.

2.16	The Board should elect a Chairman of the Board who is an Independent Non-Executive Director. The MD of the Group should not also fulfill the role of Chairman of the Board.	Applied	Applied	The Board is chaired by an Independent Non-Executive Director and as covered under the section on composition of the Board and its committees above. The roles of the Group Managing Director and Chairman are separate in line with King III.
2.17	The Board should appoint the Group Managing Director and establish a framework for the delegation of authority.	Applied	Applied	According to the Board Charter, the Group Managing Director is appointed by the Board on recommendation of the Group Nominations and Social Ethics Committee and Executive Management operate within the defined framework for the delegation of authority from the Board via the Group Managing Director.
2.18	The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	Applied	Applied	The Board membership is comprised of twelve Directors of which seven are Independent Non-Executive Directors (INEDs), three Non-Executive Directors (NEDs) and two Executive Directors (EXDs) (being the GMC and the GCFO).
2.19	Directors should be appointed through a formal process.	Applied	Applied	The Board Charter acknowledges and sets out the Directors' appointment process. In considering whether the potential candidates are competent and can contribute to the business, judgment calls are made by the Board - the criteria to be considered are clearly spelled out in the Board Charter. All Non-Executive Directors appointments are voted on by Shareholders at Annual General Meetings by either ratification of appointments made by the Board or by voting on the re-election of Directors who retire by rotation.
2.20	The induction of and ongoing training and development of Directors should be conducted through formal processes.	Partially Applied	Partially Applied	The role of the Chairman includes the need to ensure that all Directors are appropriately made aware of their responsibilities through a tailored induction programme ensuring that a formal programme of continuing professional education is adopted at Board level. While an induction program is in place and ad-hoc training is provided in specific areas to the Directors, ongoing training and development of Directors is not conducted through a formal process.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	Applied	Applied	The decision to appoint or remove the Company Secretary is a Board decision. The Board ensures that a competent, suitably applied and experienced person is appointed as Company Secretary of the Company.
2.22	The evaluation of the Board, its Committees and the individual Directors should be performed every year.	Not Applied	Not Applied	The last formal Board evaluations was performed in 2014. Therefore, this principle of King III has not been adhered to. This was, in the main, a result of changes to the Board during the period leading to and subsequent to 2014. As set out in this report, a formal process will be performed in 2018.
2.23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	Applied	Applied	According to the Board Charter, the Board has the power to appoint Committees and to delegate its duties to such Committees as may have been set up having regard to what is appropriate for the Company. The Board has created the following Committees with clearly defined terms of reference: (i) The Group Audit Committee (ii) The Group Risk Committee (iii) The Group Human Resources Committee (iv) The Group Investment Committee (v) The Group Nominations and Social Ethics Committee
2.24	A governance framework should be agreed between the Group and its subsidiary Boards.	Applied	Applied	The Group and its Subsidiaries have well established governance framework approved by the Board supported by respective Charters. Since 2013, all Subsidiary Boards have been reconstituted with a view to ensuring that they are made up of a majority of Independent Non-Executive Directors. In 2017, Letter of Representations from the Subsidiary Boards to the GAC was introduced.

2.25	The Group should remunerate Directors and Executives fairly and responsibly.	Applied	Applied	The Group Human Resources Committee assists the Board in its responsibility for setting and administering remuneration of Directors and Executives. The Group has adopted remuneration practices which support the company's growth, performance and returns strategy.
2.26	The Group should disclose the remuneration of each individual Director and Prescribed Officer.	Applied	Applied	Full disclosure is included this integrated annual report under Remuneration Policy section above.
2.27	Shareholders should approve the Groups' remuneration policy.	Applied	Applied	At each AGM, held annually for the purposes of considering and adopting the annual financial statements, Shareholders have a non-binding vote on the remuneration of Directors including the basis for this remuneration.
3. Audit committee				
3.1	The Board should ensure that the Group has an effective and Independent Audit Committee.	Applied	Applied	The Board has an Independent and effective Group Audit Committee in place. All members of the Committee are suitably qualified and experienced with a majority of members being Independent Non-Executive Directors. With effect from 1 January 2018, the membership of the Committee was amended to include only Independent Non-Executive Directors as members.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	Partially Applied	Partially Applied	As per 3.1 above.
3.3	The Audit Committee should be chaired by an Independent Non-Executive Director.	Applied	Applied	The Group Audit Committee is chaired by an Independent Non-Executive Director.
3.4	The Audit Committee should oversee integrated reporting.	Applied	Applied	The Group Audit Committee Charter requires the Committee to oversee, and take responsibility for the integrity of the integrated annual report.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	Applied	In line with the Group Audit Committee Charter, the Committee ensures that the combined assurance received from the external and internal auditors is appropriate to address all the significant risks facing the Company.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Group's finance function.	Applied	Applied	The Group Audit Committee Charter requires the Committee to annually review the appropriateness of the expertise and adequacy of the resources on the finance function and the experience of the senior members of management responsible for the finance function.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	Applied	Applied	The Group Audit Committee monitors and supervises the effectiveness of the Internal Audit function and ensures that the roles and functions of the External Audit and Internal Audit are sufficiently clarified and co-coordinated to provide an objective overview of the operational effectiveness of the company's systems of internal control and reporting.
3.8	The Audit Committee should be an integral component of the risk management process.	Applied	Applied	The Committee Charters of the Group Audit Committee and Group Risk Committee require the committees to oversee the Company's risk management process.

3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	Applied	The Group Audit Committee recommends to the Board which firm(s) should be appointed in the event of change of external auditor(s), their reappointment and removal. Further the Committee evaluates the performance of the external auditor(s) and the engagement partner is rotated at least every 5 years or such other frequency deemed to be appropriate based on the external audit firm rules to enhance actual and perceived independence.
3.10	The Audit Committee should report to the Board and Shareholders on how it has discharged its duties.	Applied	Applied	The Chairman of the Group Audit Committee reports to the Board at all its meetings and minutes of the are provided to the Board. The Chairperson of the Committee attends the Annual General Meeting to answer questions concerning matters falling within the ambit of the Committee and appropriate disclosures are made in the IAR.
4. The governance of risk				
4.1	The Board should be responsible for the governance of risk.	Applied	Applied	The Board Charter confirms the Board's responsibility for the governance risk and has delegated this to the Group Risk Committee. The Committee is responsible for the development and implementation of the ERM Framework including the policies, systems and processes, induction programs and appropriate training to ensure effective governance of risk.
4.2	The Board should determine the levels of risk tolerance.	Applied	Applied	The Group Risk Committee assists the Board in discharging its duties relating to the setting of the Group's levels of risk tolerance. The risk appetite and tolerance levels are approved by the Board on recommendation by management committees.
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	Applied	Applied	The Board Charter established the Board's responsibility for risk governance and delegated the Group's risk management responsibilities to the Group Risk Committee.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	Applied	The Group Risk Committee assists the Board in discharging its duties relating to the responsibility to design, implement and monitor the risk management plan. The Committee approves the risk policies, strategies and plans for the effective management of risk including the establishment of risk management committees and the delegation of matters to those committees.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	Applied	Applied	The ERM Framework approved by the Board requires risk assessments to be performed on a continual basis across Group functions, subsidiaries, access channels, projects and new solutions.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	Applied	The Group has the Governance Framework, ERM Framework and IT Governance Framework all approved by the Board for the effective management of risks across the Group and its Subsidiaries. The Board is updated quarterly on the level of embedding the risk frameworks, assessment of new or emerging risks and the tolerable level of residual risk amongst others.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	Applied	Applied	The Group Risk Committee ensures that management develops adequate risk responses and that the Committee considers and evaluates such responses. Risks are identified, assessed and monitored in line with the ERM framework and reported to the Committee on a regular basis.
4.8	The Board should ensure continual risk monitoring by management.	Applied	Applied	The Group Risk Committee approves the risk strategy and plans on an annual basis for effective implementation by Management. The Group Risk Management Committee (management level) and other management committees such as the Group Asset Liability Management Committee and Group Technology and Operations Committee, meet on a regular basis to review the risk reports with quarterly reviews being conducted by the Group Risk Committee.
4.9.	The Board should receive assurance regarding the effectiveness of the risk management process	Applied	Applied	The Board receives risk assurance reports from Group Audit Committee and the Group Risk Committee at least on a quarterly basis after the committees receive and review the risk reports submitted by Management.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	Applied	A detailed risk management report forms part of the Group's integrated report to provide stakeholders with both adequate and accurate information on the risk management processes in the Group and the effectiveness thereof. Further, Management provides assurance to the Board on a regular basis that the risk management plans are integrated in the daily activities of the Group.
5. The governance of information technology				
5.1	The Board should be responsible for information technology (IT) governance.	Applied	Applied	The Group Risk Board Charter recognizes the Board's responsibility for IT governance and the Committee ensures that an IT governance charter and policies are established and implemented. This is supported by the Group Technical and Operations Committee at management level.
5.2	IT should be aligned with the performance and sustainability objectives of the Group.	Applied	Applied	The Group IT strategy is integrated with the Group's Business strategy and business processes. It is the Group Risk Management Committee that has the responsibility for the management of performance and sustainability objectives of the Group, and ensures that IT is aligned to these objectives
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	Applied	The Group Risk Committee Charter requires the Committee to ensure that management is responsible for the implementation of the structures, processes and mechanisms for the IT governance framework. This is supported by the Group Technical and Operations Committee at management level.
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	Applied	Applied	According to the Group Risk Committee Charter, the Committee is responsible for the assessment of value delivered to the organisation through significant investments in technology and information, including the evaluation of projects through the life cycles and significant operational expenditure.
5.5	IT should form an integral part of the Company's risk management.	Applied	Applied	The IT Governance Framework and the Enterprise Risk Management frameworks of the Group include the assessment and management of all significant IT risks. IT risk management includes disaster recovery planning, cyber security, system implementation of operational controls/policies, IT legal risks and compliance to laws, rules, codes and standards that are an integral part of the Group's risk management.
5.6	The Board should ensure that information assets are managed effectively.	Applied	Applied	It is the responsibility of the Group Risk Committee to ensure that the Group has systems in place for the management of information that include the protection of privacy of personal information and the continual monitoring of security of this information, irrespective of whether this information is at rest, in transmission or at disposal of IT Assets.
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Applied	Applied	The Group Risk Charter and Group Audit Charter require the Committees to ensure that IT risks are adequately addressed and that assurance is given to confirm that adequate controls are in place. The Group Risk Committee reviews IT risks and controls, adequacy of business continuity management including disaster recovery plans for IT, information security, privacy and authorized access.
6. Compliance with laws, rules, codes and standards				
6.1	The Board should ensure that the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Applied	Applied	Through the Group Risk Committee, the Board is able to address legal and compliance requirements of the institution. The Legal and Compliance update is a standing agenda item of the Board; in which the Board is appraised on legal and compliance risk and deliberates over the applicable legislations and the Groups approach to the stated laws.

6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Group and its business.	Applied	Applied	Applicable laws are reported to the Board by the Legal and Compliance function. Any new legislation or rules which impact the Group and its subsidiaries are notified to the Board who are advised on the legal requirement applicability and how the same is being disseminated to the applicable areas of business which are impacted.
6.3	Compliance risk should form an integral part of the company's risk management process.	Applied	Applied	The Enterprise Risk Management framework and the Legal and Compliance framework establishes the Group's compliance risk standards. Management uses the tools to manage compliance risk from first, second and third lines of defense.
6.4	The Board should delegate to Management the implementation of an effective compliance framework and processes.	Applied	Applied	A Legal and Compliance framework/manual has been approved by the Board, which addresses the implementation of compliance controls and processes. The manual enhances and complements the Enterprise Risk Management Framework. Both documents delegate to management the effect ways we tackle compliance risks.

7. Internal audit

7.1	The Board should ensure that there is an effective risk based internal audit.	Applied	Applied	An independent Group Internal Audit function is in place, governed by an approved Internal Audit Charter and reports functionally to the Group Audit Committee. A Quality Assurance Improvement Program of the Group Internal Audit processes is reviewed annually by the Group Audit Committee. The last review was conducted in November 2017 and the Group Audit Committee is satisfied with progress made on implementation of the program.
7.2	Internal audit should follow a risk based approach to its plan.	Applied	Applied	The Group Internal Audit Function follows a risk-based approach in its annual audit planning that is considered and approved by the Group Audit Committee. The risk based planning direct time and effort toward the risks that most affect the Group's ability to implement strategy and achieve goals. The plan is reviewed quarterly in response to changes in the Group business drivers, significant risks, operational programs and systems.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Applied	Applied	Group Internal Audit report quarterly to the Group Audit Commitee its assessment of internal controls and overall control consciousness of the Group. The trend analysis of Internal Audit ratings from engagements completed over the past three years is used to assess improvement in the control environment. Also, management issue an annual Statement on Internal Controls to the Group Audit Committee that include its commitment to resolve Group Internal Audit findings.
7.4	The Audit Committee should be responsible for overseeing internal audit.	Applied	Applied	The Group Audit Committee is responsible for overseeing Internal Audit. The Committee approves the Group Internal Audit charter, the annual internal audit plan, the budget and the resource plan of the function. Also, the Committee receives communication on Internal Audit's performance and significant findings. The Committee approves the appointment, removal and remuneration of the Group Head of Internal Audit.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	Applied	The Group Internal Audit function is independent and reports to the Group Audit Committee. The Group Head of Internal Audit is a permanent invitee to the Group Management Committee, has the respect and cooperation of both the Board and Management and has unrestricted access to the Group Audit Committee Chairman and members, including private meetings without management (executive sessions).

8. Governing stakeholder relationships

8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation.	Applied	Applied	The Board Charter recognises the Board's responsibility to manage stakeholder relations and perceptions considering the potential risk to the Group's reputation. The Board has put measures in place through the Group Risk Committee and the Group Management Committee to promote a culture that focuses on a unique customer experience, innovation, anticipatory risk, people commitment and stakeholder engagement in order to protect the Group's reputation.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	Applied	Applied	The Board has delegated the effective management of stakeholder relationships to the Group Risk Committee and the Group Management Committee. To this end, the following policies were approved by the Board for implementation by management and staff: • Group Reputational Risk Policy • Group External Communication Policy • Group Social Media Engagement Policy • Group Sustainability and Environmental Social Governance Policy Strategic Social Investment Policy.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Applied	Applied	The Board strives to achieve an appropriate balance between the interests of various stakeholders in its decision-making. The Group Sustainability Management Committee assists Group Management Committee and the Board in achieving this objective.
8.4	Companies should ensure the equitable treatment of Shareholders.	Applied	Applied	In line with the Botswana Companies Act and the BSE Listings Requirements regarding the treatment of Shareholders, the Board is aware of its duty to ensure that all Shareholders are treated equally and equitably.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	Applied	The Group strives to provide complete, timely, relevant, accurate, honest and accessible information to its stakeholders whilst having regard to legal and strategic considerations. Further, independent consultants are engaged periodically to assess the level of stakeholder engagement in the Group and its subsidiaries.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	Applied	The Group Board Charter clearly addresses the issue of dispute resolution and the Board's approach in this regard. It is a policy of the Company to ensure that internal and external disputes are resolved as effectively and expeditiously as possible. To this end consideration is given in respect of each dispute whether settlement, litigation, arbitration, mediation or other forms of alternative dispute resolution would be the most effective mechanism to resolve a dispute in the best interest of the Company.

9. Integrated reporting and disclosure

9.1	The Board should ensure the integrity of the Company's integrated report.	Applied	Applied	The Group Board is ultimately responsible for this integrated annual report and has put adequate measures through the Group Audit Committee to enable it to verify and safeguard the integrity of the report. The Group Audit Committee reviews and considers the financial statements and any other information in the integrated report for Board approval prior to publishing.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	Applied	In addition to the Group's financial reporting, sustainability reporting is treated as part of the Strategic Social Investment in this integrated annual report.
9.3	Sustainability reporting and disclosure should be independently assured.	Not Applied	Not Applied	The Group Board does not have a formal process in place to obtain independence assurance over the sustainability reporting and disclosure in this integrated annual report. The Group Board delegates the review of the sustainability reporting and disclosure to the Group Audit Committee. The report is recommended by Management to the Group Audit Committee for review to ensure that the information is reliable and does not contradict the financial aspects of the report.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK (ERMF)

The ERMF provides minimum requirements for sound risk management practices with the main aim of having an integrated approach to managing risk that adequately identifies, measures, monitors, controls and mitigates risk.
The Group has implemented the ERMF as a unique way to effectively manage risk across its footprint through the use of a common risk management framework approved by the Board. Whilst ERM frameworks differ from one institution to the other, the Group has developed an appropriate framework that involves people, processes, and tools. This means individuals or the originators of risk events with defined responsibilities use established, repeatable processes (such as incident reporting and key risk indicators), and the appropriate level of technology (tools) to mitigate risk.

Embedding of the ERMF during the year has supported better structure, reporting and analysis of risks. Standardised risk reports that track enterprise risks are generated by all Subsidiaries and provide enhanced decision making from the available information.

The diagram below summarises the key elements of the enhanced ERMF.

Board of Directors
Reviews and approves ERM Framework
Defines and establishes Risk Governance structures and systems
Approves risk strategies, risk appetite and policies
Achieves assurance through external and internal audit and RM functions

Senior Management
Implement strategies and policies approved by the board
Accountable for governance structure, risk appetite, risk strategy and policies
Approves procedures, ensures that all audit actions are implemented

Policies, Procedures and Risk Appetite
Develops and approves policies, procedures and risk measurements for customisation by countries

Risk Management
Establishes set of internal controls for adoption by countries, develops effective preventative, corrective and detective controls to reduce scope of risks

Internal Controls
Establishes risk management techniques for risk identification, measuring and monitoring and reporting and adoption by countries

Risks
Strategic | Financial | Operational | Compliance
Group owner for each risk type

Our Enterprise Risk Management Framework

RISK PHILOSOPHY AND CULTURE

In support of the enhanced ERM framework, Letshego subscribes to a risk philosophy and culture that says risk is best managed at inception. Our employees are considered to be risk managers responsible for addressing and managing risks that arise from their business activities.

These changes and improvements continue to contribute to the empowerment of our employees and the desire to continue to build a profitable, socially responsible and sustainable organisation.

In the process, also our engagement with stakeholders at all levels is improving in pursuance of our organisational goals.

RISK APPETITE AND TOLERANCE

Letshego's risk appetite represents the amount of risk we are willing to accept in the achievement of our objectives. It is effected through the Group-wide Risk Management process and specific risk appetite and tolerances are outlined in the various policies.

In assessing risk appetite during the year, the Board and Management considered the needs and expectations of our Shareholders, customers and employees and the desire to continue to build a profitable, socially responsible and sustainable organisation.

In 2017, we developed a quantitative risk appetite statement that was submitted from GRC to the Board for review and approval. It is expected that the development will assist the Board and Management in embedding the risk appetite framework and serve as a guide for strategic and operational decision making across the Group and its subsidiaries.

As a Group that provides customer solutions that are essentially of a compliance nature, the Board and Management acknowledge that stakeholder expectations are likely to become more complex.

As a consequence, Letshego will not accept risks that could expose us to:

- Unacceptable levels of financial loss relative to strategic and operational targets
- Breaches of legislative or regulatory non-compliance
- Damage to our reputation
- Unacceptable interruption to the provision of services to customers
- Damage to relationships with our customers and key stakeholders
- Health and safety metrics below target

POLICIES AND PROCEDURES

During the year, a number of policies were reviewed and approved by the Board of Directors both at Group level and Subsidiary level. Also various procedures were developed and approved by Management. The policies and procedures are presented in an appropriate format that is consistent with, and proportional to, the nature, complexity and scale of our activities.

Adequate systems to monitor compliance with established policies and procedures are in place. These include Internal Audit Programs, Compliance Risk Monitoring Plans and Compliance Risk Monitoring Reviews.

Also emphasis is placed on ESG programs to ensure that Letshego delivers on its ambition of building a sustainable organisation.

INTERNAL CONTROL

Letshego continues to implement a system of effective internal controls as a critical component of our ERM framework. Internal controls developed are an integral part of our policies, procedures and processes and are established by the Board and Management to provide reasonable assurance on the safety, effectiveness and efficiency of our operations, the reliability of financial and managerial reporting, and compliance with regulatory requirements in our points of representation. An effective internal control system is therefore a fundamental mechanism for reducing the scope of risks faced by the Group.

The control library is updated annually by the Group Risk and Assurance function and contains corrective controls (e.g. supervision, exception reporting, and reconciliation) detective controls (e.g. call back, review and validation) and preventative controls (e.g. succession planning, code of ethics and business plan). Key internal controls include the Code of Ethics, delegation of authority, segregation of duties, succession planning and customer complaints management.

RISK IDENTIFICATION, MEASURING, MONITORING AND REPORTING

Letshego uses various techniques and tools in risk identification, measuring, monitoring and reporting in line with our risk maturity level and in accordance with the regulatory requirements in countries in which we operate and in line with international best practice. The key risk tools and techniques are detailed in the various Letshego manuals.

In addition, a Group Operational Risk Manual is in place to ensure effective risk identification and control process through Risk and Control Self Assessments, Key Risk Indicators, Incident Management Reporting and Risk Registers.

REPUTATION MANAGEMENT

Internal and external matters that can impact Letshego's reputation are regularly monitored and reported on. Corporate communication is managed in a structured manner to ensure that accurate information is disseminated consistently to all stakeholders. All customer complaints are tracked and appropriate corrective action is implemented as soon as practicable. Letshego uses an internally developed customer satisfaction index to ensure that critical aspects of customer service delivery are maintained at a high level.

We adopt best practice codes of conduct across the Group and ensure adherence to industry-regulated codes of conduct in the countries in which it operates.

EXTERNAL AUDIT

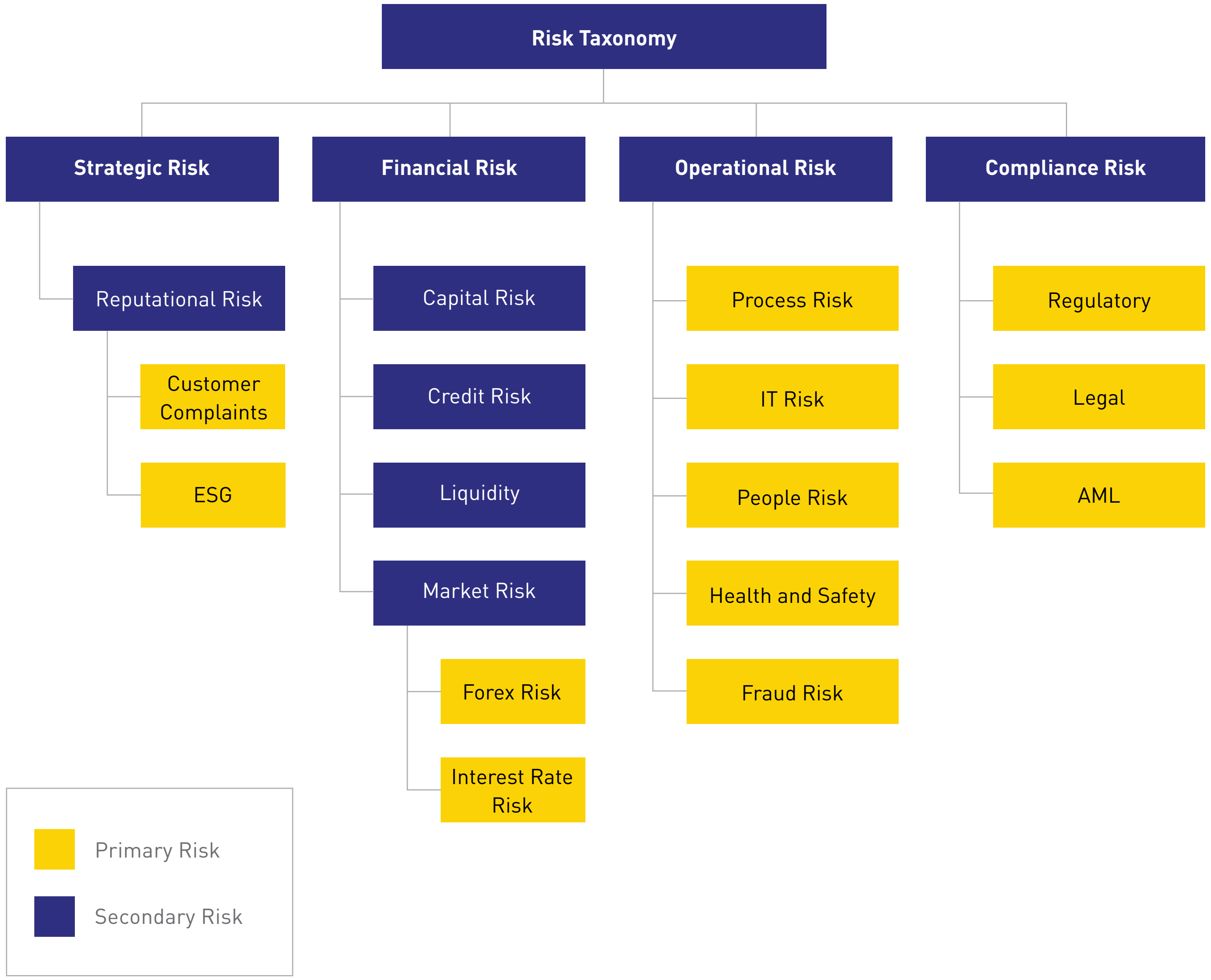
The external auditors are responsible for reporting on whether the financial statements are fairly presented and that they are prepared in compliance with International Financial Reporting Standards (IFRS). Also, their audit includes an assessment of selected key internal controls. The preparation of the annual financial statements and the adequacy of the system of internal controls remain the responsibility of the Directors.

INTERNAL AUDIT

The Group has an Internal Audit function that was established to assist with accomplishing its objectives by bringing a systematic, disciplined approach to evaluations and improvements of the effectiveness of risk management, control and governance processes. Also, the Internal Audit function provides independent and quality assurance for risk management.

The Group Head of Internal Audit has direct and unrestricted access to the Chairperson of the Group Audit Committee and is a permanent invitee of the Group Audit Committee. The internal audit team conducts its work in accordance with the internal auditing standards set by the Institute of Internal Auditing - this requires compliance with professional codes of conduct and ethics that are promulgated from time to time by relevant professional bodies as well as recommended international best practices in corporate governance.

LETSHEGO'S RISK TAXONOMY



> ***"In continuously enhancing, improving and innovating our governance frameworks and standards, we are not only fulfilling a duty or legal requirement, but rather investing in the growth, future and sustainability of Letshego.*** *In 2017 we enhanced our Risk Management Framework and strengthen our team by bringing in key skills and capacity. Our next phase of the journey will see the review and enhancement of all supporting policies to enable wholistic understanding around the interconnected nature of all governance policies and the merits of their application."*
>
> **Caren Robb**
>
> *Deputy Group Managing Director*

MSE
BUSINESS

AGRI
BUSINESS

LETSHEGO IS

IMPROVING MY LIFE

“As an indirect benefit of Letshego’s loan to Tieang, he is able to support other families in the area.”

Tieang Matlotlo established his own small farm where he breeds rams which produce mohair, through a loan amount of LSL197,200 granted to him by Letshego Lesotho.

The rams are sold to local farmers and the mohair is sold to local producers, which ensures a sustainable income for Tieang and his family of five. As an indirect benefit of Letshego’s loan to Tieang, he is able to support other families in the area by providing employment to three people who assist him in managing the farm.

LESOTHO
Tieang Matlotlo

7

ANNUAL FINANCIAL STATEMENTS

Group Corporate Information

For the year ended 31 December 2017

Letshego Holdings Limited is incorporated in the Republic of Botswana
Registration number: 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
Lawrence Khupe (appointed 1 Jan 2018)
Second floor
Letshego Place
22 Khama Crescent
Gaborone, Botswana

Independent External Auditors
PricewaterhouseCoopers
Plot 50371
Fairground Office Park
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

Director's Report

For the year ended 31 December 2017

The Directors have pleasure in submitting to the shareholders their report and the audited consolidated financial statements of Letshego Holdings Limited (the Company) and its subsidiaries (together "the Group") for the year ended 31 December 2017.

Nature of business

The Group embarked on a focused transformation process in 2014, with a key focus on sustainable inclusive financial services and diversification from its unsecured lending model to civil servants, combined with African expansion. This new focus has so far resulted in the Group expanding its footprint to 11 African countries with representation in East, West and Southern Africa. Also, 6 out of the 11 subsidiaries now operate with deposit taking licences which is a key priority in achieving the Group's ambition to become Africa's leading inclusive finance provider.

Stated capital

Stated Capital of the Group at 31 December 2017 amounted to P849, 845, 234 (31 December 2016: P875, 638, 626).

On 01 March 2017, 9,281,250 ordinary shares were issued at various prices in terms of the Group`s Long Term Incentive Plan. In addition 24,400,000 ordinary shares were repurchased by the company in October 2017 and are currently held as treasury shares. This resulted in a net decrease in stated capital by P25, 793,392.

In the prior period on 25 February 2016, 2, 644, 774 ordinary shares were issued at various prices in terms of the Group`s Long Term Incentive Plan. In addition 52,782,546 ordinary shares were repurchased by the company in September 2016 and subsequently cancelled during the year. This resulted in a net decrease in stated capital by P113, 847, 571.

Dividends

An interim dividend of 8.5 thebe per share (prior year: 9.0 thebe per share) was declared on 31 August 2017.

A second and final dividend of 9.0 thebe per share (prior year: 6.5 thebe per share) and an additional special dividend of 4.1 thebe per share as distribution of proceeds from the Namibia IPO were declared on 28 February 2018 and will be paid on or about 13 April 2018.

Directors

The following persons were directors of the company during the year:

* E.N Banda	Chairman	South Africa
* J.A. Burbidge	Former Chairman – Resigned 1 March 2017	UK
* S. Price		UK
* R Thornton		USA
* H. Karuhanga		Uganda
* J.de Kock		South Africa
* Dr G.Somolekae		Botswana
* C. G. Van Schalkwyk	Appointed 1 April 2017	South Africa
* R.N. Alam	Appointed 19 January 2018	USA
* I.M. Mohammed	Resigned 30 September 2017	USA
* G. Hassam	Resigned 14 November 2017	Malawi
* C Lesetedi	Appointed 14 November 2017	Botswana
* G. Van Heerde		South Africa
A.C.M. Low	Group Managing Director	UK
C. W. Patterson	Group Chief Financial Officer - Appointed 26 January 2017	Ireland

***Non-Executive**

Director's Report (continued)

For the year ended 31 December 2017

Directors' shareholdings
The aggregate number of shares held directly by Directors at 31 December 2017 were at 6,568,775 (31 December 2016 3,863,646). Full details of this shareholding are available at the registered office of the company or at the office of the transfer secretaries.

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

Prior year adjustment
Letshego Holdings Limited ("LHL") pays withholding taxes ("WHT") in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the "Act") allows LHL to claim these WHT as credits against income tax payable in Botswana arising from such foreign income, subject to restrictions.

LHL has claimed these WHT as credits in its income tax returns in Botswana for each of the years up to financial year ended 31 December 2016. The Botswana Unified Revenue Services ("BURS"), accepted these income tax returns, and paid refunds to LHL in respect of such credits for the financial years 2014, 2015 and 2016.

These credits were claimed based on our understanding of how such WHT would be treated as tax credits for an International Financial Services Centre ("IFSC") Company, which LHL is and has been since 2007. This understanding was based on our past discussions with Botswana Investment and Trade Centre and BURS. Our tax returns to BURS included full disclosure of the nature of the WHT claims and LHL received refunds, without modification, from BURS in respect of such credits.

During the course of the finalisation of the 31 December 2017 external audit, our external auditors queried if our tax returns and WHT claims to BURS for the 2014 to 2016 financial years to be inconsistent with the Act. We immediately obtained an independent tax opinion on this matter. This independent tax opinion indicated the tax treatment may be inconsistent with the Act. The Board therefore decided to, for the purposes of finalising the financial statements for the year ended 31 December 2017, adopt the most conservative accounting treatment in relation to the WHT claims. This in turn required the accounting treatment of the WHT claims to be disclosed in terms of IAS 8 Accounting policies, change in accounting estimates and errors ("IAS 8"), and adjusted our financial statements with retrospective effect.

The related disclosures are included in note 3 to the financial statements.

Subsequent to the publication of the 2017 condensed financial results the Board has obtained a legal opinion on this matter and will engage with BURS with a view to resolving this matter. Shareholders will be provided an update as and when more details are available.

Director's Responsibility Statement

For the year ended 31 December 2017

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Letshego Holdings Limited the "Group", comprising the consolidated statement of financial position at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

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

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

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

Approval of the consolidated annual financial statements:
The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 9 March 2018 and is signed on its behalf by:

E. N. Banda
Chairman

A. C. M. Low
Group Managing Director

Independent Auditor's Report

To the shareholders of Letshego Holdings Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letshego Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Letshego Holdings Limited's consolidated financial statements set out on pages 158 – 162 and 164 – 230 comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- consolidated statement of changes in equity for the year then ended;
- consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Botswana Institute of Chartered Accountants' Code of Ethics (the "BICA Code") and the ethical requirements that are relevant to our audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview

Overall group materiality

- Overall group materiality: P45,000,000, which represents 4.50% of consolidated profit before tax

Group audit scope

- Group audit scope has been determined based on indicators such as the contribution to consolidated profit before tax and consolidated revenue from each component. A combination of full scope audits, audit procedures on one or more account balances and transactions and analytical review procedures were performed.

Key Audit Matters

- Impairment assessment of advances to customers
- Prior year adjustment

Independent Auditor's Report (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	BWP45,000,000
How we determined it	We applied a rule of thumb of 4.5% of the consolidated profit before tax to arrive at the overall materiality.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 4.5%, which is lower than the normal quantitative materiality thresholds used for profit-oriented companies in this sector because the Group has significant exposure to listed bond liabilities, with related debt covenant requirements.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. Our scoping assessment included consideration of the financial significance of the Group's components as well as taking into consideration the sufficiency of work planned to be performed over material line items in the consolidated financial statements. We identified three financially significant components in the Group, namely Letshego Financial Services (Proprietary) Limited – Botswana, Letshego Financial Services Mozambique SA and Letshego Holdings (Namibia) Limited. We included a number of other components in the scope of our Group audit based on indicators such as the contribution to consolidated profit before tax and consolidated revenue. The remainder of the components were considered to be insignificant to the Group individually and in aggregate.

For the financially significant components we performed a full scope audit and for the other in-scope components, we performed a combination of full scope audits and audit procedures on one or more account balances and transactions. Analytical review procedures were performed on insignificant components. This, together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, provided us the audit evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the extent of the work that needed to be performed by us, as the Group engagement team, or by component auditors from other PwC network firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Detailed Group audit instructions were communicated to all components in scope and the Group engagement team has been involved in determining the component team audit approach. Throughout the audit, various planning, execution and completion calls and discussions were held with the teams of the components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of advances to customers	
The quality of credit is one of the primary risks managed by the Group. As such, the quality of advances to customers, and the resultant credit impairments, are key considerations by management. Impairment of advances to customers represents management's best estimate of the measurable decrease in the estimated future cash flows due to losses incurred within the loan portfolios at year-end. The Group's advances to customers are typically higher volume, lower value and therefore a significant portion of the impairment is calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always necessarily observable. Management applies professional judgement in developing the models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the model process requiring significant management judgement include: • The probability of default (PD) - emergence period; • The loss given default (LGD) - outcome period. Given the subjectivity and reliance on estimates and judgements inherent in the determination of the impairment of advances to customers, we determined that this was a matter of most significance in our audit. The disclosures associated with impairment of advances to customers are set out in the consolidated financial statements in the following notes: • Note 1.3.1 – Financial Risk Management, Credit Risk (page 178); • Note 2.1 – Use of Estimates and Judgements, Impairment of advances to customers (page 204); and • Note 5 – Advances to Customers (page 209).	Our audit of the impairment of advances to customers included, inter alia, the following audit procedures with the assistance of our credit experts: • We assessed the accounting policies and impairment methodologies applied by management against the requirements of IFRS and found no exceptions. • We assessed the appropriateness of the impairment model used by management by carrying out procedures which included the following: • We compared those assumptions which could have a material impact to actual experience, including the determination of probabilities of default and expected loss in the event of default. Our results did not identify material deviations; • We tested the the observable data underlying the PD and LGD calculations and found no material exceptions; • We tested the mathematical accuracy of the impairment calculation and found no exceptions; • We tested the consistent application of the impairment models across the Group; and • We tested the operation of impairment models, including, where required, building our own independent assessment and comparing our results to those of management. We found management's estimate of impairment of advances to customers to be within an acceptable range in the context of an incurred loss model.

Key audit matter	How our audit addressed the key audit matter
Prior Year Adjustment	
Letshego Holdings Limited ("LHL") pays withholding taxes in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the "Act") allows LHL to claim these withholding taxes as credits against income tax payable in Botswana arising from such foreign income, subject to restrictions. LHL has claimed these withholding taxes as credits in its income tax returns in Botswana for each of the financial years up to 31 December 2016. The Botswana Unified Revenue Services ("BURS") accepted these income tax returns and paid refunds to LHL in respect of such credits for the financial years 2014, 2015 and 2016. These credits were claimed based on management's understanding that such withholding taxes would be treated as tax credits for an International Financial Services Centre Company, which LHL is. This understanding was based on management's past discussions with Botswana Investment and Trade Centre and BURS. Management's treatment was further supported by refunds from BURS in respect of such credits. During the course of our audit, there were discussions about whether such withholding tax claims were consistent with the Act. LHL carried out a review which indicated that this tax treatment was inconsistent with the Act. LHL corrected the previous years' withholding taxes claimed as tax credits in terms of IAS 8 Accounting policies, change in accounting estimates and errors ("IAS 8") and adjusted its consolidated financial statements with retrospective effect. We determined the prior year adjustment to be a matter of most significance in the audit due to the magnitude of the amounts involved and due to the significant audit time and effort that were required in obtaining sufficient appropriate audit evidence thereon. The related disclosures are included in note 3 - Prior year adjustment to the consolidated financial statements.	As part of our audit, we considered whether the tax treatment could be considered as an uncertain tax treatment under IFRS which would not require a prior year adjustment. We carried out the following audit procedures: We inspected the income tax returns submitted for the 2014, 2015 and 2016 financial years to determine whether the withholding taxes claimed as tax credits had been disclosed in the income tax returns and noted that the withholding taxes had been disclosed as tax credits in these income returns. We tested the refunds received from BURS by inspecting BURS statements and found that all applicable refunds had been paid to LHL. We involved our tax specialists to determine whether the prior years' tax treatment adopted by LHL for withholding taxes was consistent with the Act. After considering the relevant legislative provisions, we determined that the treatment adopted by LHL was inconsistent with the Act and therefore that this was not an uncertain tax treatment under IFRS. With the assistance of our accounting specialists we assessed the appropriateness of a retrospective restatement of historical numbers and reached a similar conclusion to that of management.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Letshego Holdings Limited Consolidated Annual Financial Statements for the year ended 31 December 2017 and the information included in the Letshego 2017 Integrated Annual Report. The 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, 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 of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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, related safeguards.

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.

Practicing Member: Lalithkumar Mahesan
Membership number: 20030046

Gaboronе
02 May 2018

Consolidated Statement of Financial Position

At 31 December 2017

	Note	31 December 2017 BWP'000	Restated 31 December 2016 BWP'000	Restated 31 December 2015 BWP'000
ASSETS				
Cash and cash equivalents	4	492 367	529 476	526 290
Advances to customers	5	7 768 904	6 689 740	6 311 678
Other receivables	6	201 605	166 717	177 585
Available-for-sale financial asset	9	53 591	53 591	-
Income tax receivable		17 967	17 250	27 570
Property, plant and equipment	7	92 061	76 034	76 030
Intangible assets	8	55 340	52 609	61 312
Goodwill	10	122 280	129 408	170 868
Deferred tax assets	24,1	156 655	106 961	68 000
Total assets		**8 960 770**	**7 821 786**	**7 419 333**
LIABILITIES AND EQUITY				
Liabilities				
Customer deposits	12	228 432	107 696	154 495
Deposits from banks		-	-	77 364
Cash collateral	14	27 319	39 225	44 667
Trade and other payables	13	261 751	294 416	175 493
Income tax payable		182 879	99 373	73 494
Deferred tax liabilities		5 290	808	2 006
Borrowings	15	3 984 607	3 394 116	2 768 412
Total liabilities		**4 690 278**	**3 935 634**	**3 295 931**
Shareholders' equity				
Stated capital	16	849 845	875 639	989 487
Foreign currency translation reserve		(680 417)	(634 293)	(254 293)
Legal reserve	17	39 607	32 189	22 178
Share based payment reserve		38 840	35 835	19 705
Retained earnings		3 709 308	3 383 983	3 197 534
Total equity attributable to equity holders of the parent company		**3 957 183**	**3 693 353**	**3 974 611**
Non - controlling interests		313 309	192 799	148 791
Total shareholders' equity		**4 270 492**	**3 886 152**	**4 123 402**
Total liabilities and equity		**8 960 770**	**7 821 786**	**7 419 333**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	31 December 2017 BWP'000	Restated 31 December 2016 BWP'000
Interest income	19	2 252 636	1 963 129
Interest expense	20	(470 630)	(352 362)
Net interest income		**1 782 006**	**1 610 767**
Fee and commission income	21	38 596	24 617
Other operating income	21,1	234 169	209 724
Operating income		**2 054 771**	**1 845 108**
Employee benefits	22	(367 057)	(309 016)
Other operating expenses	23	(446 952)	(407 873)
Net income before impairment and taxation		**1 240 762**	**1 128 219**
Impairment of advances	5	(237 149)	(180 649)
Profit before taxation		**1 003 613**	**947 570**
Taxation	24	(322 367)	(337 500)
Profit for the year		**681 246**	**610 070**
Attributable to:			
Equity holders of the parent company		637 663	568 145
Non - controlling interest		43 583	41 925
Profit for the year		**681 246**	**610 070**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		(39 163)	(377 917)
Total comprehensive income for the year		**642 083**	**232 153**
Attributable to:			
Equity holders of the parent company		591 539	188 145
Non - controlling interest		50 544	44 008
Total comprehensive income for the year		**642 083**	**232 153**
Earnings per share			
Basic earnings per share – (thebe)	25	29.8	26.2
Diluted earnings per share – (thebe)	25	29.2	25.7

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Stated capital BWP'000	Retained earnings BWP'000	Share based payment reserve BWP'000	Foreign currency translation reserve BWP'000	Legal reserve BWP'000	Non - controlling interests BWP'000	Total BWP'000
Balance at 1 January 2017 - Restated	3	875 639	3 383 983	35 835	(634 293)	32 189	192 799	3 886 152
Total comprehensive income for the year								
Profit for the year		-	637 663	-	-	-	43 583	681 246
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(46 124)	-	6 961	(39 163)
Transactions with owners, recorded directly in equity								
Sale of interest to non-controlling interest in Letshego Holdings (Namibia) Limited	32,1	-	16 687	-	-	-	70 791	87 478
Allocation to legal reserve	17	-	(7 418)	-	-	7 418	-	-
Allocation to share based payment reserve		-	-	25 279	-	-	-	25 279
New shares issued from long term incentive scheme	16	22 274	-	(22 274)	-	-	-	-
Share buy back - held as treasury shares	16	(48 068)	-	-	-	-	-	(48 068)
Dividends paid by subsidiary to minority interests		-	-	-	-	-	(825)	(825)
Dividends paid to equity holders	26	-	(321 607)	-	-	-	-	(321 607)
Balance at 31 December 2017		**849 845**	**3 709 308**	**38 840**	**(680 417)**	**39 607**	**313 309**	**4 270 492**
Balance at 31 December 2015 - as previously reported		989 487	3 256 158	19 705	(254 293)	22 178	148 791	4 182 026
Prior year adjustment	3	-	(58 624)	-	-	-	-	(58 624)
Balance at 31 December 2015 - Restated		989 487	3 197 534	19 705	(254 293)	22 178	148 791	4 123 402
Total comprehensive income for the year								
Profit for the year - Restated		-	568 145	-	-	-	41 925	610 070
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(380 000)	-	2 083	(377 917)
Transactions with owners, recorded directly in equity								
Allocation to legal reserve		-	(10 011)	-	-	10 011	-	-
Allocation to share based payment reserve		-	-	21 552	-	-	-	21 552
New shares issued from long term incentive scheme	16	5 422	-	(5 422)	-	-	-	-
Share buy back - shares cancelled	16	(119 270)	-	-	-	-	-	(119 270)
Dividends paid to equity holders	26	-	(371 685)	-	-	-	-	(371 685)
Balance at 31 December 2016 - Restated		**875 639**	**3 383 983**	**35 835**	**(634 293)**	**32 189**	**192 799**	**3 886 152**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	31 December 2017 BWP'000	Restated 31 December 2016 BWP'000
OPERATING ACTIVITIES			
Profit before taxation		1 003 613	947 570
Adjustments for :			
- Net interest income		(1 782 006)	(1 610 767)
- Amortisation of intangible assets	8	9 636	6 755
- Depreciation	7	23 164	21 384
- Impairment and write off charge	5	376 909	259 180
- Long term incentive plan provision		25 279	21 552
Changes in working capital:			
Movement in advances to customers		(1 259 207)	(1 010 133)
Movement in other receivables		(31 002)	10 867
Movement in trade and other payables		(36 453)	118 923
Movement in customer / bank deposits		120 736	(124 163)
Movement in cash collateral		(11 906)	(5 442)
Cash used in operations		**(1,561,237)**	**(1 364 274)**
Interest received		2 252 636	1 963 129
Interest paid		(470 630)	(352 362)
Income tax paid		(290 590)	(341 460)
Net cash flows utilised in operating activities		**(69 821)**	**(94 967)**
INVESTING ACTIVITIES			
Payment for acquisition subsidiaries	11	(90 719)	-
Net cash acquired from acquisitions	11	25 864	-
Payment for available-for-sale financial asset	9	-	(53 591)
Proceeds from sale of property, plant and equipment		2 340	-
Purchase of property, plant and equipment and intangible assets		(42 725)	(19 441)
Net cash flows used in investing activities		**(105 240)**	**(73 032)**
FINANCING ACTIVITIES			
Dividends paid to equity holders		(321 607)	(371 685)
Dividends paid to subsidiary non-controlling interest		(825)	-
Share buy back	16	(48 068)	(119 270)
Proceeds from sale of interest in a subsidiary	32.1	87 478	-
Finance obtained from third parties	15	1 039 889	1 435 734
Repayment of borrowings	15	(607 853)	(678 460)
Net cash generated from financing activities		**149 014**	**266 319**
Net movement in cash and cash equivalents		**(26 047)**	**98 320**
Movement in cash and cash equivalents			
At the beginning of the year		529 476	526 290
Movement during the year		(26 047)	98 320
Effect of exchange rate changes on cash and cash equivalents		(11 062)	(95 134)
At the end of the year	4	**492 367**	**529 476**

> ***"In 2014, Letshego embarked on a focused transformation process, reiterating our commitment to increasing sustainable inclusive finance while diversifying our customer base into the non-government segment.*** *Since launching this journey, Letshego has expanded into 3 more markets, bringing our total footprint to 11 African countries across East, West and Southern Africa. Further to this, 6 out of our 11 subsidiaries now operate with deposit taking licences, diversifying our risk and expanding our offering to underserved communities. In 2017, our financial results show good growth in relevant areas of the business, demonstrating that we remain on track with our transformation journey."*

Colm Patterson

Chief Financial Officer

Significant Accounting Policies

For the year ended 31 December 2017

Reporting entity
Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").The Group embarked on a focused transformation process in 2014, with a key focus on sustainable inclusive financial services and diversification from its unsecured lending model to civil servants, combined with African expansion. This new focus has so far resulted in the Group expanding its footprint to 11 African countries with representation in East, West and Southern Africa. Also, 6 out of the 11 subsidiaries now operate with deposit taking licences which is a key priority in achieving the Group's ambition to become Africa's leading inclusive finance provider.

The consolidated financial statements for the year ended 31 December 2017 have been approved for issue by the Board of Directors on 9 March 2018.

The following principal accounting policies, which are consistent with prior years, 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.

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

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

Use of judgements and estimates
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 consist 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 (note 2).

Significant Accounting Policies (continued)

For the year ended 31 December 2017

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant 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	4 years
Office equipment	5 years
Motor vehicles	4 years
Land and building	30 - 50 years

Land and buildings are stated on the historical cost basis. Repairs and maintenance are recognised in profit or loss during the financial period in which these costs are incurred. Whereas the cost of major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits will flow to the group.

The residual value and useful life of each part of plant and equipment, if not insignificant, is reassessed annually. Depreciation costs are recognised on a prorate basis from the date the asset is available for use. Subsequent expenditure is capitalised when it is probable that the future economic benefits will flow to the group. Ongoing repairs and maintenance are expensed as incurred. Gains and losses on disposal of property 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 system development currently on-going in respect of the customised lending and financial reporting module of the Group. The costs associated with this development process is recognised as work in progress until a time the systems are available for use at which point the respective element will be transferred to appropriate category of equipment and/or intangible assets and depreciated over the useful life of the asset.
- Costs incurred in acquisition and development of property until the property is available for use, at which point the respective property will be transferred to an appropriate property category and depreciated over the estimated life of the property.

FOREIGN CURRENCY TRANSACTIONS

Transactions conducted in foreign currencies are translated to Pula at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula using the closing exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

FOREIGN OPERATIONS' FINANCIAL STATEMENTS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Botswana Pula using the closing exchange rate at the financial period end. The income and expenses of foreign operations are translated to Botswana Pula at rates approximating those exchange rates at the dates of the transactions.

FOREIGN OPERATIONS' FINANCIAL STATEMENTS (continued)

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.

OPERATING LEASES

The Group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

INTANGIBLE ASSETS – COMPUTER SOFTWARE

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is measured at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software for current and prior periods is three to ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

INTANGIBLE ASSETS – 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.

PROVISIONS

Provisions are recognised when the Group has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity. Current tax comprises tax payable 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 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 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

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from group credit life insurance scheme are recognised on a time-apportionate basis over the period the service is provided.

INTEREST EXPENSE

Interest expense is recognised in profit or loss using the effective interest method as describe under interest income policy above. Foreign currency gains and losses on interest earning financial liabilities are recognised in profit or loss, as part of interest expense, as they are incurred.

INTEREST FROM BANK DEPOSITS

Interest from bank deposit is earned on an accruals basis at the agreed interest rate with the respective financial institution.

OTHER INCOME

Other income comprises income from insurance arrangements, loan settlement fees and other non-core income streams and are recognised in profit and loss as when they are earned.

DIVIDEND INCOME

The Group recognises dividends when the Group's right to receive payment is established. This is on the 'last day to trade' for listed shares, and on the 'date of declaration' for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares. Dividend income is presented in statement of profit or loss.

LEGAL RESERVE

According to the commercial code applicable to certain subsidiaries, a non-distributable legal reserve of 15% of these subsidiaries' annual profits is transferred till the reserve is equal to the subsidiary share capital.

STATED CAPITAL

Stated capital is recognised at the fair value of the consideration received. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instrument.

Treasury shares is where the Group purchases its own equity share 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

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. 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)

The Group also operates a staff incentive bonus scheme. The provision for employee bonus incentive is based on a predetermined group policy and is recognised in trade and other payables. The accrual for employee bonus incentives is expected to be settled within 12 months to 36 months.

PAYROLL ADMINISTRATION COSTS

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

SHARE-BASED PAYMENT TRANSACTIONS

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The Group also grants its own equity instruments to employees of its subsidiary as part of group share-based payment arrangements. The number of vesting awards is subject to achievement of non-market conditions.
The grant date fair value of awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest.

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

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

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

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

Determination of fair value of equity instruments granted.

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

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 of the parent 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 of the parent 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.

CONTINGENT LIABILITIES

The Group recognises 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

The Group's financial assets and liabilities consist of the following significant items.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables 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 carried at amortised cost in the statement of financial position.

Available-for-sale financial asset
Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Available-for-sale financial asset are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividend received on available-for-sale equity instruments are recognised in the statement of comprehensive income when the company's right to receive payment is established.

FINANCIAL ASSETS AND LIABILITIES (continued)

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

Borrowings and deposits from customers
Borrowings and customer deposits are the Group's sources of funding; they 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 customers.

Recognition
The Group initially recognises financial assets and 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.

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.
The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

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

FINANCIAL ASSETS AND LIABILITIES (continued)

Offsetting
Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques.

Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like interest rate swaps. For these financial instruments, inputs into models are market observable.

When entering into a transaction, the financial instrument is recognised initially at fair value. The best evidence of fair value of a financial instrument at recognition is normally the transaction price, the fair value of the consideration given or received. The value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value.

FINANCIAL ASSETS AND LIABILITIES (continued)

Identification and measurement of impairment
At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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 collective 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 advances to customers. 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.

Designation at fair value through profit or loss
The Group may designate financial assets and liabilities at fair value through profit or loss when either:

- the assets or 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.

INSURANCE ARRANGEMENTS

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

CELL CAPTIVE ACCOUNTING

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

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

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

IMPAIRMENT FOR NON-FINANCIAL ASSETS

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined if no impairment loss had been recognised.

NEW STANDARDS OR AMENDMENTS BECOME EFFECTIVE FOR THE FIRST TIME DURING THE YEAR

There were no new standards or amendments to existing standards that become effective for the first time during the year, that are relevant or had material impact to the operations of the group.

Standards issued but not yet effective at year end
A number of new standards and amendments to standards are issued but not yet effective for period ended 31 December 2017. Those which may be relevant to the Group are set out below. The Group do not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

IFRS 9 Financial Instruments
IFRS 9, published in July 2015, replaces the existing guidance in IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. In addition, IFRS 9 will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

NEW STANDARDS OR AMENDMENTS BECOME EFFECTIVE FOR THE FIRST TIME DURING THE YEAR (continued)

IFRS 9 Financial Instruments (continued)

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss has already been incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives and estimation of exposures at default and assessing significant increases in credit risk. It is expected to have a material financial impact and impairment charges will tend to be more volatile. Refer to section 1.3.1 credit risk "Impairment: IFRS 9 financial instruments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for revenue recognition. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and the outcome of it is yet to be quantified.

IFRS 16 Leases

IASB and FASB decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019 and the Group is in the process of assessing the potential impact to the financial statements.

Other standards/amendments

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Share based payments, accounting on certain share based transactions (Amendments to IFRS 2 – effective 1 January 2018).
- Revenue from contracts with customers (Amendments to IFRS 15 – effective 1 January 2018).
- Foreign currency transactions and advance consideration (IFRIC 22 – effective 1 January 2018).
- Consolidated Financial Statements (IFRS 10 – effective date postponed initially 1 January 2016).
- Uncertainty over income tax treatments (IFRIC 23 – effective 1 January 2019)

1. FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

Letshego Holdings Limited ("the Group") continued to maintain a strong risk management culture in response to the changing operating environment in order to deliver the Group's objectives.

The Group Board of Directors has the ultimate responsibility for ensuring that an adequate risk management system is established and maintained. The Board delegated its responsibilities to the following Board Committees and the terms of reference are outlined in the Board Charter:

- Group Audit Committee
- Group Risk Committee
- Group Nominations and Social Ethics Committee
- Group Human Resources Committee
- Group Investment Committee

In addition to the above board committees, the Group has the following Management Committees to assist the Board in the effective management of risk:

- Group Management Committee
- Group Risk Management Committee
- Group Innovation Management Committee
- Group Business Growth Committee
- Group Asset and Liability Management Committee
- Group Technical and Operations Committee
- Group Sustainability Committee

The Group Risk and Assurance Function and the Legal and Compliance Function were restructured during the year to report under the Group Governance, Risk, Legal and Compliance Function. This function remains independent of the business functions with the Group Internal Audit function reporting directly to the Group Audit Committee. The Group Head of Governance, Risk, Legal and Compliance assumed the responsibility for the implementation of the Group ERM framework (that includes the Legal and Compliance Framework) and the Group Governance Framework approved by the Board. Group Internal Audit is responsible for providing independent assurance that the overall Governance, ERM and IT Governance frameworks are adequately designed, implemented and monitored. Within the regular audit activity, Group Internal Audit is also responsible for providing assurance that the systems of internal control are operating effectively.

Significant progress was made during the year in embedding the enhanced Enterprise-wide Risk Management (ERM) framework across the Group. The ERM framework emphasises the five key elements that the Group would like to achieve and maintain namely, adequate board oversight, adequate senior management oversight, sound risk management policies and operating procedures, strong risk measurement, monitoring and control capabilities and adequate internal controls.

The primary risks to which the Group is exposed and which it continues to effectively manage are detailed below.

1.2 Strategic risk

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

1. FINANCIAL RISK MANAGEMENT (continued)

1.2 Strategic risk (continued)

In line with the Group's Enterprise-wide Risk Management framework, strategic risk management enables the mitigation of risks and protects the stability of the Group. It also acts as a tool for planning systematically about the future and identifying opportunities.

In order to effectively manage strategic risk, the Board of Directors and the Group Management Committee established appropriate internal structures for implementation of strategic plans. The Group strategic plans are supported by appropriate organisational and functional structures, skilled and experienced personnel, as well as risk monitoring and controlling systems.

According to the Group's reporting structures, reputational risk is a primary risk categorized under strategic risk. Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholder's perceived trust and confidence in the Group or its subsidiaries. This risk may also result from the Group's failure to effectively manage any or all of the other risk types.

During the beginning of the year, the Group Business Strategy was cascaded throughout the subsidiaries to ensure that their strategies are fully aligned to the group strategy and risk appetite. The Group is undergoing a significant change process through the focus on customer centric change culture to ensure that we are adequately equipped to mobilize, execute and deliver our strategic agenda.

1.3 Financial risk

In line with the 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.

Key metrics	YoY Trend	2017	2016
Growth in gross advances to customers (%)	↑	17%	6%
Loan Loss Rate (LLR) (%)	↑	3.1%	2.8%
Non-performing loans as a percentage (%) of gross advances	↑	6.8%	6.5%
Non-performing loans coverage ratio (%)	↑	70%	62%

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Approach to managing credit risk

The Board of Directors is ultimately responsible for the management of credit risk and has delegated responsibility for the oversight of credit risk to the Group Risk Management Committee and Country Management Committees. It is the responsibility of Group Credit Risk and each CEO to ensure that the Group's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay is complied with at all times. The Group manages credit risk in accordance with its credit risk policies, guidelines and procedures which provide for the maintenance of a strong culture of responsible lending that promotes inclusive finance.

Credit risk mitigation

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

- Group writes off loans which are 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.
- No special treatment is given to renegotiated loans in terms of provisioning. These will however be catered for in IFRS9.
- Customers cannot take a 'top up' loan if they are in arrears".

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

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

Credit risk stress testing

The Group recognizes 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 a requirement for all our deposit taking subsidiaries and now forms an integral part of our overall governance and risk culture in the Group. This feeds into the decision making process at management and Board level.

Notes to the Consolidated Annual Financial Statements (continued)

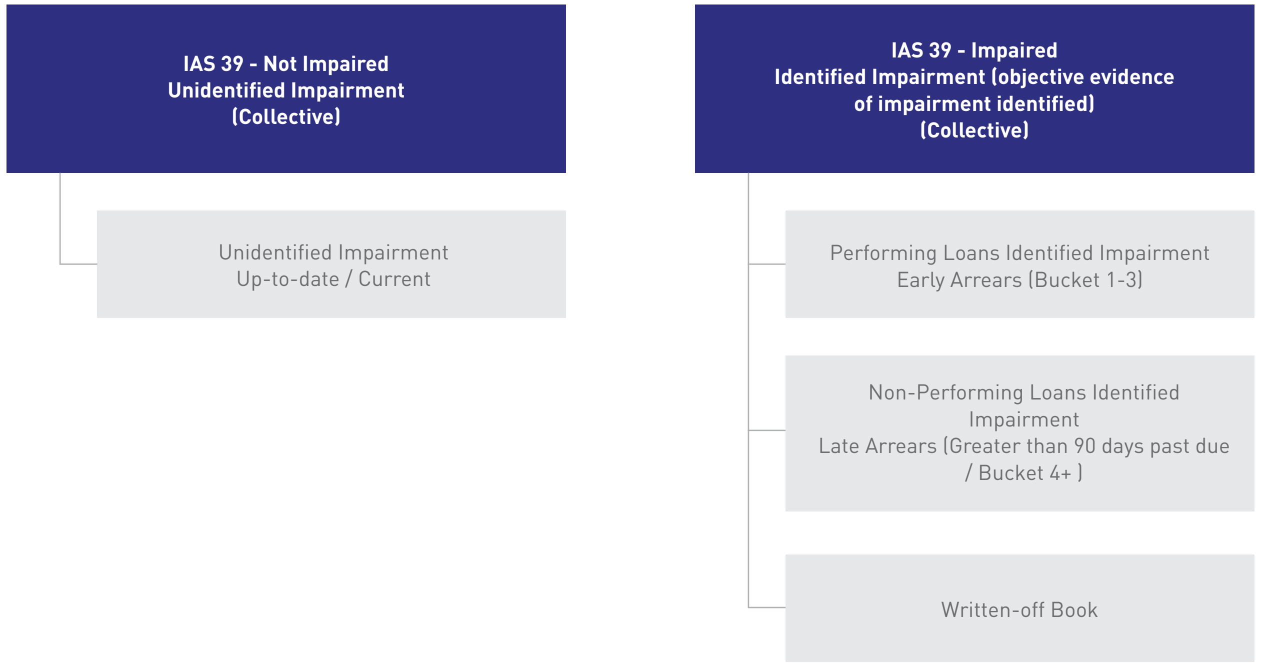
For the year ended 31 December 2017

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Impairment methodology
The Group's accounting policy for losses arising from the impairment of loans and advances represents management's best estimate of losses incurred in the loan portfolios (both individually and collectively) at the reporting date. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in light of differences between loss estimates and actual loss experience. Impairment provisions are raised on the specific risks attributable by each loan past due in each subsidiary and further discounted by the value of cash collateral held per customer.

Impairment Calculation
The Group applies International Accounting Standard (IAS) 39 Financial Instruments : Recognition and Measurement. Under this measurement impairment estimates incorporate the use of the Group's Probability of Default (PD) and Loss Given Default (LGD) estimates .



Impairment
Full year 2017 impairment charge is BWP237m, an increase from 2016: BWP181m with the loan loss rate increasing from 2.8% to 3.1%. The increase has been driven by deterioration in performance in Letshego Rwanda and Tanzania. Overall non-performing loan Impairment coverage increased from 62% to 70% from 2016 to 2017, with non-performing loans as a percentage of the total loan book remains flat year on year from 6.5% in 2016 to 6.8% 2017 indicated a positive trend in overall loan book quality.

Notes to the Consolidated Annual Financial Statements (continued)

For the year ended 31 December 2017

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Write-off policy
The Group subsidiaries write off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. All workable written off accounts are fully followed up for recovery through internal debt collection and third party collection partners.

Maximum exposure to credit risk

a) Advances to customers 31 December 2017	Gross Advances BWP'000	Specific Provision BWP'000	Portfolio Provision BWP'000	Net Advances BWP'000	Security Held BWP'000
Southern Africa	6 215 928	(158 620)	(22 140)	6 035 168	-
East and West Africa	1 955 376	(106 794)	(114 846)	1 733 737	(27 319)
	8 171 304	**(265 414)**	**(136 986)**	**7 768 904**	**(27 319)**

31 December 2016	Gross advances BWP'000	Specific provision BWP'000	Portfolio provision BWP'000	Net advances BWP'000	Security held BWP'000
Southern Africa	5 434 855	(153 898)	(11 098)	5 269 859	-
East and West Africa	1 528 101	(39 220)	(69 000)	1 419 881	(39 225)
	6 962 956	**(193 118)**	**(80 098)**	**6 689 740**	**(39 225)**

Security held relates to cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer (note 14).

b) Others	31 December 2017 BWP'000	31 December 2016 BWP'000
Cash and cash equivalents	492 367	529 476
Other receivable accounts	201 605	166 717
Available-for-sale financial asset	53 591	53 591
	747 563	**749 784**

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Credit quality

The Group has continued to diversify its loan book by geography as well as customer segment whilst ensuring the overall loan book quality performance remains satisfactory. The percentage of loans with in less than 30 days in arrears has improved from 87% to 89% whilst the ratio of loans over 90 days past due has increased slightly year on year from 6.5% in 2016 to 6.8% in 2017.

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 2017	Formal	Micro finance	Informal	Total gross advances
	BWP'000	BWP'000	BWP'000	BWP'000
Southern Africa	6 213 450	2 478	-	6 215 928
East and West Africa	1 068 566	840 064	46 746	1 955 376
Gross advances	**7 282 016**	**842 542**	**46 746**	**8 171 304**
Impairment provision	(251 863)	(145 980)	(4 557)	(402 400)
Net advances	**7 030 153**	**696 562**	**42 189**	**7 768 904**

Analysis of exposure by segment as at 31 December 2016	Formal	Micro finance	Informal	Total gross advances
	BWP'000	BWP'000	BWP'000	BWP'000
Southern Africa	5 431 606	3 249	-	5 434 855
East and West Africa	679 030	849 071	-	1 528 101
	6 110 636	**852 320**	**-**	**6 962 956**
Impairment provision	(132 238)	(140 978)	-	(273 216)
Net advances	**5 978 398**	**711 342**	**-**	**6 689 740**

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

All loans and advances are categorised as either 'neither past due nor impaired', 'past due but not impaired', or 'past due and impaired'.

- **Neither Past Due or Impaired**
  Loans neither past due nor impaired consist predominantly of loans that are performing or up-to-date. These loans, although unimpaired may carry an unidentified impairment.

- **Past due but not impaired**
  A loan is considered past due but not impaired when the borrower has failed to make a payment when due under the terms of the loan contract. These are loans in bucket 1,2 and 3 (1 day to 90 days past due).These loans although individually assessed as unimpaired may carry an identified impairment provision.

- **Impaired**
  This category comprises loans where an individual impairment allowance has been raised. This category comprises of loans which are in more than 90 days past due.

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

31 December 2017	Southern Africa BWP'000	East and West Africa BWP'000	Total BWP'000
Neither past due nor impaired	5 328 769	1 423 923	6 752 692
Past due but not impaired	560 779	303 791	864 570
Impaired	326 380	227 662	554 042
Total gross advances to customers	**6 215 928**	**1 955 376**	**8 171 304**
Less: impairment provision	(180 760)	(221 640)	(402 400)
Net advances to customers at 31 December 2017	**6 035 168**	**1 733 736**	**7 768 904**
Past due but not impaired			
Arrears < = 1 installment	444 562	171 423	615 985
Arrears > 1 installment	116 217	132 368	248 585
	560 779	**303 791**	**864 570**

Notes to the Consolidated Annual Financial Statements (continued)

For the year ended 31 December 2017

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

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

** Credit Quality was previously based on recency and arrears bucketing and has been restated to be based on arrears bucketing for comparatives purposes*

*31 December 2016	Southern Africa BWP'000	East and West Africa BWP'000	Total BWP'000
Neither past due nor impaired	3 924 060	1 019 344	4 943 404
Past due but not impaired	1 177 981	383 674	1 561 655
Impaired	332 814	125 083	457 897
Total gross advances to customers	**5 434 855**	**1 528 101**	**6 962 956**
Less: impairment provision	(164 996)	(108 220)	(273 216)
Net advances to customers at 31 December 2016	**5 269 859**	**1 419 881**	**6 689 740**
Past due but not impaired			
Arrears < = 1 installment	933 853	216 500	1 150 353
Arrears > 1 installment	244 128	167 174	411 302
	1 177 981	**383 674**	**1 561 655**

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

31 December 2017 Southern Africa	Up-to-date BWP'000	1-30 days past due BWP'000	31-60 days past due BWP'000	61-90 days past due BWP'000	91 or more days past due BWP'000	Total Gross advances BWP'000
Formal	5 328 644	444 258	66 472	49 383	324 693	6 213 450
Micro finance	125	304	158	204	1 687	2 478
	5 328 769	**444 562**	**66 630**	**49 587**	**326 380**	**6 215 928**
East and West Africa						
Formal	734 581	83 693	52 993	42 937	154 362	1 068 566
Micro finance	642 596	87 731	21 452	14 985	73 300	840 064
Informal	46 746	-	-	-	-	46 746
	1 423 923	**171 424**	**74 445**	**57 922**	**227 662**	**1 955 376**

Notes to the Consolidated Annual Financial Statements (continued)

For the year ended 31 December 2017

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

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

31 December 2016 Southern Africa	Up-to-date BWP'000	1-30 days past due BWP'000	31-60 days past due BWP'000	61-90 days past due BWP'000	91 or more days past due BWP'000	Total Gross advances BWP'000
Formal	3 922 127	1 011 410	108 890	56 365	332 814	5 431 606
Micro finance	1 933	1 316	-	-	-	3 249
	3 924 060	**1 012 726**	**108 890**	**56 365**	**332 814**	**5 434 855**
East and West Africa						
Formal	481 785	72 601	19 907	12 998	91 740	679 030
Micro finance	537 559	192 209	65 890	20 069	33 343	849 071
	1 019 344	**264 810**	**85 797**	**33 067**	**125 083**	**1 528 101**

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 for Southern Africa, Namibia and Mozambique have credit insurance in place and for the year ended 31 December 2017 this was included as part of recoveries in the calculation of LGD's.

Segments	2017 LGD	2016 LGD
Southern Africa	45%	55%
East and West Africa	90%	86%

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).

31 December 2016	PD 0	PD 1	PD 2	PD 3
Southern Africa	1%	3%	10%	35%
East and West Africa	2%	10%	35%	52%
31 December 2017	**PD 0**	**PD 1**	**PD 2**	**PD 3**
Southern Africa	1%	4%	21%	39%
East and West Africa	3%	15%	39%	55%

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

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Financial assets renegotiated

Restructuring
Restructuring activities include extended payment arrangements, modification and deferral of payments . Following restructuring a previously overdue/delinquent loan is reset to current/normal status and managed together with other similar accounts .There are Group restructuring policies in place and these are kept under continuous review. As at 31 December 2017, there were no such restructured loans.

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

Rephased loans analysis

31 December 2017	Total gross advances	Rephased loans	% Rephased
Southern Africa	6 215 928	637 632	10%
East and West Africa	1 955 376	91 698	5%
	8 171 304	**729 330**	**9%**

31 December 2016	Total gross advances	Rephased loans	% Rephased
Southern Africa	5 434 855	589 695	11%
East and West Africa	1 528 101	39 217	3%
	6 962 956	**628 912**	**9%**

Impairment : IFRS 9 Financial Instruments
The introduction of the impairment requirements of IFRS 9 Financial Instruments, implemented on 1 January 2018, results in higher impairment loss allowances that are recognised earlier, on a more forward looking basis and on a broader scope of financial instruments than is the case under IAS 39 and, as a result, will have a material impact on the Group's financial condition. Measurement involves increased complex judgement and risk review.

The work to prepare for IFRS 9 Impairment requirements for 2018 has commenced and expected to be complete and disclosed in the financial year end 31st December 2018. The replacement of IAS 39 with IFRS 9 Financial Instruments ("IFRS 9") effective 1st January 2018 will have an impact on the methodology and level of provisioning required to be held by Letshego as it will replace the current incurred loss model with the requirement to calculate expected losses. Letshego is in the process of developing an appropriate methodology to align to IFRS 9 requirements.

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Impairment : IFRS 9 Financial Instruments (continued)

The overlay approach followed by Group is outlined below:

General steps considered by Group in applying IFRS 9 Impairment

The following steps illustrates the general steps that a Letshego are considering when implementing IFRS 9 Impairment:

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. Incorporate forward-looking information and multiple scenarios in staging assessments of loans.
17. Consider the time value of money and calculate Expected Credit Losses.
18. Identify modifications that occurred during the period and determine if each modification results in derecognition or no derecognition.
19. Calculate the modification gain or loss and include the modified loan (or new loan).
20. Establish and document the appropriate processes, internal controls and governance for estimating Expected Credit Losses (ECL).

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Impairment : IFRS 9 Financial Instruments (continued)

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

Determining a significant increase in credit risk since initial recognition
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.

The IFRS 9 requirements for the staging of loans is summarized in the two diagrams below:

Diagram 1

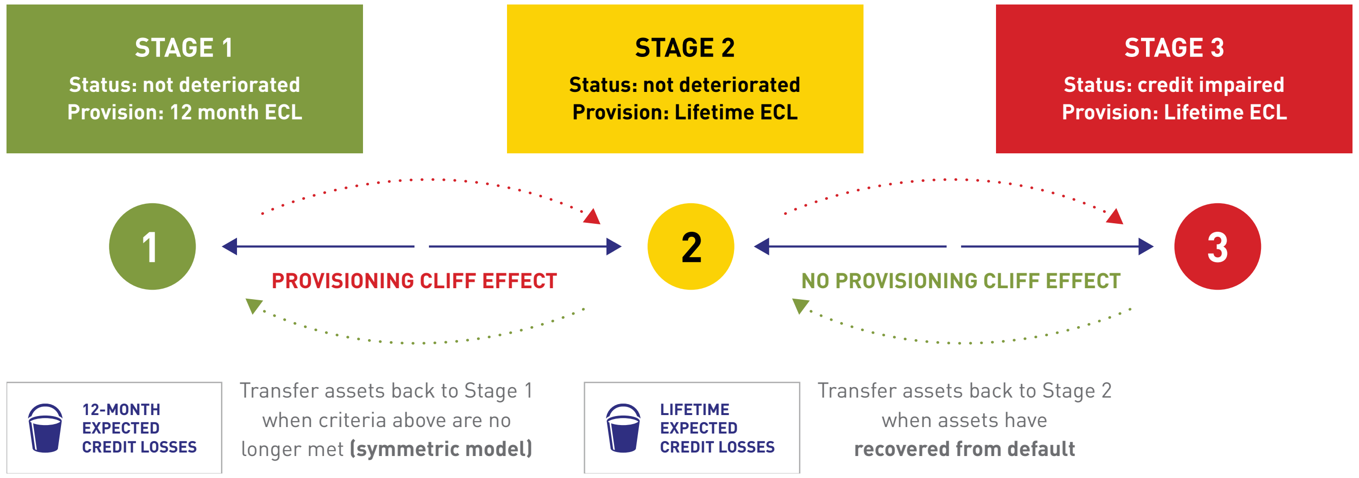
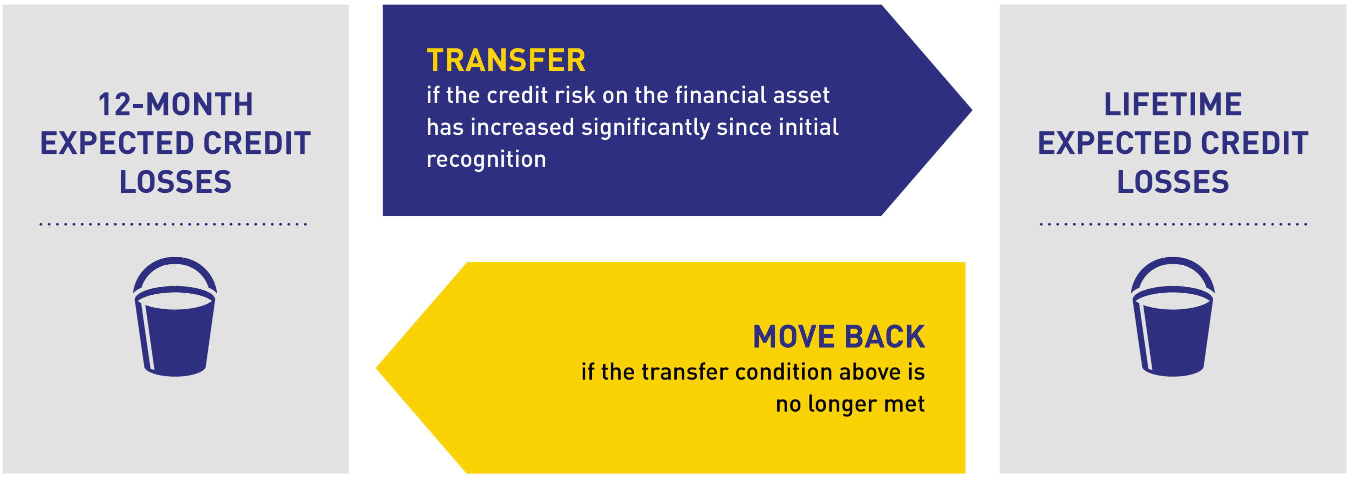


Diagram 2



1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Impairment : IFRS 9 Financial Instruments (continued)

Quantitative element
With the use of an internal scorecard or risk rating process, Letshego can assess significant increases in credit risk in their consumer Finance and Micro Finance portfolios. This involves setting thresholds for determining what constitutes a significant increase in credit risk as a loan moves along the rating scale. Once the scorecard or risk rating has been developed, the Letshego can then determine the PD associated with those ratings.

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. This is used for the purpose of staging assessment and also then to calculate lifetime ECLs for Stage 2 and Stage 3 exposures.

Qualitative Element
Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop Criteria
Accounts that are 30 calendar days or more past due. The 30 days past due criteria should be treated as a backstop rather than a primary driver of moving exposures into 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.

Forward-looking information
The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).

Source of the forward looking information will vary from country to country and all macro economic factors used will be approved at high level by the credit committee. This will also be based on the correlation exercises done.

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Impairment : IFRS 9 Financial Instruments (continued)

Definition of default, credit impaired assets, write-offs, and interest income recognition

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 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 obligation 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 reputable presumption within the standard that default does occur once a loan is more than 90 days past due, the Group has adopted this presumption.

Credit impaired is expected to be when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired under the incurred loss model of IAS 39. Write-off polices are not expected to change from IAS 39.

Write-off polices are not expected to change from IAS 39.

Discounting

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

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate.

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Impairment : IFRS 9 Financial Instruments (continued)

Modelling techniques (continued)

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.

Below is a demonstration of how the Group has progressed in aligning its impairment methodology to IFRS 9:

Process	Group Progress %	Comment
Definition of Default	Complete	Group's definition of default set at greater than 90 days past due
Categorisation of loans	Complete	Categories: • Payroll – deduction from source • Payroll – non government • MSE – Secured /Unsecured • Mortgages (Collateralized /non- collateralized) • Informal sector
Staging assessment of loans	On-going	Work in progress . All restructured loans considered in staging assessment
PD	On-going	12 month PD completed for stage 1 . Lifetime PD that include forward looking elements are still being assessed .
LGD	On-going	• Incorporation of macro economic factors still in progress • Best estimate (e.g. no downturn bias, regulatory floors, collateral limits, etc.) are being assessed .
Sources of Forward looking and Macro Economic factors	On-going	We have identified key indicators for forward looking and have also identified macro economic indicators . These include; • Inflation rate • Economic growth - GDP • Unemployment rate • National Cost of living index • Money Supply • GDP per Capita • House Price Index etc.
Documentation of processes, internal controls and governance foe establishing ECL	On-going	We are still in the process of updating our documenation

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Liquidity risk

Liquidity risk is the risk of financial loss to the Group arising from its inability to fund increases in assets and/or meet obligations as they fall due. The formality and sophistication of the Group's liquidity risk management processes reflect the nature, size and complexity of its activities. The Group has a thorough understanding of the factors that could give rise to liquidity risk and has put in place mitigating controls.

Liquidity risk framework and governance

The framework for managing liquidity risk is anchored on an effective board and senior management oversight, formulation of a liquidity strategy, adequate policies and procedures, effective internal controls and independent reviews, as well as a sound process for identifying, measuring, monitoring and controlling liquidity risk.

The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors through the subsidiaries boards is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Head of Group ALM and Country Heads of Finance respectively with independent day to day monitoring being provided by Group Governance, Risk, Legal and Compliance functions.

Cash flow and maturity profile analysis

The table below analyses Group's financial liabilities into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2017

Contractual maturities of financial liabilities	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Customer deposits	228 432	-	-	228 432
Cash collateral	27 319	-	-	27 319
Trade and other payables	192 317	-	-	192 317
Borrowings	2 279 069	1 745 272	976 302	5 000 643
	2 727 137	**1 745 272**	**976 302**	**5 448 711**

31 December 2016

Contractual maturities of financial liabilities	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Customer deposits	107 696	-	-	107 696
Cash collateral	39 225	-	-	39 225
Trade and other payables	241 855	-	-	241 855
Borrowings	1 426 025	1 960 025	978 090	4 364 140
	1 814 801	**1 960 025**	**978 090**	**4 752 916**

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Liquidity risk (continued)

Liquidity contingency plans

The Group's Liquidity Risk Management Policy which was enhanced during the year is supported by a robust Liquidity Contingency Plan. This is to ensure the Group's safety, soundness and compliance with regulatory requirements in countries in which it operates. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises relative to the size of the entity.

Liquidity stress testing

The Group's subsidiaries with deposit taking licenses are required to conduct stress testing on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. This is done in line with the local regulatory requirements in the countries in which the Group operates.

1.3.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk exists wherever the Letshego Holdings Limited (the Group) or its subsidiary have trading, banking or investment positions.

The Group uses a collection of risk measurement methodologies to assess market risk that include loss triggers, repricing gap and traditional risk management measures. The Group's market risk is largely concentrated on foreign exchange, interest rate risk and from its investments.

Foreign exchange rate risk

Foreign exchange rate risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The potential for loss arises from the process of revaluing foreign currency positions on both on- and off- balance sheet items, in Botswana Pula terms. This risk is largely concentrated at Group Level.

Foreign exchange gains for the year to December 2017 were BWP4m, which was a recovery from the prior foreign exchange loss of BWP18m in December 2016.The BWP4m gain resulted mainly from appreciation of the currencies that the group operates against the Botswana Pula and this was mainly driven by the South African Rand.

As at 31 December 2017 if the foreign currencies that the Group is exposed to had weakened or strengthened by 1% against the respective functional currencies with all other variables held constant, profit for the year would have been BWP8.6 million (2016: BWP7.6 million) higher / lower, mainly as a result of foreign exchange gains and losses on translation of foreign currency denominated assets and liabilities.

Interest rate risk

Interest rate risk analysis is based on time to pricing and time to maturity. Interest rate risk arising from the Group's assets and liabilities remained within the Group's risk appetite during the year. The table below shows the Group's repricing gap as at 31 December 2017.

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risk (continued)

31 December 2017

Buckets	**< 1 month**	**1 - 12 months**	**1 - 3 years**	**> 3 years**	**Total**
Rate sensitive assets					
Short term investments	10 967	14 437	-	-	25 404
Loans and advances to customers	1 254	308 469	1 187 029	6 272 152	7 768 904
	12 221	322 906	1 187 029	6 272 152	7 794 308
Rate sensitive financial liabilities					
Customer deposits	65 043	162 485	904	-	228 432
Borrowings	1 387 850	1 623 883	423 522	549 352	3 984 607
	1 452 893	1 786 368	424 426	549 352	4 213 039
Gap	**(1 440 672)**	**(1 463 462)**	**762 603**	**5 722 800**	**3 581 269**
Cumulative Gap	**(1 440 672)**	**(2 904 135)**	**(2 141 531)**	**3 581 269**	

31 December 2016

Buckets	**< 1 month**	**1 - 12 months**	**1 - 3 years**	**> 3 years**	**Total**
Rate sensitive assets					
Short term investments	41 176	25 528	-	-	66 704
Loans and advances to customers	32 185	480 154	1 458 443	4 718 958	6 689 740
	73 361	505 682	1 458 443	4 718 958	6 756 444
Rate sensitive financial liabilities					
Customer deposits	55 542	52 073	81	-	107 696
Borrowings	1 783 246	512 149	586 029	512 692	3 394 116
	1 838 788	564 222	586 110	512 692	3 501 812
Gap	**(1 765 427)**	**(58 540)**	**872 333**	**4 206 266**	**3 254 632**
Cumulative Gap	**(1 765 427)**	**(1 823 967)**	**(951 634)**	**3 254 632**	

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risk (continued)

Market risk framework and governance

The market risk framework outlines or discloses the methodology by which the Group identifies, measures, monitors, controls and reports on its market risk profile for every operation overseen by the Group. Effective board oversight of the Group's exposure to Market Risk is the cornerstone of an effective market risk management process. The Board and Senior Management understands the nature and level of market risk assumed by the Group and its subsidiaries and how this risk profile fits within the overall business strategies. The Group's Foreign Exchange Risk Policy was reviewed and approved by the Board during 2017.

The Board of Directors is ultimately accountable and approves the market risk appetite for all types of market risk. The Board delegated the effective management of market risk to the Group Risk Committee and Group Asset and Liability Management Committee. On a day-to-day basis, market risk exposures are managed by the Head of Group ALM and appropriate management reports are generated. Group Governance, Risk, Legal and Compliance function provides independent oversight.

Market risk measurement

Generally, measurement tools in use at any point in time are commensurate with the scale, complexity, and nature of business activities and positions held by the Group or its subsidiaries. The tools and techniques used to measure and control market risk include the repricing gap, scenario analysis on net interest income, stop loss limits and stress testing. In addition, the Group also performs ratio analysis on the key ratios of the Group and each subsidiary.

Notes to the Consolidated Annual Financial Statements (continued)

For the year ended 31 December 2017

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risk (continued)

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

31 December 2017	SA Rand BWP'000	Swaziland Emalangeni BWP'000	Namibian Dollar BWP'000	Lesotho Loti BWP'000	Tanzanian Shillings BWP'000	Ugandan Shillings BWP'000	Mozambican Metical BWP'000	Kenya Shillings BWP'000	Rwandan Francs BWP'000	Nigerian Naira BWP'000	Ghana Cedi BWP'000	Great Britain Pound BWP'000	United States Dollars BWP'000	Botswana Pula BWP'000	Euro-zone Euro BWP'000	Total Pula BWP'000
Cash and cash equivalents	34 933	3 817	257 722	3 689	63 051	18 857	41 266	10 904	15 129	32 503	8 301	1 025	42 940	(41 816)	46	492 367
Advances to customers	-	370 227	1 929 665	403 344	473 445	301 682	1 013 373	515 807	42 835	53 603	346 365	-	-	2 318 558	-	7 768 904
Available-for-sale financial asset	-	-	-	-	-	-	-	-	-	-	-	-	-	53 591	-	53 591
Other receivables	-	12 578	97 502	346	6 882	10 126	13 458	5 972	2 810	2 867	3 397	-	-	45 667	-	201 605
Total assets	34 933	386 622	2 284 889	407 379	543 378	330 665	1 068 097	532 683	60 774	88 973	358 063	1 025	42 940	2 376 000	46	8 522 620
Customer deposits	-	-	71 843	-	68 987	-	11 949	-	28 351	24 110	23 192	-	-	-	-	228 432
Cash collateral	-	-	-	-	-	3 610	-	23 168	541	-	-	-	-	-	-	27 319
Borrowings	640 757	24 413	50 598	-	30 793	135 359	273 984	218 503	18 367	-	215 710	-	-	2 376 123	-	3 984 607
Trade and other payables	548	5 358	31 157	4 959	10 533	4 886	10 168	15 416	5 936	11 094	33 906	-	-	127 790	-	261 751
Total liabilities	641 305	29 771	153 598	4 959	110 313	143 855	296 101	257 087	53 195	35 204	272 808	-	-	2 503 913	-	4 502 109
Net exposure	(606 372)	356 851	2 131 291	402 420	433 065	186 810	771 996	275 596	7 579	53 769	85 255	1 025	42 940	(127 913)	46	4 020 511
Exchange rates at 31 December 2017 - mid: BWP 1.00 =	1.26	1.26	1.26	1.26	227.53	369.19	5.99	10.48	85.78	36.56	0.46	0.08	0.10	1.00	0.08	

31 December 2016	SA Rand BWP'000	Swaziland Emalangeni BWP'000	Namibian Dollar BWP'000	Lesotho Loti BWP'000	Tanzanian Shillings BWP'000	Ugandan Shillings BWP'000	Mozambican Metical BWP'000	Kenya Shillings BWP'000	Rwandan Francs BWP'000	Nigerian Naira BWP'000	Ghana Cedi BWP'000	Great Britain Pound BWP'000	United States Dollars BWP'000	Botswana Pula BWP'000	Euro-zone Euro BWP'000	Total Pula BWP'000
Cash and cash equivalents	151	26 672	134 928	8 370	49 457	14 155	44 990	17 524	6 546	52 387	-	63	105	174 117	11	529 476
Advances to customers	-	226 053	1 667 943	408 811	487 715	307 482	724 852	409 042	164 239	51 405	-	-	-	2 242 198	-	6 689 740
Available-for-sale financial asset	-	-	-	-	-	-	-	-	-	-	-	-	-	53 591	-	53 591
Other receivables	-	8 857	33 372	107	982	8 018	25 629	4 795	3 386	2 692	-	-	-	78 879	-	166 717
Total assets	151	261 582	1 836 243	417 288	538 154	329 655	795 471	431 361	174 171	106 484	-	63	105	2 548 785	11	7 385 933
Customer deposits	-	-	-	-	36 109	-	4 961	-	26 595	40 031	-	-	-	-	-	107 696
Cash collateral	-	-	-	-	-	4 553	-	33 151	1 521	-	-	-	-	-	-	39 225
Borrowings	704 348	23 486	-	-	-	145 133	137 017	246 373	73 644	-	-	-	-	2 064 115	-	3 394 116
Trade and other payables	-	7 750	39 043	12 290	8 110	8 576	10 763	13 104	17 426	7 427	-	-	-	169 927	-	294 416
Total liabilities	704 348	31 236	39 043	12 290	44 219	158 262	152 741	292 628	119 186	47 458	-	-	-	2 234 042	-	3 835 453
Net exposure	(704 197)	230 346	1 797 200	404 998	493 935	171 393	642 730	138 733	54 985	59 026	-	63	105	314 743	11	3 550 480
Exchange rates at 31 December 2016 - mid: BWP 1.00 =	1.28	1.28	1.28	1.28	204.15	337.55	6.69	9.60	78.05	28.53	-	0.08	0.09	1.00	0.09	

1. FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational Risks

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

These risks are managed by the Group through the following key measures:

- Effective Boards 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; and
- Fostering a better risk awareness culture.

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

Operational risk framework and governance
The operational risk management framework provides the mechanism for the overall operational risk strategic direction and ensures that an effective operational risk management and measurement process is adopted throughout the Group.

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

The management and measurement of operational risk
The operational risk management framework includes qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures.

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

The Group conducts risk assessments in line with the Group's risk appetite based on core processes. The Group Operational Risk Manual has been designed to cover the operational risk processes in detail and it seeks to embed a process by which key operational risk events, key causes and key controls are identified, assessed and reported in a consistent and structured manner within the Group.

1. FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational Risks (continued)

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

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

Each year, an annual RCSA plan is approved for implementation. All key group and subsidiary functions are required to conduct RCSAs and all the risks identified logged in the risk registers for effective tracking and resolution.

Key Risk Indicators (KRIs)
Key Risk Indicators (KRI's) are defined by the Group as indicators that provide early warning of a change in risk exposure and highlight control weaknesses or potential failures. All Group Support functions and subsidiaries are required to establish relevant measures (qualitative and quantitative) which will enable them to regularly monitor their exposure to operational risk.

Incident management
The Group continues to implement operational risk incident reporting in all its subsidiaries during the year. Operational risk incidents are collected, analysed, monitored and reported in accordance with the Group Incident Management Policy.

Business continuity management and Crisis Management
The Group continues to embed the Business Continuity Management (BCM) framework during the year to ensure that essential functions of the Group are able to continue in the event of an attack or adverse circumstances. BCM training covering all staff was conducted during the year via e-learning modules. The responsibility for testing business continuity plans and simulating crisis management plans at subsidiary level resides with the Country Management Committees.

Operational risk and Basel II implementation
The Group continues to enhance its risk management systems and processes as part of Basel II implementation in some of the deposit taking subsidiaries. In line with the nature of business and level of complexity of the Group's operations, some structures, processes and systems continue to be aligned to Basel II requirements.

1.5 Financial assets and liabilities measured at fair value and 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 not measured at fair value if the carrying amount is a reasonable approximation of fair value.

1. FINANCIAL RISK MANAGEMENT (continued)

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

	Carrying amount					Fair value			
31 December 2017	**Available-for-sale financial asset BWP'000**	**Fair value - through profit and loss BWP'000**	**Loans and receivables BWP'000**	**Financial liabilities at amortised cost BWP'000**	**Total BWP '000**	**Level 1 BWP '000**	**Level 2 BWP '000**	**Level 3 BWP '000**	**Total BWP '000**
Financial assets measured at fair value									
Available-for-sale-financial asset	53 591	-	-	-	53 591	-	-	53 591	53 591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	492 367	-	492 367				
Advances to customers	-	-	7 768 904	-	7 768 904				
Other receivables	-	-	168 344	-	168 344				
	-	**-**	**8 429 615**	**-**	**8 429 615**				
Financial liabilities measured at fair value									
Borrowings - interest rate swap	-	4 113	-	-	4 113	-	4 113	-	4 113
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	192 317	192 317				
Customer deposits	-	-	-	228 432	228 432				
Cash collateral	-	-	-	27 319	27 319				
Borrowings	-	-	-	3 980 494	3 980 494				
	-	**-**	**-**	**4 428 562**	**4 428 562**				

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1. FINANCIAL RISK MANAGEMENT (continued)

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

	Carrying amount					Fair value			
31 December 2016	**Available-for-sale financial asset BWP'000**	**Fair value - through profit and loss BWP'000**	**Loans and receivables BWP'000**	**Financial liabilities at amortised cost BWP'000**	**Total BWP '000**	**Level 1 BWP '000**	**Level 2 BWP '000**	**Level 3 BWP '000**	**Total BWP '000**
Financial assets measured at fair value									
Available-for-sale financial asset	53 591	-	-	-	53 591	-	-	53 591	53 591
Other receivables - interest rate swap	-	1 245	-	-	1 245	-	1 245	-	1 245
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	529 476	-	529 476				
Advances to customers	-	-	6 689 740	-	6 689 740				
Other receivables	-	-	162 961	-	162 961				
	-	**-**	**7 382 177**	**-**	**7 382 177**				
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	241 855	241 855				
Customer deposits	-	-	-	107 696	107 696				
Cash collateral	-	-	-	39 225	39 225				
Borrowings	-	-	-	3 394 116	3 394 116				
	-	**-**	**-**	**3 782 892**	**3 782 892**				

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

1. FINANCIAL RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value and 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.
- **Level 3** Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Financial instruments measured at fair value

Type	Valuation technique		Significant unobservable inputs
Interest rate swap	Fair value cashflow	Level 2	Discount factor used to derive present value of cashflow (12.6%)
Available-for-sale financial asset	Since market values are not available from an observable market, as this is in private equity, the recent transaction price has been considered as an approximate to fair value	Level 3	Based on recent price per share

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 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.

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1. FINANCIAL RISK MANAGEMENT (continued)

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 2017 BWP'000	31 December 2016 BWP'000
Interest rate risk		
Average cost of borrowings	11,8%	10,8%
Effect of increase in average borrowing cost by 1%		
- increase in interest expense	40 101	30 813
Effect on profit before tax	4,0%	3,3%
Currency risk		
Effect of BWP appreciation by 1%		
- Effective movement in foreign exchange rates	8 640	7 579
Effect on profit before tax	0,9%	0,8%

Summary

Impact of all above risks on profit before tax:

The impact of changes in variables in the opposing 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 Management Committee and Board of Directors.

2. USE OF ESTIMATES AND JUDGMENTS

2.1 Impairment of advances to customers

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

The key inputs into the model process requiring significant management judgement includes:

- The Probability of default (PD).
- The loss given default (LGD).
- Whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner and,
- The emergence periods between the impairment event occurring and an impairment charge being recognised.

The below summarises the sensitivity analysis on impairment losses as at 31 December 2017 for changes in LGD and PD:

		Impact on changes in LGD					
		(+) 5%			(-) 5%		
	Existing impairment Provision BWP'000	Formal BWP'000	Micro finance BWP'000	Informal BWP'000	Formal BWP'000	Micro finance BWP'000	Informal BWP'000
Southern Africa	180 760	16 751	503	-	(24 193)	(726)	-
East and West Africa	221 640	6 322	5 247	-	(16 893)	(14 020)	-
Total	**402 400**	**23 073**	**5 750**	**-**	**(41 086)**	**(14 746)**	**-**

		Impact on changes in PD					
		(+) 10%			(+) 10%		
	Existing impairment Provision BWP'000	Formal BWP'000	Micro finance BWP'000	Informal BWP'000	Formal BWP'000	Micro finance BWP'000	Informal BWP'000
Southern Africa	180 761	59 050	1 772	-	(177 035)	(5 311)	-
East and West Africa	221 640	150 214	124 664	-	(240 969)	(112 327)	-
Total	**402 400**	**209 264**	**126 436**	**-**	**(418 004)**	**(117 638)**	**-**

Therefore based on the above an increase in LGD or PD would have an adverse impact to Group profits.

2. USE OF ESTIMATES AND JUDGMENTS (continued)

2.2 Share-based payment transactions

The Group operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non market conditions. These non market performance conditions are determined by the Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumptions are that there will be an 60% vesting probability. Although based on historical experience, the estimated achievement of conditions is considered accurate.

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 60% vesting probability.

	31 December 2017 BWP'000	31 December 2016 BWP'000
Impact of a 10% deviation	6 474	6 039
Impact of a 25% deviation	16 185	15 098
Impact of a 50% deviation	32 369	27 496

In the event that more than 60% of the shares vest the impact would be adverse to profit. In the event that less than 60% of the shares vest, the impact would be favourable to profit.

2.3 Deferred tax asset

The Group has recognised a deferred tax asset of BWP157 million (2016: BWP107 million) which arises from tax losses that are available to set-off against future taxable income and other deductable 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.

Of the above deferred tax asset, BWP95 million (2016 : BWP62 million) relates to tax losses in respect of Letshego Holdings Limited ("LHL"). Tax losses in Botswana have to be utilised within five years from the year of origination. Tax planning strategies of the Group which include appropriate transfer pricing policies currently being implemented throughout the Group, show that LHL would generate adequate taxable income before these losses fall away. Refer to analysis below for Letshego Holdings Limited:

2. USE OF ESTIMATES AND JUDGMENTS (continued)

2.3 Deferred tax asset (continued)

Movement in deferred tax asset on tax losses	31 December 2017 BWP'000	31 December 2016 BWP'000
Opening balance	61 564	41 478
Recognised during the year	41 044	20 086
Utilised during the year	(7 529)	-
Balance at the end of year	**95 079**	**61 564**

2.4 Income tax expense

The Group is subject to income taxes in various jurisdictions. 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 Goodwill

As required by IAS 36 Impairment of assets, the goodwill was assessed for impairment at year end. This goodwill arose from acquisition of Letshego Holdings Namibia Limited, Letshego Tanzania Limited, Letshego Kenya Limited, Letshego Bank (T) Limited, Letshego Microfinance Bank Nigeria Limited and AFB 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 three year forecast and terminal value.

The Group assessed the recoverable amount of goodwill, and determined that there was sufficient headroom and that goodwill was not impaired in respect of all cash generating units noted above. 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.

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

	31 December 2017	
Entity	Discount rates	Long term growth rates
Letshego Holdings Namibia Limited	10%	2%
Letshego Tanzania Limited	15%	10%
Letshego Kenya Limited	12%	10%
Letshego Bank (T) Limited	14%	13%
Letshego Microfinance Bank Nigeria Limited	16%	10%
AFB Ghana Plc	17%	4%

3. PRIOR YEAR ADJUSTMENT

Letshego Holdings Limited ("LHL") pays withholding taxes ("WHT") in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the "Act") allows LHL to claim these WHT as credits against income tax payable in Botswana arising from such foreign income.

LHL has claimed these WHT as credits in its income tax returns in Botswana for each of the years up to financial year ended 31 December 2016.For the financial years 2014, 2015 and 2016, the Botswana Unified Revenue Services ("BURS") accepted these income tax returns and paid refunds to LHL in respect of such credits amounting to P15.5Mn, P43.1Mn and P59.7Mn respectively.

A recent review of LHL's tax position found these WHT claims to be inconsistent with the Act. As a consequence, LHL has adjusted its financial statements.

Such adjustments are considered to be correction of errors in accordance with "IAS 8 Accounting policies, change in accounting estimates and errors". Consequently, these are now corrected with retrospective application as illustrated below:

Statement of financial position - extract	At 31 Dec 2015 Audited - (as previously stated)	Increase/ Decrease	At 31 Dec 2015 Restated	At 31 Dec 2016 Audited - (as previously stated)	Increase/ Decrease	At 31 Dec 2016 Restated
Balance Sheet	**BWP'000**	**BWP'000**	**BWP'000**	**BWP'000**	**BWP'000**	**BWP'000**
Other receivables - (note 6)	220 688	(43 103)	177 585	226 381	(59 664)	166 717
Total assets	**7 462 436**	**(43 103)**	**7 419 333**	**7 881 450**	**(59 664)**	**7 821 786**
Income tax payable	57 973	15 521	73 494	40 749	58 624	99 373
Total liabilities	**3 280 410**	**15 521**	**3 295 931**	**3 877 010**	**58 624**	**3 935 634**
Retained earnings	3 256 158	(58 624)	3 197 534	3 502 271	(118 288)	3 383 983
Total shareholders' equity	**4 182 026**	**(58 624)**	**4 123 402**	**4 004 440**	**(118 288)**	**3 886 152**

Notes to the Consolidated Annual Financial Statements (continued)

For the year ended 31 December 2017

3. PRIOR YEAR ADJUSTMENT (continued)

Statement of profit or loss and other comprehensive income - extract	Year ended 31 Dec 2016 Audited - (as previously stated) BWP'000	Increase/ Decrease BWP'000	Year ended 31 Dec 2016 Restated BWP'000
Profit before taxation	**947 570**	**-**	**947 570**
Taxation	(277,836)	(59 664)	(337 500)
Profit for the year	**669 734**	**(59 664)**	**610 070**

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 2.7 thebe per share.

4. CASH AND CASH EQUIVALENTS

	31 December 2017 BWP'000	31 December 2016 BWP'000
Cash at bank and in hand	466 963	462 772
Short term investments	25 404	66,704
	492 367	**529 476**

Short term bank deposits constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 1.0% - 5.0% per annum (31 December 2016: 1% - 5.0%). Cash at bank is held with reputable financial institutions with good credit standing.

Notes to the Consolidated Annual Financial Statements (continued)

For the year ended 31 December 2017

5. ADVANCES TO CUSTOMERS

	31 December 2017 BWP'000	31 December 2016 BWP'000
Gross advances to customers	8 171 304	6 962 956
Less : impairment provisions - specific	(265 414)	(193 118)
: impairment provisions - portfolio	(136 986)	(80 098)
Net advances to customers	**7 768 904**	**6 689 740**
Maturity analysis		
Maturing within one year	659 045	480 402
Maturing after one year within five years	5 045 433	4 834 818
Maturing after five years	2 466 826	1 647 736
Total gross advances to customers	**8 171 304**	**6 962 956**

Certain advances to customers are pledged as security to borrowings as set out in note 15.

Impairment of advances		
Balance at the beginning of the year	273 216	251 716
Impairment charge for the year	102 240	21 500
Impairment acquired through business combinations	26 944	-
Balance at the end of year	**402 400**	**273 216**

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

Charges to profit or loss		
Amounts written off	274 669	237 680
Recoveries during the year	(139 760)	(78 531)
Impairment adjustment	102 240	21 500
	237 149	**180 649**

6. OTHER RECEIVABLES

Deposits and prepayments	33 073	34 535
Receivable from insurance arrangements	141 722	78 172
Withholding tax and value added tax	188	2 511
Other receivables	26 622	51 499
	201 605	**166 717**

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Motor vehicles BWP'000	Computer equipment BWP'000	Office furniture & equipment BWP'000	Land & building BWP'000	Work in progress BWP'000	Total BWP'000
Balance at 1 January 2016	5 655	44 556	59 665	18 544	867	129 287
Additions	568	5 924	6 000	-	4 852	17 344
Transfers	-	-	-	-	(867)	(867)
Disposals	(257)	(421)	(140)	-	-	(818)
Forex translation	(29)	(1 131)	(680)	1,174	-	(666)
Balance at 31 December 2016	**5 937**	**48 928**	**64 845**	**19 718**	**4 852**	**144 280**
Accumulated depreciation						
Balance at 1 January 2016	3 723	28 153	20 813	568	-	53 257
Charge for the year	754	10 690	9 362	578	-	21 384
Disposals	(257)	(421)	(140)	-	-	(818)
Forex translation	(44)	(3 786)	(1 761)	14	-	(5 577)
Balance at 31 December 2016	**4 176**	**34 636**	**28 274**	**1 160**	**-**	**68 246**
Net book value at 31 December 2016	**1 761**	**14 292**	**36 571**	**18 558**	**4 852**	**76 034**

Cost	Motor vehicles BWP'000	Computer equipment BWP'000	Office furniture & equipment BWP'000	Land & building BWP'000	Work in progress BWP'000	Total BWP'000
Balance at 1 January 2017	5 937	48 928	64 845	19 718	4 852	144 280
Additions	2 080	15 678	10 771	-	7 268	35 797
Business combination - acquisition	4 073	2 035	7 202	-	-	13 310
Transfers	-	-	-	-	-	-
Disposals	(125)	(1 132)	(2 231)	-	(255)	(3 743)
Forex translation	(3 520)	(3 615)	(11 708)	(1 293)	5 403	(14 733)
Balance at 31 December 2017	**8 445**	**61 894**	**68 879**	**18 425**	**17 268**	**174 911**
Accumulated depreciation						
Balance at 1 January 2017	4 176	34 636	28 274	1 160	-	68 246
Business combination - acquisition	1 411	1 184	2 504	-	-	5 099
Charge for the year	1 435	10 484	11 236	9	-	23 164
Disposals	27	(780)	(650)	-	-	(1 403)
Forex translation	(2 081)	(2 910)	(6 145)	(1 120)	-	(12 256)
Balance at 31 December 2017	**4 968**	**42 614**	**35 219**	**49**	**-**	**82 850**
Net book value at 31 December 2017	**3 477**	**19 280**	**33 660**	**18 376**	**17 268**	**92 061**

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8. INTANGIBLE ASSETS

Cost	Computer Software BWP'000	Brand value BWP'000	Core deposit BWP'000	Total BWP'000
Balance at 1 January 2016	73 145	1 186	10 472	84 803
Additions	2 097	-	-	2 097
Transfer from work in progress	867	-	-	867
Disposals	(83)	-	-	(83)
Forex translation	(1 189)	-	-	(1 189)
Balance at 31 December 2016	**74 837**	**1 186**	**10 472**	**86 495**
Accumulated amortisation				
Balance at 1 January 2016	23 491	-	-	23 491
Charge for the year	5 043	837	875	6 755
Disposals	(83)	-	-	(83)
Forex translation	(376)	349	3 750	3 723
Balance at 31 December 2016	**28 075**	**1,186**	**4,625**	**33,886**
Next book value at 31 December 2016	**46,762**	**-**	**5 847**	**52 609**

Cost	Computer Software BWP'000	Brand value BWP'000	Core deposit BWP'000	Total BWP'000
Balance at 1 January 2017	74 837	1 186	10 472	86 495
Additions	6 928	-	-	6 928
Business combination - aquisition	5 315	3 749	-	9 064
Transfer from work in progress	-	-	-	-
Disposals	-	-	-	-
Forex translation	(8 172)	(430)	(1 374)	(9 976)
Balance at 31 December 2017	**78 908**	**4 505**	**9 098**	**92 511**
Accumulated amortisation				
Balance at 1 January 2017	28 075	1 186	4 625	33 886
Charge for the year	8 565	489	582	9 636
Business combination - aquisition	1 711	-	-	1 711
Transfer from work in progress	-	-	-	-
Disposals	-	-	-	-
Forex translation	(8 062)	-	-	(8,062)
Balance at 31 December 2017	**30 289**	**1 675**	**5 207**	**37 171**
Next book value at 31 December 2017	**48 619**	**2 830**	**3 891**	**55 340**

The additions to brand value relates to Ghana which was acquired in 2017 and amortised over its expected useful life of 7 years. Core deposit is amortised over its useful life of 8 years.

9. AVAILABLE-FOR-SALE FINANCIAL ASSET

	31 December 2017 BWP'000	31 December 2016 BWP'000
Investment	53 591	53 591

The Group acquired 3.1% shareholding in a financial services organisation. The fair value of this investment at year end does not materially vary to its carrying value, hence no fair value gains or losses were recognised in the year.

10. GOODWILL

Goodwill on the acquisition of:	31 December 2017 BWP'000	31 December 2016 BWP'000
Letshego Holdings Namibia Limited	24 336	23 846
Letshego Tanzania Limited	1 781	1 985
Letshego Kenya Limited	30 245	32 998
Letshego Bank (T) Limited	14 250	15 882
Letshego Microfinance Bank Nigeria Limited	42 684	54 697
AFB Ghana Plc	8 984	-
	122 280	**129 408**

Movement in goodwill		
Balance at the beginning of the year	129 408	170 868
Goodwill on acquisition of AFB Ghana Plc	10 204	-
Effect of exchange rate changes on cash and cash equivalents	(17 332)	(41 460)
Balance at the end of the year	**122 280**	**129 408**

11. BUSINESS COMBINATIONS

Acquisition of AFB (Ghana) Plc

Letshego acquired 100% shareholding in AFB Ghana Plc a deduction at source business lending to Government employees with a deposit taking license during January 2017. The financial results of AFB Ghana have therefore been included in these results for the year ended 31 December 2017 for the first time. The purchase consideration was P91m. AFB Ghana has over 42,000 customers, 233 members of staff and 25 customer access points. It contributed BWP119m to Group revenues, BWP36 million to the pre-tax profits, and its loans to customer's portfolio was BWP346 million at end December 2017.

	AFB Ghana Plc BWP'000
Purchase consideration Cash Paid	**90 719**
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	25 864
Advances to customers (note 11.1)	226 274
Prepayment and Other Assets	3 886
Property, plant and equipment	8 211
Intangible assets - Software	3 604
Deferred tax asset	1 025
Brand value	3 749
Trade and other payables	(3 787)
Income tax payable	(6 821)
Borrowings	(181 490)
Net identifiable assets acquired	**80 515**
Add: Goodwill	10 204
Total	**90 719**

The goodwill is attributable to acquired customer base, economies of scale and synergies expected from combining operations. This will not be deductible for income tax purposes. However the above Goodwill of BWP10.2 million has been revalued to reflect the impact of changes in foreign currencies using the reporting date exchanges rate and the translated amount is as reflected in (note 10) and the forex impact was BWP1.2 million.

11.1 Advances to customers

The fair value of acquired advances to customer is BWP226million. The gross contractual receivable amount is BWP253million of which BWP27million is expected to be impaired.

12. CUSTOMER DEPOSITS

	31 December 2017 BWP'000	31 December 2016 BWP'000
Demand accounts	23 069	15 439
Savings accounts	74 674	45 368
Call and term deposits	130 689	46 889
	228,432	**107,696**

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

13. TRADE AND OTHER PAYABLES

Trade and other payables	210 809	256 548
Staff incentive accrual (note 13.1)	50 942	37 868
	261 751	**294 416**

Due to the short-term nature of the trade payables, their carrying amount is considered to be the same as their fair value.

13.1 Movement in staff incentive accrual

Balance at the beginning of the year	37 868	38 788
Current period charge (note 22)	51 174	30 971
Paid during the year	(38 100)	(31 891)
Balance at the end of the year	**50 942**	**37 868**

14. CASH COLLATERAL

Balance at the beginning of the year	39 225	44 667
Utilised / received during the year	(11 906)	(5 442)
Closing balance	**27 319**	**39 225**

Cash collateral represents payments made by loanees as security for loans taken. In accordance with the loan agreements, the amounts are refundable upon the successful repayment of loans by loanees and at the time a loanee leaves the loan scheme. The amounts are utilised to cover loans in the event of default. This relates only to Letshego Kenya, Rwanda and Uganda subsidiaries.

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15. BORROWINGS

	31 December 2017 BWP'000	31 December 2016 BWP'000
Commercial banks	1 684 654	1 318 452
Note programmes	1 910 428	1 587 943
Development Financial Institutions	253 703	331 715
Pension funds	135 822	156 006
Total borrowings	**3 984 607**	**3 394 116**
Maturity analysis		
Maturing within one year	1 840 416	1 085 810
Maturing after one year within five years	1 807 837	1 970 952
Maturing after five years	336 354	337 354
Total borrowings	**3 984 607**	**3 394 116**
Movement in borrowings		
Balance at the beginning of the year	3 394 116	2 768 412
Finance obtained from third parties	1 039 889	1 435 734
Repayment of borrowings	(607 853)	(678 460)
Borrowing acquired through business acquisition	181 490	-
Effect of exchange rate changes	(23 035)	(131 570)
Balance at the end of the year	**3 984 607**	**3 394 116**

Note programmes

The Group has issued medium term note programmes of BWP1.9 billion (2016 1.6 billion) of which BWP630 million are listed on the Johannesburg Stock Exchange, BWP300 miilion on the Botswana Stock Exchange and BWP201 million on the Ghana Stock exchange at the reporting date.

15. BORROWING (continued)

Security
Pula 2.14 billion (31 December 2016 BWP1.75 billion) of the borrowings is secured by the advances to customers of:

- Letshego Micro Financial Services (Namibia) (Pty) Limited.
- Letshego Financial Services (Pty) Limited (Botswana).
- Letshego Financial Services Swaziland (Pty) Limited.

The aggregated net advances to customers of the above is BWP4.36 billion (31 December 2016: BWP3.3 billion, prior year excludes Swaziland which was only added in the 2017 financial year) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:

- Bad debts ratio.
- Cash collection ratio.
- Capitilisation ratio.
- Secured property ratio.

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

Pula 282 million (31 December 2016 P398 million) relates to loans that are secured by a corporate guarantee from Letshego Holdings Limited.

Interest rate
Pula 2.3 billion (31 December 2016: 2.1 billion) of the borrowings are at fixed interest rates. Pula 1.6 billion (31 December 2016: 1.3 billion) are loans issued at variable interest rates, linked to each country's prime lending rate.

Interest rate swap
The company entered into an interest rate swap agreement with a Botswana financial institution under which it makes periodic payments on its behalf at an agreed period of time based on a nominal amount of ZAR 335 million. This swap allows for conversion of ZAR floating rate liability into a ZAR fixed rate liability. The interest rate swap hedges the variable factor of the interest coupons payable on the medium term note programme listed on the Johannesburg Stock Exchange.

Letshego Holdings Limited pays the coupon interest on these bonds every quarter and the counter party for the swap will settle the difference on the fixed rate per swap and the variable coupon payment. Management evaluate the effective cash flow and applicable payments on the bond coupon and discounts these to calculate the fair value of the interest rate swap. The fair value at 31 December 2017 is (BWP4.113 million) (31 December 2016: BWP1.245 million) and any movements are recognised through profit or loss.

16. STATED CAPITAL

	31 December 2017 BWP'000	31 December 2016 BWP'000
Issued and fully paid: 2, 144, 045,175 ordinary shares of no par value (2016: 2, 134, 763, 925)	**849 845**	**875 639**
Number of shares at the beginning of the year ('000)	2 134 764	2 184 901
Share buy back ('000)	-	(52 782)
Shares issued during the year ('000)	9 281	2 645
Number of shares at the end of the year ('000)	**2 144 045**	**2 134 764**

16. STATED CAPITAL (continued)

In terms of the Group LTIP (note 18), shares with a value of BWP22.274 million (2016: BWP5.422 million) vested at Group level. This increased the number of shares in issue by 9.281 million shares (2016: 2.645 million shares).

In October 2017, 24,400,000 ordinary shares were repurchased by the company at an average price of BWP1.97 per share amounting to BWP48.07 million and these are currently being held as treasury shares and therefore included in the number of shares above.

In the prior period 52,782,546 ordinary shares were repurchased by the company at an average price of BWP2.26 per share amounting to BWP119.27 million, and these were subsequently cancelled.

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 debt to equity ratio and return on equity as key metrics of capital management.

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 capital consists of shareholders' funds (stated capital and reserves) and long term borrowings. The Group monitors the adequacy of its capital using internally measured benchmarks such as capital adequacy, return on equity, debt to equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. 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 2017	Restated 31 December 2016
Capital adequacy ratio	43%	46%
Return on equity	17%	15%
Debt to equity	93%	87%

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 an when required. During the year the subsidiaries have complied with the capital requirements.

17. LEGAL RESERVE

Legal reserve relates to Letshego Financial Services Mozambique. Central Bank regulation in Mozambique is that the company is required to transfer 15% of its annual profit to the legal reserve until the reserve is equal to its share capital. This is a non-distributable reserve but may be used to increase capital.

	31 December 2017 BWP'000	**31 December 2016 BWP'000**
Balance at the beginning of the year	32 189	22 178
Movement for the period – allocated from retained earnings	7 418	10 011
Balance at the end of the year	**39 607**	**32 189**

18. SHARE INCENTIVE SCHEME

Shares granted in terms of the Long Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the holding company. 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.

As at 31 December 2017, 46 347 400 total awards were outstanding (31 December 2016: 40,433,300) at grant date share prices of BWP2.39, BWP2.50 and BWP2.13 for 2015, 2016 and 2017 awards respectively (31 December 2015: BWP2.40, BWP2.39 and BWP2.50 for 2014, 2015 and 2016 awards respectively).

	31 December 2017		**31 December 2016**	
Reconciliation of outstanding awards	**Fair values (BWP)**	**No. of awards**	**Fair values (BWP)**	**No. of awards**
Outstanding at the beginning of the period	2.40/2.39/2.50	40 433 300	1.87/2.40/2.39	30 553 014
Granted during the year	2.13	22 290 000	2.50	18 818 100
Exercised during the year	2.40	(9 281 250)	2.05	(2 644 775)
Forfeited due to not meeting performance	2.40	(1 968 750)	2.05	(2 707 239)
Forfeited due to resignations	2.39/2.50/2.13	(5 125 900)	2.40/2.39/2.50	(3 585 800)
Outstanding at the end of the year	**2.39/2.50/2.13**	**46 347 400**	**2.40/2.39/2.50**	**40 433 300**

The amounts outstanding at 31 December 2017 and 31 December 2016 have average vesting periods of 3,15 and 27 months. The expense recognised during the period is disclosed in note 22.

The vesting conditions for the Group's Long Term Incentive Plan is premised on non-market performance conditions. No specific market conditions are applied. Accordingly the share price of Letshego Holdings Limited shares (as quoted on the Botswana Stock Exchange) is used as the fair value of the share options granted.

The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using the Botswana Stock Exchange closing price of the Groups shares at the grant date.

19. INTEREST INCOME

	31 December 2017 BWP'000	**31 December 2016 BWP'000**
Advances to customers	2 235 902	1 952 410
Other - deposits with banks	16 734	10 719
	2 252 636	**1 963 129**

20. INTEREST EXPENSE

Overdraft facilities and term loans	474 798	334 407
Foreign exchange (gain) / loss	(4 168)	17 955
	470 630	**352 362**

21. FEE AND COMMISSION INCOME

Administration fees - lending	31 328	21 235
Credit life insurance commission	7 268	3 382
	38 596	**24 617**

21.1 Other Operating Income

Early settlement fees	34 390	51 565
Income from insurance arrangements	182 379	146 659
Sundry income	17 400	11 500
	234 169	**209 724**

22. EMPLOYEE BENEFITS

Salaries and wages	268 326	234 347
Staff incentive (note 13.1)	51 174	30 971
Staff pension fund contribution	13 961	14 611
Directors' remuneration – for management services (executive)	8 317	7 535
Long term incentive plan	25 279	21 552
	367 057	**309 016**

23. OTHER OPERATING EXPENSES

		31 December 2017 BWP'000	31 December 2016 BWP'000
Accounting and secretarial fees		2 197	2 377
Advertising		18 755	24 419
Audit fees	- audit services	4 148	3 364
	- tax advisory services	361	170
	- covenant compliance fees	507	300
	- other services	273	180
Bank charges		7 599	6 715
Computer expenses		19 948	13 100
Consultancy and professional fees		40 747	29 305
Corporate social responsibility		5 895	1 973
Depreciation and amortisation		32 800	28 139
Directors' fees – non executive		6 887	6 905
Direct cost		69 703	97 576
Government levies		14 693	10 796
Insurance		11 919	8 608
Office expenses		19 649	22 811
Operating lease rentals - property		48 864	36 784
Other operating expenses		82 575	67 502
Payroll administration costs		2 161	1 060
Telephone and postage		22 253	13 653
Travel		35 018	32 136
		446 952	**407 873**

24. TAXATION

	31 December 2017 BWP'000	Restated 31 December 2016 BWP'000
Amounts recognised in profit or loss		
Company taxation		
- Basic taxation	302 405	317 995
- WHT tax credits adjustments	64 149	59 664
- Origination and reversal of temporary differences	(44 187)	(40 159)
	322 367	**337 500**

24. TAXATION (continued)

24.1 Deferred Taxation

	31 December 2017 BWP'000	31 December 2016 BWP'000
Balance at the beginning of the year	106 153	65 994
Business combination - acquisition (note 11)	1 025	-
Current year movement	44 187	40 159
Balance at the end of the year	**151 365**	**106 153**
Deferred tax assets	156 655	106 961
Deferred tax liabilities	(5 290)	(808)
	151 365	**106 153**

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

Deferred taxation arises from temporary differences on the following items:

Property and equipment	1 333	3 487
Share based payment provision	8 002	6 519
Staff incentive provision	9 158	8 455
General impairment provision	35 165	17 106
Taxation losses	101 325	74 971
Deferred rent provision	(63)	265
Leave pay provision	1 780	823
Severance pay	91	(340)
Deferred income / (expenditure)	(6 810)	(1 601)
Prepayments	(1 176)	(1 454)
Unrealised exchange gains	2 560	(2 078)
	151 365	**106 153**

24. TAXATION (continued)

24.2 Reconciliation of current taxation

	31 December 2017 BWP'000	31 December 2016 BWP'000
Profit before taxation	1 003 613	947 570
Tax calculated at Botswana statutory rate of 22%	220 795	208 465
Foreign income taxed at 15%	11 092	46 671
Effect of tax rates in foreign jurisdictions	55 615	48 067
Expenses and revenues not deductible for tax purposes	(39 136)	(25 367)
WHT tax credits adjustments - note 3	64 149	59 664
Under / over provision in respect of prior year	9 852	-
	322 267	**337 500**

25. EARNINGS PER SHARE

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

	31 December 2017 BWP'000	Restated 31 December 2016 BWP'000
Earnings attributable to ordinary equity holders	**637 663**	**568 145**
Number of shares:		
At beginning of period	2 134 763 925	2 184 901 697
Effect of share buy back (31 December 2017 - 24 400 000; 31 December 2016 - 52 782 546)	(5 548 493)	(15 091 241)
Effect of shares issued (31 December 2017 - 9 281 250 shares; 31 December 2016 - 2 644 774 shares)	7 780 993	2 253 492
Weighted number of shares at end of period	2 136 996 425	2 172 063 948
Basic earnings per share (thebe)	**29.8**	**26.2**

25. EARNINGS PER SHARE (continued)

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

	31 December 2017 BWP'000	Restated 31 December 2016 BWP'000
Number of share:		
Weighted number of shares at end of period	2 136 996 424	2 172 063 949
Dilution effect - number of shares (note 18)	46 347 400	40 433 300
	2 183 343 824	2 212 497 249
Diluted earnings per share (thebe)	**29.2**	**25.7**

26. DIVIDEND PAID

	31 December 2017 BWP'000	31 December 2016 BWP'000
Previous year final dividend paid during the year	139 363	174 806
Interim dividend paid	182 244	196 879
Total dividend paid to equity holders	**321 607**	**371 685**

Dividends per share	: Interim (thebe)	- paid	8.5	9.0
	: Final (thebe)	- proposed	9.0	6.5
	: *Special dividend (thebe)	- proposed	4.1	n/a

*The Board has recommended a special dividend of 4.1 thebe per share as distribution of the proceeds from the Namibia IPO to its Shareholders.

27. 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 Managing Director (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, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda.

The activities of individual country segments that are not individually quantitatively significant, but have similar economic characteristics (nature of services rendered, class of customers, distribution methodology and similarity in regulatory requirements) have been aggregated into:

- Other Southern Africa includes : Lesotho and Swaziland
- Other East Africa includes: Kenya, Rwanda and Uganda
- West Africa includes: Nigeria and Ghana

Accordingly, The Group's reportable segments are as follows: Botswana, Namibia, Mozambique, Other Southern Africa, Tanzania, Other East Africa, West Africa and Holding company.

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27. SEGMENT INFORMATION (continued)

Reportable segments

31 December 2017	Botswana BWP '000	Namibia BWP '000	Mozambique BWP '000	Other Southern Africa BWP '000	Tanzania BWP '000	Other East Africa BWP '000	West Africa BWP '000	Holding company BWP '000	Total BWP '000
Operating income	**598 626**	**526 329**	**166 536**	**141 547**	**214 443**	**257 255**	**154 648**	**(4 613)**	**2 054 771**
Profit before taxation	461 435	435 894	74 963	99 584	48 382	12 259	38 494	(167 398)	**1 003 613**
Taxation - consolidated									(322 367)
Profit - consolidated									**681 246**
Gross Advances to customers	2 466 433	1 940 065	1 026 944	782 485	573 252	947 884	434 241	-	8 171 304
Impairment provisions	(147 875)	(10 400)	(13 571)	(8 914)	(99 807)	(87 560)	(34 273)	-	(402 400)
Net Advances	**2 318 558**	**1 929 665**	**1 013 373**	**773 571**	**473 445**	**860 324**	**399 968**	**-**	**7 768 904**
Borrowings	**546 878**	**791 365**	**338 074**	**512 109**	**33 781**	**509 158**	**218 779**	**1 034 463**	**3 984 607**

31 December 2016	Botswana BWP '000	Namibia BWP '000	Mozambique BWP '000	Other Southern Africa BWP '000	Tanzania BWP '000	Other East Africa BWP '000	West Africa BWP '000	Holding company BWP '000	Total BWP '000
Operating income	**635 432**	**427 204**	**154 441**	**108 385**	**194 370**	**251 632**	**45 696**	**27 948**	**1 845 106**
Profit before taxation	467 153	350 839	106 681	71 941	89 797	42 566	(8 254)	(173 153)	**947 570**
Taxation - consolidated - Restated									(337 500)
Profit - consolidated - Restated									**610 070**
Gross Advances to customers	2 388 575	1 668 796	740 420	637 064	532 217	942 873	53 011	-	6 962 956
Impairment provisions	(146 377)	(853)	(15 568)	(2 200)	(44 502)	(62 110)	(1 606)	-	(273 216)
Net Advances	**2 242 198**	**1 667 943**	**724 852**	**634 864**	**487 715**	**880 763**	**51 405**	**-**	**6 689 740**
Borrowings	**749 907**	**640 011**	**178 450**	**452 413**	**29 945**	**664 634**	**-**	**678 756**	**3 394 116**

28. RELATED PARTY TRANSACTIONS

Relationships:

Letshego Holdings Limited	Parent Company
Subsidiaries	Refer to note 32

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.

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited (BIHL) is a shareholder of Letshego Holdings Limited and there were no transactions with BIHL.However loans and advances of Letshego Financial Services Botswana (Pty) Ltd are insured through BIHL and no commission is earned.

28.1 Related party transactions

The Company 'Letshego Holdings Limited' is listed on the Botswana Stock Exchange. The Group partnered with Sanlam (SEM) to be its preferred insurance provider by offering innovative stand alone and embedded insurance solution. Sanlam owns 59% of Botswana Insurance Holdings Limited (BIHL) which is a shareholder of Letshego Holdings Limited and there were no transactions with BIHL. However loans and advances of Letshego Financial Services Botswana (Pty) Ltd are insured through Botswana Life Insurance Limited which is a subsidiary of BIHL and no commission is earned.

28.2 Compensation paid to key management personnel (executive directors)

	31 December 2017 BWP'000	31 December 2016 BWP'000
Paid during the period		
- Short-term employee benefits	8 317	7 535
	8 317	**7 535**

In terms of the Long Term Incentive Scheme 1,202,511 ordinary shares vested to ACM Low and 614,692 ordinary shares vested to C Patterson, for no consideration, during March 2018 that related to the 31 December 2017 financial year end. In the prior period, 2,021,250 and 990,000 ordinary shares vested to ACM Low and C Patterson respectively, during March 2017 that related to the 31 December 2016 financial period.

29. OPERATING LEASE COMMITMENTS

The group operates a number of branches and office premises under operating lease. Lease payments are generally increased annually to reflect the market rentals. The future minimum lease payments under non-cancellable building operating leases are as follows:

	31 December 2017 BWP'000	31 December 2016 BWP'000
No later than 1 year	18 720	27 640
Later than 1 year and no later than 5 years	22 291	39 931
Later than 5 years	-	307
	41 011	**67 878**

30. CAPITAL COMMITMENTS

Authorised by the directors:		
- Not contracted for	**106 181**	**129 000**

The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Group's internal resources.

31. SUBSEQUENT EVENTS

Dividend declaration

A second and final dividend of 9.0 thebe per share and a special dividend of 4.1 thebe per share as distribution of the proceeds from the Namibian IPO were both declared on the 9 March 2018 and both relate to 31 December 2017.

There were no other material changes in the affairs of the Group between the 31 December 2017 year end and the date of the approval of these financial statements.

32. 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.

32. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

Details of subsidiaries of the Group are shown below:

Subsidiary company	Country of incorporation	Nature of business	31 December 2017 % holding	31 December 2016 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
AFB Ghana (Plc)	Ghana	Unsecured consumer lending and deposit licensed	100	-
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho Limited	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA (T/A Banco Mozambique, S.A.)	Mozambique	Unsecured consumer lending and deposit licensed	98	98
Letshego Holdings (Namibia) Limited	Namibia	Unsecured consumer lending and deposit licensed	78	85
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	Swaziland	Unsecured consumer lending	85	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (T) Limited	Tanzania	Unsecured consumer lending and deposit licensed	75	75
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Unsecured consumer lending and deposit licensed	100	100

Group Structure
The Group has introduced an intermediate holding company structure in Mauritius and over time, the Group subsidiary companies are expected to be moved to that ownership structure. This will not result in any change in the ultimate ownership of the subsidiaries but will allow for a more tax efficient movement of dividends within the Group.

32.1 Sales of interest in Letshego Holdings (Namibia) Limited

On 28 September 2017 Letshego Holdings (Namibia) Limited (LHN) was successfully listed on the Namibia Stock exchange (NSX) and Group disposed of 7% interest out of the 85% interest held in LHN for a net consideration of P87 million. The effect of changes in the interest of LHN on the equity attributable to owners of Group during the year is summarised as follows:

	31 December 2017 BWP'000
Consideration received from the sale of interest	87 478
Carrying amount of non-controlling interests disposed	(70 791)
Excess of consideration received recognised in Group's equity	**16 687**

32.2 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.

Summarised balance sheet	31 December 2017 BWP'000	31 December 2016 BWP'000
Assets	2 305 740	1 847 379
Liabilities	1 085 179	875 608
Net assets	**1 220 561**	**971 771**
Accumulated non-controlling interest	262 937	145 766
Summarised statement of comprehensive income		
Revenue	527 312	445 068
Profit for the year	307 386	246 629
Profit allocated to non-controlling interest	**51 468**	**36 994**
Summarised cashflows		
Cash flows from operating activities	178 822	183 427
Cash flows used in investing activities	(93 786)	(2 300)
Cash flows from / (used) in financing activities	45 562	(97 318)
	130 598	**83 809**

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

Notes to the Consolidated Annual Financial Statements (continued)

For the year ended 31 December 2017

33. INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

Details of subsidiaries of the Group are shown below:

Type	Nature and purpose	Interest held by the Group	Total net assets BWP'000
Comprehensive insurance through cell captive arrangement ("cell captive")	To mitigate against the Group's credit risk in Mozambique and Namibia	The cell captive declare dividends to Group	74 916

The cell captive is not consolidated as the Group does not have control over these entities. The net assets of the cell captive are included in other receivables and payables (note 6 and note 13). There are no significant risks, nor expected changes therein, associated with the Group's interest in the cell captive.

Five Year Financial History

Statements of Financial Position

	2017 December BWP'000	Restated 2016 December BWP'000	Restated 2015 December BWP'000	Restated 2014 December BWP'000	2014 January BWP'000
Assets					
Cash and cash equivalents	492 367	529 476	526 290	320 544	310 525
Advances to customers	7 768 904	6 689 740	6 311 678	5 686 796	4 427 757
Short term investments	-	-	-	-	66 565
Other receivables	201 605	166 717	177 585	135 582	35 346
Income tax receivable	17 967	17 250	27 570	11 178	-
Available-for-sale financial asset	53 591	53 591	-	-	-
Property, plant and equipment	92 061	76 034	76 030	51 762	53 988
Intangible assets	55 340	52 609	61 312	45 592	6 117
Goodwill	122 280	129 408	170 868	55 250	55 250
Deferred tax assets	156 655	106 961	68 000	25 866	14 617
Total assets	**8 960 770**	**7 821 786**	**7 419 333**	**6 332 570**	**4 970 165**
Liabilities					
Customers deposits	228 432	107 696	154 495	3 995	-
Deposits from banks	-	-	77 364	-	-
Cash collateral	27 319	39 225	44 667	41 692	42 293
Trade and other payables	261 751	294 416	175 493	209 521	127 217
Income tax payable	182 879	99 373	73 494	60 406	46 517
Deferred tax liabilities	5 290	808	2 006	-	-
Borrowings	3 984 607	3 394 116	2 768 412	1 937 844	1 249 871
Total liabilities	**4 690 278**	**3 935 634**	**3 295 931**	**2 253 458**	**1 465 898**
Shareholders' equity					
Stated capital	849 845	875 639	989 487	975 510	959 554
Foreign currency translation reserve	(680 417)	(634 293)	(254 293)	(2 189)	(94 827)
Legal reserve	39 607	32 189	22 178	5 108	2 696
Share based payment reserve	38 840	35 835	19 705	21 246	17 470
Retained earnings	3 709 308	3 383 983	3 197 534	2 925 000	2 522 666
Total equity attributable to equity holders of the company	**3 957 183**	**3 693 353**	**3 974 611**	**3 924 675**	**3 407 559**
Non-controlling interests	313 309	192 799	148 791	154 437	96 708

Five Year Financial History

Statements of Profit or Loss and Other Comprehensive Income

Total equity and liabilities	**8 960 770**	**7 821 786**	**7 419 333**	**6 332 570**	**4 970 165**

	2017 December BWP'000	**Restated 2016 December BWP'000**	**Restated 2015 December BWP'000**	**Restated 2014 December BWP'000**	**2014 January BWP'000**
Interest income	2 252 636	1 963 129	1 753 556	1 454 907	1 176 176
Interest expense	(470 630)	(352 362)	(326 694)	(167 582)	(62 488)
Net interest income	**1 782 006**	**1 610 767**	**1 426 862**	**1 287 325**	**1 113 688**
Fee and commission income	38 596	24 617	28 699	23 137	134 236
Other operating income	234 169	209 724	229 390	183 684	122 202
Total income	**2 054 771**	**1 845 108**	**1 684 951**	**1 494 146**	**1 370 126**
Employee benefits	(367 057)	(309 016)	(212 487)	(207 034)	(199 658)
Other operating costs	(446 952)	(407 873)	(297 106)	(225 500)	(255 772)
Operating income before impairment	**1 240 762**	**1 128 219**	**1 175 358**	**1 061 612**	**914 696**
Impairment loss	(237 149)	(180 649)	(138 864)	(91 480)	(64 495)
Operating income before taxation	**1 003 613**	**947 570**	**1 036 494**	**970 132**	**850 201**
Taxation	(322 367)	(337 500)	(311 891)	(263 801)	(205 511)
	681 246	**610 070**	**724 603**	**706 331**	**644 690**
Loss on sale of subsidiary	-	-	-	-	(1 060)
Profit for the year	**681 246**	**610 070**	**724 603**	**706 331**	**643 630**
Appropriations					
Dividends	(371 685)	(371 685)	(370 450)	(254 648)	(177 738)
Retained income	**309 561**	**238 385**	**354 153**	**451 683**	**465 892**
Attributable to :					
Equity holders of the parent company	637 663	568 145	665 179	659 394	601 151
Non-controlling interests	43 583	41 925	59 424	46 937	42 479
	681 246	**610 070**	**724 603**	**706 331**	**643 630**

Prior years 2014, 2015 and 2016 have been restated due the tax adjustment relating to WHT claims of BWP15.5m, BWP43.1m and BWP59.7m respectively.

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

Group Value Added Statement

For the year ended 31 December 2017

Value added	**31 December 2017 BWP'000**	**Restated 31 December 2016 BWP'000**
Value added is the wealth the Group has created by providing loans to clients		
Interest income	2 252 636	1 963 129
Cost of services	(470 630)	(352 362)
Value added services	1 782 006	1 610 767
Fee and commission income	38 596	24 617
Other operating income	234 169	209 724
Other operating costs	(414 152)	(379 734)
Impairment of advances	(237 149)	(180 649)
	1 403 470	**1 284 725**
Value allocated		
To employees		
Staff costs	367 057	309 016
To expansion and growth		
Retained income	359 639	238 385
Depreciation	23 164	21 384
Amortisation	9 636	6 755
Deferred tax	(44 187)	(40 159)
	348 252	226 365
To Government		
Taxation	366 554	377 659
To providers of capital		
Dividends to shareholders	321 607	371 685
	1 403 470	**1 284 725**

Summary	%	%
Employees	26.2	24.1
Expansion and growth	24.8	17.6
Government	26.1	29.4
Providers of capital	22.9	28.9
	100.0	**100.0**

Analysis of Shareholding

For the year ended 31 December 2017

Top ten shareholders	31 December 2017 Shares held ('000) Number	%	31 December 2016 Shares held ('000) Number	%
• Botswana Life Insurance Ltd	561 036	26.2	561 036	26.3
• First National Bank of Botswana Nominees (Pty Ltd - AA BPOPF	260 669	12.2	239 206	11.2
• ADP I HOLDING 2	180 484	8.4	180 484	8.5
• Botswana Public Officers Pension Fund - Kgori Capital BPOPF Equity	131 783	6.1	131 783	6.2
• First National Bank of Botswana Nominees (Pty) Ltd - BIFM BPOPF EQUITY	108 587	5.1	108 134	5.1
• Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Limited	62 114	2.9	68 204	3.2
• First National Bank Nominees (Pty) Ltd - ACB BPOPF	61 682	2.9	61 682	2.9
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd - NTGSLUX 010/03	53 471	2.5	58 952	2.8
• SCBN: Lloyd George Investment Company	52 096	2.4	32 940	1.5
• First National Bank of Botswana Nominees (Pty) Ltd- IAM BPOPFP	48 320	2.3	70 380	3.3
	1 520 242	**70.9**	**1 512 802**	**70.9**
Other corporate entities, nominees and trusts and individuals	623 803	29.1	621 962	29.1
Total	**2 144 045**	**100.0**	**2 134 764**	**100.0**

Directors' shareholdings	31 December 2017 Shares held Number ('000)	%	31 December 2016 Shares held Number ('000)	%
Christopher Low	3 169	0.1	1 454	0.1
*Colm Patterson	3 371	0.2	2 381	0.1
Harrington Karuhanga	29	0.0	29	0.0
	6 569	**0.3**	**3 864**	**0.2**

**Colm Patterson the Group Chief Financial Officer was appointed to the Board on 26 January 2017.*

Notice of Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of the Shareholders of Letshego Holdings Limited will be held at the Masa Hotel, Gaborone on Wednesday 23 May 2018 at 4.30pm with registration to commence at 4.00pm for the following purposes:

ORDINARY BUSINESS

ORDINARY RESOLUTIONS

To consider and pass the following ordinary resolutions:

1. Resolution 1

To receive, consider and adopt the annual financial statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' reports thereon.

2. Resolution 2

To ratify the dividends declared and paid during the period being an interim dividend of 8.5 thebe per share paid to Shareholders on or around 22 September 2017; a final dividend of 9.0 thebe per share paid to Shareholders on or around 13 April 2018 and a special dividend of 4.1 thebe per share paid to Shareholders on or around 13 April 2018.

3. Resolution 3

Directors

3a) To confirm the re-election of H Karuhanga who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.

3b) To confirm the re-election of G Somolekae who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers herself for re-election.

3c) To confirm the re-election of R Thornton who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.

3d) To ratify and confirm the appointment of C Lesetedi who was appointed to fill in a casual vacancy on the board in accordance with Article 19.4 of the Constitution on 14 November 2017.

3e) To ratify and confirm the appointment of R Alam who was appointed to fill in a casual vacancy on the board in accordance with Article 19.4 of the Constitution on 19 January 2018.

3f) To confirm the resignation of I Mohammed from the Board with effect from 30 September 2017.

3g) To confirm the resignation of G Hassam from the Board with effect from 14 November 2017.

4. Resolution 4

4a) To approve the remuneration of the Directors for the financial year ending 31 December 2017 as disclosed in Notes 22 and 23 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director is disclosed in the Corporate Governance section of the Annual Report.

4b) To approve the remuneration structure of the Directors for the financial year ending 31 December 2018. The board fees and the retainer structure is set out in the Corporate Governance section of the Annual Report.

5. Resolution 5

To approve the remuneration of the Auditors for the financial year ending 31 December 2017 as disclosed in Note 23 to the Annual Financial Statements in the Annual Report.

6. Resolution 6

6a) To ratify and confirm the appointment of PricewaterhouseCoopers as external auditors for the ensuing year.

6b) To approve the remuneration of the Auditors for the next financial year ending 31 December 2018 estimated at BWP4,000, 000.

7. Resolution 7

That, subject to the Company's compliance with all rules, regulations, orders and guidelines made pursuant to the Companies Act, Cap 42:01 as amended from time to time, the provisions of the Company's Constitution and the Listing Requirements of the BSE, the Company be and is hereby authorized to the fullest extent permitted by law, to buy back at any time such amount of ordinary shares of no par value in the Company as may be determined by the Directors of the Company from time to time through the BSE, upon the terms and conditions that may be deemed fit and expedient in the interest of the Company ("Proposed Share Buy-back") provided that:

a) the maximum number of shares in aggregate which may be purchased and then cancelled by the Company at any point of time pursuant to the Proposed Share Buy-Back, shall not exceed ten per cent (10%) of the total stated share capital of the Company for the time being quoted on the BSE; and

b) the maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back shall not exceed the sum of retained earnings of the Company based on its latest financial statements available up to date of a transaction pursuant to the Proposed Share Buy-Back.

That the shares purchased by the Company pursuant to the Proposed Share Buy-Back may be retained as Treasury Shares up to five per cent (5%) of the stated share capital of the Company and the rest will be cancelled;
That such authority shall commence upon the passing of this resolution, until the conclusion of the next annual general meeting of the Company or the expiry of the period within which the next annual general meeting is required by law to be held ("the Expiry Date"), unless revoked or varied by ordinary resolution of the Shareholders of the Company in a general meeting, but so as not to prejudice the completion of a purchase made before the Expiry Date;

And that the Directors of the Company be and are hereby authorized to take all steps as are necessary or expedient to implement or give effect to the Proposed Share Buy-Back, with full powers to amend and/or assert to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, Cap 42:01 as amended from time to time, the provisions of the Company's constitution and the requirements of the BSE and all other relevant governmental/regulatory authorities.

SPECIAL BUSINESS

1. To transact other business which may be transacted at an Annual General Meeting.
2. To renew and amend the proposed reduction of the stated share capital of the Company, pursuant to the proposed renewed Share Buy Back mandate on the basis that the Company may, to the fullest extent of the law, buy back at any time such amount of ordinary shares as may be determined by the Directors, the maximum number of shares so repurchased shall not exceed 10% of the stated share capital of the Company and that the shares repurchased may be retained as treasury shares subject to a maximum of 5% of the stated share capital of the Company.

SPECIAL RESOLUTION

To consider and pass the following special resolution:

1. Special Resolution 1

That, subject to the Shareholders of Letshego approving the Share Buy-Back Mandate and it being implemented, the Company be and is hereby authorized in terms of Section 59 of the Companies Act to reduce its stated share capital as may be determined by the Directors of the Company from time to time, upon the terms and conditions that may be deemed fit and expedient in the interest of the Company ("Reduction of Capital") provided that:

a) only a limit of 107,202,257 shares shall be reduced from a stated share capital of 2,144,045,143 shares, such that post reduction the stated share capital would be 2,036,842,886 shares;
b) alternatively 214,404,514 shares shall be reduced from a stated share capital of 2,144,045,143 shares, such that post reduction the stated share capital would be 1,929,640,629 shares in the event that the Board decides not to retain any Treasury Shares and cancel all the shares subject to the Share Buy-Back; and
c) the reduction of capital will not result in the Company failing the solvency test as prescribed in terms of the Companies Act.

That such authority shall commence upon the passing of this resolution, until the conclusion of the next annual general meeting of the Company or the expiry of the period within which the next annual general meeting is required by law to be held "the Expiry Date"), unless revoked or varied by special resolution of the Shareholders of the Company in a general meeting or extraordinary general meeting, but so as not to prejudice the completion of the Reduction of Capital made before the Expiry Date;

And that the Directors of the Company be and are hereby authorized to take all steps as are necessary or expedient to implement or give effect to the Reduction of Capital with full powers to amend and/or assert to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, Cap 42:01 as amended from to time, the provisions of the Company's constitution and the requirements of the BSE and all other relevant governmental/regulatory authorities.

PROXIES

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a shareholder. Proxy forms should be deposited at Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P.O. Box 381, Gaborone, not less than 48 hours before the meeting.
By order of the Board

L. KHUPE
Company Secretary

24 April 2018

Form of Proxy

ORDINARY BUSINESS

For completion by holders of ordinary shares
(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at Masa Hotel, Gaborone on Wednesday 23 May 2018 at 4.30 p.m. Registration commences at 4.00 p.m.

____
I/We____ (name/s in block letters)
of (address) ____ being a member of
Letshego Holdings Limited hereby appoint (see note 2)
Appoint (see note 2):____
1. ____ or failing him/her,
2.____ or failing him/her,
3. The Chairman of the meeting,
as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	For	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2			
Ordinary resolution number 3a			
Ordinary resolution number 3b			
Ordinary resolution number 3c			
Ordinary resolution number 3d			
Ordinary resolution number 3e			
Ordinary resolution number 3f			
Ordinary resolution number 3g			
Ordinary resolution number 4a			
Ordinary resolution number 4b			
Ordinary resolution number 5			
Ordinary resolution number 6a			
Ordinary resolution number 6b			
Ordinary resolution number 7			
Special resolution number 1			

Signed at______________________ on this day of______________________ 2018
Signature

____
Assisted by (where applicable

Each shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Please read the notes hereof.

NOTES

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting ". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to The Secretary, Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P O Box 381, Gaborone to be received not less than 48 hours before the Annual General Meeting (i.e. not later than 5.00 p.m. Monday 21 May 2018).

4. The completion and lodging of this form will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.

5. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the shareholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

8. At a meeting of shareholders a poll may be demanded by :

   (a) not less than five shareholders having the right to vote at the meeting or;
   (b) a shareholder or shareholders representing not less than 10 per cent of the total voting rights of all shareholders having the right to vote at the meeting;
   (c) a shareholder or shareholders holding shares in the company that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10 per cent of the total. Where a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present in person or by proxy and voting

9. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

10. Where ordinary shares are held jointly, all joint shareholders must sign.

11. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

List of Abbreviations

ADP	African Development Partners
AFI	Alliance for Financial Inclusion
AGM	Annual General Meeting
ALM	Assets and Liabilities Management
AML	Anti-money Laundering
BIHL	Botswana Insurance Holdings Limited
BoN	Bank of Namibia
BSE	Botswana Stock Exchange
BWP	Botswana Pula
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMC	Country Management Committee
COO	Chief Operating Officer
CRMPS	Compliance Risk Management Plans
DAS	Deduction at source
DFS	Digital Financial Services
DNA	Deoxyribonucleic Acid
DSA	Direct Sales Agent
ERM	Enterprise Risk Management
ERMF	Enterprise-wide Risk Management Framework
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
EXD	Executive Director
FCPA	Foreign Corrupt Practices Act
FLI	Financial Literacy Initiative
FTE	Full-Time Employees
GAC	Group Audit Committee
GHRC	Group Human Resources Committee
GIC	Group Investment Committee
GNSEC	Group Nominations and Social Ethics Committee
GRI	Global Reporting Initiative
GRC	Group Risk Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Framework
ILO	International Labour Organisation
INED	Independent Non-Executive Director
ITU	International Telecommunications Union
JSE	Johannesburg Stock Exchange
KSH	Kenyan Shilling
KING III	King Code of Governance Principles for SA
KYC	Know Your Client
LBN	Letshego Bank Namibia
LBT	Letshego Bank Tanzania
LGD	Loss given default
LHL	Letshego Holdings Limited
LLR	Loan Loss Ratio
LMFSN	Letshego Micro Finance Services Namibia
LTIP	Long-term Incentive Plan
LTROTP	Live the Rhythm, Own the Pace
LSFB	Letshego Financial Services Botswana
LSL	Letshego Loti
MFB	Micro Finance Bank
MoH	Ministry of Health
MNO	Mobile Network Operator
MSE	Micro and Small Entrepreneurs
MZN	Mozambique Metical
NAD	Namibian Dollar
NBFI	Non-Bank Financial Institutions
NCD	Non-Communicable disease
NED	Non-Executive Director
NGN	Nigerian Nira
NPL	Non-Performing Loan
NSX	Namibian Stock Exchange
PAR	Portfolio at Risk
PBMT	Profit Before Management Fees and Tax
PCI	Primary Care International

List of Abbreviations (continued)

PD	Probability of Default
PWC	Price Waterhouse Coopers
PYA	Prior Year Adjustment
RCSA	Risk Controls Self-Assessment
RPF	Rural Prosperity Fund
RWF	Rwanda Franc
SEDD	Social and Environmental Due Diligence
SZL	Swaziland Emalangeni
SOE	State-owned Enterprise
SPA	Social Performance Area
SPI	Social Performance Indicator
SSI	Strategic Social Investment
Ts&Cs	Terms and Conditions
TLDC	Transformation Leadership Development Centre
TZS	Tanzania Shilling
UGX	Uganda Shilling
UN	United Nations
USSD	Unstructured Supplementary Service Data
WEF	World Economic Forum