2019 LETSHEGO HOLDINGS LTD
GROUP INTEGRATED ANNUAL REPORT

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About this Report

EVOLVING THE INTEGRATION OF OUR ANNUAL REPORTS

The standards used in Letshego's annual integrated reporting align with global protocols. They also reflect key risks and opportunities and show how these factors affect our strategy, financial and non-financial performance, and the impact we have on the markets in which we operate. We have endeavoured to provide a concise, balanced, and transparent commentary on the progress we have made during the year on our strategy, performance, operations, governance, and reporting.

In preparing this report, Letshego followed the principles of the International Integrated Reporting Framework (IIRC), the King Code of Governance Principles for South Africa (King IV), and the Botswana Stock Exchange (BSE) Listing Requirements. In addition, Letshego also strives to adhere to the Global Reporting Initiative (GRI) Standard and has produced this report in accordance with the 'core' level of the GRI.

The content of this report is relevant to all our stakeholders, including our staff, customers, investors, funders, strategic partners, governments, regulators, and the members of the communities in which we operate.

The Group Board committees responsible for corporate accountability and risk management, combined assurance, and integrated reporting, have overseen the production of this report. They are satisfied with its accuracy, completeness, and integrity andvp's Board acknowledges its responsibility for ensuring the integrity of the report by sanctioning its preparation and presentation of this report.

The 2019 Integrated Annual Report is presented in accordance with the framework of the IIRC and approved by the Letshego Holdings Limited Board of Directors.

All comments and inquiries related to the contents of this report may be directed to **GroupCorporateAffairs@letshego.com** and/or the Group's company secretary, Matshidiso Kimwaga on **MatshidisoK@letshego.com**. This report is also available on our website **www.letshego.com.**

SCOPE

The 2019 Integrated Annual Report covers the 12-month period from 1 January 2019 to 31 December 2019.

The report examines the forms of capital used to create sustainable value, trade-offs mitigated, significant material matters raised by our stakeholders during the 12-month period, and Letshego's response to the material matters raised. Letshego considers as material, those matters, opportunities, and challenges that are likely to affect the delivery of our strategic intent and ability to create value in the short, medium, and long term for relevant stakeholders.

Letshego applies principles of stakeholder inclusiveness, sustainability, materiality, and completeness when assessing which information to include in the Integrated Annual Report. The Group also applies the principles of accuracy, balance, clarity, comparability, reliability, and timeliness when assessing information for this report.

MATERIALITY

We consider material matters 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 matters presented in this report were identified through a thorough and methodical stakeholder review process. The areas reviewed qualify in one or more of the following categories: strategic; financial; environmental; social; competitive, and legislative. Material matters are prioritised by relevance and impact on Letshego's ability to achieve and deliver on the Group's strategic objectives. The Group's leadership team manages this process with support from the Letshego Group's Board of Directors.

Material matters identified are reviewed in terms of their significance and risk to Letshego's ability to operate and deliver value to its stakeholders.

There are no material changes to the content of this report compared with the 2018 Integrated Annual Report.

A NOTE ON DISCLOSURES

Letshego Holdings Limited affirms the following terms with respect to its annual integrated reporting strategy:

- Non-disclosure of confidential data such as granular data on remuneration, yields and margins, where the information is deemed to be competitively sensitive
- Infographics are used to report various metrics, while retaining proprietary information
- Any official and direct enquiries are encouraged in relation to any aspect of the company's competitively sensitive operations that may not have been publicly disclosed
- All monetary figures used in the report are in Botswana Pula (P)

- Letshego Holdings Limited was incorporated in the Republic of Botswana in March 1998, and publicly listed on the Botswana Stock Exchange in 2002
- Letshego is a commercial entity whose liability is limited by shares

OUR VALUES

Also referred to as Letshego's 'uniquenesses', the Group's values define its unique culture, ways of working, and its guiding principles for improving the lives of customers, delivering sustainable value to stakeholders and optimising sustainable performance. Letshego's Group code of conduct outlines the behaviour and policies that govern Letshego's interactions with all its stakeholders across its footprint.

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

1

Our Business

Commentary from our Group Chairman

"The recent appointment of our Group Chief Executive, Andrew Fening Okai, along with other senior Group Executives, has brought stability to the Group's leadership.

The strengthening of our leadership credentials took on even greater significance against the backdrop of the COVID-19 pandemic."

Enos Banda
Group Chairman
Letshego Holdings Limited

2019 was a year of transition for Letshego and I am pleased that the Business has come through stronger, and better positioned, to deliver long-term success and value for all our shareholders.

Letshego weathered the last year well under its established transitional leadership, producing a solid set of results for the last financial period under review. Results were driven by a focus on improving efficiencies, increasing overall asset quality supported by enhanced credit processes, and impairment write-backs to enable cost savings.

The recent appointment of our Group Chief Executive, Andrew Fening Okai, along with other senior Group Executives, has brought stability to the Group's leadership team. This was a welcome development for our various stakeholders, including regulators, customers, investors and employees.

In addition to the executive appointments, we announced the appointment of three new Independent Non-Executive Directors to strengthen our Group Board with complimentary skills in banking, risk and financial technology. The appointments enhance the Board's ability to exercise effective oversight and fiduciary function. These are progressive steps that have not gone unnoticed by the market, with our share price showing a marked increase since the beginning of 2020.

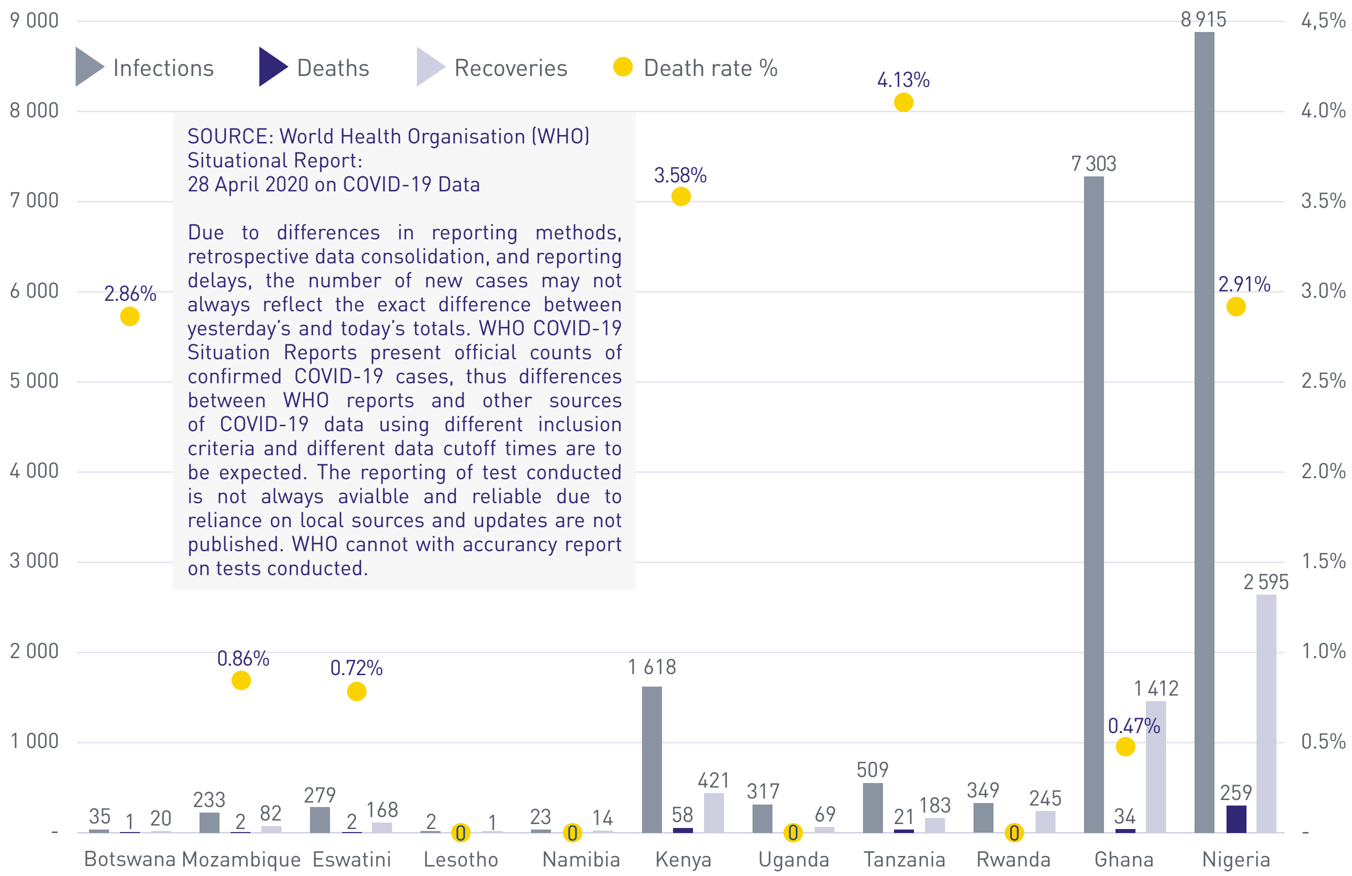
The strengthening of our leadership credentials took on even greater significance against the backdrop of the COVID-19 pandemic. Since its emergence globally in December 2019, the response required to manage the impact of the Coronavirus pandemic has become a focal point for all businesses across the globe. Together, we share the challenge of minimising the pandemic's downside risk and impact on our employees, customers and operations as well as seeking interventions to protect and sustain local economic activity.

As we apply immediate measures to contain current threats imposed by the pandemic, it is also important that we maintain our future perspective, deploying the interventions now that will be needed to adjust to the 'new normal' envisaged post this pandemic.

IMPACT OF COVID-19

In February 2020, when COVID-19 became a reality for sub Saharan Africa, Letshego was swift to initiate our risk and pandemic plans, that include ongoing identification, monitoring and implementation of effective risk and health measures in line with national and international guidelines. Letshego has established Corona Crisis Committees, comprising senior executive members at both a Group and Country level to facilitate ongoing action and clear lines of execution and accountability.

COVID-19 statistics in Letshego markets @ 28 May 2020



Commentary from our Group Chairman (Continued)

Pandemic planning has spurred a proactive response, bringing forward medium term digitalisation investment strategies within our 6-2-5 strategic roadmap. This prompt response has enabled business continuity as well as digital access for our customers, via whatsapp lines, call centres, and automated whatsapp channels, without the need to travel into our branches.

Going forward, under the 'new normal', Letshego will continue to prioritise the health and wellbeing of our employees and customers, while taking steps to maintain business continuity, and mitigate operational and financial risks.

In the last month we have witnessed select sub Saharan markets progressing toward reviving economic activity with easing levels of lockdown. We expect the region's gradual easing of lockdowns and economic recovery to reflect a typical "W-shaped" recovery, with potential isolated, viral resurgences precluding smooth and predictable economic recoveries. Letshego's scenario and operational planning thus accommodates due flexibility and adaptability given current, unpredictable environments.

Private and public sector collaboration remain essential in Africa's ability to navigate a sustainable path through this pandemic. Letshego has provided relief for our most vulnerable customers, micro and small entrepreneurs, via payment holidays. In addition, Letshego has donated over P3 Million in financial support to government COVID-19 relief efforts across our footprint.

FINANCIAL PERFORMANCE

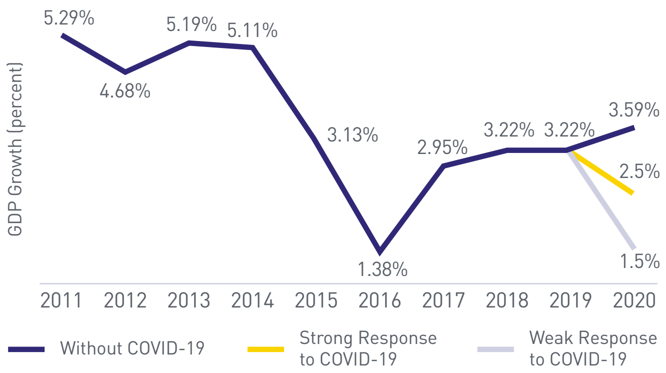
For the 2019 financial year, we posted solid results with Profit before tax up 11% year on year and Profit after tax up 35%. Return on equity increased from 12% in 2018 to 16% last year, with Earnings per share gaining 41% year on year, with 7.7 thebe as a declared dividend for the the second half.

Looking at this year's performance, we started the year on track through the first quarter. However, following the subsequent onset of COVID-19, we expect our financials to reflect the downside impact of the pandemic from April onwards.

Since varying levels of national lockdowns were implemented across our region, underwriting new business has been limited, however we have maintained a level of prudence with respect to specific industries and segments severely impacted by the pandemic.

The full financial implications of COVID-19 will be more apparent as lockdowns are lifted and economic activity is reignited in the second half of this year.

Forecast effects of COVID-19 on GDP Growth in sub Saharan Africa



COVID-19 related disruptions will lower sub-Saharan Africa's GDP growth in 2020 to between 1.5% and 2.5%, down from the projected 3.6% pre-COVID-19 projections. The extent of the downside impact is dependent on the level of action taken by regional governments to contain the virus, and the pace at which global conditions stabilise.

(Authors Coulibaly, BS and Madden,P (18 March 2020); *Strategies for coping with the health and economic effects of the COVID-19 pandemic in Africa;* Brookings Research Institution, Washington DC, USA http://www.brookings.edu)

RETURNING TO GROWTH

For multinationals operating in Africa, the economic transition to the 'new normal' will be diverse, as it is disparate. With the lack of predictability, some markets are likely to experience more severe infection rates than others, pushing health and related economic sectors well beyond their limits. Other markets may manage to bypass the extremes of the pandemic, but none will be immune given Africa's increasing interconnectedness and inter-regional economic activity. Ultimately, this means, a 'one size fits all' strategy will be inadequate. Letshego will therefore ensure that regional strategies factor in country-focused analysis and action to bolster an holistic risk and operational approach.

OUR STRATEGY

Our 6-2-5 strategy responds to both our short and medium term aspirations, in line with our future vision *to be a world-class retail financial services organisation.* Our strategy remains consistent. We are committed to the continuous digitisation of our business, diversifying our solutions and funding base in the medium term, while working in parallel to cement strategic partnerships and build eco-systems that provide exponential stakeholder value well into the future.

MEASURING AND REPORTING OUR SOCIAL IMPACT

Evolving our Environmental and Social Governance (ESG) framework, including the measurement and reporting of our social impact, is an increasingly valuable attribute sought after by our stakeholders and strategic partners. 2019 saw Letshego publish its first *Impact Report*, a significant step in our ESG journey.

Our 2019 *Impact Report* evidences how Letshego's strategy aligns with 11 out of the United Nation's 17 Sustainable Development Goals. Goals that, collectively, focus on ending poverty, protecting the planet and ensuring that all people enjoy peace and prosperity by 2030.

From a health perspective, our sponsorship of Non-Communicable Diseases (NCDs) over the last three years has generated just over P114 Million in social returns, by way of supporting a productive workforce, increasing employability and providing basic healthcare to promote longevity.[1]

In *Youth and Education,* loans disbursed by Letshego in 2019 to support secondary and tertiary education, can be measured in terms of boosting the beneficiaries' future earning potential. For the 2019 financial year, Letshego's loans extended to support education, increased earning potential to the value of P893 Million for an estimated 78,000 students.[2]

These statistics are each valuable indicators in demonstrating how Letshego's commercial operations deliver a tangible, and measurable, economic contribution to our communities.

Appreciation

In concluding this year's commentary, I would like to express my sincere appreciation to those Board Members and Executives who assisted us over the last year. Thank you to Josias de Kock and Christian van Schalkwyk, our Board members who resigned in 2019, for their tangible expertise given in guiding and supporting Letshego through its growth journey over the last few years.

The Board wishes to thank Dumisani Ndebele, Acting Group CEO from March 2019 to January 2020, for providing a steady pair of hands in maintaining business continuity during our leadership transition.

Sincere thanks goes to Colm Patterson, our former Group Executive Director and Group Chief Financial Officer, who left the business at the end of March 2020 after playing an integral leadership role in Letshego's expansion and legacy over the last 15 years. Many talented individuals have grown and excelled under Colm's guidance and leadership.

A warm welcome to our three new Independent Non-Executive members: Philip Odera, Abiodun Odubola and Ronald Hoekman. We stand to gain immense value from your collective expertise and support for the Group in the coming years.

As we progress in refining and refocusing our regional strategy, the Board welcomes and looks forward to working with Andrew Okai, our new Group Chief Executive, who assumed his role on 1 February 2020.

On behalf of the Letshego Group Board, I wish to express my heartfelt appreciation to our diverse and valued stakeholders who make Letshego what it is, create our unique culture and ensure our ongoing success and future potential is realised.

Thank you to our people, customers, regulators, investors as well as our public and private partners as we collaborate and support our stakeholders through the unusual times ahead, and forge a sustainable path for the future.

E. N. Banda
Group Chairman
29 May 2020

Condolences

On behalf of the Board, I am humbled to mark the passing of an inspiring leader, mentor, colleague and friend, **Rre Legodile Ernest Serema**.

Rre Serema joined Letshego as a valued Group Board member in 2009, later assuming Chairmanship of Letshego Botswana Board for a period of two years. Rre Serema's humility, kindness, respect, passion and invaluable insight remain part of Letshego's legacy – he was a visionary leader and a catalyst for impactful and sustainable change. Letshego is forever grateful and richer for being a part of Rre Serema's life journey. **Robala ka kagiso mogaka!**

[1] Saving lives, spending less: a strategic response to noncommunicable disease, Geneva, Switzerland, World Health Organisation, 2018.
[2] Returns to Investment in Education: A Decennial Review of the Global Literature, Psacharopoulos. P & Patrinos. H, World Bank, April 2018

Group Chief Executive Review

> This period in time will indeed be an historic milestone for future historians to discuss and reflect on how the decisions and actions of today's leaders influenced the way future generations live, work and play.
>
> Letshego is committed to unified and collaborative action as we all adjust to our 'new normal'.
>
> **Andrew Fening Okai**
> Group Chief Executive
> Letshego Holdings Limited

The commencement of my tenure as Letshego's Group Chief Executive in February this year has coincided with the arrival of COVID-19 in sub Saharan Africa, and with it, an extraordinary environment within which to commence my strategic mandate. The pandemic has been on our continent for just 4 short months, yet our perception of this period seems far longer in light of the extreme demands such conditions has created for all members of our society.

This period in time will indeed be an historic milestone for future historians to discuss and reflect on how the decisions and actions of today's leaders changed the way future generations live, work and play. For this reason, our collective ability to study, understand, reflect and collaborate on what inclusive action will deliver the most expansive and sustainable results, in the interest of all sectors and humanity, remains imperative.

Letshego is committed to unified and collaborative action as we all adjust to our 'new normal'.

Our 2019 Full Results reflect the Group's strong business fundamentals, individual and collective commitment, as well as tangible growth opportunities available in our markets. This is a solid foundation from which to pursue our vision to build *a world-class retail financial services organisation*.

FINANCIAL PERFORMANCE

Letshego's 2019 Profit before tax of P1.13 Billion equates to an 11% increase on the prior year (2018: P1.021 Billion). Although driven by scaled back spending and write-backs, the results reflect the resilience of our business model during a period of transition.

Interest income rose by 9% year on year to P3 Billion with net operating income up by 1% to P2.4 Billion. Return on Equity (ROE) improved from 12% to 16%. Costs increased by 9.7%, resulting in a cost to income ratio of 45%, above our Group medium term target range of 35% to 40%. The increase in costs included goodwill impairments of P39 Million and impairments of cash balances of P6 Million that are not expected to recur.

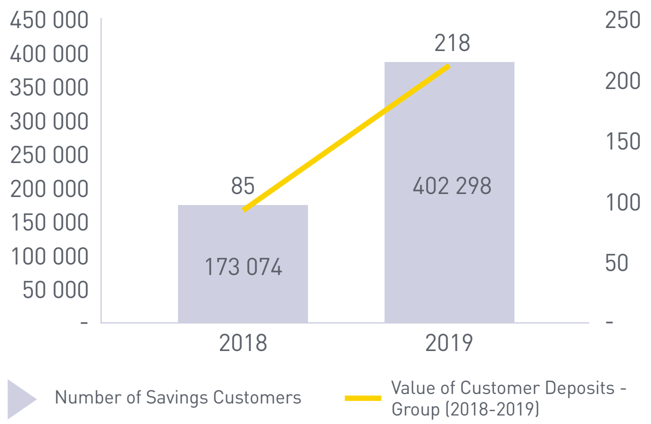
Total assets increased by 2% to P10.9 Billion and a P372 Million increase in net customer advances during the reporting period.

DEPOSIT GROWTH

Although off a low base, 2019 saw a continued increase in the value of retail deposits from P85 Million in 2018 to P218 Million in 2019.

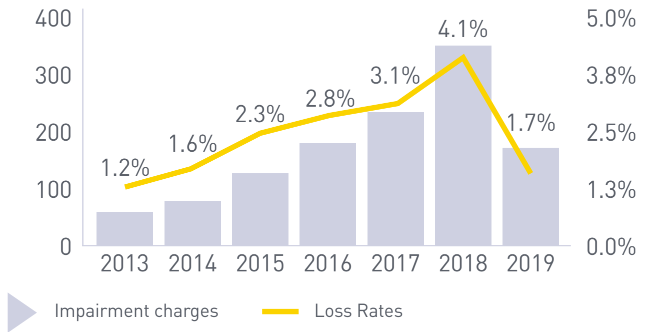
We closed the year with a total of 402,298 savings account customers (2018: 173,074). A contributing driver in growing this segment has been the significant uptake of our cards.

Retail Deposit Growth



Our success in improving credit risk generated a reduction in credit losses from P361 Million to P169 Million. Further to this, following the tightening of affordability rules and focus on collections and recoveries, our cost of risk reduced from 4.1% (FY 2018) to 1.7% (FY 2019).

Impairment charges and loss rates

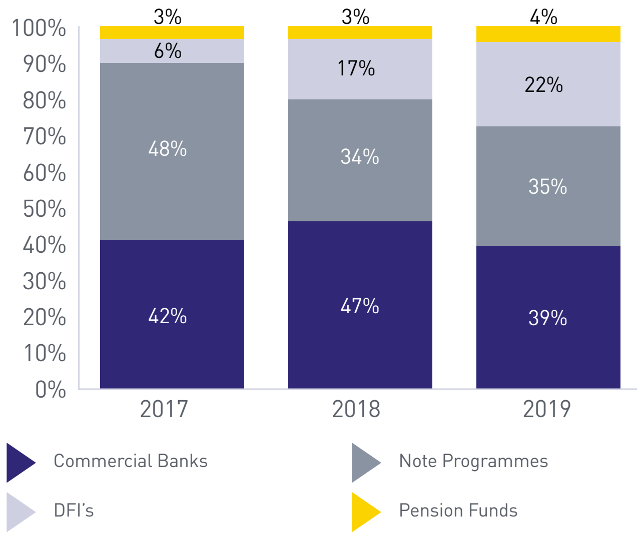


DIVERSIFYING OUR FUNDING MIX

Despite our continued reliance on wholesale funding, positive progress has been made in diversifying our funding base, increasing local currency funding lines, including the issuance of local currency corporate bonds, more particularly in Botswana, Ghana, Mozambique and South Africa.

The combination of sound business fundamentals, business performance, and the evolution of Letshego's Environmental and Social Governance (ESG) framework continues to support our strategy to increase access to development and impact funding facilities. Over the last 3 years, Letshego has accessed new funding lines from international development and impact funders worth over P780 Million.

Funding Mix over last 3 year period (2017 to 2019)



CONTINUED PROGRESS IN EFFECTIVE TAX RATE ALIGNMENT

In 2019, Letshego delivered on our commitment to improve the alignment of our effective tax rate with our organisational structure and operations.

As at end December 2019, Letshego's effective tax rate had reduced from 50% in the prior year, to 39%, with after tax profit at P692 Million.

Components of the Effective Tax Rate	2019	2018	2017
Baseline tax charge	31.0%	32.0%	29.0%
Specific tax provision (East Africa)	-	4.0%	-
Inter Group tax costs	8.0%	14.0%	3.0%
Effective tax rate	39.0%	50.0%	32.0%

Looking forward, we will maintain our focus on tax compliance and reporting, cashflow and repatriation, tax audit management, transfer pricing, regulations, and inter-Group tax costs to achieve a comprehensive tax strategy that supports sustainable returns for all our stakeholders.

DIVIDEND PAYMENT

During 2019, the Board adjusted to a more prudent dividend payment policy with an interim dividend of 25% profit after tax. Our dividend payment was restored to 50% profit after tax for the second half of the year..

Overall, the Group remains well capitalised and liquid. Letshego's capital adequacy ratio is 36% (2018: 33%), and ratings agency Moody's maintained Letshego Holdings Limited credit rating unchanged at Ba3 with a stable outlook.

BUSINESS WITH IMPACT

Within Letshego's Environmental and Social Governance (ESG) framework, the Group and its subsidiaries continue to review and improve current trends in integrated annual reporting, acknowledged with our recent award from PricewaterhouseCoopers Botswana for the 'Best Integrated Annual Report' for financial services in 2019. Last year, Letshego was also invited to represent the private sector on Botswana's newly established Integrated Reporting Committee, alongside public sector authorities and chaired by Botswana's Institute of Chartered Accountants. These platforms enable Letshego to not only share our experience, but gain from peer collaboration in increasingly proactive, accurate and transparent reporting methodologies in line with global standards.

Supporting our commitment to demonstrate our social licence, Letshego continues to develop and enhance our financial solutions around three economic segments that contribute to broader economic development, namely: *Youth; Health and Education.*

In the last financial year, Letshego Kenya provided financial support in excess of P14 Million to schools and educational institutions across the country, with a further P6 Million extended to individual customers to improve their own, or their family's levels of education, in the same period.

Letshego in Uganda grew its education portfolio by 20% year on year in 2019, with the bulk of the funding supporting owners of schools in central Uganda.

In Nigeria, Letshego's Education Eco-System solution now supports more than 340 schools, with our value proposition now enhanced through the provision of international skills, teaching methods and management training for the owners and leadership teams running the education institutions that we support.

Our Community Commerce partnership with Mastercard in Mozambique is another pioneering effort that empowers rurally based merchants and members of the local community with cashless, digital, low cost 'tap and go' payment infrastructure. This digital payment concept thrives in emerging economies where power and data links are not always reliable. In 2019, our pilot far exceeded initial targets, with more than 100,000 consumers and 500 merchants registered in the period. The unique model provides underbanked or unbanked members of the community with a "digital bank account" for the safe, secure digital storage of cash, rather than members of the community having to store their money in their homes. Rural residents can now receive funds from government services or from employers on a more secure basis. Participants can also pay digitally, assuring that limited household funds are spent appropriately. All transactions can be executed in an offline environment and without a mobile phone.

By digitising these transactions, consumers and merchants provide us with more accurate data to unlock their potential for increased access to credit, in compliance with Letshego's established affordability criteria. Our Community Commerce partnership appeals to our collective ambition to extend the benefits of traditional financial or banking solutions to rural communities, by enabling access to secured electronic transactions and savings. Ultimately, this concept aims to connect rural consumers and merchants with the broader formal economy, growing the number of contributors to national economic development and growth.

Digitising our customer experience
Digitising our channels and offering remains core to Letshego's strategy. In 2019, Letshego achieved a marked increase in digitised loan applications and transaction processing, increasing the volume of digitised transactions by 136% compared to the previous year (this includes agency banking, USSD and card transactions).

Following the arrival of COVID-19, and the implementation of national lockdowns to minimise the spread of infection, Letshego has brought forward the introduction and roll out of select digital enhancements to support our customers and business continuity.

With the recent enhancement and launch of an expanded suite of digitised access channels, we expect activity via our digital channels to grow exponentially for the coming year. Customers can now access support and apply for loans online, in any one of our 11 subsidiary markets – wherever they may be located.

6-2-5 PLAN: THE EXECUTION OF OUR STRATEGY

From my experience, I have found the determining success factor for any business strategy, is weighted more toward the execution of the strategy, as opposed to strategic content. Hence the purpose of Letshego's '6-2-5 plan': to support the well-timed and effective execution of our strategy.

Our 6-2-5 plan is intended to propel Letshego along our 'Return to Growth' journey – based on three clear time parameters: 6 months (June to Dec 2020); 2 years (2021 to 2022) and 5 years (2021 to 2025). The plan incorporates our legacy and strengths in Deduction at Source, increases our momentum in diversifying our solutions and funding sources, and is intended to take Letshego into the next stage of effective and customised digitalisation, all the while fostering strategic partnerships and maintaining our commitment to effective risk management.

Our customers will be the first to experience the benefits of our 6-2-5 execution, with new and improved solutions. Initial success indicators will be measured by our ability to improve customer experience, supported by the investment in our people, processes, technology and access channels, ultimately underpinning our purpose to *Improve Lives.*

Realigning our organisation and investing in our people
In order to achieve sustained performance, its important for an organisation's structure to align and thus support, its strategic objectives and vision. Letshego is progressing with the holistic review of our organisational structure that will maximise the outputs of our 6-2-5 plan.

This review is not intended to be a cost-driven exercise, but rather to better align the organisation for enhanced effectiveness, and position our people to unlock their individual potential to support our strategy. A streamlined organisation promotes effective leadership and collaboration while enabling us to create development plans that empower our people with relevant skills that fit our vision and purpose.

We expect the realignment of our organisational structure to be completed within quarter 3 of 2020.

In the medium term, we are inspired by our 6-2-5 plan to adopt a more agile approach in the Way we Work, streamlining efficiencies and increasing targeted outputs for our collective and collaborative growth and development.

Group Chief Executive Review (Continued)

Our Footprint
From our geographical footprint perspective, Letshego is satisfied that our presence countries provide growth opportunities, while providing sufficient regional diversification to counter and mitigate the risks that come with cyclical economic trends across regional economies.

At present we have no immediate plans to expand into new markets, however we will still consider any opportunities that offer enhanced value for all our stakeholders. We remain committed to enhancing our impact in existing markets through the enhancement of solutions, delivery and channels. Those markets that are experiencing performance challenges continue to be reviewed in line with our future ambitions, with a thorough assessment of local market opportunities being conducted, before any consideration of receding local operations.

Looking Ahead
COVID-19 is now an integral and well considered factor within our current and future strategy. Letshego assumed a swift and proactive approach in galvanising leadership teams around the demands this pandemic has presented for our people, business and operations from a risk management perspective.

We continue to prioritise the health and wellbeing of our employees and customers, succeeding in empowering our people with the facts and health guidelines from both national and international authorities. We are practicing social distancing with remote working pandemic plans effected across our footprint, as we experience varying levels of lockdown, at the time of going to print.

The financial impact of the pandemic is expected to reflect from the second quarter of 2020 onwards, with full year forecasts continuing to adjust and reflect the unpredictable nature of pandemic economic conditions.

Letshego Group and our subsidiaries remain well capitalised and positioned to meet current funding requirements.

Our executive team remains vigilant in adjusting our operations to accommodate evolving operating conditions, as well as implementing the ongoing enhancement and adaption of digital access channels. We have increased our focus on monitoring liquidity levels, capital and credit risk, an approach supported by structured risk modelling, scenario planning and regular stress testing.

Letshego's operations and subsidiaries continue to focus on high levels of regulatory and legal compliance, in line with our evolving Enterprise Risk Management Framework (ERMF).

With over 21 years of growth and business resilience, I am confident Letshego will not only maintain business continuity through the current pandemic, but adopt sustainable processes and digital enhancements that stand to benefit our customers, people and business for the immediate and long term.

Appreciation
I would like to take this opportunity to thank every member of our Letshego family for providing such a warm welcome on my arrival. I continue to acknowledge and admire the outstanding level of dedication, effort and contribution our people have made during these extraordinary times, enabling us to deliver on our brand promise to *Improve Lives.*

Thank you to the Group Board for your ongoing support and fiduciary leadership, and to my top leadership team for your ongoing effort and contribution as we build capacity and resilience across our operations to ensure we are future fit.

Thank you to Dumisani Ndebele for his invaluable support on my arrival, and sincere appreciation to Colm Patterson for his outstanding contribution to the dynamic growth journey and rich legacy that has made Letshego the proudly African multinational that it is today.

I wish to thank our customers for their ongoing support, as well as our strategic partners across the region that enable us to deliver competitive and sustainable value to the communities where we operate.

On behalf of the team at Letshego, I wish to assure all our stakeholders that we remain *committed* to navigating through the unpredictable environment that lies ahead, *confident* in our ability to surmount the challenges, and *collaborative* in delivering sustainable value for our people, our customers and all our stakeholders.

Sincerely,

ANDREW FENING OKAI
Group Chief Executive
Letshego Holdings Limited

Our Business

2019 Milestones

Embracing Financial Inclusion

- Over 83 000 low-value payment accounts opened in Mozambique
- Launched Eswatini's first mobile lending solution with MNO partner
- Over 113 000 customers opened LetsGo accounts across the Group (2018: 60 686)

Growing the Franchise

- Strong growth in DAS business in Botswana, Mozambique, and Namibia
- Loan lead generation through USSD and field app rolled out for improved efficiency
- Retail deposits of P218 Million (2018: P85 Million)
- Card transaction values increased to P110 Million (2018: P11 Million)

Enhancing Customer Experience

- Cards issued have increased to 15 579 (2018: 6 223)
- USSD registered users moved to 37 801(2018: 15 806)
- Registered agency banking customers increased to 20 500 (2018: 10 473)
- Total savings customers up to 402 298 (2018: 173 074)

Embedding the Future Capability Model

- An overall credit loss rate of 1.7% for the year against 4.1% in 2018
- 2019 effective tax rate 39% (2018: 50%)
- PWC award for 'Best Integrated Annual Report 2019' for the financial services sector
- External assessment of Group Internal Audit completed, meeting IIA requirements

Our Journey

START

1998
Established in Botswana
Listed on **Botswana** Stock Exchange 2002.

2005
Expansion into Uganda
Successfully launched an industry-wide partnership with **Uganda** government to automate government loans.

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

2008
Acquired Namibia Entity
Listed on NSX in 2017 and Banking License issued in 2016.

2011
Expanded into Mozambique
Commercial Banking License issued in 2016.

2012
Extending footprint
Additional inclusion in Southern Africa with start-up of **Lesotho.**

Additional acquisition in East Africa with inclusion of **Kenya** and **Rwanda** into the Group.

2013
Consolidation of East African Footprint
Merger of **Ugandan** MSE and DAS entities.

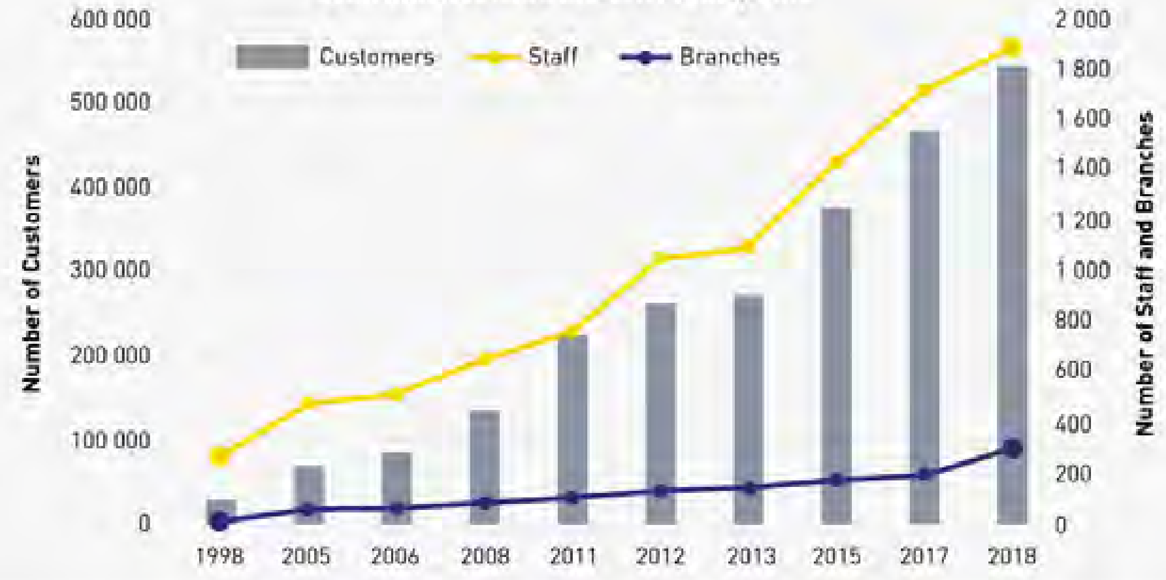
2015
Entry into West Africa and Aquisition in East Africa
Onboarding of the **Nigeria** and **Tanzania** Entities. 2018 **Nigeria** secures Federal Deduction codes.

Group PBT crosses P1 Billion threshold in 2017.

2017
Expanding West Africa Footprint
Acquisition of **Ghana** Subsidiary finalized.

2018
Funding and customer access diversification
Group raised P600 Million debt funding sourced from DFIs.
Ghana pilots mobile short-term loans.
Over 6000 new cards issued.
Group doubles USSD registrations.
Group doubles number of registered agency access points.

Cumulative Increase in Footprint



Our Group Structure

Letshego Holdings Limited is headquartered and was incorporated in the Republic of Botswana in March 1998 as a publicly listed commercial entity whose liability is limited by shares. We operate in 11 countries: Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Eswatini, Tanzania and Uganda.

The following are Letshego's regulated deposit-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
- Letshego Ghana Savings and Loans PLC

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
- Letshego Uganda Limited - UMRA
- Letshego Tanzania Limited (Trading as Faidika) - Central Bank

The following subsidiary is not currently regulated by a specific in-country regulator:

- Letshego Kenya Limited

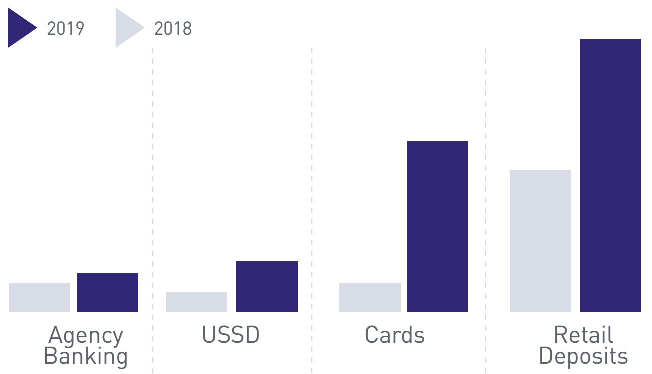
Figure 1: Letshego Holdings Limited Group Structure as at 31 December 2019

Our Solutions

Letshego is a financial services provider that offers financial solutions to customers, including loans, deposits, and transactions.

The business provides deduction at source (DAS) solutions to the employed sector, both in government and non-government, and loans and transactions to the micro and small entrepreneur (MSE) sector and the informal sector. Letshego is a leading provider of financial solutions to government employees in all 11 countries in which we operate on the continent.

Growth in value of alternative channels & retail deposits



The primary purpose of our solutions is to provide access to credit finance and give customers a safe place to save and make their payments.

Letshego has increased distribution and customer transaction activities through alternative channels. In 2019, activities increased in agency banking, USSD and cards. Increases in these payment channels helped to increase retail deposits.

Our principal financial solutions are unsecured short-term and long-term loans, ranging from P5 to P500 000. Our loans are tailored to suit customers' needs, with competitive risk-adjusted interest rates and value-added services such as funeral and life insurance cover. We provide deposit facilities, including demand accounts, saving accounts, and call and term deposits.

Transaction facilities enable customers to make payments to suppliers, pay bills, and receive payments from other bank accounts. These facilities are delivered through card services in Namibia, Tanzania and Nigeria; agency banking in Mozambique and Tanzania; and USSD and mobile banking across our deposit-taking markets. While the bulk of our customer base consists of government employees, our financial solutions are also marketed to the informal sector, MSEs, and corporates.

Access points

Group	2019	2018	2017
Cash handling branches	45	43	43
Non cash handling branches	104	106	88
Other sales offices (satellite branches)	161	166	183
Agency banking locations	589	650	307
Total	**899**	**965**	**621**

Non-branch transaction volumes

Group	2019	2018
Customers using agency outlets	20 500	10 473
Digital transactions (USSD and Cards)	225 404	57 866

Letshego's financial inclusion strategy is to expand both physical and digital (or mobile) access to customers. As a result of our strategy, we have seen significant growth in the volume and value of the alternative digital channels.

Our Footprint

1 GHANA
est 2010

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

194 EMPLOYEES · 1 279 107 CUSTOMERS · 27 BRANCHES · LOANS DEPOSITS

2 NIGERIA
est 2008

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

265 EMPLOYEES · 86 302 CUSTOMERS · 24 BRANCHES · LOANS DEPOSITS

3 NAMIBIA
est 2002

Edu Loan Namibia acquired by Lesthego Group in 2008 and registered as Letshego Micro Finance Services Ltd. Listed on NSE in 2017

145 EMPLOYEES · 60 200 CUSTOMERS · 16 BRANCHES · LOANS DEPOSITS

4 BOTSWANA
est 1998

Opened doors in 1998. Listed on the Botswana Stock Exchange in 2002.

136 EMPLOYEES · 31 745 CUSTOMERS · 16 BRANCHES · LOANS

5 LESOTHO
est 2012

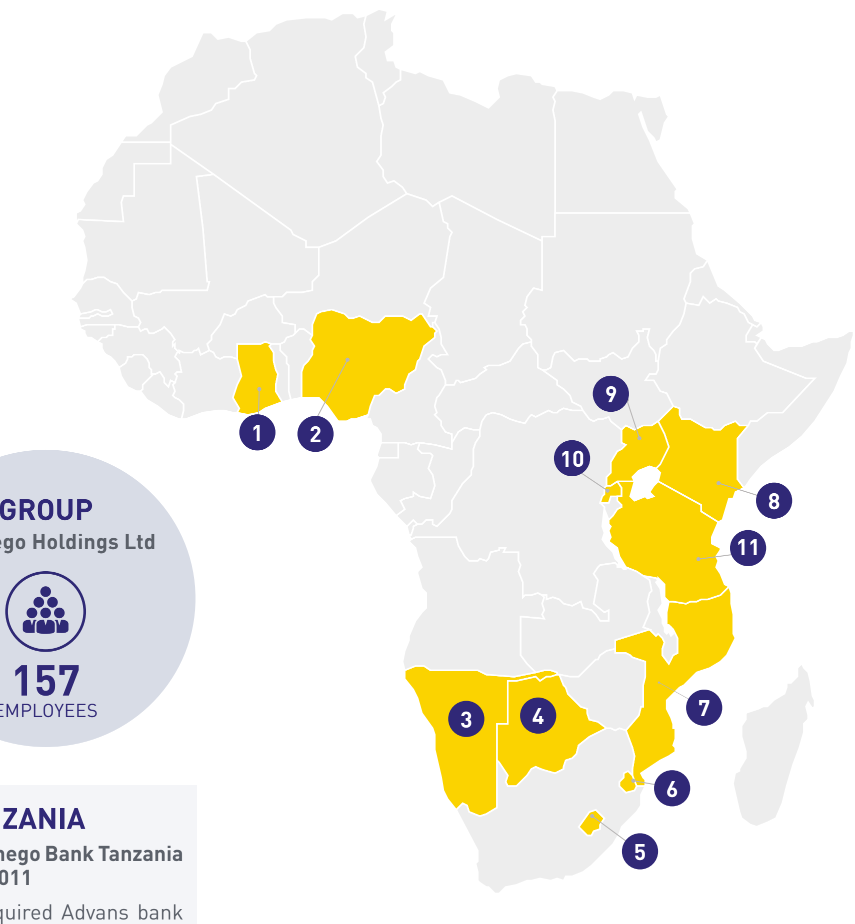
Opened doors in 2012

38 EMPLOYEES · 6 817 CUSTOMERS · 5 BRANCHES · LOANS

6 ESWATINI
est 2006

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

28 EMPLOYEES · 127 884 CUSTOMERS · 3 BRANCHES · LOANS



GROUP
Letshego Holdings Ltd

157 EMPLOYEES

7 MOZAMBIQUE
est 2011

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

174 EMPLOYEES · 123 977 CUSTOMERS · 25 BRANCHES · LOANS DEPOSITS

11 TANZANIA
Lesthego Bank Tanzania
est 2011

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

140 EMPLOYEES · 229 519 CUSTOMERS · 10 BRANCHES · LOANS DEPOSITS

Faidika
Est 2006

Faidika opened doors in 2006.

80 EMPLOYEES · 32 754 CUSTOMERS · 103 BRANCHES · LOANS

10 RWANDA
est 2000

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

66 EMPLOYEES · 16 047 CUSTOMERS · 8 BRANCHES · LOANS DEPOSITS

9 UGANDA
est 2005

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

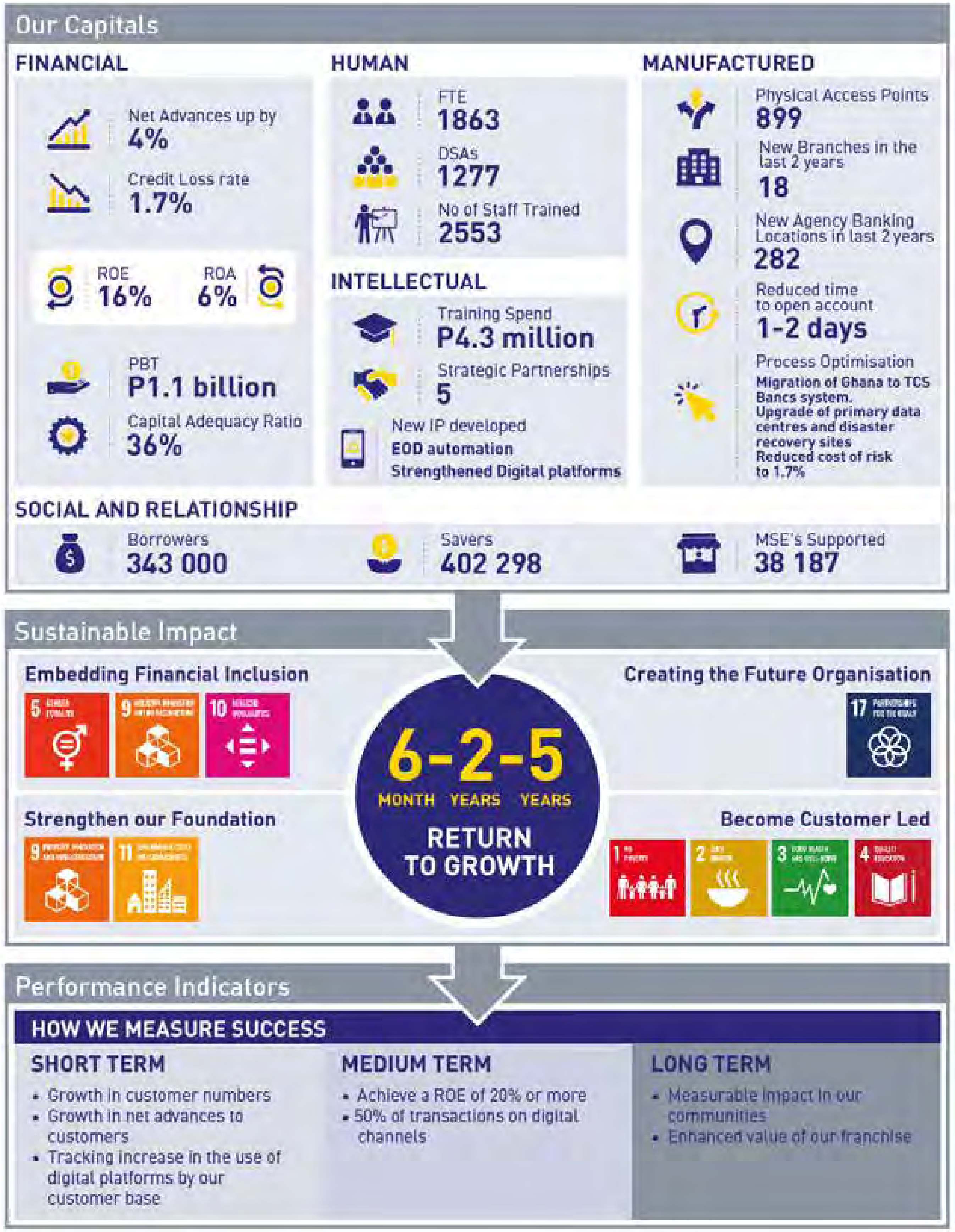
253 EMPLOYEES · 43 383 CUSTOMERS · 45 BRANCHES · LOANS

8 KENYA
est 2000

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

187 EMPLOYEES · 19 272 CUSTOMERS · 29 BRANCHES · LOANS

How We Create Value



Financial Highlights

- Gross advances to customers increased by 3%; and net advances to customers increased by 4% with a credit loss rate of 1.7% (2018: 4.1%)
- Customer deposits and borrowings reduced by 7%
- Increased interest income 9% to reach P3.0 Billion, and net operating income to P2.4 Billion
- Reduction in credit losses from P361 Million to P169 Million.
- Profit before tax was P1 130 Million; an 11% increase from the prior year (2018: P1 021 Million)
- Reduction in effective tax rate from 50% to 39%
- Profit after tax rose 35% to P692 Million
- The Group remains well capitalised with a capital adequacy ratio of 36% (2018: 33%) and a debt to equity ratio of 109% (2018: 131%)
- Return on equity was 16% (2018: 12%) and return on assets was 6% (2018: 5%)

KEY METRICS

Increases in net advances were noted in most countries. The reduction in the informal lending portfolio had a negative impact on performance. An increased focus on credit risk resulted in a reduction of the loan loss ratio to average advances. Profit before management fees and taxes increased by 11% over 2018.

	PBMT[1] P'm			Net disbursements P'm			Net advances P'm			LLRs[2] to average advances (%)		
Subsidiary	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Group	1 004	1 021	1 130	2 713	4 297	6 330	7 769	8 699	9 071	3.1%	4.1%	1.7%
Southern Africa												
Botswana	461	458	528	302	483	362	2 319	2 463	2 601	1.0%	2.8%	(0.7%)
Lesotho	69	57	42	59	28	82	405	337	359	1.0%	3.2%	6.5%
Mozambique	75	109	199	361	416	315	1 013	1 265	1 340	2.2%	1.1%	(0.2%)
Namibia	436	448	424	647	559	692	1 930	1 902	2 205	0.0%	0.7%	0.3%
Eswatini	31	33	38	191	162	119	370	429	495	0.0%	0.7%	0.8%
East Africa												
Kenya	21	(22)	55	309	284	187	516	594	569	2.8%	15.3%	4.1%
Rwanda	(42)	(1)	3	(12)	30	14	43	46	39	42.8%	(28.1%)	(32.8%)
Tanzania [3]	48	96	90	312	184	117	473	397	350	13.2%	4.9%	(0.4%)
Uganda	28	37	42	178	196	217	302	310	345	8.1%	5.0%	4.0%
West Africa												
Ghana	36	43	14	223	1 809	4 083	346	876	662	1.7%	15.5%	13.3%
Nigeria	3	14	7	142	146	142	54	80	106	20.3%	8.6%	3.2%

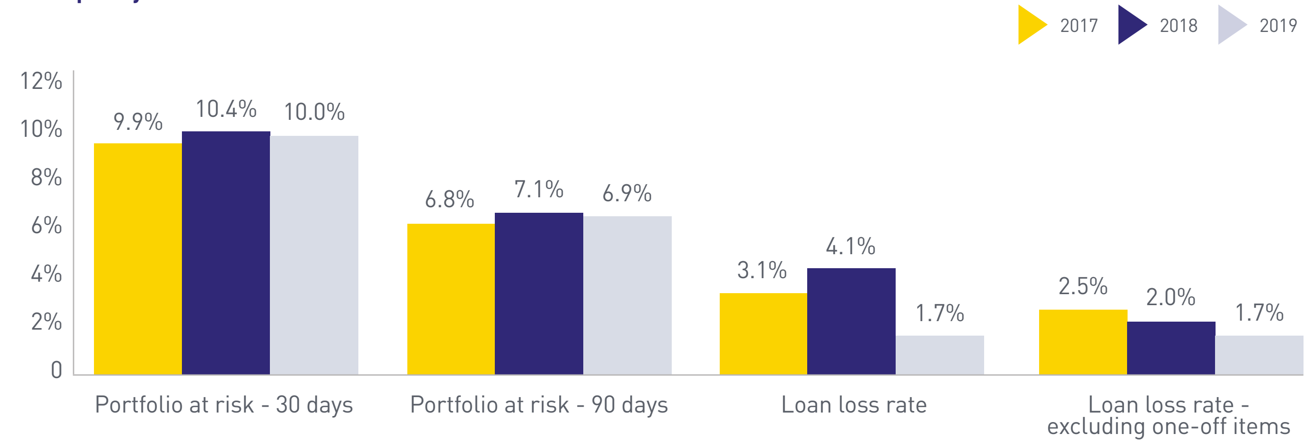
[1] Profit before management fees and tax
[2] Loan loss ratio
[3] Tanzania - includes both entities Faidika and Letshego Bank (T)

Financial Highlights (Continued)

	FY 19	FY 18	% Change
Interest income (P'bn)	3.0	2.7	9%
Net operating income (P'bn)	2.38	2.36	1%
Credit loss (P'mn)	169	361	(53%)
Profit after tax (P'mn)	692	511	35%
Cost of income ratio	45%	42%	3%
Return of equity	16%	12%	4%
Total assets	10.9	10.7	2%
Capital adequacy ratio	36%	33%	3%
Earnings per share (thebe)	29.2	20.7	41%

Our emphasis on tightening credit risk policies has yielded positive results, which is now reflected by an improvement in asset quality. Our total assets increased by 2% to P10.9 Billion, while our return on equity increased by 12% to 16%. Earnings per share has also increased 41% to 29.2 thebe. Our financial performance during 2019 was within expectations. Overall, the Group remains well capitalised, with a capital adequacy ratio of 36% (2018: 33%). Ratings agency Moody's kept Letshego Holdings Limited credit rating unchanged at Ba3, with a stable outlook.

Asset quality



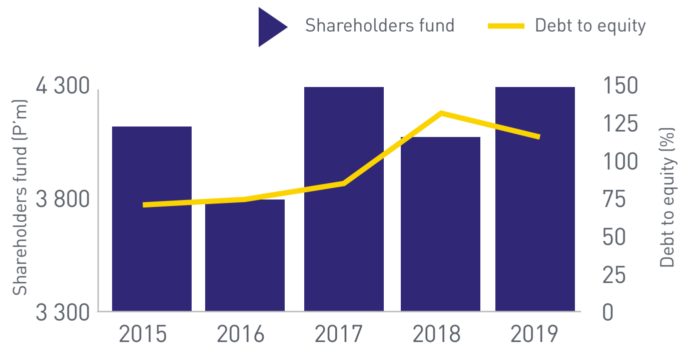
SHAREHOLDER RETURNS

Our share price came under significant pressure during 2019, shedding 56.2% in value or nearly P2 Billion. Since the appointment of new executive and non-executive directors and a new CEO, Andrew Okai, in February 2020, we have seen our share price improve significantly, gaining more than 15% in value since the beginning of the year. The way we deliver returns to shareholders is through strong financial performance. When looking objectively at our financial performance compared to 2018, it suggests that the share price movement was due to uncertainties related to executive leadership, rather than our overall financial performance.

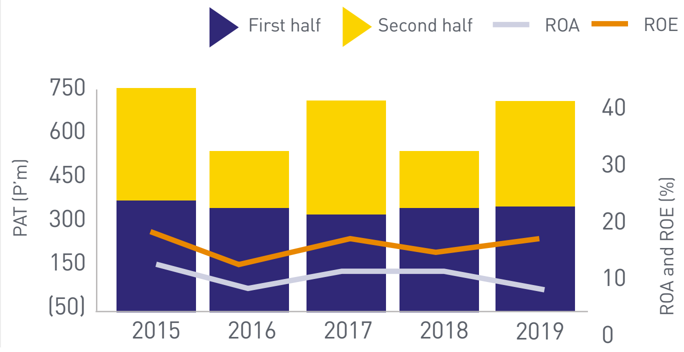
Our increase in return on assets from 5% to 6%, together with increased earnings per share of 41%, supported increases in our return on equity, which improved from 12% to 16%. Also, even after a challenging year, we declared a final dividend of 7.7 thebe per share for the year ended 31 December 2019.

Our major shareholders have not changed during the last year, and we see that as a vote of confidence in our strategy and our ability to manage through tough times. We look to deliver on that confidence over the medium term.

Shareholders fund - Debt to equity



ROA vs ROE vs PAT



Top ten shareholders	31 December 2018 Shares held ('000) Number	%	31 December 2019 Shares held ('000) Number	%	Public / Non-Public
Botswana Insurance Holdings Limited (BIHL)	561 036	26.2	597 236	27.9	Non-Public
African Alliance	264 575	12.3	284 901	13.3	Public
Botswana Insurance Fund Management Limited	208 924	9.7	251 357	11.7	Public
ADP I HOLDING 2	180 484	8.4	180 484	8.4	Public
Allan Gray	108 843	5.1	108 843	5.1	Public
BMO Investment: Former Lloyd George Investment Company	116 510	5.4	87 325	4.1	Public
Investec	83 023	3.9	74 356	3.5	Public
HSBC: Sustainable Capital Africa Alpha Fund	59 405	2.8	59 405	2.8	Public
Standard Chartered Bank of Botswana Nominees (Pty) Ltd – Kuwait Investment Authority	30 650	1.4	49 440	2.3	Public
Standard Chartered Bank of Botswana Nominees (Pty) Ltd - NTGSLUX 010/03 Ashmore Emerging markets	52 854	2.5	39 743	1.9	Public
	1 666 304	**77.7**	**1 733 090**	**80.8**	
Other corporate entities, nominees and trusts and individuals	458 687	21.4	391 901	18.3	Public
Treasury shares	19 054	0.9	19 054	0.9	Public
Total	**2 144 045**	**100**	**2 144 045**	**100**	

Criteria

PUBLIC

Any shareholding less than 10%; (i) A pension fund regulated by NBFIRA; (ii) an entity established under the Collective Investments Undertakings Act or any other listed investment fund regulated by the NBFIRA; or (iii) a registered holder of securities which are the subject of an Exchange Traded Fund or a depository receipt programme listed on the Botswana Stock Exchange. The exemptions above will only be valid provided such entities do not act in concert with any other.

NON-PUBLIC

Parent or associate companies, subsidiaries or associates of parent company; Key persons and their spouses, children and dependents; Any single shareholder who holds 10% or more of shares; Any party acting in concert with the parties set out above.

Non-Financial Highlights

NON-FINANCIAL HIGHLIGHTS

We strive to create financial and non-financial value for our stakeholders. For our customers, we focus on access to financial solutions. For our employees, we endeavour to create employment that delivers competitive remuneration and opportunities for learning and development.

KEY METRICS

We have grown our numbers of customers using our solutions significantly. Our focus on diversification in terms of customer channels has shifted our focus away from growing our physical footprint to improving the value that both our staff and customers gain from those physical outlets. For our staff, the focus has been developing them to serve our customers better and to give them opportunities for growth within Letshego.

Indicators	2017	2018	2019
Access points	621	965	899
Full-time employees (FTEs)	1 905	1 882	1 863
Commission-based direct sales agents (DSAs)	1 287	1 321	1 277
Borrowers	413 000	364 000	343 000
Savers	154 000	173 000	402 298
Value of retail deposits (P Million)	45	85	218
Value of corporate deposits (P Million)	183	412	209
Training spend			
Training spend (P Million)	6.61	4.91	4.30
Training spend as a % of staff costs	2%	1%	1%

Region & Country	Solution			
	Lending			Savings
	DAS	Informal	MSE	Deposits
Southern Africa				
Botswana	✓		✓	
Eswatini	✓	✓	✓	
Lesotho	✓			
Mozambique	✓			✓
Namibia	✓			✓
East Africa				
Kenya	✓		✓	
Rwanda	✓		✓	✓
Tanzania	✓		✓	✓
Uganda	✓		✓	
West Africa				
Ghana	✓	✓	✓	✓
Nigeria	✓		✓	✓

New Independent Non-Executive Directors

We strengthened the Board with the appointment of three new Independent Non-Executive Directors to add complementary financial services, risk and financial technology expertise to the Group's current fiduciary skill sets.

ABIODUN ODUBOLA

Independent Non-Executive Director

- Abiodun Odubola has 30 years of commercial banking experience covering relationship management, credit underwriting, credit risk management, country risk management and country audit at blue chip financial institutions, including Firstbank Nigeria, Ecobank Nigeria, Metropolitan Bank Nigeria, Citibank Nigeria and Citibank NA United Kingdom.
- Abiodun has held non-executive director (NED) roles at financial institutions within and outside of Nigeria, and currently sits on the board of two non-banking financial institutions, in addition to the Letshego Group. In 2016, Abiodun founded Camrose Nigeria Limited, a consulting firm that provides international firms and institutions with financial advisory services in risk, credit management, and debt and equity raising.

PHILIP ODERA

Independent Non-Executive Director

- Philip Odera has more than 30 years of financial and banking experience, having led diverse country operations for international banking institutions across sub-Saharan Africa.
- Philip spent 17 years with Stanbic in Africa, in country leadership roles including Deputy Managing Director for Tanzania, and Country Chief Executive for four of Stanbic's regional markets, namely Malawi, Uganda, South Sudan and most recently, Kenya.
- Prior to Stanbic, Philip began his banking career as a graduate with Citibank Kenya, progressively ascending through the ranks to Vice President of Citibank Kenya. He then relocated to Citibank Congo as the Country Corporate Officer.
- Today Philip continues to share his knowledge and experience by advising multiple, talented organisations and entrepreneurs in his role as Executive Partner at Titans D'Afrique.

RONALD HOEKMAN

Independent Non-Executive Director

- Over 20 years of international banking and finance experience.
- Consults with leading institutions to bolster existing risk frameworks to meet evolving, international standards in effective risk management and reporting.
- Advises multi-geography micro finance institutions on enhancing their credit and risk frameworks.
- Clients include public and private entities, including the IFC and World Bank, as well as mobile network operators.
- Ronald brings experience from diverse global economies across sub-Saharan Africa, as well as Equatorial Guinea, Uzbekistan, the Czech Republic, Ukraine, and Azerbaijan.

New Executive Directors

ANDREW OKAI
Group Executive Director
Group Chief Executive

- Andrew has more than 20 years of international banking experience
- He founded Precept Human Capital, a consulting firm dedicated to assessing, profiling, training, coaching and equipping Africa's next generation of private and public sector leaders a knowledge of international trends in leadership and expertise.
- Prior to Precept, Andrew enjoyed a dynamic and successful career in Standard Chartered Bank, where his most recent role was as Group Chief Operating Officer (Group COO) in Singapore, with responsibilities spanning the international bank's footprint across 30 countries in Africa, Asia, the Middle East, Europe and the Americas.
- Previously, Andrew held several other senior roles in Standard Chartered in Ghana, Hong Kong, South Africa and Zambia.
- Previous roles included: Head of Operational Excellence, Hong Kong; Regional Head Transaction Banking for Banks, Africa; Executive Director Consumer Banking, Ghana, and CEO, Zambia.
- Before joining Standard Chartered, Andrew began his career as a management trainee with Unilever Ghana.
- Education: Chartered Banker MBA degree; Diploma (Post Graduate) Business Administration and Management; MSc Food Processing Technology

GWEN MUTEIWA
Group Executive Director
Group Chief Financial Officer

- Gwen has 20 years of experience in banking.
- Joined Letshego from the ABC Holdings Ltd (BancABC, part of Atlas Mara) where she was Group Chief Financial Officer and responsible for the finance function across six operations in Southern and East Africa. Gwen spent 12 years at ABC Holdings in roles including CFO for Zimbabwe, incorporating retail and wholesale banking, asset management and micro-lending subsidiaries, and Group Head of Finance Transformation. Finance transformation involved the implementation of a financial controls framework, standardising financial control systems and processes across the Group.
- Prior to ABC Holdings, Gwen spent several years in the Zimbabwean banking sector, including three years as Managing Director for a local merchant bank, where she was responsible for strategy implementation, customer acquisition and growth, and corporate advisory.
- Education: Bachelor of Commerce Accounting (Rhodes University, South Africa); Certificate of Theory in Accounting (CTA) and Honours in Accounting Science (University of South Africa - UNISA); 'Management of Banks and Financial Institutes' Certificate (Galilee College, Israel); Executive Leadership Development (Stellenbosch University); MBA (Steinbeis University, Germany)
- Gwen is a member of the Institute of Chartered Accountants Zimbabwe (ICAZ) and Botswana Institute of Chartered Accountants (BICA).

New Group Executives

AUPA MONYATSI
Group Chief Operating Officer

- Aupa is a well-rounded and experienced banker, having worked in regional financial services sectors for 17 years.
- Aupa joined Letshego from Absa Barclays Group, where he has been responsible for leading the team that spearheaded and developed the regional bank's digital innovation and virtual channels. Aupa's Absa Barclays Group responsibilities expanded across 12 markets in sub Saharan Africa. He spent two years traveling between Ghana, Senegal, and Nigeria incubating select fintechs to drive financial inclusion through mobile money, using block chain. Furthering Aupa's passion and expertise in fintech development, he spent time in Silicon Valley (USA) and Spain to benchmark global trends in innovation.
- Aupa has held various leadership positions in Barclays Botswana, including Chief Operating Officer, Head of Distribution Channels and Acting Managing Director Botswana, before transferring to his group responsibilities at Absa's regional head office in South Africa.
- Aupa began his career in auditing with PWC Botswana.
- Education: Bachelor of Accountancy (University of Botswana); Specialised executive development programmes (incl. Duke University, USA)

BELLA DIHUTSO
Group Credit Risk Officer

- Bella brings more than 12 years of experience in credit risk management and is an example of how Letshego is successfully developing its talent for leadership positions. Bella has played a significant role in the Group's credit and risk framework for the last four years.
- Over the last 10 months, Bella has held the Group Credit Risk Officer role in an acting capacity, a natural step up from her previous responsibility as Letshego's Group Credit Risk Models, Impairments & Analytics Manager. Soon after joining Letshego, Bella led the implementation of IFRS9 across all 11 subsidiaries and introduced and implemented automated credit reporting across the Group.
- Before joining Letshego in 2016, Bella was the Head of Impairments, Models & Analytics at Barclays Botswana, having being promoted from the Consumer Risk team, where she was responsible for the management of information analytics.
- Education: BIS Computer Information Systems (University of Botswana); SAS (Statistical Analysis System) Programming 1 and 2; Management Development Programme (Stellenbosch University)

MAYOKUN AJIBADE
Group Head of Treasury

- Mayo has over 20 years of experience in Africa's leading financial markets.
- Prior to joining Letshego, Mayo was Managing Partner at Dulcis Africa Advisory, a financial services firm that helps clients to navigate the complexities of African financial markets.
- Prior to this, Mayo spent over 14 years at Standard Chartered Bank in various senior roles, including: Head of Financial Markets, Southern Africa; Head of Global Markets, West Africa; Regional Head of Product Development, Global Markets Africa; Executive Director, Head of Global Markets at Standard Chartered Bank Botswana and Head of Trading at Standard Chartered Nigeria.
- Previously, Mayo spent several years in the Nigeria banking sector, where he was responsible for assets and liability management, restructuring business processes and pioneering bond trading.
- Education: Bachelor of Science, Honours in Finance (University of Lagos, Nigeria); MBA (London School of Economics)

Portfolio Review

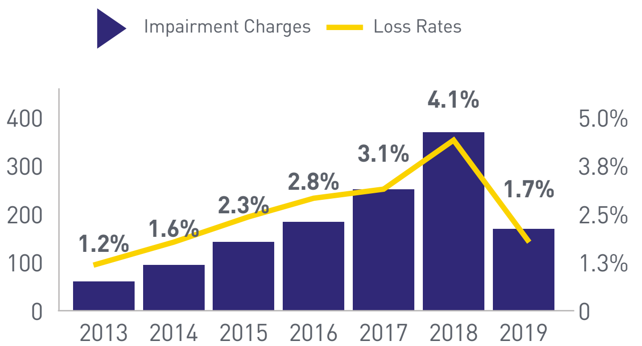
We offer four core solutions: deduction at source (formal lending), MSE, informal (mobile solutions), and retail deposit taking customers. In 2019, deduction at source loans contributed 88% of the overall loan portfolio (2018: 86%). Our three largest markets, Botswana, Namibia, and Mozambique, performed well in this segment, with net growth of 6%, 16%, and 6% respectively.

As a responsible lender, our effort to grow our portfolio is balanced against our commitment to promote affordability for our customers. During 2019, we tightened our credit approval process, to better protect our customers, and mitigate our credit risk. This process involved reviewing our affordability criteria, levels of disposable income, and the disclosure we provide to customers to ensure that there is a mutual understanding of our agreements. In some countries, these changes have resulted in increases in customer numbers, improvement in the quality of our book, and improvements in credit controls.

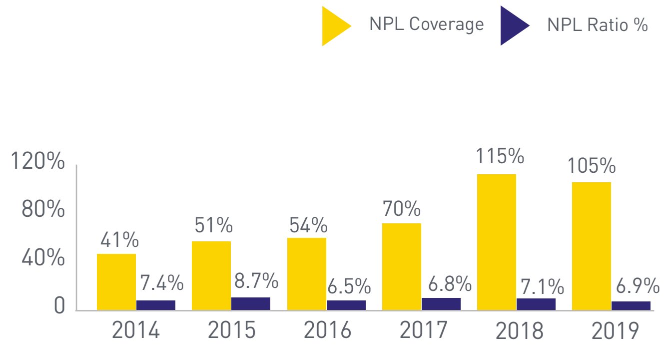
We are strengthening the management teams in all countries. Other changes that are being implemented at a Group level, such as the strengthening the audit function, will contribute to ensure the ongoing quality of the book in the future.

Asset quality	2019	2018	2017
Portfolio at risk - 90 days	6.9%	7.1%	6.8%
Portfolio at risk - 30 days	10.0%	10.4%	9.9%
Loans loss rate - excluding once-off loans	1.7%	2.0%	2.5%

Impairment charges and loss rates



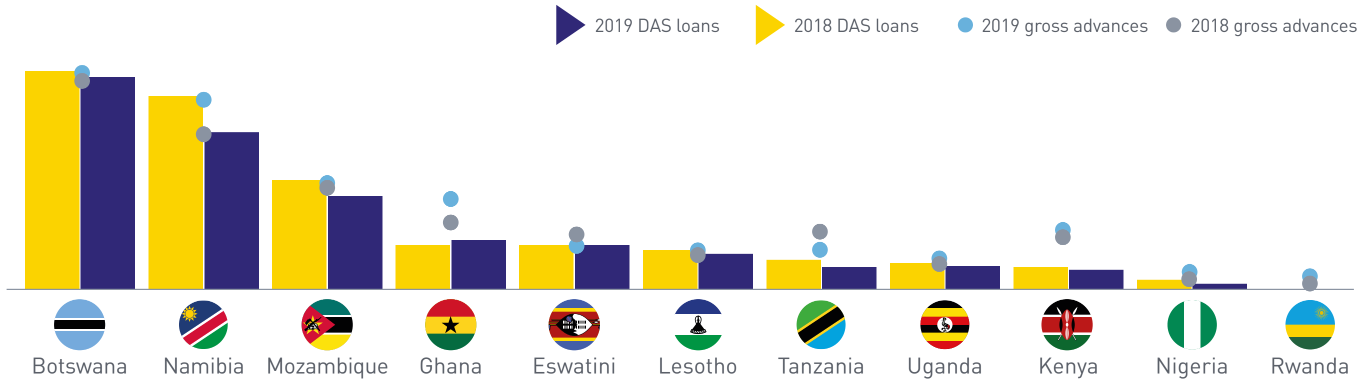
NPL provision adequacy



DEDUCTION AT SOURCE

Net advances within our DAS portfolio grew 4% in 2019 compared to the previous year. The DAS portfolio will continue to be the main driver of business growth by virtue of accounting for 88% of the Group portfolio. Direct sales agents continue to provide a valued channel for growing the DAS portfolio, contributing close to 50% of all new DAS business in 2019. Letshego continues to diversify its DAS portfolio by expanding into non-government sectors across our footprint.

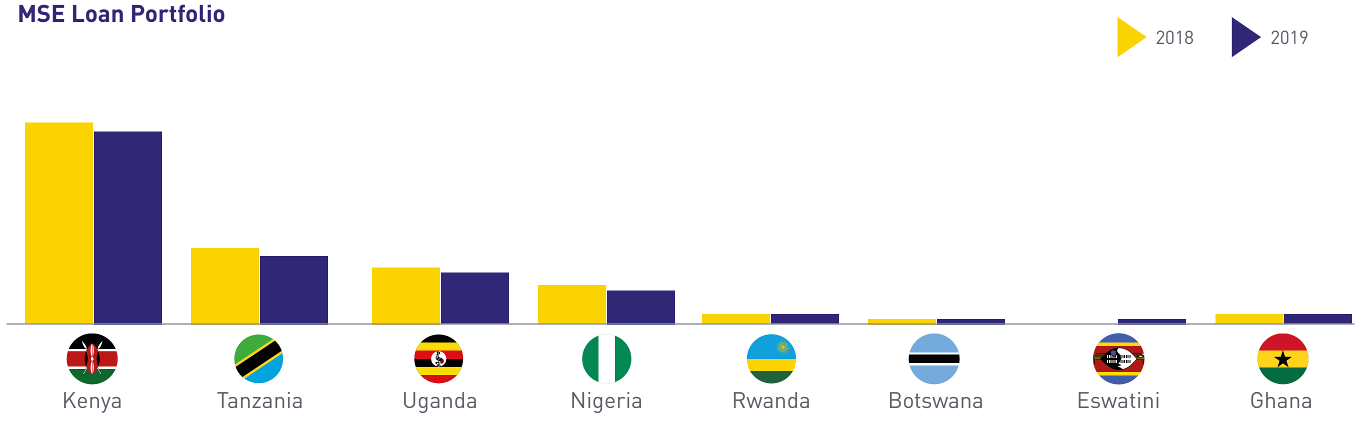
DAS Loans per Country Compared Against Gross Advances



MSE LENDING

Net advances in our MSE portfolio reduced by 6% year on year, from P948 Million in 2018 to P892 Million in 2019. Mozambique and Eswatini launched their MSE loan offering in 2019, with a total of P126 000 and P19.6 Million disbursed respectively. A 12% growth in this portfolio was noted in Botswana with a 28%, 23% and 16% reduction in overall funds disbursed in Nigeria, Rwanda, and Tanzania respectively when compared year on year.

MSE Loan Portfolio



Portfolio Review (Continued)

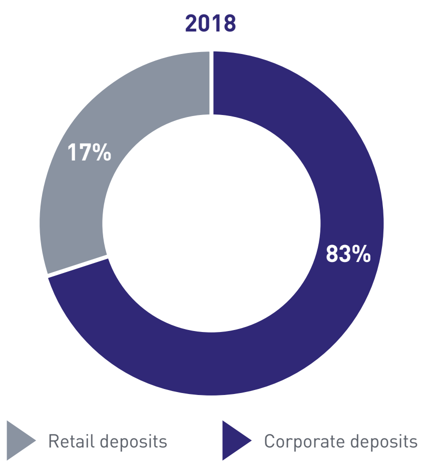
INFORMAL LENDING

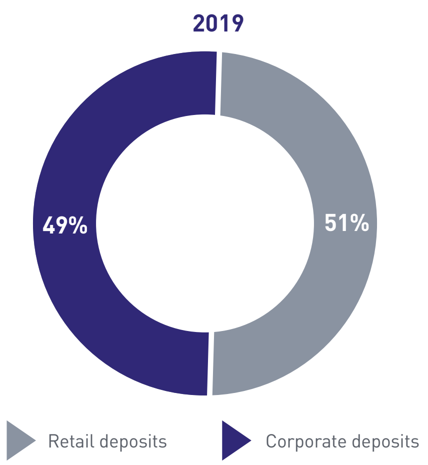
Our informal lending (mobile loan) portfolio reflects loans given to individuals who require micro loans for short periods. The solution enables customers to apply for loans on their mobile phones, as well as develop and improve their personal credit profile by managing their small loans responsibly. Customers who demonstrate responsible loan repayments of these small amounts unlock access to more capital, ultimately enabling them to fund more productive and sustainable ventures. This solution is primarily offered to customers in Ghana. The pilot was started in 2018 and is now reaching more than P1.6 Million customers on our partner platform.

The pilot in Ghana showed significant uptake, but loan repayments were generally poor, necessitating the mitigation of portfolio risk. We subsequently reduced our informal portfolio exposure in Ghana, cutting this portfolio's contribution to overall disbursements to P339 Million at year end (2018: P507 Million). We are piloting another mobile lending solution on informal customers in Eswatini, with a total value of disbursements in 2019 reported at P4.5 Million.

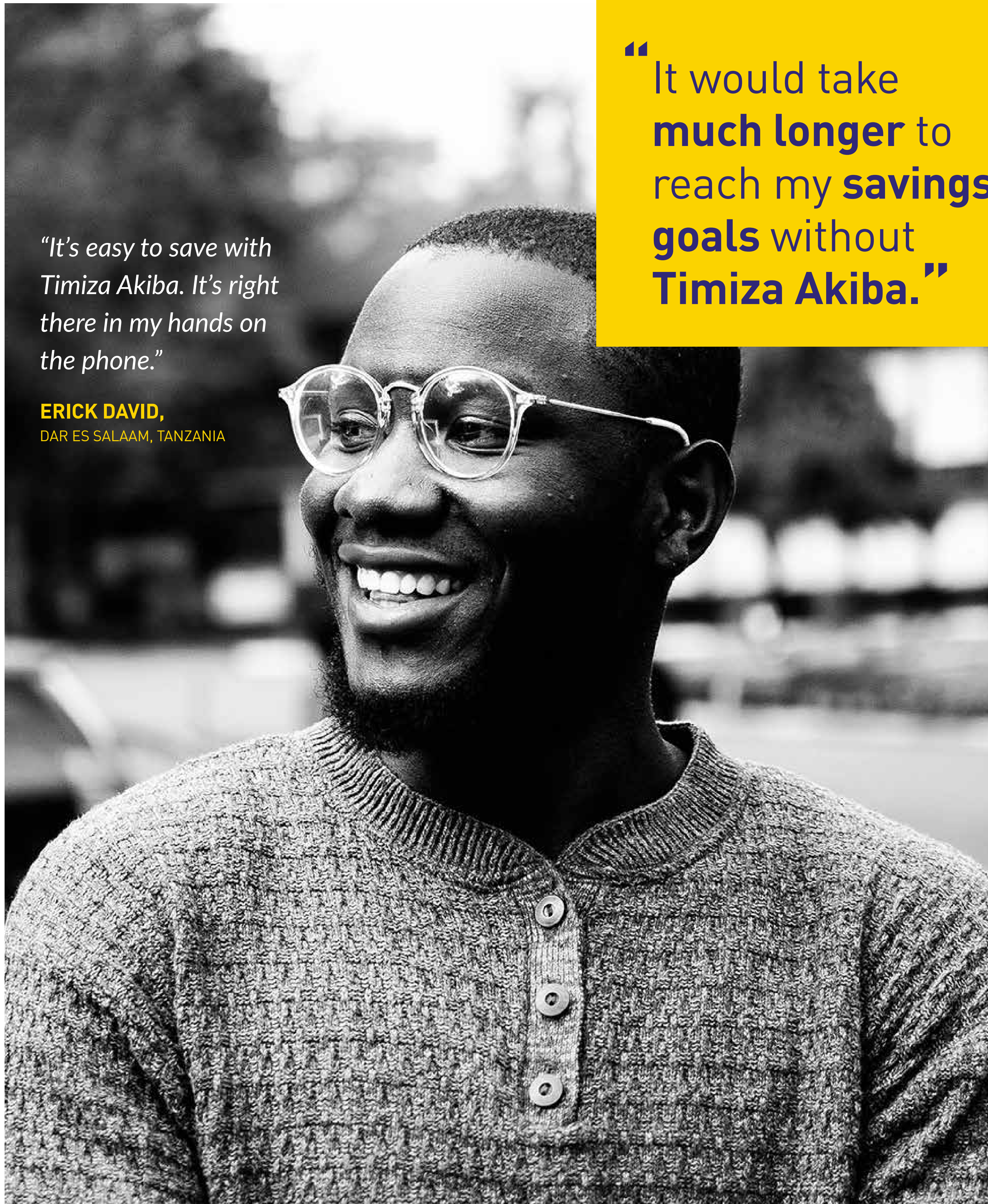
RETAIL DEPOSIT TAKING

Overall deposits from customers reduced from P498 Million in 2018 to P427 Million at the end of 2019. During the year, a review of deposits was carried out and a strategic decision was taken to focus on mobilizing retail deposits and simultaneously be more selective about accepting costly institutional deposits. This decision resulted in a reduction in the value of institutional deposits to P209 Million (2018: P412 Million). This process of reduction is expected to continue in 2020, as retail deposit mobilisation efforts intensify. Thanks to this strategy, retail deposit customer values increased to P218 Million in 2019 (2018: P85 Million). Retail deposits accounted for 51% as a percentage of total deposits in 2019 (2018: 17%).





Mozambique and Namibia were major contributors of the retail deposits. The launch of channels especially debit cards and USSD bill payment channels contributed to growth of retail deposits.



"It would take **much longer** to reach my **savings goals** without **Timiza Akiba.**"

"It's easy to save with Timiza Akiba. It's right there in my hands on the phone."

ERICK DAVID,
DAR ES SALAAM, TANZANIA

Before finding his job as a security guard in Dar es Salaam, Erick worked as a farmer in his hometown with his parents and two siblings. Although he earns enough money to support his needs, Erick is saving for his own and his siblings' education. Once he has reached his savings goal, he would like to use the capital to build multiple income streams by running agricultural businesses. Erick used to save his money in a traditional bank account, but the travel and queuing made it inconvenient, so he used his mobile wallet. Erick still found it hard because there was no clear separation between his savings and his spending money. "As long as the money is within reach, the temptation is always there to use it."

With Timiza Akiba, it is much easier to avoid the temptation to spend his savings, Erick says, he knows that he can rely on his savings always being safely stored for the future.

2

Our Leadership

Group Board of Directors

BOARD OF **DIRECTORS**

At Letshego we are committed to our people. We are proud of our diversity which embraces over 15 nationalities across the Group - a valuable differentiator that we believe enhances our ability to execute and deliver on our strategy. The combination of our skills, capacity, culture and experience enables us to grow our business and individuals.

ENOS BANDA (54)

Nationality: South Africa
LL.M, D.Jur, BA Financial Accounting

Chairman and Independent Non-Executive Director
Chairman of the Group Governance, Nominations and Social and Ethics Committee (GNSEC)

Appointed 2016

- A lawyer by training and ex-investment banker, Enos has practised 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, and the Municipal Infrastructure Investment Unit of the SA government.
- Former chairman of Gold Reef Resorts Limited (now merged with Tsogo Sun); Former chairman of Budget and Audit Committee. Member of Norilsk Nickel MMC, an LSE listed resources company.
- Founder member of Freetel Fund Management, a South African based fund.

Shareholding: None
Residence: USA

STEPHEN PRICE (67)

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

Independent Non-Executive Director
Chairman of the Group Audit Committee (GAC)
Member of the Group Risk Committee (GRC)
Member of the Group Strategy and Investment Committee (GSIC)

Appointed 2013

- Stephen is a Fellow of the Institute of Chartered Accountants of England and Wales.
- 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.
- Extensive merger and acquisition transaction advisory and consulting experience for 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 for these sectors.

Shareholding: None
Residence: UAE

DR. GLORIA SOMOLEKAE (61)

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

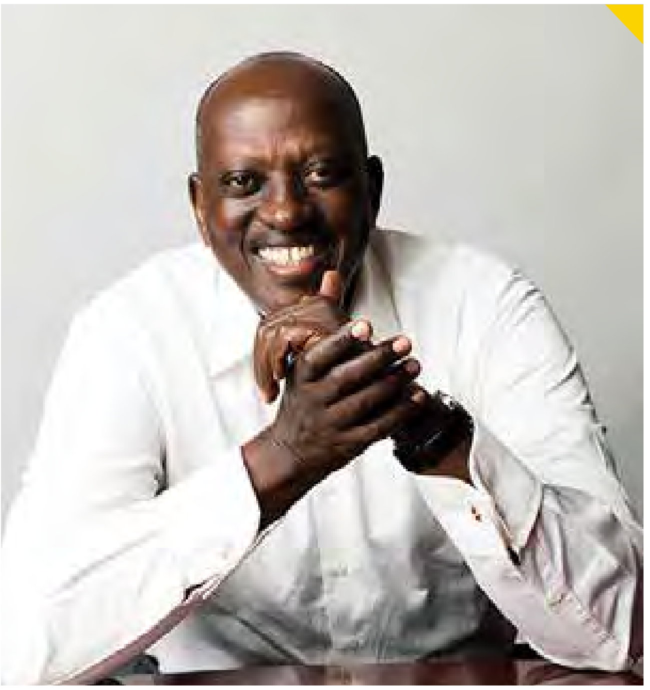
Independent Non-Executive Director
Chairperson of the Group Remuneration Committee (GRemCo)
Member of Group Audit Committee (GAC)
Member of Group Nominations Social and Ethics Committee (GNSEC)

Appointed 2016

- Gloria is currently the head of Governance and Administration (senior research fellow) at the Institute for Development Policy Analysis (BIDPA).
- She is the former managing director for GS Development and Strategy consulting where she consulted on a number of areas including Development Management, Business Regulatory Compliance, Rural Development Policy and practice among others.
- Former lecturer in public administration at the University of Botswana
- Gloria is a career academic with a strong focus on, and expertise in, philanthropy 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, philanthropy, and the 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 microfinance) primarily with the Kellogg Foundation.

Shareholding: None
Residence: Botswana

Group Board of Directors (Continued)



HANNINGTON R. KARUHANGA (60)

Nationality: Uganda

BA (Hons), MBA

Independent Non-Executive Director
Chairman of the Group Strategy and Investment Committee (GSIC)
Member of Group Audit Committee (GAC)
Member of Group Remuneration Committee (GRemCo)

Appointed 2013

- Hannington has over 25 years of commodities trading experience, of which more than 15 years were spent as group managing director of Sucafina S.A Group of Companies.
- He previously worked as marketing manager for the Uganda Coffee Marketing Board Limited for over nine 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 Development Authority and he is the Managing Director of Savannah Commodities.

Shareholding: 28 987
Residence: Uganda

ABIODUN ODUBOLA (60)

Nationality: Nigeria

BSc Agricultural Economics; MBA

Independent Non-Executive Director
Chairman of the Group Risk Committee (GRC)
Member of Group Remuneration Committee (GRemCo)
Member of the Group Audit Committee (GAC)

Appointed 2019

- Abiodun Odubola has 30 years of commercial banking experience covering relationship management, credit underwriting, credit risk management, country risk management and country audit at blue chip financial institutions, including Firstbank Nigeria, Ecobank Nigeria, Metropolitan Bank Nigeria, Citibank Nigeria and Citibank NA United Kingdom.
- Abiodun has held non-executive director (NED) roles at financial institutions within and outside of Nigeria, and currently sits on the board of two non-banking financial institutions, in addition to the Letshego Group. In 2016, Abiodun founded Camrose Nigeria Limited, a consulting firm that provides international firms and institutions with financial advisory services in risk, credit management, and debt and equity raising.

Shareholding: None
Residence: Nigeria

PHILIP ODERA (59)

Nationality: Kenya

Bachelor of Economics from St. Lawrence University, USA (1980)
MBA in Finance from Suffolk University in Boston (1985)

Independent Non-Executive Director
Member of the Group Audit Committee (GAC)
Member of Group Nominations Social and Ethics Committee (GNSEC)
Member of Group Strategy and Investment Committee (GSIC)

Appointed 2019

- Philip Odera has more than 30 years of financial and banking experience, having led diverse country operations for international banking institutions across sub-Saharan Africa.
- Philip spent 17 years with Stanbic in Africa, in country leadership roles including Deputy Managing Director for Tanzania, and Country Chief Executive for four of Stanbic's regional markets, namely Malawi, Uganda, South Sudan and most recently, Kenya.
- Prior to Stanbic, Philip began his banking career as a graduate with Citibank Kenya, progressively ascending through the ranks to Vice President of Citibank Kenya. He then relocated to Citibank Congo as the Country Corporate Officer.
- Today Philip continues to share his knowledge and experience by advising multiple, talented organisations and entrepreneurs in his role as Executive Partner at Titans D'Afrique.

Shareholding: None
Residence: Kenya

RONALD HOEKMAN (55)

Nationality: The Netherlands

Diploma, Dutch Banking Institute (IBE)

Independent Non-Executive Director
Member of Group Risk Committee (GRC)
Member of Group Nominations Social and Ethics Committee (GNSEC)
Member of the Group Strategy and Investment Committee (GSIC)

Appointed 2020

- Over 20 years of international banking and finance experience.
- Consults with leading institutions to bolster existing risk frameworks to meet evolving, international standards in effective risk management and reporting.
- Advises multi-geography micro finance institutions on enhancing their credit and risk frameworks.
- Clients include public and private entities, including the IFC and World Bank, as well as mobile network operators.
- Ronald brings experience from diverse global economies across sub-Saharan Africa, as well as Equatorial Guinea, Uzbekistan, the Czech Republic, Ukraine, and Azerbaijan.

Shareholding: None
Residence: Czech Republic

Group Board of Directors (Continued)

GERRIT LODEWYK VAN HEERDE (52)

Nationality: South Africa

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

Non-Executive Director
Member of Group Risk Committee (GRC)
Member of Group Strategy and Investment Committee (GSIC)

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 oversight responsibility for Sanlam Home Loans and Angola African Finance.

Shareholding: None
Residence: South Africa

CATHERINE LESETEDI (52)

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 Group Nominations Social and Ethics Committee (GNSEC)
Member of Group Remuneration Committee (GRemCo)

Appointed 2017

- 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, and is skilled in negotiations, budgeting, analytics, coaching and entrepreneurship.
- Prior to her current position, she held various positions within BIHL Group and AON Botswana, including Head of Corporate and High Value Business and General Manager of Life and Employee Benefits.

Shareholding: None
Residence: Botswana

RUNA ALAM (60)

Nationality: United Kingdom

BA International and Development Economics (Princeton),
MBA (Harvard)

Non-Executive Director
Member of the Group Risk Committee (GRC)
Member of Group Remuneration Committee (GRemCo)

Appointed 2018

- Runa is the co-Founding Partner and CEO 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 and is a member of the Emerging Market Private Equity Associations Advisory Council and African Council. She is also on the steering committee of the Private Equity Women's Investment Network.

Shareholding: None
Residence: United Kingdom

Group Board of Directors (Continued)

ANDREW OKAI (52)

Nationality: Ghana
Chartered Banker MBA degree,
Diploma (Post Graduate) Business Administration and Management,
MSc Food Processing Technology

Group Executive Director; Group Chief Executive

Appointed 2020

- Andrew has more than 20 years of international banking experience
- He founded Precept Human Capital, a consulting firm dedicated to assessing, profiling, training, coaching and equipping Africa's next generation of private and public sector leaders a knowledge of international trends in leadership and expertise.
- Prior to Precept, Andrew enjoyed a dynamic and successful career in Standard Chartered Bank, where his most recent role was as Group Chief Operating Officer (Group COO) in Singapore, with responsibilities spanning the international bank's footprint across 30 countries in Africa, Asia, the Middle East, Europe and the Americas.
- Previously, Andrew held several other senior roles in Standard Chartered in Ghana, Hong Kong, South Africa and Zambia.
- Previous roles included: head of operational excellence, Hong Kong; regional head transaction banking for banks, Africa; executive director consumer banking, Ghana, and CEO, Zambia.
- Before joining Standard Chartered, Andrew began his career as a management trainee with Unilever Ghana.

Shareholding: None
Residence: Botswana

GWEN MUTEIWA (45)

Nationality: Zimbabwe
B Comm Accounting

Group Executive Director; Group Chief Financial Officer

Appointed 2020

- Gwen has over 20 years of experience in banking and financial services.
- Joined Letshego from the role of Group Chief Financial Officer at ABC Holdings Ltd (BancABC, part of Atlas Mara), where Gwen was responsible for the finance function in six operations in Southern and East African markets.
- Spent 12 years at ABC Holdings in roles including the Chief Financial Officer for Zimbabwe, incorporating retail and wholesale banking, asset management and micro-lending subsidiaries, as well as a role of Group Head of Finance Transformation.
- In her transformation role Gwen led the implementation of a financial controls framework, standardisation of financial control systems and processes across the Group.
- Gwen spent several years in the Zimbabwe banking sector, including three years as Managing Director for a local merchant bank, where she was responsible for strategy implementation, customer acquisition and growth, as well as a stint in corporate advisory.

Shareholding: None
Residence: Botswana

Group Executive Committee

ANDREW OKAI
Group Executive Director;
Group Chief Executive

GWEN MUTEIWA
Group Executive Director;
Group Chief Financial Officer

- Financial Strategy
- Tax Management
- Financial and Regulatory Reporting
- Investor Relations
- Finance Operations
- Capital Management

AUPA MONYATSI
Group Chief Operating Officer

- Oversight and Re-engineering of Data Eco-system
- Central Operating Environment
- System Efficiency
- Business Continuity Processing
- Business and Function Integration
- Shared Services and Business Transformation

FREDERICK MMELESI
Group Head of Deduction at Source and Consumer Solutions

- Deduction at Source
- Consumer Solutions
- Customer Sales
- Countries: Botswana; Lesotho; Mozambique; Namibia; Eswatini; Tanzania (Faidika)

GEOFFREY KITAKULE
Group Head of MSE, Secured Lending and Savings Mobilisation

- Micro and Small Entrepreneurs
- Secured Lending
- Savings Mobilisation
- Countries: Ghana; Kenya; Nigeria; Rwanda; Tanzania - Letshego Bank; Uganda

BELLA DIHUTSO
Group Credit Risk Officer

- Credit Risk
- Portfolio Management
- Credit Operations
- Collections and Recoveries
- Model Development and Validation
- Credit Data Analytics and Business Intelligence

CHIPILIRO KATUNDU
Group Head of Marketing and Customer Experience

- Marketing
- Communications
- Channels
- Customer Experience

MYTHRI SAMBASIVAN-GEORGE
Group Commercial Sustainability and Strategy Officer

- Business Performance
- Commerce
- Data Analytics and Business Intelligence
- Strategy and Innovation

NEVILLE PERRY
Group Head of Technology and Operations

- Central Technology Services
- Group Operations Support
- Programme Management
- Business Support and System Balance Sheet Integrity

MAYOKUN AJIBADE
Group Head of Treasury

- Liquidity Management
- Treasury Policy and Process
- Market and Foreign Exchange Risk
- Assets and Liabilities Management

KAMOGELO CHIUSIWA
Group Head of Human Capital

- HR Shared Service Centre
- Learning and Development
- Organisational Development
- Industrial and Employee Relations

MATSHIDISO KIMWAGA
Company Secretary
Acting Group Head of Governance, Legal and Compliance

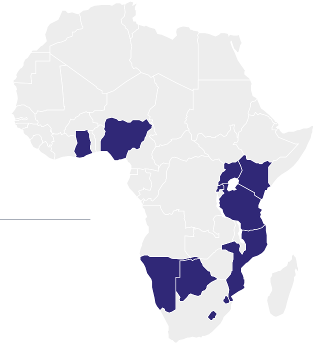
- Enterprise Compliance Management
- Governance Framework
- Safety, Health and Environment

NKOSANA NDLOVU
Group Head of Internal Audit

- Financial and Business Assurance
- IT & Projects Assurance
- Combined Assurance
- Special Audits

OUR LEADERSHIP

Country CEOs



BOTSWANA
FERGUS FERGUSON
Nationality: Botswana
Residence: Botswana

GHANA
ARNOLD PARKER
Nationality: Ghana
Residence: Ghana

KENYA
ADAM KASAINE
Nationality: Kenya
Residence: Kenya

LESOTHO
DIMAKATSO POLOKELO*
Nationality: Botswana
Residence: Lesotho

MOZAMBIQUE
CARLOS NHAMAHANGO
Nationality: Mozambique
Residence: Mozambique

NAMIBIA
ESTER KALI
Nationality: Namibia
Residence: Namibia

ESWATINI
MONGI DLAMINI
Nationality: Eswatini
Residence: Eswatini

NIGERIA
TOLULOPE OPAYINKA
Nationality: Nigeria
Residence: Nigeria

RWANDA
BENJAMIN MUKETHA*
Nationality: Kenya
Residence: Rwanda

UGANDA
GILES AIJUKWE*
Nationality: Uganda
Residence: Uganda

TANZANIA
Letshego Bank
ANDREW TARIMO*
Nationality: Tanzania
Residence: Tanzania

TANZANIA
Faidika
BARAKA MUNISI
Nationality: Tanzania
Residence: Tanzania

*** Acting CEO**

"Letshego Kenya **supported Ann with financing** to purchase an additional machine to **boost her plant production** capacity."

"I approached Letshego and they supported me with funds to purchase all the machinery and raw material to start my business."

ANN MURAGURI
KENYA

Ann is a retired teacher, who taught for 33 years. She decided to take early retirement to concentrate on the family business, with a vision to take it to the next level. She started up Highlands Salt, a company that makes animal feeds for cattle, pigs and chickens. Her product offering has grown impressively over the years to include stock lick, high phosphate salts and a variety of livestock fattening products for feedlots. The business has been in operation for 10 years.

Letshego Kenya supported Ann with financing to purchase an additional machine to boost her plant production capacity. In addition to Highland Salt, Ann now also owns rental properties, which she built with the support of Letshego Kenya and has started a soap manufacturing plant her daughter manages.

3

The Board

The Board

Our Board is the governance forum for the Group. Its leadership works to create value for our shareholders and benefits for all stakeholders.

The Board actively engages management in setting, approving and overseeing execution of the strategy and related policies.

It monitors that management (i) maintain internal controls for assurance of effective and efficient operations, and compliance with laws and regulations; and (ii) does this within an ethical environment.

The Executive Committee, and its various management subcommittees, report to the Board and Board committees in accordance with their respective mandates to ensure the appropriate flow of information from the mandated executive forums to the relevant oversight forums.

The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence. In particular, the Board members have skills and experience in the areas of banking, risk and capital management, commercial, financial, auditing, accounting, large-scale industrial, counterparty negotiation, legal, technology, human resources and reward, as well as pan-African strategic engagement. During the year and post year end the Board members have strengthened by three new appointments. 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 at any time.

Our Board composition emphasises Directors' independence to promote independent judgement and diverse mind-sets and opinions. All Directors are expected to exercise their judgement independently, irrespective of their status.

We are confident that our financial performance closely mirrors our levels of Board diversity and recognise that diversity is a strength to the business. Differing perspectives are key in ensuring appropriate levels of oversight and achievement of objectives. As at 31 December 2019, the representation of women on all our subsidiary boards stood at 17% (2018: 24%) while country management teams remained the same as the previous year at 32%. During 2020 we expect to develop a policy in order to strengthen our commitment to Board diversity.

During the year, the company strengthened the Subsidiary Boards by appointing new directors in majority of the subsidiaries to ensure that the subsidiaries had the requisite fiduciary leadership to oversee execution of strategy and related policies and to ensure that country management maintains internal controls for assurance of effective and efficient operations and compliance with laws and regulations. A key aspect of the composition of the Boards is meeting the requirements of King IV principles.

THE BOARD

Composition and Structure

Letshego Holdings Limited board membership comprised ten directors as at 31 December 2019 - being six Independent Non-Executive Directors (INEDs), three Non-Executive Directors (NEDs) and one Executive Director (EXEC). There were several changes to the Board during 2019 and subsequent to the year-end as follows:

- S Crouse was appointed as the Group CEO on 24 September 2018 and resigned on 27 March 2019
- C Patterson resigned as the Group CFO and Executive Director on 2 March 2019
- J De Kock resigned from the Board on 5 March 2019 to take up the role of acting Group Financial Officer until 31 March 2020
- D Ndebele was appointed as the Interim Group CEO on 27 March 2019, following S Crouse's resignation, and resigned on 30 January 2020 following the appointment of A Okai
- C van Schalkwyk resigned from the Board on 2 May 2019
- P Odera and A Odubola were appointed to the Board on 12 December 2019
- R Hoekman was appointed to the Board on 22 January 2020
- A Okai was appointed Group Chief Executive on 1 February 2020, and subsequently Executive Director
- G Muteiwa was appointed Group Chief Financial Officer on 1 March 2020, and subsequently Executive Director

Board and committee composition as at 31 December 2019:

Director	Status	Number of Committees served by Board Member	Main Board	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Group Strategy and Investment Committee	Group Governance, Nominations, Social & Ethics Committee
E Banda	INED	1	C ✓					C ✓
S Price	INED	4	✓	C ✓	C ✓		✓	✓
H Karuhanga	INED	4	✓	✓	✓	✓	C ✓	
P Odera	INED	-	✓					
G Somolekae	INED	2	✓	✓		C ✓		
A Odubola	INED	-	✓					
R Alam	NED	4	✓		✓	✓	✓	✓
C Lesetedi	NED	2	✓			✓		✓
G van Heerde	NED	2	✓		✓		✓	
D Ndebele (GCE)	EXEC	-	✓					

Board and Committee Composition as at 31 March 2020. Following the new Board appointments the composition of the Board and its committees are now as follows:

Director	Status	Number of Committees served by Board Member	Main Board	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Group Strategy and Investment Committee	Group Governance, Nominations, Social & Ethics Committee
E Banda	INED	1	CC ✓					CC ✓
S Price	INED	4 ▶ 3	✓	CC ✓	✓		✓	
H Karuhanga	INED	4 ▶ 3	✓	✓		✓	CC ✓	
P Odera	INED	3	✓	✓			✓	✓
G Somoleke	INED	3	✓	✓		CC ✓		✓
A Odubola	INED	3	✓	✓	NC ✓	✓		
R Hoekman	INED	3	✓		✓		✓	✓
R Alam	NED	4 ▶ 2	✓		✓	✓		
C Lesetedi	NED	2	✓			✓		✓
G van Heerde	NED	2	✓		✓		✓	
A Okai (GCE)	EXEC	-	✓					
G Muteiwa	EXEC	-	✓					
Summary			**Total: 11**	**Total: 5**	**Total: 5**	**Total: 5**	**Total: 5**	**Total: 5**
No. of board members - EXEC			2					
No. of board members - INED			7	5	3	3	4	4
No. of board members - NED			3		2	2	1	1

C	Chairperson	EXEC	Executive Director	GCE	Group Chief Executive Officer
CFO	Chief Finance Officer	INED	Independent Non-Executive Director	NED	Non-Executive Director
CC	Current Chairperson	NC	New Chairperson		

Compliant with King IV

✓ Current Committee Membership

✓ New Committee Membership

As part of committee re-balancing, the revised number of committees that each Board Member serves on is shown in the **'Number of committees served by Board Member'** column.

Letshego

Board Process and Outcomes

BOARD EVALUATION

The last Board evaluation was performed in 2018. The next Board evaluation will be held during the year 2020 in line with King IV requirements, which stipulate that the evaluation of the Board, its committees, and the individual directors will be performed on alternate years. To promote objectivity, the 2020 appraisal will be facilitated by the Institute of Directors in Southern Africa, an independent governance facilitator.

The Board evaluation and self-assessment processes are designed to review the effectiveness of the Board and members of various committees. The self-assessment exercise provides open and constructive two-way feedback to Board members that promotes acceptable levels of performance across various principal governance areas.

BOARD MEETINGS

The Board meets at least quarterly during the year. In addition, during 2019 there was an annual strategy review meeting and separate Board and Group Audit Committee meetings to review and approve: (i) the interim results and dividend declarations, and (ii) final year end audited financial statements. Therefore, six regular Board meetings were held during 2019. Directors are fully briefed by the Company Secretary receive all the necessary information ahead of scheduled Board and Committee meetings, to enable them to discharge their responsibilities.

NEDs meet at each quarterly Board meeting in the absence of executive management to discuss and exercise objective judgement on the affairs of the Group and to independently assess the performance of executive management. At least one third of the NEDs rotate every year in line with the Constitution. If eligible, they may offer themselves for re-election at the Annual General Meeting. The maximum term for NEDs is nine years. Retirement age for NEDs is 70.

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 that the Group has an effective independent Group Audit Committee (GAC), Group Risk Committee (GRC), Group Remuneration Committee (GRemCo), Group Strategy and Investment Committee (GSIC), Group Governance, Nominations, Social and Ethics Committee (GNSEC):
- 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, standards and best practice; and
- Ensures that an effective risk-based internal audit function and plan is in place

BOARD CHARTER

The Board Charter, which is aligned to King IV, 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 and
- Policies and practices of the Board with respect to 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, and business continuation/disaster recovery proceedings and procedures

COMPANY SECRETARY

The Company Secretary plays a critical role in the corporate governance of Letshego Group, acting as an advisor to the Board, guiding individual directors and committees 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 Committee Charters are kept up to date, and that Board and Committee meeting papers are circulated in good time. Also, he/she assists in eliciting responses, input and feedback for Board and its Committee meetings. The Company Secretary assists the Group Governance, Nominations, Social and Ethics Committee (GNSEC) to ensure that the correct procedures are followed for the appointment and induction 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. Furthermore, the Company Secretary responsibilities effectively. Furthermore, the company secretary helps the Board and its committees in the process of self-assessment.

On 27 March 2019, Matshidiso Kimwaga became the Company Secretary of Letshego Holdings Limited.

PERFORMANCE APPRAISAL OF EXECUTIVE LEADERSHIP AND MANAGEMENT

Executive Directors, senior leadership, and management are appraised relative to predetermined strategic objectives and the achievement of specific Group performance targets that the Board approves annually.

BOARD PROCESSES

Appointments to the Board

The GNSEC proposes all new board appointments, taking into account the appropriate balance of skills, experience, and diversity required to lead, control, and best represent the Group. To this end, GNSEC submits a formal proposal to the Board for its consideration. Background and reference checks and politically exposed person (PEP) screening 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. All NED board appointments are put to a shareholder vote at the next Annual General Meeting.

Succession planning

Letshego Group promotes succession planning for all key positions. GRemCO reviews succession plans for key Group roles throughout the year and reports back to the Board at subsequent meetings. Board succession is the responsibility of GNSEC. The Group also has a programme to identify and develop a pipeline of future leadership talent across its footprint.

Conflicts of interest

The Group Directors have a responsibility to avoid conflicts of interest with their duties to the Group, including situations that put or may be perceived to put, their personal interests in conflict with those of the Group. The board charter requires directors to declare any actual or potential conflict of interest immediately when they become aware of such situations at subsequent meetings. Each director is required to submit a 'declaration of interest' form, outlining other directorships and personal financial interests, including those of their related parties annually. Where actual or potential conflicts are declared, affected directors are excluded from discussions and any decisions on the subject matter of the declared conflict. Actual and potential conflicts of interest are considered in the annual assessment of director independence.

Anti-bribery and anti-corruption risk assessments are conducted annually to mitigate identified key risks.

The Group has a comprehensive programme that educates and empowers Group employees in terms of their rights and responsibilities. This programme contributes to a culture of trust. Our training and awareness programmes, underpinned by clear policies, ensure that Group employees:

- Are aware of the values and behaviours expected of them as outlined in our code of conduct, including those relating to giving out or receiving gifts and entertainment
- Undertake fighting financial crime training, which covers antibribery, anti-corruption and anti-money laundering
- Develop an awareness of situations of real or perceived conflict of interest and learn how to deal with them when they arise
- Deal with customers transparently, respectfully and fairly; and
- Are aware of the tools available to them to report any unethical behaviour or suspected fraud, through our whistleblowing programme.

We are subject to enquiries, examinations, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulations, wholesale trading activities and other areas of banking and business activities in which the Group is or has been operating. Letshego Group is not currently involved in any material legal actions relating to anti-competitive behaviour, or anti-trust and monopoly practices.

Our Group governance framework is expected to be reviewed again during 2020. The Group recognises that an effective and efficient governance framework provides a solid basis for transparent decision making and reflects the importance that we place on our core values and ethics. The Group strives to operate within a clearly defined governance framework that provides for appropriate delegations of authority with clear lines of responsibilities, while retaining effective control. It also provides clarity regarding roles and responsibilities.The Group is committed to complying with all legislation, regulations , and listing requirements relevant to our business and in every country where we have a presence. While the Board has shown its support for the corporate governance principles of King IV, due regard and consideration is given to the independent legal and governance responsibilities that might apply to our

Board Process and Outcomes (Continued)

subsidiary boards and the legal requirements on the stock exchanges that we are listed on.

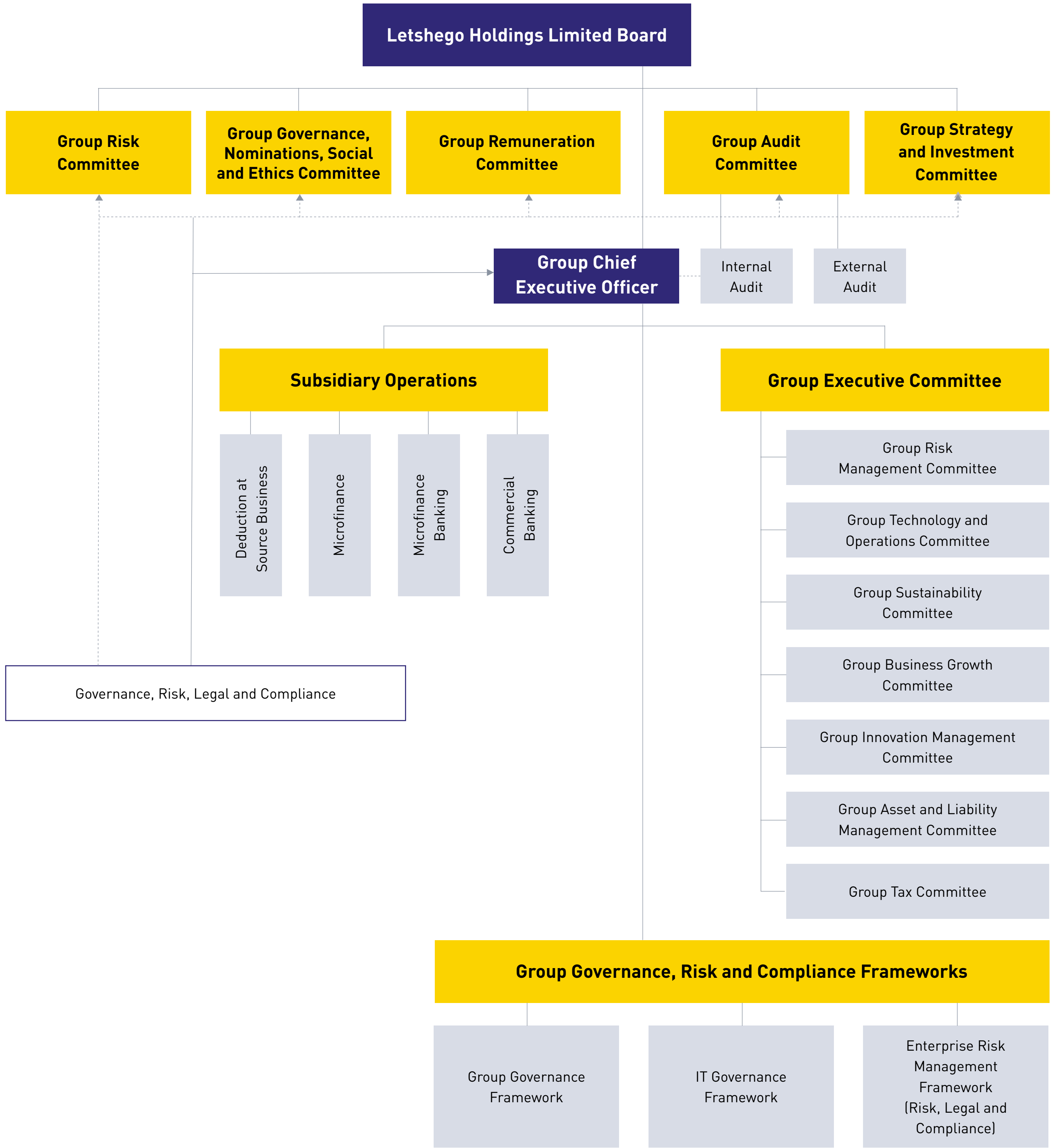
COMMUNICATION OF CRITICAL ISSUES

The process for communicating critical issues is conducted by communication to management committees, both at Group and country levels, which escalate the issues to the appropriate Board committees. These committees will communicate to the full board through meetings and/or reports. GNSEC monitors the Group Board's activities, taking into account any relevant legislation and codes of best practice on matters relating to governance, social, economic and sustainable development, good corporate citizenship, ethics, labour and employment, consumer relations, stakeholder management, transformation, the environment, and health and safety.

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. The governance, risk, legal, and compliance functions have therefore been consolidated into one to ensure enhanced focus in addressing the changing risk profile of the Group.

So far during 2020, the EXCO structure has been strengthened with the appointment of a new COO and Treasurer. The role of Chief Risk Officer is expected to be filled later in 2020. These roles will assume responsibility for the various aspects of governance and risk management.



Composition of the Board Committees

As the result of changes made to the Board in 2019, most of the Board committees operated with the minimum number of members. Following the appointment of three new INEDs in December 2019 and January 2020, all Board committees now have full membership. Set out below are the Board committees as at 31 March 2020.

	Board Sub-committee	Purpose	Composition – at 31 March 2020	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 them to the Board for approval; • Recommends to the Board 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.	**Independent Non-Executive Directors** S Price (Chairman) H Karuhanga P Odera A Odubola G Somolekae **Independent attendees** Engagement partner of EY **Management attendees** Group CEO Group CFO **Permanent invitees** Group Head of Internal Audit and other Exco members	Minimum of three members and majority required for a quorum	Meets at least four times a year
	2019 Highlights	• GAC approved the establishment of a management committee; Group Tax Committee. The committee will assist the GAC in managing and overseeing the tax governance structure within the Group in order to achieve the tax vision outlined in the Group Finance Risk Management Framework • GAC approved policies that safeguards transactions and arrangements which Letshego will have with related parties and which outlines the framework for handling of unpublished price sensitive events or information that could affect the price of the securities of the company in the market, including Related Party Transaction Policy and Procedures and Disclosure of Unpublished Price Sensitive Information Policy respectively			
	Self-assessment	**GAC undertook a self-assessment exercise in 2018 and the key issues identified included the following areas for improvement:** • Potential GAC members to be identified through sources independent of management • GAC members to participate in continuing training programmes to enhance their understanding of relevant accounting, reporting, regulatory, auditing and industry issues • GAC to monitor compliance with the relevant legislation, King IV Code and other relevant corporate governance regulations and guidelines in various jurisdictions applicable to the Group • GAC in conjunction with GNSEC to create appropriate succession and rotation plans for Group Audit Committee members including the Group Audit Committee Chairman • GAC to consider and monitor significant risks that may directly or indirectly affect financial statements reporting • Sufficient time to be allocated for GAC meetings to effectively cover all the significant issues on its agenda • GAC to set clear expectations concerning the competencies of the Group CFO and senior financial managers • GAC in conjunction with GRemCo to ensure that succession planning is in place for the Group CFO • GAC to ensure that meetings are held as frequently as necessary to fulfil the committee's duties, including periodic visits to Group locations with key members of management • GAC to oversee the role of Group Head of Internal Audit from selection to termination (including appointment, evaluation, compensation and retention) and to provide feedback at least annually • GAC to oversee other professional services that relate to financial reporting (e.g. consulting, legal, and tax strategy services) provided by outside consultants **Most of the above matters were addressed during 2019.**			

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
2	**Group Risk Committee (GRC)**	• Formulate the risk profile and risk appetite across the Group, for approval by the Board • Establish a risk management framework and review the process developed by management to identify principal risks, evaluate their potential impact, and implement appropriate systems • Monitor different risks against an agreed risk appetite statement, including operational risks, strategic risks, compliance risks and financial risks • Approve 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 • Approve the nature, role, responsibility and authority of the risk management function within the company, and outline the scope of risk management work • Review and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed • Monitor and review 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** A Odubola (Chairman) S Price R Hoekman **Non-Executive Directors** R Alam G van Heerde **Management attendees** Group CEO Group CFO **Permanent invitee** Group Chief Risk Officer and other Exco members	Minimum of three members and majority required for a quorum	Meets at least four times a year
	2019 Highlights	• The Anti Money Laundering (AML) automation project which was approved by GRC in 2018, went live for phase one countries during 2019. This project will result in the Group standardising AML screening processes across its subsidiaries in Africa using, once completed, an integrated system. It is expected that all the project roll-out will be completed in all countries during 2020 • GRC reviewed and approved enhanced polices to reduce operational risk, including the Anti Money Laundering andCounter Terrorism and Proliferation Financing policies which will enable the recognition, investigation and reporting of suspicious activity to the relevant authorities			
	Self-assessment	**The Committee undertook a self-assessment exercise in 2018 and the key issues identified included the following areas for improvement**: • GRC members to participate in continuing education programmes to enhance their understanding of relevant regulatory, compliance and risk issues • GRC in conjunction with GNSEC to ensure that a succession and rotation plan for its members, including the GRC Chairman is in place • GRC to consider and compare the Group's performance to that selected peers in a manner that enhances comprehensive risk oversight • GRC to set clear expectations and provide feedback to the full Board concerning the competency of the Group Head of Legal, Risk and Compliance and the Risk Management team • GRC in conjunction with GRemCo to ensure that a succession plan for the Head of GLRC is in place • GRC to ensure that meetings are held as frequently as necessary to fulfil the committee's duties, including periodic visits to Group locations with key members of management **Most of these matters were addressed during 2019**			

Composition of the Board Committees (Continued)

3

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Group Remuneration Committee (GRemCo)	• Reviews the remuneration policies of the Group; • Ensures that policies for selecting, planning for succession, and professional development of Executive Directors and senior management are 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 • Responsible for mitigating human resources related risk • GREMCO reviewed and approved enhanced policies and frameworks for managing its workforce, including reward policy, performance management framework and succession and localisation plans. • GREMCO reviewed and approved roll out of the talent management strategy which will ensure effective talent management, business continuity and sustainability.	**Independent Non-Executive Directors** G Somolekae (Chairperson) H Karuhanga A Odubola **Non-Executive Directors** R Alam C Lesetedi **Management attendees** Group CEO Group Head of Human Capital	Minimum of three members and majority required for a quorum	Meets at least twice a year
2019 Highlights	• GREMCO reviewed and approved enhanced policies and frameworks for managing its workforce, including reward policy, performance management framework and succession and localisation plans. • GREMCO reviewed and approved roll out of the talent management strategy which will ensure effective talent management, business continuity and sustainability.			

4

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Group Strategy and Investment Committee (GSIC)	• 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. start-up 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 • Provide input to management in the development of the Group's strategy and shall make to provide recommendations to the Board for its approval • Assess plans for significant restructuring and adjustments ot the Group and make recommendations as necessary for approval by Board • Monitor and review the annual business plan, budget and capital structure of the Group and recommend changes thereto as necessary. *On 30 May 2019 the committee changed its name to Group Strategy and Investment Committee.*	**Independent Non-Executive Directors** H Karuhanga (Chairman) S Price P Odera R Hoekman **Non-Executive Directors** G van Heerde **Management attendees** Group CEO Group CFO	Minimum of three members and majority required for a quorum	Meets at least once a year.
2019 Highlights	• The committee reviewed all mergers and acquisitions completed over the past five years • The Group did not make any new business acquisitions or disinvestments during the year			
Self-Assessment	**The committee undertook a self-assessment exercise in 2018 and the key issues identified included the following areas for improvement:** • GSIC to provide its members with relevant continuing education to enhance their understanding of relevant financial, investment, reporting, regulatory and industry issues			

5

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Group Governance, Nominations, Social and Ethics Committee	• Recommends to the Board on all new Board appointments and directors who are retiring by rotation, for re-election • Responsible for the principles of governance, social ethics and codes of best practice • Oversight of and reporting on organizational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships • Responsible for the review of frameworks, policies and guidelines for safety, health, social investment, community development, environmental management and climate change • Monitors activities with regards to customer relationships, including advertising, public relations, and compliance with consumer protection laws • Assists the Board in building and sustaining an ethical corporate culture in the Group and that the Group's ethical standards are clearly articulated and integrated into the Group's strategies and operations • Responsible for inducting incoming directors • Responsible for facilitating the performance evaluation of the Board and its committees • Responsible for development of directors on matters relevant to the business of the Group regarding risks, applicable laws, accounting standards and policies, and the environment in which the Group is operating • Conducts annual directors' independence assessment	**Independent Non-Executive Directors** E Banda (Chairman) G Somolekae P Odera R Hoekman **Non-Executive Directors** C Lesetedi **Management attendee** Group CEO	Minimum of three members and majority required for a quorum	Meets at least once a year
2019 Highlights	• Reviewed subsidiary board composition • Recruited three new Independent Non-Executive Directors to the Group Board • GNSEC approved policies that provide guidelines regarding the identification and designation of senior employees and directors as Politically Exposed Persons (PEPs) and ensure standardisation in the identification, appointment and re-appointment of directors across the Group. This includes includes Director recruitment and induction guidelines, identification, appointment and re-appointment of directors framework for Group and subsidiary and management of politically exposed persons policy and guidelines.			
Self-assessment	**The committee undertook a self-assessment exercise in 2018 and the following areas for improvement were identified:** • GNSEC to regularly review the Board structure, size and composition (including the skills sets, knowledge, experience and diversity) of the Board and make recommendations to the Board regarding changes. It was noted that a Board member with IT skills set in Information and Security Governance, and exposure to the FinTech environment should be sought • GNSEC to ensure that succession planning for the key positions of Chairman of the Board, Committees and Group CEO are in place • GNSEC to oversee the induction of incoming Directors to acquaint them with the Group's strategy, its business environment, risks management and the sustainability issues relevant to its business are in place • GNSEC to oversee the performance evaluations of individual Board members and to report the results and makes recommendations for Board action • GNSEC to oversee the declaration of Directors' interests annually, assess the independence of Directors, and make recommendations to the Board on potential conflicts • GNSEC to ensure that sufficient time is allowed between GNSEC meetings and meetings of the full Board to allow any work arising to be carried out and reported to the Board as appropriate • Most of these matters were resolved during 2019			

Executive Management Committees

In addition to the Board and its sub-committees, Letshego Group and country strategies are discharged through the Group Executive Committee and its management sub-committees as laid out below.

During 2019, there were several management changes and, as a result, not all of the management committees achieved the normal frequency of meetings. The management committees will be reviewed during 2020.

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
1	**Group Executive Committee (EXCO)**	• 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 and emerging internal risk issues, to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group and mitigate potential financial losses • Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, appropriate 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	Group CEO (Chairperson) **EXCO members** **Permanent invitee** Group Head of Internal Audit	Majority of EXCO 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 EXCO models and approaches to determine risk appetite at Group and country levels as a basis for obtaining EXCO, GRC and GAC approvals, and to monitor compliance with the same • Proactively manages potential capital, interest rate, foreign exchange, liquidity, credit, operational, and compliance risks, and takes action 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 with reference to the Group's Enterprise Risk Management framework, and ensures that they conform to the minimum requirements laid down by the Group and external regulators	Group Chief Risk Officer (Chairperson) **Selected EXCO members** **By invitation** Risk Owners and other specialists **Permanent invitee** Group Head of Internal Audit	Majority of GRMC members	Quarterly
3	**Group Asset and Liability Management Committee (GALMC)**	• Ensures that the Group's and subsidiaries' balance sheet management is optimised (liquidity and capital risks) • Defines liquidity and other ALM limits, and ensure compliance with all internal and regulatory guidelines • Approves foreign currency risk mitigation and planning initiatives	Group Chief Financial Officer (Chairperson) **Selected EXCO members** **Permanent invitee** Group Head of Internal Audit	Majority of GALMC members	Monthly
4	**Group Sustainability Committee (GSC)**	• Ensures that an effective sustainability framework is in place across the Group • Reviews and approves all Strategic Social Investment (SSI) proposals above P100 000 • Ensures that appropriate brand and communications policies are in place to protect the Group's reputation	Group Head of Marketing and Customer Experience (Chairperson) **Selected EXCO members**	Majority of GSC members	Monthly
5	**Group Technology 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 Business As Usual (BAU) disruption • Ensures delivery of technical and Operational projects on a timely basis, manages resourcing, mitigates risks, and prioritises in line with strategic business projects	Group Chief Operating Officer (Chairperson) **Selected EXCO members**	Majority of GTOC members	Monthly
6	**Group Innovation Management Committee (GIMC)**	• Approves innovative and digital initiatives, projects, new solutions and related funding • Provides guidance on strategic partner opportunities (focusing on ecosystems, access, and technology) and commercial agreements • Provides Group oversight to global trends and developments	Group CEO (Chairperson) **Selected EXCO members**	Majority of GIMC members	Monthly
7	**Group Business Growth Committee (GBGC)**	• Approves changes to existing solution parameters, including tenure, amount limits, interest, fees, insurance, and other value-added services • Approves new solutions in terms of product pricing and packaging for replication and scaling across the Group • Approves campaign plans for all country initiatives	Commercial, Sustainability and Strategy Officer (Chairperson) **Selected EXCO members**	Majority of GBGC members	Bi-Monthly

Executive Management Committees (Continued)

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
8	**Group Tax Committee (GTC)**	• Assists the Group Audit Committee in managing and overseeing the tax governance structures within the Group in order to achieve the tax strategy outlined in the Group Finance Risk Management framework. This includes: • Builds a tax-conscious culture and awareness across the Group - Promoting an ethos of tax compliance - Early identification, proactive in-country and Group communication and minimisation of tax risks - Tax excellence: aspiring to be a standard-setter across the Group's markets and driving an optimised position by being a trusted advisor and enabler to the business • Manages tax controversy and engages proactively with stakeholders, especially local authorities • Manages policy and governance-related tasks for the Tax Risk Management process and provides oversight on the implementation of relevant policies within the Group • Oversees activities relating to any significant tax risks existing in the current operations and other initiatives likely to have an impact on Group's operations spanning more than one country or business unit	Group CEO (Chairperson) **Selected EXCO members, Non-Executive Board member and Shareholder representative**	Majority of GTC members	Quarterly

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
9	**Country Management Committee (CMC)**	• Delivers on the country business strategy against its collective agenda and budget, and reports on such progress to Group EXCO. It also escalates any significant risks or issues on a timely basis • Monitors external developments in the country's operations and any internal risk issues arising. The objective is 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 focused 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 covers 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) and Know Your Customer (KYC) and any other regulatory requirements • Approves and recommends to Group EXCO all new products and service offerings	Chief Executive Officer Country management team members	Majority of 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	Board strategy meetings	Other adhoc meetings	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Group Strategy and Investment Committee	Group Nominations and Social Ethics Committee
E Banda (Chairman)	INED	6/6	3/3	2/2	-	-	-	-	3/3
S Price	INED	6/6	3/3	1/2	7/7	4/4	-	4/4	2/2
H Karuhanga	INED	2/6	0/3	1/2	3/7	1/3	3/5	3/5	-
J De Kock	INED	1/2	-	-	1/2	1/1	-	1/1	1/1
G Somolekae	INED	6/6	3/3	2/2	7/7	-	5/5	-	2/2
C van Schalkwyk	INED	2/2	-	1/1	3/3	1/1	1/1	-	-
R Alam*	NED	6/6	3/3	2/2	-	4/4	5/5	5/5	3/3
C Lesetedi	NED	6/6	3/3	2/2	-	-	5/5	-	3/3
G van Heerde*	NED	6/6	3/3	1/2	-	4/4	-	5/5	-
C Patterson	EXE	2/2	-	-	2/2	1/1	-	1/1	-
P J S Crouse (GCEO)	EXE	2/2	-	-	2/2	1/1	1/1	1/1	1/1
D Ndebele (Interim GCEO)	EXE	4/4	3/3	-	5/5	3/3	4/4	4/4	2/2

** Attendance includes instances when they were represented by their alternate*

Board fees are as follows:

Board Chairman	P29 000 per meeting
Directors	P27 285 per meeting
Other committees	P15 000 per meeting attended or P10 000 if ad hoc meeting
Strategy review meeting	P29 000 for the Chairman and P27 285 for Directors
Annual retainer – Chairman	P880 000
Annual retainer – Directors	P360 000

The directors' fees above were approved by shareholders at the Annual General Meeting held on 24 June 2019. There were no changes to directors' fees in 2019 and none are proposed for 2020.

Remuneration Policy

The broad terms of reference of the Group Remuneration Committee are outlined on page 55. A key strategic objective of the Group is to remunerate Board Members and Group employees adequately, fairly, and within industry norms. The Board remuneration for the 2019 financial year is set out below:

Director	Status	Main Board	Annual Retainer	Group Audit Committee	Group Risk Committee	Group Remco	Group Investment Committee	Group Nominations and Social Ethics Committee	Total
E Banda (Chairman)	INED	223 000	880 000	-	-	-	-	45 000	**1 148 000**
S Price*	INED	258 280	360 000	90 000	60 000	60 000	50 000	30 000	**848 280**
H Karuhanga	INED	74 570	360 000	45 000	-	30 000	30 000	-	**539 570**
J De Kock	INED	27 285	180 000	15 000	15 000	-	15 000	15 000	**267 285**
G Somolekae	INED	248 280	360 000	90 000	-	60 000	-	30 000	**788 280**
C van Schalkwyk	INED	67 285	180 000	30 000	15 000	15 000	-	-	**307 285**
R Alam**	NED	248 280	360 000	-	60 000	60 000	65 000	45 000	**838 280**
C Lesetedi**	NED	248 280	360 000	-	-	60 000	-	45 000	**713 230**
G van Heerde**	NED	258 280	360 000	-	60 000	-	65 000	-	**743 280**
P Odera***	INED	60 000	-	-	-	20 000	-	-	**80 000**
A Odubola***	INED	60 000	-	-	-	20 000	-	-	**80 000**
R Hoekman***	INED	60 000	-	-	-	20 000	-	-	**80 000**
Total		**1 873 540**	**3 400 000**	**270 000**	**210 000**	**285 000**	**225 000**	**210 000**	**6 473 540**

All figures in P

* *Other ad hoc meeting fees include P30 000 for attendance at the Annual General Meeting*
** *Fees are paid to the organisations they represent*
*** *Fees for attending Board and Committee meetings during October and November 2019 prior to formal appointment to the Board*

GRemCo conducted research into trends in Non-Executive Director remuneration, and proposed the above fees, which are now fixed for two years. Directors of the Group's Board and subsidiaries are generally remunerated with an annual retainer and sitting fees for meetings attended. NEDs do not receive any fees related to the performance of the Group and do not participate in any share-based payments or incentives. The fee structure was approved by shareholders at the Annual General Meeting held on 24 June 2019. No other changes were made to the remuneration of Non-Executive Directors in 2019 and no changes are being made or proposed for 2020.

During 2018, the Board commissioned an international firm, Pearl Meyer, to perform a benchmarking exercise on NED fees. This exercise compared Letshego's NED fees to a peer group consisting of both African and international organisations. Based on the report that Pearl Meyer produced, the board is satisfied that the level of remuneration for NEDs is within industry norms. The report is available to shareholders on request.

Remuneration Policy (Continued)

Executive Directors' remuneration as at 31 December 2019

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

Executive Directors	For Management Services	Performance Bonus	Net Settlement	Total
P J S Crouse *	983 005	-	1 339 070	2 322 075
D Ndebele**	3 626 795	-	-	3 626 795
C Patterson***	385 302	-	1 380 681	1 765 983

Executive Directors' remuneration as at 31 December 2018

Executive Directors	For Management Services	Performance Bonus	Net Settlement	Total
A C M Low	2 703 176	-	3 696 749	6 399 925
P J S Crouse	1 075 757	-	-	1 075 757
C Patterson	2 250 000	-	-	2 250 000

* PJS Crouse [Group CEO] resigned on 27 March 2019. The net settlement represents payments in accordance with his contract of employment.

** D Ndebele was appointed as Acting Group CEO on 27 March 2019.

*** C Patterson [Group CFO] resigned on 2 March 2019 and served his contractual three months notice period to 4 June 2019. The net settlement represents payments in accordance with his contract of employment plus his bonus assessed based upon his 2018 performance.

2019: In terms of the Long-Term Incentive Scheme no ordinary shares vested to Executive Directors, that related to the 31 December 2019 financial year-end.

2018: In terms of the Long-Term Incentive Scheme, no ordinary shares vested to ACM Low and C Patterson, that related to the 31 December 2018 financial year-end.

Top three earners who are not Executive Directors as at 31 December 2019

	For Management Services	Performance Bonus	Total
Employee 1	3 149 735	763 160	3 912 895
Employee 2	2 961 058	519 812	3 480 870
Employee 3	2 114 116	802 770	2 916 886

2019: In terms of the Long-Term Incentive Scheme 1 489 125 ordinary shares vested to the top three earners that related to the 31 December 2019 financial year end.

Top three earners who are not Executive Directors as at 31 December 2018

	For Management Services	Performance Bonus	Total
Employee 1	3,114,632	-	3,114,632
Employee 2	2,453,112	565,315	3,018,427
Employee 3	2,060,358	775,625	2,835,983

2018: In terms of the Long-Term Incentive Scheme no ordinary shares vested to the top three earners that related to the 31 December 2018 financial year end.

Letshego Group offers the following incentive scheme:

	Share-based plans	Deferred bonus plans	Standard annual bonus plan
Group EXCO and Country 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 Remuneration Committee can apply its judgement to recommend to the Board additional vesting over and above the achievement of targets
- 4 483 050 shares vested with respect to the 31 December 2019 financial year end
- No shares vested in 2018

As a further retention tool, a deferred cash bonus scheme is in place for selected members of the extended leadership team who 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. There is no corresponding decrease if there is a decline in the share price.

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

Governance Enablers

GOVERNANCE ENABLERS

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 are 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 employed;
- 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 use and the delivery of IT services
- Synergies between IT initiatives are enabled and, where applicable, IT choices are made in the best interest of 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 relation to King IV. 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 IV.

ASSETS AND LIABILITIES MANAGEMENT (ALM)

ALM is the responsibility of the Group Management Committee/EXCO. ALM deals with the management of capital adequacy, foreign currency, maturity, liquidity, interest rate and markets, and credit risks, ensuring that the regulatory prudential ratios are maintained. The ALM function falls under the Country Management Committee and the oversight of the subsidiary board with regard to central bank regulated subsidiaries.

GOVERNANCE AND COMPLIANCE

The Board has ultimate responsiblity for overseeing the Group's compliance with laws, rules, codes, and standards in terms of King IV. The Board has delegated responsibility for the management of the implementation of an effective Corporate Governance Framework and processes, as envisaged by King IV.

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 the Group and its subsidiary boards
- Relevant Group-wide policies
- Group-wide Code of Ethical Conduct and Whistleblowing Facility, and
- Commitment to Group strategy and brand promise

The Group governance and compliance function started the preliminary phased rollout of the framework with a presentation to the country CEOs in early 2016. The presentation focused on the key compliance areas that the framework aims to address, these including regulatory, legal, and governance compliance.

INTERNAL AUDIT

Group Internal Audit (GIA) provides independent and objective assurance to the Group Audit Committee in accordance with the internal audit standards set by the Institute of Internal Auditors (IIA) and in line with GIA's audit methodology. The Group Head of Internal Audit reports functionally to the Group Audit Committee Chairman and administratively to the Group CEO. The Group Head of Internal Audit has unrestricted access to all Group Audit Committee members.

In accordance with the GIA's approved Quality Assurance Improvement Program, an external assessor appointed in 2019 conducted an external quality assurance review on the GIA and assessed its function against the IIA Standards. The Committee was assured to note that against the ratings prescribed by IIA, Letshego GIA 'partially conforms' to the requirements of the IIA ratings. The committee was specifically encouraged by the conclusion of the external assessor that GIA is fit for purpose to serve as an assurance provider for Letshego. This was the first time such an external assessment was performed. Recommendations for improvement made were discussed by the Group Audit Committee and these have been fed into GIA's 2020 program.

During the year, GAC reviewed and approved the internal audit charter, received quarterly reports from the Group Head of Internal Audit, and reviewed and approved the annual GIA plan.

CURRENT TAX ENVIRONMENT

Letshego Holdings Limited (LHL) is an accredited international finance services company (IFSC) in terms of Botswana's IFSC regime. IFSCs enjoy a preferential tax rate of 15% on foreign taxable income and a standard tax rate of 22% on domestic taxable income. LHL's gross income consists of amounts accrued or deemed to have been accrued from all sources, both inside and outside Botswana.

International taxes and transfer pricing (TP) have recently come under increased scrutiny from revenue authorities and governments worldwide. Since ithe start of the Base Erosion and Profit Shifting (BEPS) initiative in 2015, Letshego has adhered to the fundamental principles of the programme, ensuring that profits are reported when value is being created. On the back of the BEPS project, the Botswana Income Tax (Amendment) Act of 2018 introduced Transfer Pricing legislation and a limitation of interest deductibility based on earnings before interest, tax depreciation and amortisation (EBITDA), which came into effect on the 1 July 2019. Significant progress has been made within the holding company regarding preparation for our inaugural Transfer Pricing filing with the Botswana Unified Revenue Services (BURS) for the 2020 tax year.

LHL provides management support services to its subsidiaries across the 11 operating countries. LHL employs skilled staff with deep expertise and experience in the financial services sector. The company is thereby able to provide the operating countries with strategic banking support required to the operating countries. The financial services sector is highly regulated, complex, and dynamic and therefore the Group is agile in managing the day-to-day demands of maintaining systems (banking, accounting, risk management, etc.) and providing support to the operating countries. LHL centralised the performance of Group functions, the rationale being to obtain cost efficiencies and deliver support in a more efficient manner.

During the 2019 financial year, Service Level Agreements (SLA) between LHL and its subsidiaries, for the recharge of management and service fees were refined to align with the BEPS project items on International Tax and Transfer Pricing regulations. A benchmarking exercise for the alignment of our Group recharge mark ups with the Organisation of Economic Cooperation and Development (OECD) Transfer Pricing Guidelines was concluded in 2019 with the assistance of independent tax consultants. To date,70% of the SLA's have been signed and are in the process of being registered with the relevant regulatory authorities. The remainder of SLAs are expected to be finalised in H12020.

It has become very pertinent for Multi-National Corporations (MNCs) like Letshego to comply with the OECD Transfer Pricing Guidelines. It is a requirement under BEPS Action 13, that all large MNCs should prepare a country-by-country report with aggregate data on the global allocation of income, profit, taxes paid and economic activity among the tax jurisdictions in which it operates. This information can be requested by any tax administration within the jurisdictions in which we operate for use in high level Transfer Pricing and BEPS risk assessments.

CURRENT TAX ENVIRONMENT (continued)

Tax health checks have been conducted across the Group entities through our tax advisors and any issues raised have been resolved or are being discussed with the respective jurisdiction tax authorities for conclusion.

Significant Group tax issues

LHL Tax Losses
We previously reported in the prior year, that we recognised deferred tax assets based on tax losses accumulated by the Group. However, the ultimate realisation of such deferred tax assets was largely dependant on the Group making taxable income within the respective jurisdictions to be able to apply the losses. LHL has tax losses amounting to P93 Million, emanating from the foreign income stream, and the losses have not been recognised based on the recoverability assessment done. Letshego has taken a conservative approach to off-setting taxable income against the loss to which it relates, therefore only an amount of P6 Million relating to the domestic income stream has been recognised.

Preference share conversion to loans and repricing of interest on intercompany loans
We initiated a process to reprice the interest on our intercompany loans and several loans have been repriced to date. This was one of the tax planning initiatives implemented in the prior year in order to turnaround taxable income for the holding company. It was also decided to convert preference shares to loans within the Group and the process is ongoing. We have not yet realised the benefits of the initiatives but look forward to those in subsequent years.

Uncertain Tax Positions
The Group is occasionally involved in discussions with and or inquiries with the government authorities that regulate its operations. It is currently involved in discussions with the tax authorities across its operating jurisdictions regarding tax compliance issues and the interpretation of tax regulations, particularly the interpretation of the countries' tax laws on whether withholding tax is applicable on certain payments to foreign service providers. We sought advice from independent legal and tax experts, opinion on the matter, which confirmed that our position is in line with the law. We have approached the respective revenue authorities of the countries in which we operate to arrive at a mutual understanding on the matter and discussions are in progress.

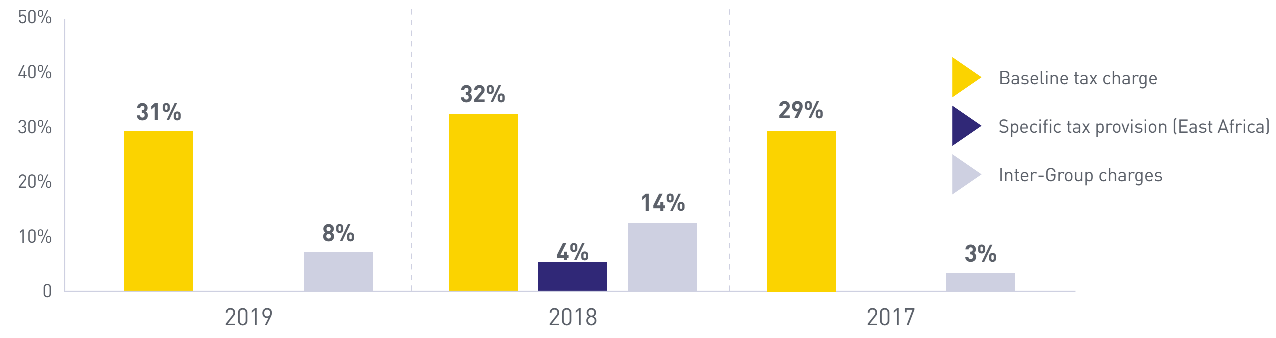
Effective tax rates (ETR)

ETR Analysis (2019)
Our ETR has dropped by 11 percentage points over the prior year (50%) to its current position (39%). This is a positive move in the right direction and we continue to work to reduce the ETR to an acceptable rate. The expected ETR (for 2020) will range from 35% to 38%. We recognize that it is still high for the countries the Group operates in, but we will continue to implement the tax planning opportunities previously identified. We foresee a turnaround in our taxable income in the subsequent year. These tax planning opportunities are expected to generate enough taxable income to absorb a greater portion of our accumulated tax losses and unclaimable withholding tax credits, thereby further reducing the ETR to optimal levels. The factors that influenced the exceptionally high 2018 ETR include specific tax provision for East Africa and increased dividend flows from subsidiaries, leading to a higher withholding tax on these dividends and inter-Group tax costs.

CURRENT TAX ENVIRONMENT (continued)

Group effective tax rate

Components of the Effective Tax Rate



LHL's approach to tax

Tax Governance
The Group Tax Committee (GTC) was set up in the current financial year. It is responsible for the tax risk management (TRM) policy and tax governance within Letshego. The GTC therefore reports directly to the Group Audit Committee in discharging its responsibilities, as defined by the TRM policy and the committee governance framework. The committee consists of the Group CEO (chairman), an independent non-executive board member, a shareholder representative, the Group CFO, the commercial sustainability and strategy officer, the head of financial reporting and compliance, and the Group head of tax. The committee meetings are held each quarter.

Our approach to tax is underpinned by the following principles:

- Letshego is committed to complying responsibly with tax laws in a responsible manner and to having open and constructive relationships with tax authorities
- We seek to build and maintain constructive and mutually respectful relationships with governments and fiscal authorities
- We do not use artificial or abnormal tax structures intended for tax avoidance, have no commercial substance, and do not meet the spirit of local or international law
- The Letshego Group aims to create and manage shareholder value by undertaking legitimate and responsible tax planning within the tax laws and regulations of the countries in which the Group operates

Tax havens
Using the OECD definition of tax havens, as at 31 December 2019, Letshego has one subsidiary in a jurisdiction that may be defined as a tax haven i.e. Mauritius. This entity exists for a sound business reason, which is expanding our territory within Africa. It was not created to obtain a tax benefit. Letshego (Mauritius) Limited is registered and considered to be a tax resident in Mauritius.

Compliance with King IV

The Group is moving towards complying with the principles of King IV. The Board is satisfied with the Group's progress in applying the recommendations of King IV and the other codes used in the countries in which the Group operates. Sixteen of the governance principles in King IV apply to our business. The following is a summary of our evaluation of where we have complied, or if not, our efforts to ensure full compliance:

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 1	The Governing Body should lead ethically and effectively.	Applied	The Board and its Committees, in accordance with the Board and Committee Charters, is the focal point and custodian of corporate governance. Board members are required to comply with the Board Charter, which embodies the ethical characteristics listed in King IV, the Botswana Stock Exchange (BSE) equity listings requirements and the Johannesburg Stock Exchange (JSE) debts listings requirements. The Board and Committee Charter set the tone and outlines the responsibility of the Board to ensure that Letshego Group is ethically and effectively managed. While the Board's performance against these requirements should be evaluated every other year, the formalisation of this process has been identified as an area requiring improvement.
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Partly Applied	The Board has delegated to GNSEC the responsibility for the monitoring and reporting the social, ethical, and sustainability practices that are consistent with good corporate citizenship. The rollout of the Group social, ethical, and sustainability practices that are embedded in the Corporate Governance Framework for subsidiary boards is at various stages of implementation across its subsidiaries in Africa.
Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Applied	The Board has tasked the GNSEC with the responsibility to oversee the discharge of its corporate governance agenda. The responsibility of the committee is to monitor the adherence to legislation and accreditation. The Group's Strategic and Social Investment (SSI) policy continues to remain focused on sustainable development and the improvement of lives in communities.
Principle 4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Applied	The Board approves and monitors the implementation of the strategy and business plans for each of the territories in which the Group operates. The Board and GRC review key risks and opportunities that have an impact on the achievement of its strategic objectives across its operations. The Board holds an annual strategy session, in which it deliberates on the Group's strategy, assesses the risks and opportunities, considers progress made the implementation of the strategy and ensures that it is in line with Group mandate and long-term success and sustainability of the Group's business. To this end, the Group has identified, within its risk appetite, the critical risks associated with its business model, including the mitigating factors.
Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	Applied	The Board works with the GRC and GAC to review and approve the Integrated Annual Report. The report is prepared in line with the Companies Act, the BSE Equity Listings Requirements, the JSE Debt Listings Requirements, King IV, and International Financial Reporting Standards (IFRS). The Board ensures the integrity of the Group's integrated report on an annual basis. The Group's Integrated Annual Report covers both its historical performance and future outlook to the extent required and permitted by regulations. Together with other communications, this report is made available to enable stakeholders to make informed assessments of Letshego's prospects.

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 6	The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	Partly Applied	The roles, responsibilities, and procedural conduct of the Board are documented in the Board Charter, which is reviewed every other year. For subsidiaries, the role, responsibilities, and procedural conduct of boards is contained in the Corporate Governance Framework for Subsidiary Boards, which is at various stages of implementation.
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Applied	The Board, assisted by GNSEC, considers, on an ongoing basis the balance of skills, experience, diversity, independence, and knowledge needed to discharge the Board's role and responsibility. The Board Charter and the Directors Induction guidelines lays out the Directors appointment process, including criteria for assessing whether the potential candidates are competent and can contribute to the business. 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. With regards to its subsidiaries across Africa, the Board composition was at various stages of completion. The Group Board is now fully constituted. During the year and post year end it was strengthened by three new appointments.
Principle 8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Partly Applied	The Board has five committees that help it to discharge its duties and responsibilities being: GAC, GRC, GNSEC, GSIC, and GRemCo. The committees operate in accordance with the terms of reference, which the Board reviews and approves every other year. Following Board resignations in 2018 and 2019, certain committees did not have majority INED.The restoration of committee composition for compliance with King IV was attained on 25 February 2020. The composition of various subsidiary boards and committees in line with local regulations and with King IV was at various stages of completion as at 31 December 2019.
Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Partly Applied	A formal appraisal of the Board was performed in 2018 by the IoDSA. In-house self-assessment for board committees was conducted during the period under review apart from GRemCo. The results were presented to the Board during the first quarter of 2019 meeting with all the areas identified as requiring improvement were set out as actionable tasks. Formalisation of subsidiary board appraisal processes and self-assessment processes is underway. Both the Group and subsidiary boards are yet to formalise and carry out individual board members' performance evaluation exercises.
Principle 10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	Partly Applied	While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to the Group CEO to run the day-to-day affairs of the company in line with the Delegation of Authority framework, which sets out authority thresholds and governs sub-delegation. The framework also prescribes authority levels for each of the territories in which the Group operates.. Cascading the Delegation of Authority framework to the subsidiaries is underway.

Compliance with King IV (Continued)

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Partly Applied	The Board,with support from GRC, is ultimately responsible for the governance of risk. The role of GRC as set out on page 53 is to ensure that the Group has implemented an effective framework for risk management that enhances the Group's ability to achieve its strategic objectives. The GRC is responsible for the development and implementation of the Enterprise Risk Management Framework (ERMF) including the policies, systems, processes, and training needed to ensure effective risk governance. To further enhance the ERMF rollout, a formal comprehensive Risk Appetite Framework (RAF) will be developed and implemented in 2019/2020. The RAF will have the objective to support the Group's underlying businesses, ensuring that our risk profile is known and assessed against established risk appetite targets and limits. In line with King IV, our Group internal audit function reports directly to the Group Audit Committee. GAC 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. The Group Head of Internal Audit has a functional reporting line to the Group Audit Committee, and administratively reports to the Group CEO.
Principle 12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Partly Applied	The Board recognises the importance of technology and information as it is interrelated to the strategy, performance and sustainability of the Group. The Board Charter requires the Board to assume responsibility for IT governance. The Board has delegated oversight responsibility to GRC. At management level, the Group established a Group Technology and Operations Committee to ensure effective IT governance. The Group IT strategy is integrated with the Group's business strategy and business processes. GRC is responsible for managing the performance and sustainability objectives of the Group and ensures that IT is aligned to these objectives. 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 with laws, rules, codes, and standards and are an integral part of the Group's risk management. The GRC and GAC charters require the committees to ensure that IT risks are adequately addressed, and that assurance is given to confirm that adequate controls are in place. GRC reviews IT risks and controls, adequacy of business continuity management, including disaster recovery plans for IT, information security, privacy, and authorized access.
Principle 13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	Applied	The Board, with assistance from GNSEC, GAC and GRC, oversees the governance of compliance. Compliance falls within the risk matrix and forms part of the business risk management process. Through GRC, the Board can address the legal and compliance requirements of the institution. The legal and compliance update is a standing agenda item of GRC; during which the Board is apprised

King IV Reference	King IV Principle(s)	2019	Commentary
Principle 13 (Continued)			on legal and compliance risk, and deliberate over the applicable legislations, and the Group's approach to the stated laws. Applicable laws are reported to the Board, via GRC, by the legal and compliance function. Any new legislation or rules which affect the Group and its subsidiaries are notified to the Board, advising on the legal requirement applicability and how the rules are being disseminated to the applicable areas of business which are impacted.
Principle 14	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.	Partly Applied	The Board, with assistance from GRemCo, ensures that staff members are remunerated fairly, responsibly, transparently, and in line with industry standards to promote the creation of value in a sustainable manner. The implementation of a Group-wide Remuneration Policy and Framework has been identified as an area requiring improvement. All the remuneration-related shortcomings will be addressed during the year ending 31 December 2020 as part of improving this policy and framework. The Group participates in annual remuneration surveys for the purposes of benchmarking and also provides performance-based short- and long-term remuneration incentives to attract, incentivise, and retain good performers as part of the overall alignment of shareholders and company objectives. The remuneration of each individual executive and non-executive director' is included in this Integrated Annual Report.
Principle 15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.v	Partly Applied	In line with GAC 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 Group. A Group wide combined assurance model is being formulated. GAC monitors and supervises the effectiveness of the internal audit function and ensures that the roles and functions of external audit and internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the company's systems of internal control and reporting. The Group Audit Committee recommends to the Board which firm(s) should be appointed in the event of a change of external auditor(s), their reappointment, and/or removal. The committee also evaluates the performance of the external auditor(s) and the engagement partner is rotated at least every five years or such other frequency deemed to be appropriate, based on the external audit firm rules to enhance actual and perceived independence.
Principle 16	In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder–inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Applied	The Company Secretary and the Group Head of Investor Relations act as a primary points of contact for institutional investors, other shareholders, and all stakeholders. The Board encourages proactive engagement with shareholders, including engagement at the AGM. Directors are present at the AGM to respond to shareholder queries on how the Board has executed its governance duties. The designated partner of the audit firm also attends the AGM.
Principle 17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests	Not Applicable	The principle is not applicable as the Group is not an institutional investor.

4

Stakeholder Engagement and Material Matters

Stakeholder Engagement and Material Matters

STAKEHOLDER MAPPING PROCESS

The interaction and integration of global economies means there are multiple people, customers, investors, funders, communities, companies, governments, regulators, and economies that are affected by Letshego's operations, and thus have either a direct or indirect interest in our strategy and success. We consider these stakeholders integral to achieving our vision of becoming a world class retail financial services organisation.

Letshego is committed to working with each of its diverse stakeholders to understand their unique objectives and understand opportunities where we can leverage our strengths to collaborate and achieve collective benefit for the communities in which operate.

The feedback our stakeholders provide enables us to mould and enhance our strategy and operations to deliver more tangible value. Our stakeholder engagement framework, which includes regular constructive engagement, opportunities for feedback, and varied platforms for open dialogue, is managed by Letshego's Group and country leadership and supported by the Group's Board of Directors.

Letshego's Key Stakeholders

Our Key Stakeholders

Letshego's stakeholders are summarised as follows:

Our Customers & Communities

Why we engage

Our customers are the reason we are in business. Our ability to deliver on our vision and strategic objectives depends on our continued ability to offer them appropriate solutions.

Our activities affect both our customers and the broader communities in which we operate. Communities gain indirect benefit from our operations, through which we seek to improve the lives of our customers on a sustainable basis.

How we engage

- Marketing Campaigns
- Customer Events
- Customer Polls and Surveys
- Branches
- Call Centres
- Direct Sales Agents
- Digital Access Channels

Our People

Why we engage

Our people are integral to Letshego. It is through them that we are able to deliver value to our customers and stakeholders and build the growth and success of our business.

Our people form the fabric of our unique culture, which is a strategic differentiator for Letshego within our economies and a contributing factor in achieving our ambition to be an employer of choice.

Our people's **confidence** in our strategy, **collaboration** in performance and delivery, as well as **commitment** to creating a memorable experience for our customers enables Letshego to deliver on its brand promise to Improve Lives.

How we engage

- Email Updates
- Group Townhalls
- Country Townhalls
- Intranet
- Leadership and Training
- Employee Engagement Events
- Employee Performance Framework
- Volunteering
- Employee Incentive Programmes
- Team Building

Investors & Funders

Why we engage

Our investors and funders provide the capital and financial support that enables Letshego to deliver appropriate financial solutions for our customers, invest in our operations and channels, enhance our differentiation and deliver greater value to our customers and communities in the longer term.

Investors and funders are valued ambassadors in extending our message and value proposition to broader audiences internationally.

How we engage

- Financial Results and Releases
- Investor and Funder Updates and Engagement Events
- Annual Integrated Reports
- Impact Reports
- Website Updates

Our Key Stakeholders (Continued)

Governments

Why we engage

Governments area key stakeholder, both directly from a customer value perspective, and indirectly as a valued partner in enabling Letshego to achieve a tangible social impact in the economies where we operate.

Effective government partnerships enable Letshego to provide simple, accessible, and appropriate financial solutions that support national mandates to increase financial inclusion.

How we engage

- Government Relations Framework
- Financial Results and Releases
- Shareholder and Stock Exchange Notices
- Investor and Funder Updates and Engagement Events
- Annual Integrated Reports
- Impact Reports
- Website Updates

Regulators

Why we engage

Achieving the highest level of compliance with the regulations and legislative policies within the economies where we operate remains Letshego's governance priority.

Regulators not only provide the framework for a robust and productive financial sector, but also offer an opportunity for collaboration and partnership as private and public sectors work together to secure the interest and benefits for all participants within a financial ecosystem.

How we engage

- Regulatory Updates and Reporting
- Financial Reporting
- Shareholder and Stock Exchange Announcements
- Annual Integrated Reports
- Impact Reports
- Annual General Meetings

Strategic Partners

Why we engage

Sustainable and effective strategic commercial partnerships facilitate Letshego's ability to deliver a differentiated customer value proposition, differentiated customer experience and ultimately, success in building a world class retail financial services organisation.

How we engage

- Financial Reporting
- Shareholder and Stock Exchange Announcements
- Annual Integrated Reporting
- Impact Reporting

Our Material Matter Identification and Management Process

Letshego's identification and evaluation of material matters that have an impact on our business are guided by a clear and methodical process, overseen by our executive leadership team. Leadership teams continuously review what constitutes a material matter in line with the Group's vision, strategic objectives, ever-evolving operations, and customer value proposition.

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

Material Stakeholder Matters

Customers & Communities

MATERIAL MATTER
OUR RESPONSE

Material matter	Our response
Competitors are moving faster to innovate solutions	• We are looking at improving three main customer channels in order to address this challenge: cards, digital, and mobile
What new solutions are planned for the coming year	• Our DSA App, which we piloted in Botswana, will increase access and reduce turn-around time for customers as much of the process associated with initiating a new loan facility will be automated. For existing customers, this will remove the need to go to a branch

Our People

MATERIAL MATTER
OUR RESPONSE

Material matter	Our response
Adherence required to Remuneration Benchmarking	• Review of overall implementation of policy undertaken • We implemented corrective measures as required
Streamline and speed up delivery of services, and improve ccommunication required	• Human Capital staff in each subsidiary have dotted reporting line to Group, this has facilitated avoiding ambiguity in approach to policy and procedure rollouts • Grass root implementation of services provided through increased levels of autonomy • We launched shared platforms ensuring uniformity in approach across all subsidiaries • We have included long service awards this year, which assisted in improving our level of staff engagement
How is talent management being realised	• We recruited a head of employee relations, this should lead to improved transparency, communication of Group Strategy, and individual staff members roles in realising this • Develop and rollout of tools to inform and communicate the strategy to staff
How can staff facilitate implementation of Group strategy	• A full situational analysis has been performed and gaps are currently being filled with an initial focus on sourcing scarce skills and upskilling existing staff • All policies are approved by Board to facilitate implementation of succession and localisation plans • A 360° Leadership Culture Survey was undertaken on executive and senior management level, this facilitated collaboration, allowing for tailored approach to coaching and mentorship programmes

Material Stakeholder Matters (Continued)

Shareholders & Investors

MATERIAL MATTER
OUR RESPONSE

Material matter	Our response
New management need to be appointed and their ability to implement the strategy to be demonstrated	• The key Board vacancies have been filled, and the Executive Team has also been strengthened
Clarity on the strategy going forward to be provided	• At our full year 2019 results presentation the Group Chief Executive provided clarity on our strategic approach • We are focusing on a high growth retail-oriented pan African diversification agenda • This will in some instances require the re-engineering of existing products • We have a desire to reach scale on our deposit base, through our retail and semi-wholesale deposits which continue to grow • There will also be strong ongoing focus on the roll out of digital solutions
How are you supporting and growing your subsidiaries across your 11 markets	• We continue to standardise systems focusing primarily on HR, Credit Risk and ICT • The TCS Bancs system integration is almost complete with all but Tanzania Bank having migrated onto the system • This integration provides data on businesses central to facilitate decision making and enhance strategy • The TCS Bancs banking system and associated benefits will be fully implemented by Q1 2021
There is an increasing interest from funders on your Environmental Social and Governance (ESG) credentials, how is this being managed	• We continue to invest in a better understanding of our customer base, through annual surveys, our call centres and report backs from DSAs and branch staff • We published our first Impact Report in 2019 • ESG staff training continues to articulate the linkages between ESG and the businesses overall financial performance

Material Stakeholder Matters (Continued)

Governments & Regulators

■ MATERIAL MATTER
■ OUR RESPONSE

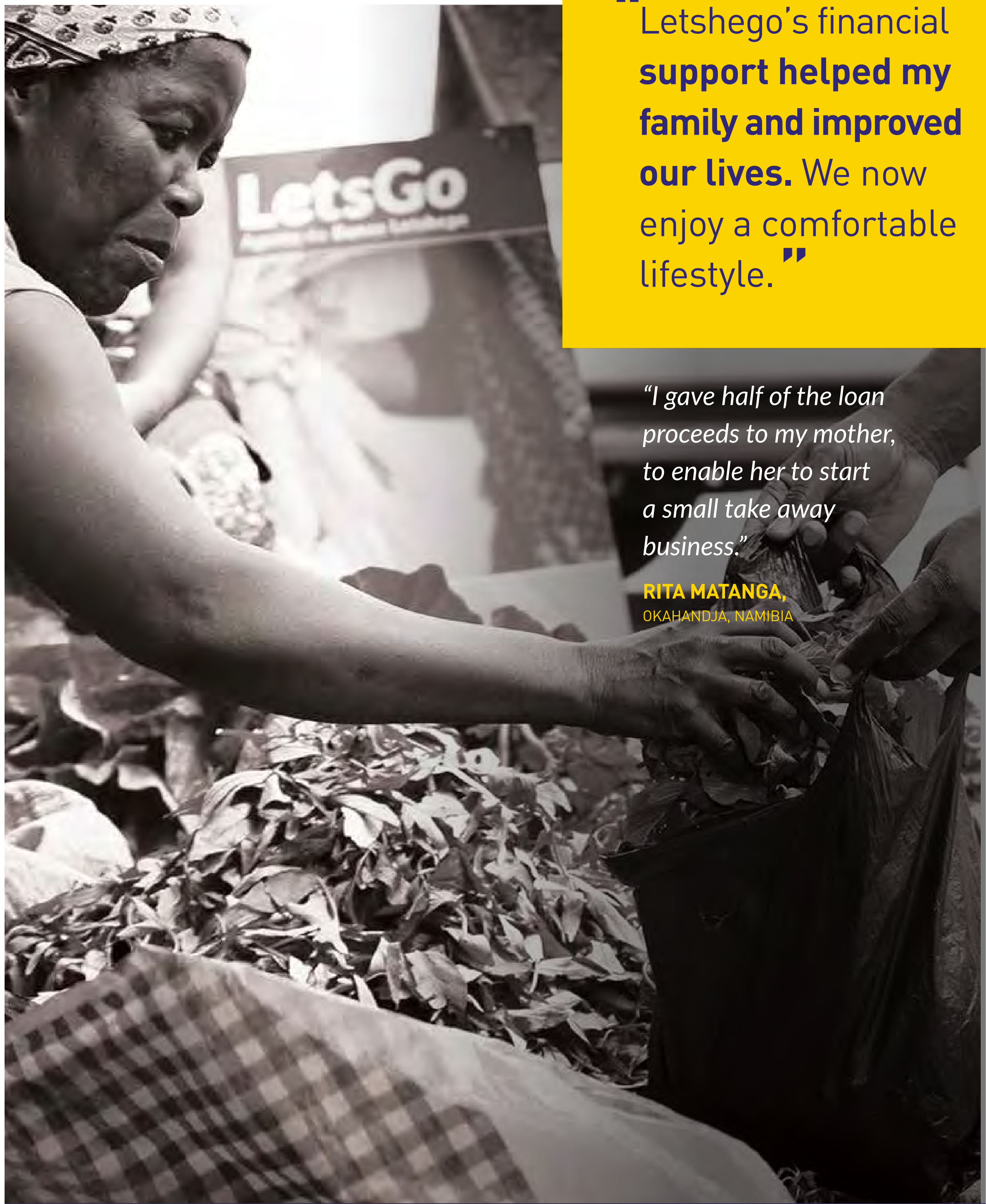
Material matter	Our response
Demonstrate capacity, adequacy and depth of the Internal Audit teams	• Our Group Head of Internal Audit reports functionally to GAC • The Internal Audit Team comprise of 30 auditors, 10 of which are highly skilled and qualified • The team composition has been enhanced to balance financial and technology skills • The 2019 Audit plan was successfully completed covering all significant risks identified
Is succession planning in place	• This has been localised in each market, with the approach approved by Board as well as the local respective departments of labour in each country
What is your approach to a risk-based pricing model	• A credit scoring project will be launched in 2020 to inform this approach, which includes a risk-based pricing model • Tools are to be developed to inform this approach, this will extend access to our solutions to a new customer base, allowing growth and diversification of our portfolio • Improvement in our non-performing loan book, due to a tightening affordability rules and improvement in collection and recovery strategies, has improved our LLRs and asset quality. It is expected this will allow us to take more risk going forward
How are credit underwriting rules incorporated into your credit risk process	• Letshego commenced the implementation and adoption of an enhanced credit scoring platform • The efficacy of our new credit scoring model aims to unlock access to capital for each customer segment • This solutions design will introduce revised decision strategies across the main decision areas of originations, existing customer management, collections and recoveries through a comprehensive suite of credit risk scorecards and two decision engines, DecisionSmart and CollectSmart. • During 2019, we hosted more than 3 comprehensive workshops with representatives from all 11 subsidiaries

Our Strategic Partners

■ MATERIAL MATTER
■ OUR RESPONSE

Material matter	Our response
How do you select key partnerships	• When selecting a partnership, we focus on the alignment of individual strategies to ensure both parties are able to maximise synergies • The key is to find complimentary synergies which will allow both parties to grow their brand, market footprint and financial returns
How do we better align objectives	• Our customer demographic requires solutions that are simple, accessible and easy to operate. This drive informs how we align our objectives, with key priority given to speed of rollout, and customer affordability • Setting of clear objectives up front, including timelines for achieving these returns is vital to establishing a meaningful relationship
How do we compliment legacy experience and leverage overlaps in footprint to maximize benefits to stakeholders	• Our partnerships are established to maximize benefits to both our own and our partners' customers. This is achieved through the sharing of services with complimentary customer segments. This has realised measurable success in our MNO partnership arrangements • During the selection process, we identify partners who have an existing strong presence on the continent. This allows us to enter and extend our reach in top growth markets. This seen to be mutually beneficial to both parties

"Letshego's financial **support helped my family and improved our lives.** We now enjoy a comfortable lifestyle."



"I gave half of the loan proceeds to my mother, to enable her to start a small take away business."

RITA MATANGA,
OKAHANDJA, NAMIBIA

My name is Rita Matanga and I live in Okahandja, Namibia.

In 2016, my mother who took care of her orphaned grandchildren and niece, retired. In 2017, I got my first job at the Ministry of Education as a teacher. At that time, I took over my mother's entire family support responsibilities, for her grandchildren and niece. It was a difficult time for me as I was also pregnant with my first child.

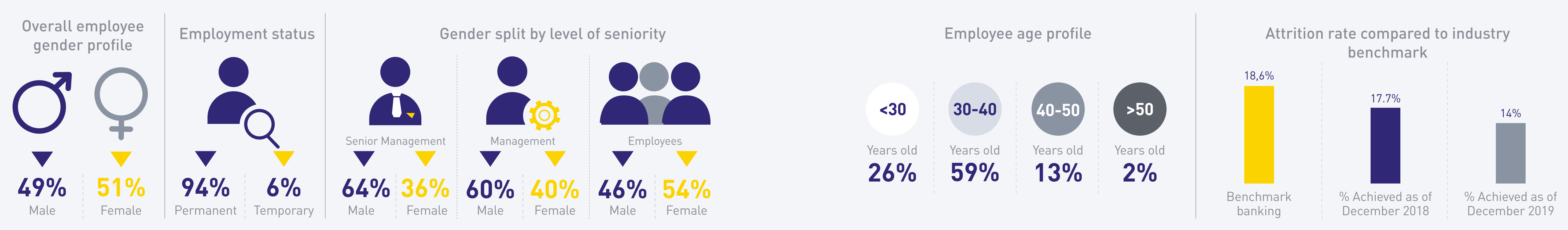
I was going through some financial difficulties and one of my colleagues referred me to Letshego. I took her advice and got my first loan from Letshego. I gave half of the loan proceeds to my mother, to enable her to start a small take away business. I then used the remaining half to open my own take away stall, where I cook and sell traditional Caprivi food. Letshego's financial support helped my family and improved our lives. We now enjoy a comfortable lifestyle.

5

Our People

Our People

Without the commitment and effort of our people, none of what we seek to achieve would be possible. By harnessing our talent and developing people potential we can make an impact. Letshego strives to be a leading employer of choice.



EMPLOYEE VALUE PROPOSITION

Under the leadership of our Group Head of Human Capital, the Group has evolved the Human Capital strategy with the aim of inspiring a stronger sense of leadership, responsibility and drive for continuous performance. These efforts combined have helped us create an organizational climate that values trust, collaboration, and boast employee engagement as a whole.

Our initiatives to boost leadership and employee engagement focused on five key areas:

- Recruitment of C-Suite leadership positions to drive Letshego's transformative agenda. These included the Group Chief Executive Officer, Group Chief Operations Officer, Group Chief Finance Officer, Group Chief Credit Officer and Group Head of Treasury
- Building stronger talent pipeline for the company by:
  - Revamping the Performance Management System with the objective of optimizing individual performance by encouraging teamwork and rewarding those who contribute to the success of the company. Employees and line managers were trained on the revised Performance Management System for implementation in 2020.
  - Establishing mechanisms for managing talent within the Group to ensure leadership continuity and sustainability; empowering employees to optimize their career and learning potential
  - Developing succession plans for the Group Executive Leadership and Country Chief Executive Officers
- Refining our rewards policy and philosophy to guide the design and operation of our rewards programs which support our business strategy and reinforces our uniqueness. Through our reward practices, our employees are motivated to focus on business and personal objectives, deliver and sustain outstanding performance and act in line with Letshego's uniqueness.
- Recognizing employee loyalty through hosting the Long Service Award Ceremony. The awards were important as they were a way of recognizing our employees' commitment, hard work and dedication. It was a great way of saying "Thank You" to employees who have contributed to the growth of the Letshego brand.

PROMOTING DIVERSITY

At Letshego, diversity is a key enabler of financial success, and we have aligned our policies and processes to support increasing levels of diversity within the Group. In total, we employ 1 863 people across our regional footprint.

The Employment Status shows 94% are permanent employees. 28% of Letshego's staff compliment represent management and 5% senior management. A total of 49% of all employees across the region are female, 40% of management and 36% of the Group's top or senior management team are women. Within our Direct Sales Agents (DSAs), 42% are female.

We believe that by hiring people locally, we can connect more fully to our customer base. Youth unemployment also remains a serious challenge to economic growth in most of the countries in which we operate. We continuously look at balancing our employee compliment by attracting young talent and mentoring these skills to assist in fostering personal development potential as well as gaining from the fresh focus and innovative approach for which youthful mindsets are valued. Across the group 26% of Letshego's employees are under the age of 30 years, empowering our workforce to be prepared for the new digital way of working.

During 2019 we noted a 14% turnover rate (2018 17.7%) for the reporting period. Although this is below general industry benchmarks, we would like to maintain these reduced attrition rates.

Country head count analysis as at 31 December 2019	Group	Botswana	Namibia	Lesotho	Eswatini	Mozambique	Kenya	Rwanda	Uganda	Nigeria	Tanzania	Ghana	Total
Number of employees as at 31 December 2018	159	129	117	40	25	178	191	82	231	273	239	218	1 882
Employees hired during the year	27	11	50	4	4	12	76	2	71	25	21	8	311
Employees left during the year (voluntarily or due to dismissal, retirement, or death in service)	(29)	(4)	(22)	(4)	(1)	(16)	(80)	(18)	(49)	(33)	(40)	(32)	(328)
Number of employees at 31 December 2019	**157**	**136**	**145**	**38**	**28**	**174**	**187**	**66**	**253**	**265**	**220**	**194**	**1 863**

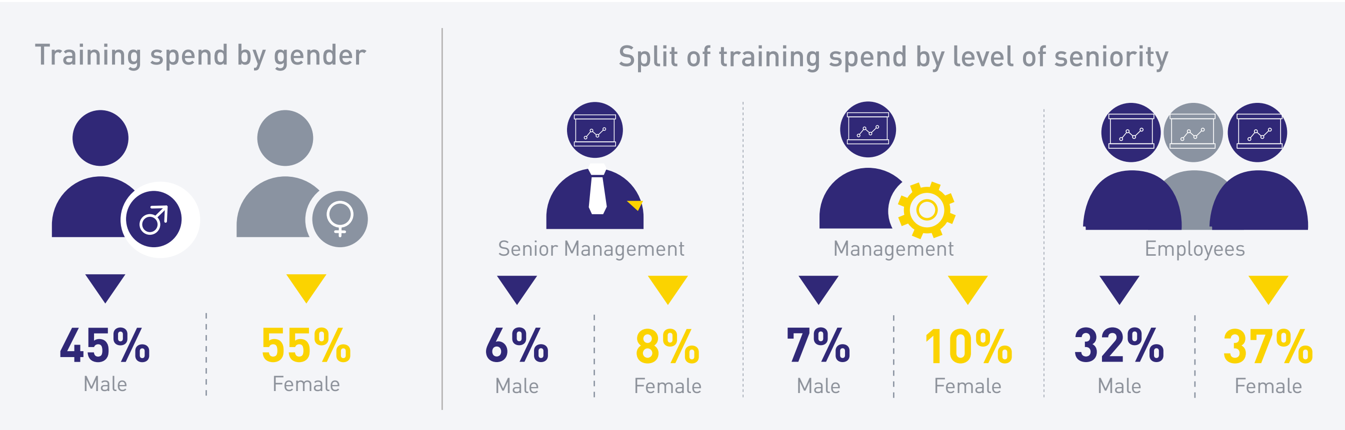
Our People (Continued)

EMPLOYEE TRAINING AND DEVELOPMENT

As part of our commitment to supporting the upskilling and development of our people, we invested P4.3 Million (2018 P4.9 Million), in a range of courses and programmes.

A total of 2 553 participants across the Group attended various training courses during the year. During 2019 training primarily took place inhouse, in order to save costs in line with cost minimisation initiatives across the Group. Letshego's approach to learning still remains 70-20-10 with the aim that 70% of employee learning will be through daily role responsibilities and hands on experience, 20% through line manager coaching and mentoring and 10% through classroom learning. This is premised on the principle that the majority of the learning must take place in the workplace with employees carrying out their role responsibilities.

The highlights include a Self-Awareness Programme run for Group EXCO which included a 360-degree survey. The programme focused on employee self awareness and an awareness of the positive and negative impact of their behaviour on their team members and colleagues. The aim was to build better relationships amongst the top team through team work and collaboration. The 360-degree survey findings led to leadership team coaching and mentoring programme. The leadership and coaching programme imparts skills and competencies to improve interpersonal relationships and leadership styles which form an essential element of the organisational culture that will enable employees to excel and increase employee productivity. A total of 457 employees also received anti-corruption training during the year. These were employees from across the group operations and the training was in line with requirements for employees in financial services and the need to raise awareness on corruption.



He decided to visit their branch in **search of financial support** – and he has since **never looked back.**

Through his continued partnership with Letshego Uganda, today; he has been able to grow his business more than tenfold.

OPEDO STEVEN
KAMPALA, UGANDA

Opedo Steven is a businessperson who lives in Rubaga, a suburb of Kampala, Uganda. In the past, he used to operate a small matooke business, which was failing to grow and barely managed to meet his family's financial needs. Matooke is one of the most common foods in Uganda and is a traditional dish made from green plantains.

He learnt about Letshego from a friend in 2008 and decided to visit their branch in search of financial support – and he has never looked back. Opedo initially wanted a loan of UGX700, 000, however, since his business was not doing well financially; he was granted a loan for UGX500, 000 instead, which he could afford. After he got his loan, he traveled to Mbarara District to buy bulk matooke orders and through his continued partnership with Letshego Uganda, today; he has been able to grow his business more than tenfold.

Opedo now supplies matooke to wholesalers in Rubaga. Seeing that his business was increasing, Opedo came back to Letshego for a loan top-up of UGX1, 000,000 that he used to start a bar, as an alternative source of revenue. With further financial support from Letshego Uganda, Opedo has managed to build a residential house in Kasubi and benefits from monthly rental income from his tenants. All his children have graduated from University and his businesses (rentals, bar and matooke businesses) are doing well.

6

Realising Financial Inclusion while Enhancing Financial Performance

Realising Financial Inclusion while Enhancing Financial Performance

ADDRESSING THE NEEDS OF OUR CUSTOMERS

Increasing the use of digital and mobile engagement channels will reduce the costs associated with providing access to solutions.

Letshego's financial inclusion strategy is around increasing access of financial solutions to more customers. In 2019 the focus was on increasing non-branch transaction volumes especially mobile led USSD as well as cards. As a result of this strategy, we have seen significant growth in the volume and value of our alternative transactional channels.

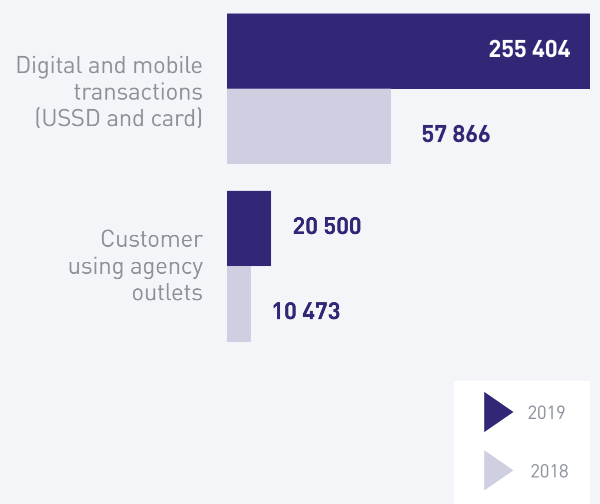
Card transaction values increased to P109.4 Million compared to the prior year (2018: P10.9 Million), and card transaction volumes are up by 142 356 to 174 508 in 2019 (2018 32 152). Cards issued have increased to 15 579 in 2019 up from 6 223 in 2018.

The number of transactions for digital and mobile banking increased on the prior year by 290% to 225 404 (2018: 57 866).

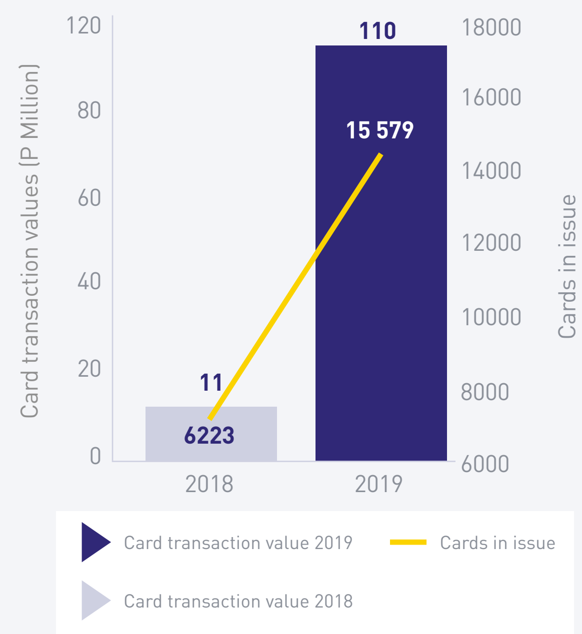
Registered agency banking customers increased to 20 500 (2018: 10 473). The portion of our savings LetsGo customers using electronic channels to transact has risen from 54% in 2018 to 81% in 2019, mainly as a result of the increased usage of our card and USSD channels.

During 2019, the total value of retail deposits increased from P85 Million in 2018 to P218 Million in 2019. This was achieved by increasing our deposit taking base by 229 224 customers to 402 298, an increase of 57% from our 2018 base of 173 074. This customer base mainly came from new mobile saving customers in Tanzania. Overall the contribution of retail deposits to the total deposits improved to 51% (2018: 17%).

Non branch transaction values



Card usage



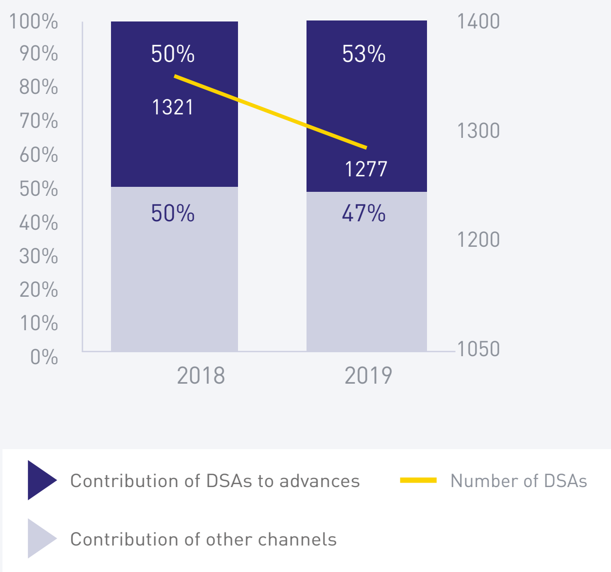
During 2019, physical access points only increased by two branches as we focused on improving the functionality of branches to increase their capability to facilitate cash transactions and increase efficiency across the footprint. We reduced the number of satellite branches, and we saw decreases in the number of agency banking locations. The overall achievement over the last two years has been to increase access points and focusing activities away from our branch infrastructure, to bank agents or digital channels.

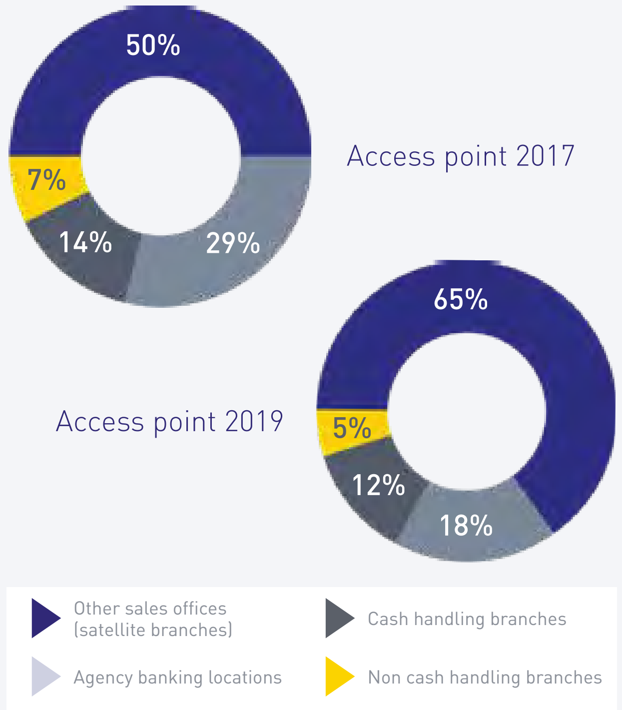
We have always been known for our speed in approving loans. This has been further enforced through the use of our Direct Sales Agents (DSAs) channel which now constitutes 47% of new applications.

We are piloting the DSA Application, for rollout in 2020. In 2019 out of the 47% DSA contribution, 4% was done through the DSA using the Application in Pilot. The Application will further accelerate the approval process, as the information gathered through it is sent immediately to the branch, to begin the affordability assessment. This is particularly beneficial to existing customers, as much of the documentation needed to process an application has already been provided. We foresee this saving anything between 12 and 24 hours in processing time.

We are also piloting the automation of certain parts of the loan application process using USSD. We have had positive feedback from customers who want to reduce the amount of time spent in branches completing and submitting required documentation. To further assist customers in countries where we do not have deposit-taking facilities we have automated processes to reduce the time taken to transfer funds from a Letshego loan account to a transactional account at alternative financial institution.

DAS Loan Portfolio - DAS contribution





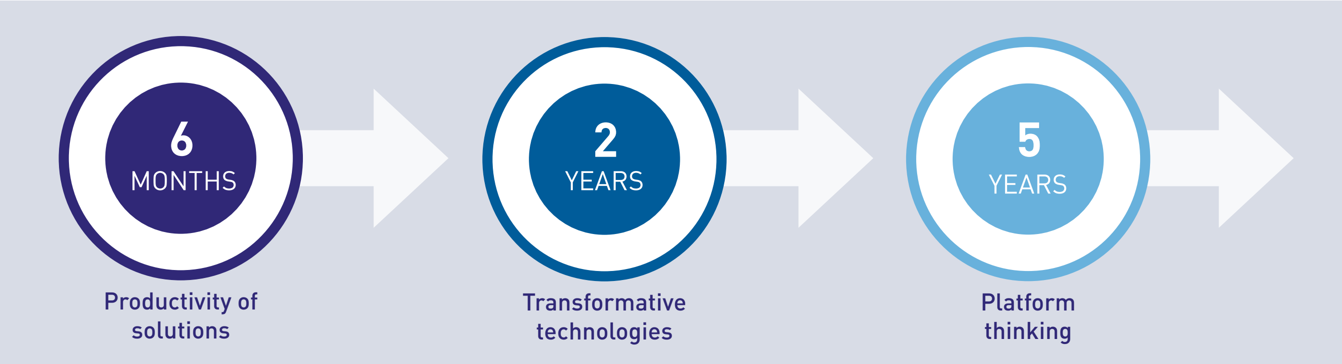
7

Returning to Growth

Return to Growth

Letshego's strategy remains consistent in providing access to simple and appropriate financial solutions to emerging consumers, in line with our brand promise to Improve Lives. Our vision is clear, to become a world class retail financial services organisation. How do we get there? Our 6-2-5 plan provides the framework to achieve our strategic objectives for the short, medium and long term.

6-2-5 PLAN



Strengthen our foundation

6 MONTHS

In the first 6 months of 2020, we will focus on strengthening our foundation. We continue to leverage our success and legacy expertise in Deduction at Source, while diversifying our solution and funding base. A measure of success is the growth of our existing loan book and increase in asset quality.

Become Customer Led

2 YEARS

Through strategic investment in targeted, emerging transformative, technologies that enhance our solutions and elevate customer experience, we will become a more customer-led organisation.

The alignment of our organisational structure with our strategic objectives, as well as the adoption of Agile Enterprise methodologies into the way we work, will unlock greater operational efficiencies, collaboration and measurable outputs.

Create A Future Organisation

5 YEARS

In the longer term, our plan is to create a 'future organisation' with a platform of relentless innovation in digitalisation strategies that align with our clear strategic objectives.

This phase is platform-led, with the development of innovation hubs and digital eco systems that enable us to track, record and report the commercial and social impact we are achieving through our brand promise to *Improve Lives*, and commitment to deliver sustainable value to all our stakeholders.

2019 INVESTMENT AND INITIATIVES THAT SUPPORT OUR FUTURE GROWTH AMBITION

Continued investment into our systems

IT and System reviews are an ongoing part of our business to maintain and enhance our systems, transaction processing, general operations, customer experience, risk framework and overall business efficiency and performance. In 2019, we enhanced our back office operations and business continuity planning measures by upgrading and relocating our data centres as well as relocating our disaster recovery site. With the conclusion of this project, data centres are now better aligned with international standards in capacity, internal access and speed in remote processing and reporting, and our disaster recovery site now benefits from enhanced protection from potential power interruptions. This investment is set to deliver longer term benefit in cost savings derived from processing efficiencies, enhanced data security and overall enhanced performance and resilience in our server infrastructure.

Deposit processing enhanced

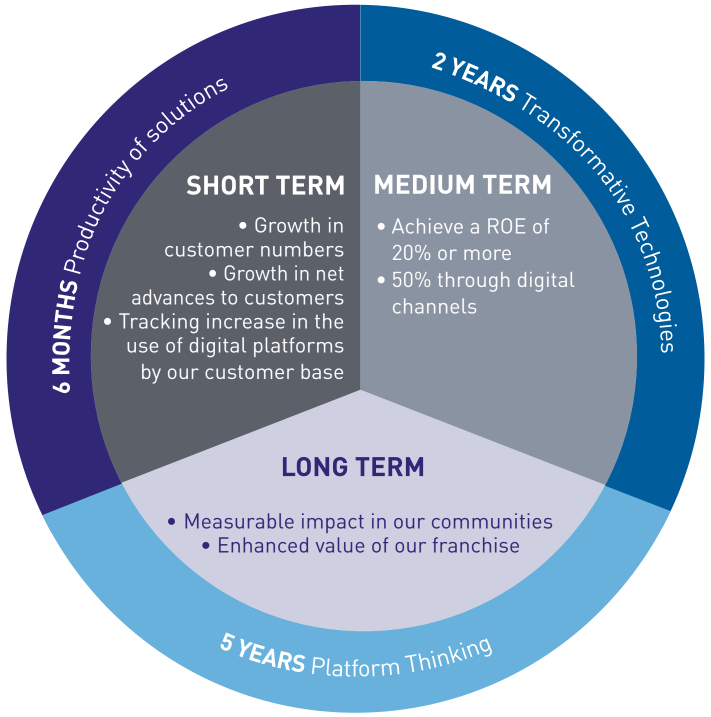
Although customers continue to enjoy accurate confirmation of all deposits made, our back-office deposit processing function and systems provided an opportunity for improvement. While the extended period of processing deposits did not pose any risk to customers in terms of confirmation and reporting accuracies, there was scope to reduce our processing turnaround times and our system's ability to ensure relevant data was immediately available for effective end-to-end deposit processing. Following targeted IT system enhancements, our deposit processing function now enjoys a 90% improvement in time and processing efficiencies.

Enhancing our credit scoring systems

In 2019, Letshego commenced the implementation and adoption of an enhanced credit scoring platform that stands to bring sustainable and direct benefit to our collective business performance in the medium to longer term. In addition to improving our asset quality across solution segments, the efficacy of our new credit scoring model aims to unlock access to capital for each customer segment, thanks to a more detailed individual risk and affordability assessment process. This comprehensive credit solution design will enable revised decision strategies across areas of originations, existing customer management collections and recoveries. This is achieved through a comprehensive suite of credit risk scorecards and two decision engines: DecisionSmart and CollectSmart.

During 2019, we hosted more than 3 intense workshops with representatives from all 11 subsidiaries – a critical step as we pave the way for group-wide implementation, due for completion in Q1 2021.

How We Measure Success



Through our enhanced credit scoring model, both Letshego and our customers gain. In addition to customised access to capital, the scoring model aims to increase responsible loan management for customers though anti attrition scorecards thereby reducing early settlement, in light of improved affordability and credit scoring evaluations on application. In turn, Letshego not only gains from reduced financial risk and enhanced asset quality, but also from improved collections – again a benefit derived from increased levels of affordability within our customer base. Our cost of risk reduced from 4.1% in 2018 to 1.7% in 2019. This is just one of the success indicators we expect to see improve once our credit scoring model is implemented and embedded into our daily operations across all markets. Our credit scoring model is expected to bring tangible commercial value that we aim to pass onto our customers.

ENHANCING STRATEGIC PARTNERSHIPS

Through our strategic partnerships, such as that developed with MTN Eswatini, we have been able to further increase access with the provision of hassle-free and instant short-term loans to Mobile Money customers who qualify based on their use of the platform. Products like the MTN MoMo Quick Loan may enable the significant un-banked population to stretch their limited income by smoothing consumption patterns. In Kenya, in partnership with Liberty Life, we launched a low-cost funeral insurance policy to smooth the financial impact of funerals.

Return to Growth (Continued)

Micro and small (MSE) business owners are an increasingly valued sector of the economy, given their potential to reduce poverty and alleviate unemployment levels, but cash flow management remains the single biggest challenge for small business owners, and often the reason small businesses fail. We strengthened our support of the growth and development of MSE business owners in Eswatini, with the addition of purchase order finance solutions, up to the value of E1Million. We ended the year having grown the MSE portfolio by 6%.

COMPLYING WITH EVOLVING SECTOR REGULATION

Adapting and complying with evolving and enhanced financial regulation and financial sector policy remains part of doing business. Letshego welcomes and appreciates regulation and policy enhancements given this facilitates a more open and transparent financial sector, safeguarding the interest of consumers while providing a clear, operational framework for public and private sector participants.

This year, Letshego appointed a Group Credit Risk Officer, Bella Dihutso and Group Head of Treasury, Mayokun Ajibade to our Group executive team, in line with our ambition to build a robust leadership team aligned with our future vision.

ENHANCED RISK THROUGH EFFECTIVE INTERNAL AUDITING

We have been enhancing the audit function capacity and skills since 2018, with a full team complement concluded in 2019. The team's composition includes a balance of financial and technology skills, with 4 internal auditors bringing valued IT experience. The Internal Audit Team comprises 30 auditors, 10 of which are highly skilled and located at our shared service centre in Botswana.

Our 2019 Audit Plan was completed covering key risk areas, including liquidity risk management, credit risk (underwriting controls, collateral management, collections and recoveries and impairment models) as well as technology and operational risks that arise from information security, cyber security and business continuity.

Our Group Head of Internal Audit reports functionally to the Group Audit Committee (GAC). GAC members are drawn from the Group's Independent Non-Executive Directors, in compliance with International Internal Auditing standards and King IV requirements. The capacity of the GAC is further strengthened with external expert candidates, enhancing the committee's independence and diversity in relevant skill sets.

NEW STRATEGIC BRANCH OPENING

To compliment our existing branch and physical outlet networks, and ensure these physical access points are accessible with evolving communities and convenient locations, Letshego opened a total of 18 new branches and outlets in the last two years.

Although Letshego continues to reiterate our intention to digitalise and enhance alternate access channels to enhance customer experience, our ongoing customer surveys reiterates the need to compliment digital access channels with physical outlets.

RESPONSIBLE LENDING DURING COVID-19

COVID-19 has impacted the lives and livelihoods of many people, communities, businesses and governments globally. At the back of the outbreak of COVID-19, and indeed its promulgation in Africa at the beginning of 2020, Letshego acted swiftly and implemented a number of measures and interventions to ensure the safety of our colleagues and customers whilst ensuring the resilience of our business operations.

We accelerated the enhancement and deployment of technology channels within our 6-2-5 Strategy to enable our employees and partners to follow national health recommendations and work remotely, while maintaining support and delivery to our customers leveraging our digital channels.

This was an important step for us, as it not only protects our customers and colleagues in line with social distancing practices, but also emphasises our position as a responsible corporate citizen in all our markets as we align with the local health standards and global health requirements.

Prioritising employees' and customers' health and wellbeing
Across our 11-market footprint, Letshego has implemented health and safety protocols in line with national and international health directives and global protocols. Some of the measures include remote working where possible, social distancing within our premises and ensuring that our workspaces have the necessary health interventions such as hand sanitizers, face masks and awareness posters.

We are also providing safe and hygiene conscious transport for colleagues who are required to come to the office, reducing the risks associated with the use of public transport. Social distancing is achieved within our branches and outlets by monitoring entrants in line with national guidelines – this ranges from 10 to 25 people within a demarcated area based on country specific guidelines. During this period, the health and hygiene protection measures for employees has also been increased.

Maintaining business continuity
In line with our business continuity planning framework, 'critical-to-operations' processes are defined together with the requisite workforce and systems. As such, in executing our business resilience plan, we ensured that the key elements relating to our critical-to-operations processes were ready to operate during this period. The teams responsible were properly briefed and Virtual Private Networks (VPNs) are available to ensure remote working employees access business systems within safe and secure channels.

Our systems used in processing were also reviewed with appropriate redundancy protocols in place (fail-over protocols and enough capacity at disaster recover site/data centers), in line with effective ongoing monitoring systems. A robust remote working framework is important to ensure that the needs of our customers, employees, shareholders, regulators and other stakeholders are met during this period.

Stress tests and sensitivity analyses were conducted from the outset to map out potential downside scenarios and their financial impact on our business. Understanding the impact of lockdowns and other restrictions on individuals and businesses, Letshego provided necessary interventions such as repayment holidays and other debt relief measures, as well as providing multiple options for customers to access services using digital channels. Our shareholders continue to be proactively engaged to assure them of the resilience of our business and ongoing stress testing and risk mitigation scenario planning.

Business resilience
The Letshego business remains resilient in the face of the COVID-19 outbreak. While the Micro to Small Enterprises (MSE) segment has been heavily impacted, it is limited in scale, comprising 9% of the Group's total loan portfolio. Small enterprises have been affected by non-receipt of imported goods due to the lockdowns and the inability to export. A three-month repayment holiday has been extended to these customers to support them through this crisis. Affected economic sectors include Travel & Tourism, Manufacturing, Trade and the Education sectors.

Letshego's Deduction as Source segment (DAS) that accounts for 88% of the Letshego loan portfolio remains resilient as governments continue to support employees and seek to minimise retrenchments.

A review of 1st Quarter 2020 performance was positive. Run rates for the Quarter were ahead of Q4 2019, albeit slightly behind Q1 2019. However, the financial impact of COVID-19 is only expected to reflect in Q2 and Q3 numbers this year.

Letshego's Loan Loss ratio (LLR) for Q1 2020 was 1.8% and within the Group's target range of 1.7% and 2.5%. Net advances to customers were up 2% year on year. The Group is showing a strong position to meet all funding obligations, with the Group's cash position up 20% year on year. Letshego continues to engage our funders and investors on a regular basis, affirming the Group's liquidity position in meeting all funding obligations. Letshego remains well capitalised across all its markets.

Despite the impact of the lockdowns, business momentum is expected to gain resilience from ongoing enhancements and investment into both system and access channel strategies.

Supply chain de-risking
Letshego works closely with all of its suppliers, some of them being critical to our operations. At the outset of invoking our business continuity plan, we engaged key suppliers and partners to align our plans and co-create a supply chain business continuity plan over this period. This has worked well thus far, and we intend to continue engaging with our supply chain partners to safeguard against any interruption to our services. Letshego's internal health and safety protocols have also been extended to suppliers and contractors onsite.

Non-Communicable Disease (NCD) Care

The Letshego Group initiated a community investment partnership with primary healthcare experts, PCI (Primary Care International) in 2015 to support the development and enhancement of Non-Communicable Disease (NCD) care and frameworks across Letshego's regional footprint.

WHY NCDS?

Over 80% of premature deaths caused from treatable and curable Non-Communicable Diseases (eg. cardiovascular conditions, diabetes, heart disease etc), occur in emerging markets*. Through the Healthcare Innovation Programme (HIP), Letshego and PCI provided sustainable support and care to individuals suffering from NCDs, thereby restoring the opportunity for members of our communities to enjoy a healthy lifestyle, care for their families, earn a living and lead productive lives.

To date, Letshego and PCI have launched NCD care programmes in seven footprint markets: Botswana; Kenya, Lesotho, Mozambique, Namibia, Rwanda and Uganda.

** **Source:** World Health Organisation, NCD Fact sheet (June 2017)*

Primary Care International

Strengthening family medicine worldwide

Primary Care International (PCI) deliver strategic support and professional development to strengthen family medicine across the world. Based on the latest evidence, we offer peer-to-peer training and develop sustainable solutions with local partners for quality, cost-effective community-based healthcare.

www.pci-360.com

KENYA

LINKING NCD CARE TO VILLAGE AND LOANS SAVINGS GROUPS

HIP Partner: AMPATH Kenya

Patients with diabetes or heart disease attended regular microfinance meetings and received health education and mobile health services including check-ups, testing and medication. This project serves as a source of best practice for other Kenya-based family medicine clinics who wish to increase the sustainable implementation of NCD care and treatment in rural communities.

3 YR FUNDING AMOUNT: **P1.7M**

BOTSWANA

STANDARDISED NCD CARE THROUGH GUIDELINES AND TRAINING

Partner: Ministry of Health and Wellness (MoHW), Botswana

This project is strengthening the primary care system through a cascade training programme. Following a training of 'Master Trainers', 174 health workers from 8 districts received cascade training on the management of diabetes and cardiovascular disease. 62% of these were nurses, who are the first point of contact with patients. All recorded an increase in knowledge of NCD care following the training. This was followed by a programme of structured observations and mentoring of those trained in 2019.

3 YR FUNDING AMOUNT: **P750 000**

LESOTHO

LESOTHO

Partner: Lesotho Boston Health Alliance (LeBoHa)

This project trained 11 Family Medicine Registrars, who together serve a population of over 200,000 (nearly a tenth of Lesotho's population). Equipped with clinical and leadership skills, these registrars continue to use this material for village health centre supervision, for training nurses and to support the Ministry of Health to implement nation-wide improvements to NCD care at primary care level.

3 YR FUNDING AMOUNT: **P180 000**

MOZAMBIQUE

DECENTRALISATION OF NCD CARE

HIP Partner: Mozambique Institute for Health Education and Research (MIHER), Mozambique

This project is piloting a decentralised primary healthcare model to shift NCD care (with a focus on diabetes, hypertension and cardiovascular disease) from Mavalane General Hospital, in Maputo city, to community-based health centres. This project started in December 2018 with a collaborative workshop for 18 healthcare representatives to agree a package of NCD training materials that was used at a Training of Trainers workshop for 30 clinicians in 2019.

3 YR FUNDING AMOUNT: **P1M**

RWANDA

STRENGTHENING THE QUALITY OF CLINIC MANAGEMENT IN PRIMARY CARE HEALTH CENTRES

HIP Partner: Health Builders, Rwanda

This project concluded in 2018. Health Builders and the HIP worked with health centres to improve their quality of clinical management for NCD diagnosis and care through the development and pilot of a clinical management tool and mentoring guidelines. This is aligned with the Ministry of Health's strategy to decentralise NCD care from hospital level to health centre level. Results showed a 22% improvement from the baseline with measurable improvements in triage, follow up and incident reporting. The project has created a source of best practice for other care centres to follow in providing NCD care nation wide.

3 YR FUNDING AMOUNT: **P812 000**

UGANDA

PROVIDING A WHOLE SYSTEM FOR NON-COMMUNICABLE DISEASE (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. The project has registered a 77% overall increase in the caseload across the 3 pilot facilities, indicating an increasing awareness of, and access to, NCD care. Monitoring of this caseload of patients continues to assess whether those diagnosed with NCDs continue to access care and treatment during 2019.

3 YR FUNDING AMOUNT: **P840 000**

NAMIBIA

DEVELOPMENT OF PROCEDURES, GUIDANCE AND TRAINING ON NCD CARE AND MANAGEMENT OF PALLIATIVE CARE

HIP Partner: Ministry of Health and Social Services, Namibia

Procedures and clinical guidance for the early diagnosis and effective management and prevention of NCDs as well as a primary care approach to palliative care will be developed. This will be underpinned by a training programme for healthcare professionals at primary healthcare facilities in three pilot regions. A detailed plan of action is in the process of being finalised.

3 YR FUNDING AMOUNT: **P1.1M**

Measuring our Social Impact

Create A Future Organisation

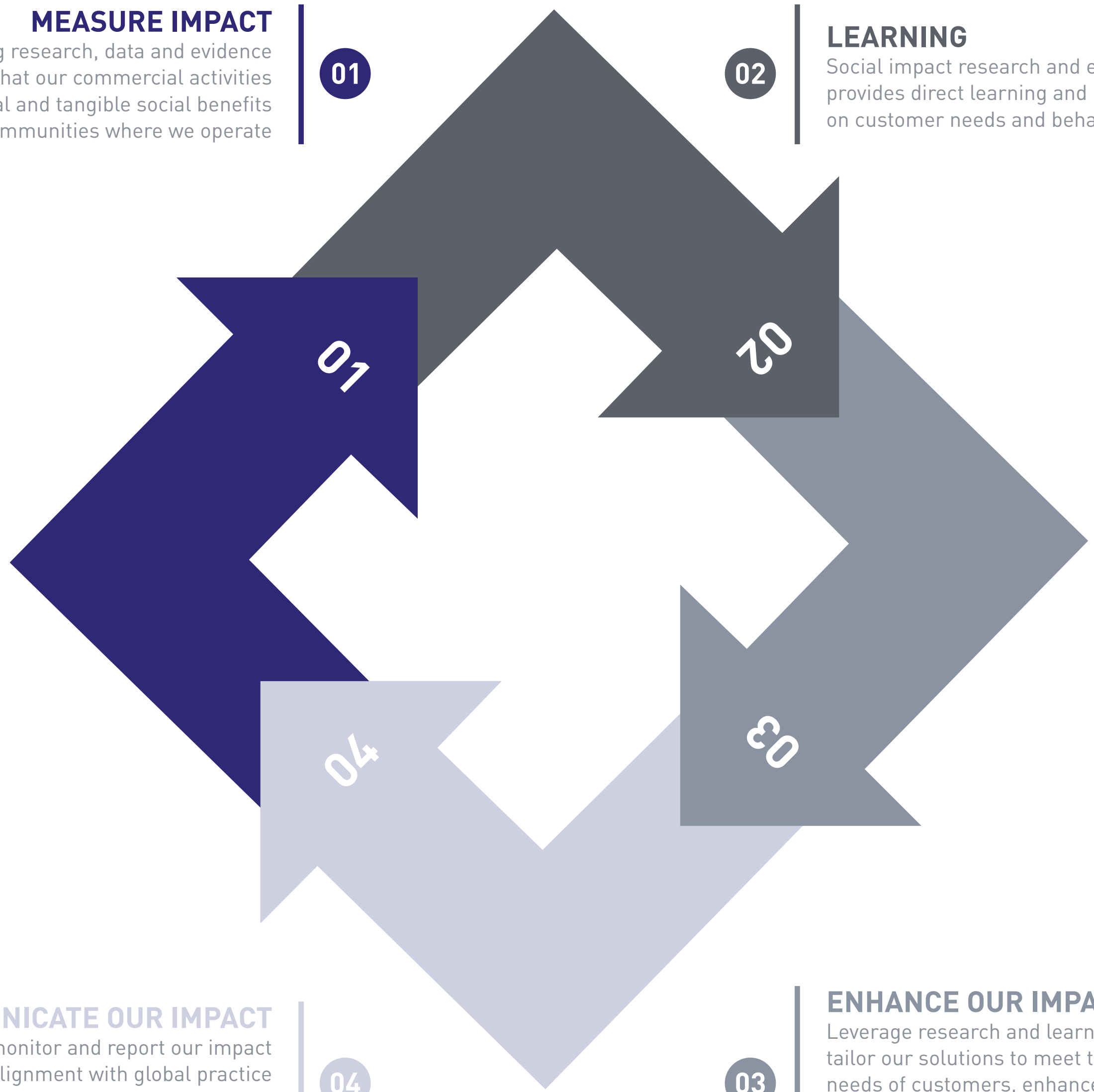
Our Approach

MEASURE IMPACT
Sourcing research, data and evidence to ensure that our commercial activities provide real and tangible social benefits in the communities where we operate

01

LEARNING
Social impact research and evidence provides direct learning and intelligence on customer needs and behaviour

02



COMMUNICATE OUR IMPACT
Track, monitor and report our impact trends in alignment with global practice and UN Sustainable Development Goals (SDGs), apprising funders and informing stakeholders

04

ENHANCE OUR IMPACT
Leverage research and learning to tailor our solutions to meet the evolving needs of customers, enhance customer experience, reduce risk and promote support for sustainable economic development within our communities

03

As reported in our inaugural IMPACT REPORT published in 2019, Letshego strives to *Improve Lives* and achieve a sustainable impact within the markets where we operate. In line with our solution offering and strategic focus on Youth, Health and Education, we align with 11 out of the United Nation's 17 Sustainable Development Goals (SDGs). Letshego's strategy to increase access to simple and appropriate financial solutions for emerging customers, aligns with national government mandates to encourage productive use of loans, ultimately increasing income potential, employment levels and sustainable economic development within local communities.

Our Approach (continued)

Social
Aligned to our financial inclusion mandate, with our solution offerings targeted at agriculture, education, health care, and provision of affordable housing

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

11 SUSTAINABLE CITIES AND COMMUNITIES

Economic
Customising solutions to support the growth of Micro and Small Entrepreneurs (MSEs)

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

Gender
Women have historically been marginalised in accessing traditional financial services

5 GENDER EQUALITY

Partnership
Strategic partnerships enable Letshego to extend value to all stakeholders

17 PARTNERSHIPS FOR THE GOALS

Measuring our Social Impact (Continued)

Improving Lives

Letshego aims to *Improve Lives* by focusing on our customers economic wellbeing

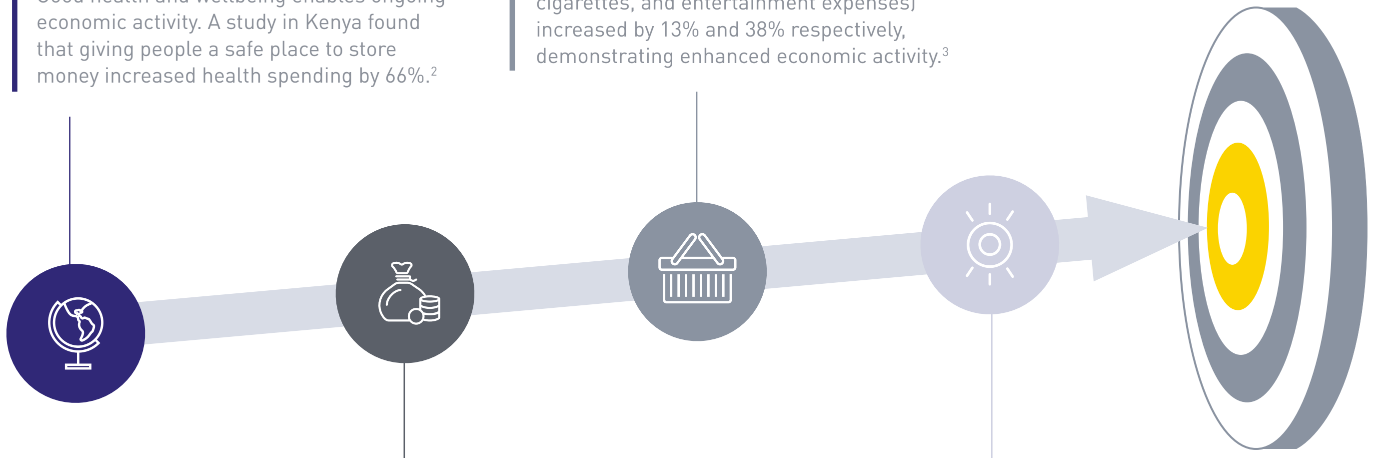
According to the African Development Bank[1], improving access to financial services will mobilise greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves and their families. Also, it has been noted that bank account ownership serves as an entry point into the formal financial system and enables the poor to build up a credit history which can facilitate future access to credit for activities such as investment and education.

FOSTER ONGOING ECONOMIC ACTIVITY

Good health and wellbeing enables ongoing economic activity. A study in Kenya found that giving people a safe place to store money increased health spending by 66%.[2]

SMOOTH OUT CONSUMPTION PATTERNS

A study in Kenya found that following the opening of bank accounts for women, daily food expenditures and private expenditures (e.g. meals outside the home, alcohol, cigarettes, and entertainment expenses) increased by 13% and 38% respectively, demonstrating enhanced economic activity.[3]



INCREASED EARNING POTENTIAL

Access to traditional financial services and funding enables investment into productive purposes such as health, education, small businesses and home improvements. Studies show an average increase of 20% spend on education in households that have opened bank accounts. [4] Productive use of funding facilitates and increases an individual's income potential.

COPE WITH SHOCKS

Access to funding and traditional financial services facilitates enhanced resilience against unexpected emergencies.

[1]Financial inclusion in Africa, Triki, T. and Faye, I., AfDB, 2013
[2]Constraints to Saving for Health Expenditures in Kenya, Dupas, P and Robinson, J, Innovations for Poverty Action (IPA)
[3]Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya, Dupas, P and Robinson, J, American Economic Journal: Applied Economics Vol. 5, No. 1, January 2013
[4]https://navigatingimpact.thegiin.org/strategy/fi/improving-access-to-and-use-of-responsible-financial-services-for-historically-underserved-populations/

As published in our Impact Report 2019, this extract reiterates how Letshego has calculated the social and economic impact of its commercial operations in Agribusiness, Healthcare, Education, and Household consumption trends. The areas of social impact are aligned with the respective United Nations' Sustainable Development Goals (SDG's). The statistics noted in the OUR CONTRIBUTION within each area of focus quantifies Letshego's estimated economic impact achieved within that economic sector of focus, in line with international formula and guidelines in calculating economic impact, including sources from the World Bank, 2018, IFC 2012, ILO, 2017 and Journal of Entrepreneurship Perspectives, 2013.

Impact Agri Business | Contribution to developmental impact on society

OUR CONTRIBUTION

- P368 Million in additional economic spin off
- Close to 38 400 indirect jobs
- supported

HOW IT IS MEASURED[5; 6]

- Every US$1 of output generated in agriculture stimulated a further US$ 1.23 in economic activity.
- US$1 Million invested in agriculture equates to
- 1 566 jobs

SIZE OF PORTFOLIO

- P299 Million in 2019
- 74% female customers
- 26% male customers

AGRI BUSINESS DEFINED

- Primary production of agricultural products

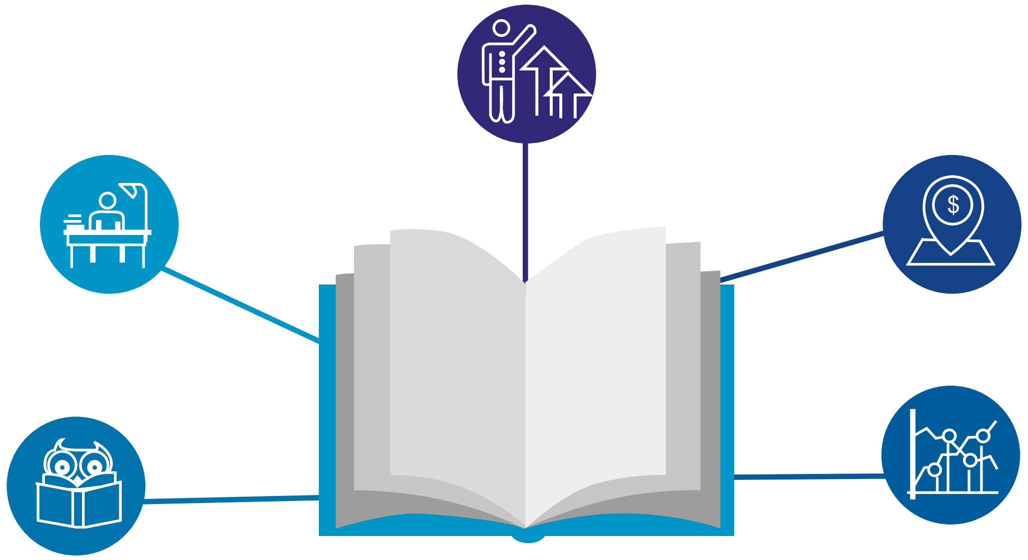
PRODUCTIVE LOAN USE DEFINED

- Purchase of raw material inputs, improvement of infrastructure,
- Purchase of land
- Implementation of business processes

[5]The future of work in African agriculture: Trends and drivers of change, Jayne et Al., ILO, 2017
[6]Socio-Economic Impact of IFC Financing in Ghana, IFC, 2012

Measuring our Social Impact (Continued)

Impact Education | Contribution to developmental impact on society



OUR CONTRIBUTION

- Secondary Education P3 868 increase in earning potential per pupil
- Tertiary Education P4 451 increase in earning potential per pupil
- Total projected increase in earning potential P893 Million
- About 78 000 students.

HOW IT IS MEASURED[7]

- Impact of 1year of tertiary education on income is 20.2%
- Impact of 1year of secondary education on income is 17.7%

SIZE OF PORTFOLIO

- 29% of our Customer Base
- P1.45 Billion in 2019

EDUCATION DEFINED

- Making use of loan to further level of education

PRODUCTIVE LOAN USE DEFINED

- Funding used for secondary or tertiary education

[7]Returns to Investment in Education: A Decennial Review of the Global Literature, Psacharopoulos. P & Patrinos. H, World Bank, April 2018

Impact Health Care | Contribution to developmental impact on society

PRODUCTIVE LOAN USE DEFINED	HEALTH CARE DEFINED	SIZE OF PORTFOLIO	HOW IT IS MEASURED[8]	OUR CONTRIBUTION
• Improved management of primary care facilities • Improving level of care through provision of guidelines and training • Providing NCD care • Linking NCD Care • to Village and Loan Savings Groups	• Reduction of NCDs, in Botswana, Kenya, Lesotho, Mozambique, Namibia, Rwanda and Uganda.	• P16.30 Million	• US$1 invested in scaling up NCD interventions in low- and lower-middle income countries, there is a return to society of US$7 in increased employment, productivity and longer life	• The investment made by Letshego this equates to P114.1 Million of additional economic activity in the communities we supported

Impact Household Consumption | Contribution to developmental impact on society

PRODUCTIVE LOAN USE DEFINED	HOUSEHOLD CONSUMPTION DEFINED	SIZE OF PORTFOLIO	HOW IT IS MEASURED[9]	OUR CONTRIBUTION
• Loan contributing to household consumption	• Purchases made by resident households to meet everyday needs: food, clothing, rentals, energy, transport, durable goods (notably cars), spending on health, on leisure and on miscellaneous services	• P4.98 Billion • Female customers 41% • Male customers 59%	• Household consumption expenditure increases US$0.22 for every additional US$1.22 borrowed by women from credit programs, compared with US$ 0.13 for man	• P530Million was utilised productively by women in the home, as compared to P218 Million by men. • Aggregated loans issued to men was P2.94 Billion and P2.04 Billion to women

[8]Saving lives, spending less: a strategic response to noncommunicable diseases. Geneva, Switzerland. World Health Organization; 2018
[9]Empowering Women through Microfinance: Evidence from Tanzania, Kato. M & Kratzer. J, ACRN Journal of Entrepreneurship Perspectives, February 2013

Consolidated Annual Financial Statements

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Group Corporate Information

FOR THE YEAR ENDED 31 DECEMBER 2019

Letshego Holdings Limited is incorporated in the Republic of Botswana
Registration number: UIN BW00000877524 and previously Co. 98/442
Date of incorporation: 4 March 1998
A publicly listed commercial entity whose liability is limited by shares

Company Secretary and Registered Office
Lawrence Khupe (appointed 1 January 2018 and resigned 26 February 2019)
Dumisani Ndebele (appointed 26 February 2019 and resigned 27 March 2019)
Matshidiso Kimwaga (appointed 27 March 2019)
Second Floor
Letshego Place
Plot 22 Khama Crescent
Gaborone, Botswana

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

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

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

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019.

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 priority in achieving the Group's ambition to create a world class retail finance services organisation.

Stated capital
Stated Capital of the Group at 31 December 2019 amounted to P862 621 720 (31 December 2018: P862 621 720).

There were no ordinary shares issued in terms of the Group`s Long Term Incentive Plan during the current year. Treasury shares of 19 054 190 (2018: 19 054 190) remained unchanged.

In the prior year on 28 March 2018, 5 345 810 ordinary shares were issued in terms of the Group`s Long Term Incentive Plan. These were issued from shares held as treasury shares and the remaining treasury shares at the end of the year were 19 054 190. This resulted in an increase in stated capital of P12 776 486.

Dividends
An interim dividend of 4.3 thebe per share (prior year: 8.7 thebe per share) was declared on 28 August 2019.

A second and final dividend of 7.7 thebe per share (prior year: 3.3 thebe) was declared on 26 February 2020 and will be paid on or about 15 May 2020.

Directors
The following persons were directors of the Company:

Non-executive		
Name	**Details**	**Nationality**
E.N Banda	Chairman	South Africa
S. Price		UK
H. Karuhanga		Uganda
J.de Kock	Resigned and appointed as Acting Group Chief Financial Officer on 5 March 2019 till 31 March 2020	South Africa
Dr G.Somolekae		Botswana
C. G. Van Schalkwyk	Resigned 2 May 2019	South Africa
R. N. Alam		USA
C. Lesetedi		Botswana
G. Van Heerde		South Africa
P. Odera	Appointed 12 December 2019	Kenya
A. Odubola	Appointed 12 December 2019	Nigeria
R. Hoekman	Appointed 22 January 2020	The Netherlands

Directors' Report (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Directors (continued)

Executive		
Name	**Position**	**Nationality**
P.J.S Crouse	Group Chief Executive Officer - appointed 24 September 2018 and resigned 27 March 2019	South Africa
C. W. Patterson	Group Chief Financial Officer – resigned 02 March 2019	Ireland
D. Ndebele	Interim Chief Executive Officer – appointed 27 March 2019 and resigned 30 January 2020	Botswana
A.F. Okai	Group Chief Executive Officer - appointed 01 February 2020	Ghana

Directors' shareholdings

The aggregate number of shares held directly by Directors valued at 31 December 2019 were at P4 014 987 (31 December 2018: P6 276 026). Full details of this shareholding are available at the registered office of the Company or at the office of the transfer secretaries.

Long Term Incentive Plan

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

Directors' Responsibility Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors are responsible for the preparation of the consolidated annual financial statements of Letshego Holdings Limited the "Group" that give a true and fair view, comprising the consolidated statement of financial position at 31 December 2019, 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 and the Botswana Companies Act.

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

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

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

Approval of the consolidated annual financial statements:

The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 24 April 2020 and are signed on its behalf by:

E. N. Banda
Group Chairman

A.F Okai
Group Chief Executive

Independent Auditor's Report

TO THE SHAREHOLDERS OF LETSHEGO HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Letshego Holdings Limited and its subsidiaries ("the group") set out on pages 124 -203 which comprise the consolidated statement of financial position at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Botswana Companies Act.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How the matter was addressed in the audit
Uncertain tax positions in respect Income Tax Liabilities and Expenses relating to multiple jurisdictions	
The group is subject to income tax in multiple jurisdictions. Significant judgement is involved in determining the provision for income taxes due to the interpretation of the different tax laws and regulations applied in the different jurisdictions. This results in transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business in respect of IFRIC 23, uncertainty over income tax treatments. The group recognises liabilities for known tax exposures based on estimates of the taxes due. As at 31 December 2019, the group had a number of unresolved tax issues emanating from prior years, which required audit attention. As at the reporting date, the group had a provision of P45 Million in an East Africa subsidiary, P40 Million provision in a West African subsidiary and P22 Million for the Botswana subsidiary, all with potential current income tax liabilities arising from prior years. This was as a result of ongoing tax revenue authority audits and tax health checks initiated by management across the group. Where the final outcome of these matters is different from the amounts initially recognised, these differences are recognised in the period in which the outcome has materialised. Given the judgement and estimation involved in the interpretation of tax laws and regulations applied in the various jurisdictions in which the group operates, and the impact tax expenses have on the group's profitability, the calculation of the group's income tax exposures was considered to be a key audit matter in our audit of the consolidated financial statements. Refer to Use of Estimates and Judgements in note 2 and note 24 on Taxation to the consolidated financial statements for disclosures associated with the estimates and judgements applied in determining the group's tax liabilities.	**Our audit procedures including amongst other the following:** • We involved an internal tax specialist to evaluate the measurement of the group's tax liabilities which included a review of the income tax calculations for compliance with the respective tax legislation and regulations and the review of the transfer pricing for group tax reporting purposes • We assessed the reasonableness of the assumptions applied in determining the group's exposures to uncertain tax positions which included a review of correspondence with the respective tax authorities, the status of ongoing tax audits and subsequent to the reporting date outcome of these positions, where applicable • We recalculated the mathematical accuracy of the provisions and expenses included in the tax computations, based on application of our understanding of tax legislations against positions taken by management • We assessed the adequacy of the disclosures related to IFRIC 23, Uncertainty over income tax treatments and IAS 12, Income taxes, in the notes to the consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
Recoverability of deferred tax assets	
The Group recognised a deferred tax asset of P145 Million at the reporting date. The deferred tax asset comprises of tax losses and other temporary differences identified between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base in respect of IAS 12, *Income Taxes*. The utilisation of these deferred tax assets is subject to the group generating sufficient taxable income in the future to offset these tax losses and temporary differences. The estimation of the group's future taxable profits is inherently uncertain and is subject to significant judgement and estimates, including the expected timing of these future taxable profits. This estimation uncertainty is further increased by the ongoing volatility in geographical sectors in respect of economic planning in which the group operates. Given the judgement and estimates involved in determining the amount and timing of the group's future taxable income required for the utilisation of the group's deferred tax assets which differs based on the tax legislation in each jurisdiction, the valuation of the group's deferred tax assets was considered to be a key audit matter in our audit of the consolidated financial statements. Refer to note 2 and note 24 on Deferred taxation to the consolidated financial statements for disclosures associated with deferred tax.	**Our audit procedures included amongst others the following:** • We recalculated the mathematical accuracy of management's estimated future taxable income calculations • We assessed the reasonableness of the estimated future taxable income and assumptions used in calculating these estimates by: - Comparing these estimates to historic results and outcomes, considering our understanding of the industry and the group's specific circumstances and - Considering the impact of the group's strategic objectives on the estimated future taxable income • We assessed the likely timing of the expected taxable income against the applicable tax legislation and regulations to determine whether the tax losses will be utilised within the specified timeframe • We assessed the adequacy of the disclosures related to IAS 12, Income taxes, in the notes to the consolidated financial statements.
Impairment of Loans and Advances	
Loans and advances represent 83% of the group's total assets. The associated impairment provisions are significant in the context of the consolidated financial statements in respect of IFRS 9, Financial Instruments. The estimation of credit losses is inherently uncertain and is subject to significant judgement and estimates. Furthermore, models used to determine credit impairments are complex, and certain inputs used in the models are not fully observable. Any model and data deficiencies are compensated for by applying overlays to the outputs. The calculation of these overlays is highly subjective. This estimation uncertainty is further increased by ongoing volatility in geographical sectors in which the group operates.	**Our audit procedures included amongst others the following:** • We obtained an understanding of the design and implementation of the loan advances process and tested the operating effectiveness of internal controls relating to the authorisation and disbursement of loans and advances to customers including: - internal controls over credit approval for loans and advances to customers. - The review of the expected credit loss models and input data by those charged with governance, and - the monitoring of credit exposures. • We involved internal specialists to assess the appropriateness of the model used by the group in determining the group's expected credit losses on loans and advances in accordance with IFRS 9, Financial Instruments, including an assessment as to whether the model was consistently applied throughout the group.

Key audit matter	How the matter was addressed in the audit
Impairment of Loans and Advances (continued)	
The expected credit loss model requires the application of forward-looking information in determining key inputs such as economic variables that affect the output of the model. Forward looking information inherently involves judgement and estimates supported by historical experience and analysis in determining the inputs in the variables, that affect the Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Defaults (EAD) risk factors of the loan considering the loan portfolio as well as the forecasted values of those risk factors over a period of time depending on the expected life of the portfolio. **ECL Measurement basis** The ECLs are measured using the 3stage model which determines how the loss allowance for ECLs is measured and how the effective interest income on the financial asset is calculated. The ECL model requires degree of judgement in determining Significant Increase in Credit Risk thresholds, classification of exposures between Stage 1 and Stage 2 and the degree of judgement applied by management in determining the forward looking information that is an input into the ECL calculations. Given the combination of inherent subjectivity in the preparation of the excepted credit loss models, and the judgement and estimates involved in determining the inputs into the models, we considered the calculation of the expected credit losses in accordance with IFRS 9, Financial Instruments as applicable to the group's loans and advances to be a key audit matter in our audit of the consolidated financial statements. The disclosures associated with impairment of loans and advances are set out in the consolidated financial statements in note 1.3 Credit risk and note 4 Advances to Customers.	**Our audit procedures included amongst others the following:** • We evaluated the reasonableness of key data inputs into the model by performing the following: - A comparison of forward-looking information to relevant independent data sources - recalculated the past due days per the system which is used in identifying the stage of impairment - evaluated the allocation of loans and advances between the impairment stages against the group's policies and compliance with IFRS 9, Financial Instruments and - evaluated the loan data inputs, including employer categories and effective interest rates within the underlying agreements. • We challenged the appropriateness of the post-model overlays applied in the finalisation of the expected credit loss provisions by reviewing historical data and current economic data supporting these overlays • We assessed the adequacy of the disclosures related to IFRS 9, Financial Instruments, in the notes to the consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Group Corporate Information, the Directors' Report, the Directors' Responsibility Statement, the Five Year Financial History, the Group Value Added Statement and the Analysis of Shareholding which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Botswana Companies Act, 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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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.

OTHER MATTER

The consolidated financial statements of the group for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2019.

Ernst + Young

Ernst & Young
Practising Member: Francois J Roos
Membership number: 20010078
Partner
24 April 2020

Consolidated Statement of Financial Position

AT 31 DECEMBER 2019

	Note	31 December 2019 P'000	31 December 2018 P'000
ASSETS			
Cash and cash equivalents	3	1 035 513	1 188 402
Advances to customers	4	9 071 484	8 698 831
Other receivables	5	247 996	252 491
Financial assets at fair value through other comprehensive income	9	53 591	53 591
Income tax receivable		39 499	19 074
Property, plant and equipment	6	99 671	80 532
Right-of-use assets	7	61 436	-
Intangible assets	8	45 221	45 488
Goodwill	10	68 233	106 229
Deferred tax assets	24.1	144 699	211 651
Total assets		**10 867 343**	**10 656 289**
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits	11	426 673	497 718
Cash collateral	14	21 721	27 028
Trade and other payables	12	552 849	492 225
Lease liabilities	13	64 760	-
Income tax payable		239 743	232 132
Borrowings	15	4 982 175	5 329 319
Deferred tax liabilities	24.1	805	3 205
Total liabilities		**6 288 726**	**6 581 627**
Shareholders' equity			
Stated capital	16	862 621	862 621
Foreign currency translation reserve		(713 418)	(696 276)
Legal reserve	17	195 793	73 519
Share based payment reserve	18	24 304	18 089
Retained earnings		3 836 578	3 500 317
Total equity attributable to equity holders of the parent company		**4 205 878**	**3 758 270**
Non - controlling interests		372 739	316 392
Total shareholders' equity		**4 578 617**	**4 074 662**
Total liabilities and equity		**10 867 343**	**10 656 289**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 P'000	31 December 2018 P'000
Effective interest income	19	2 974 839	2 718 257
Effective interest expense	20	(931 164)	(654 079)
Net interest income		**2 043 675**	**2 064 178**
Fee and commission income	21	59 451	30 735
Other operating income	21.1	273 018	267 421
Operating income		**2 376 144**	**2 362 334**
Employee benefits	22	(454 023)	(390 177)
Other operating expenses	23	(622 737)	(590 158)
Net income before impairment and taxation		**1 299 384**	**1 381 999**
Expected credit losses	4	(169 101)	(361 491)
Profit before taxation		**1 130 283**	**1 020 508**
Taxation	24	(438 781)	(510 026)
Profit for the year		**691 502**	**510 482**
Attributable to :			
Equity holders of the parent company		620 034	438 639
Non - controlling interest		71 468	71 843
Profit for the year		**691 502**	**510 482**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss net of tax			
Foreign operations - foreign currency translation differences		(11 284)	(48 688)
Total comprehensive income for the year		**680 218**	**461 794**
Attributable to :			
Equity holders of the parent company		602 892	422 780
Non - controlling interest		77 326	39 014
Total comprehensive income for the year		**680 218**	**461 794**
Earnings per share			
Basic earnings per share – (thebe)	25	29.2	20.7
Diluted earnings per share – (thebe)	25	28.6	20.3

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Stated capital P'000	Retained earnings P'000	Share based payments reserve P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non - controlling interests P'000	Total P'000
Balance at 01 January 2019		**862 621**	**3 500 317**	**18 089**	**(696 276)**	**73 519**	**316 392**	**4 074 662**
Total comprehensive income for the year								
Profit for the year		-	620 034	-	-	-	71 468	691 502
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(17 142)	-	5 858	(11 284)
Transactions with owners, recorded directly in equity								
Allocation to legal reserve	17	-	(122 274)	-	-	122 274	-	-
Allocation to share based payment reserve	18	-	-	6 215	-	-	-	6 215
Dividends paid by subsidiaries to minority interests		-	-	-	-	-	(20 979)	(20 979)
Dividends paid to equity holders	26	-	(161 499)	-	-	-	-	(161 499)
Balance at 31 December 2019		**862 621**	**3 836 578**	**24 304**	**(713 418)**	**195 793**	**372 739**	**4 578 617**
Balance at 31 December 2017		**849 845**	**3 709 308**	**38 840**	**(680 417)**	**39 607**	**313 309**	**4 270 492**
Impact of adopting IFRS 9	4	-	(178 951)	-	-	-	(12 923)	(191 874)
Recognition of deferred tax on IFRS 9 adjustment	24.1	-	38 133	-	-	-	1 880	40 013
Adjusted balance 1 January 2018		**849 845**	**3 568 490**	**38 840**	**(680 417)**	**39 607**	**302 266**	**4 118 631**
Total comprehensive income for the year								
Profit for the year		-	438 639	-	-	-	71 843	510 482
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(15 859)	-	(32 829)	(48 688)
Transactions with owners, recorded directly in equity								
Acquisition of Non-controlling interest - Tanzania Bank	32.2	-	(9 611)	-	-	-	(5 936)	(15 547)
Allocation to legal reserve	17	-	(33 912)	-	-	33 912	-	-
Allocation to share based payment reserve	18	-	-	(7 975)	-	-	-	(7 975)
New shares issued from long term incentive scheme	18	12 776	-	(12 776)	-	-	-	-
Dividends paid by subsidiaries to minority interests		-	-	-	-	-	(18 952)	(18 952)
Dividends paid to equity holders	26	-	(463 289)	-	-	-	-	(463 289)
Balance at 31 December 2018		**862 621**	**3 500 317**	**18 089**	**(696 276)**	**73 519**	**316 392**	**4 074 662**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 P'000	31 December 2018 P'000
OPERATING ACTIVITIES			
Profit before taxation		1 130 283	1 020 508
Adjustments for :			
- Net interest income		(2 043 675)	(2 064 178)
- Amortisation of intangible assets	8	14 293	11 847
- Depreciation property, plant and equipment	6	35 170	24 444
- Depreciation right of use assets	7	35 473	-
- Disposal and write off of plant and equipment		36	15 214
- Impairment and write off charge	4	352 868	508 211
- Impairment of goodwill	10	38 737	22 000
- Net foreign exchange differences		(58 326)	(42 575)
- Long term incentive plan provision		6 215	(7 975)
Changes in working capital:			
Movement in advances to customers		(700 851)	(1 591 944)
Movement in other receivables		4 495	(138 946)
Movement in trade and other payables		60 624	230 474
Movement in customer deposits		(71 045)	269 286
Movement in cash collateral		(5 307)	(291)
Cash used in operations		**(1 201 010)**	**(1 743 925)**
Interest received		2 974 839	2 718 257
Interest paid		(920 748)	(654 079)
Income tax paid	24.3	(387 043)	(478 948)
Net cash flows generated from / (used in) operating activities		**466 038**	**(158 695)**
INVESTING ACTIVITIES			
Proceeds on disposal of plant and equipment		54	-
Purchase of property, plant and equipment and intangible assets		(69 960)	(29 891)
Net cash flows used in investing activities		**(69 906)**	**(29 891)**
FINANCING ACTIVITIES			
Dividends paid to equity holders		(161 499)	(463 289)
Dividends paid to subsidiary non-controlling interest		(20 979)	(18 952)
Conditional subsequent payment relating to the investment in AFB Ghana	32.1	(2 577)	-
Lease payments	13	(42 565)	-
Payment for purchase of non-controling interest	32.2	-	(15 547)
Finance obtained from third parties	15	1 135 522	1 938 071
Repayment of borrowings	15	(1 415 529)	(638 687)
Net cash (used in) / generated from financing activities		**(507 627)**	**801 596**
Net movement in cash and cash equivalents		**(111 495)**	**613 010**
Movement in cash and cash equivalents			
At the beginning of the year		1 100 342	492 367
Movement during the year		(111 495)	613 010
Effect of exchange rate changes on cash and cash equivalents		(16 724)	(5 035)
At the end of the year	**3**	**972 123**	**1 100 342**

Significant Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2019

Reporting entity

Letshego Holdings Limited (the Company) is a limited liability company incorporated and domiciled 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 2019 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 create a world class retail finance services organisation.

The consolidated financial statements for the year ended 31 December 2019 have been approved for issue by the Board of Directors on 24 April 2020.

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

Statement of compliance

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

Basis of preparation

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

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

Adoption of new accounting standards

The Group has adopted IFRS 16 – Leases for the first time in the current reporting period (previously IAS 17 – Leases: recognition and measurement was applied). As a result, accounting policies applicable to leases have been amended accordingly (page 142). The other standards that became effective during the current year did not have any material impact.

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.

BASIS OF CONSOLIDATION (CONTINUED)

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 and equipment	4 – 5 years
Motor vehicles	4 years
Land and building	30 - 50 years

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

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

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of property, plant and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

WORK IN PROGRESS

Work in progress comprises of:

- Costs incurred in the 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 an 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 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 (PRIOR TO 1 JANUARY 2019 AND APPLICABLE TO THE COMPARATIVE BALANCES)

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.

LEASES (APPLICABLE WITH EFFECT FROM 1 JANUARY 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

LEASES (APPLICABLE WITH EFFECT FROM 1 JANUARY 2019) (CONTINUED)

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Property 2 to 5 years

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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 – COMPUTER SOFTWARE (CONTINUED)

An intangible asset – computer software is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

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.

Brand value is amortised over its expected useful life of 7 years whereas core deposits are amortised over its useful life of 8 years. These intangible assets are tested for impairment annually at the cash generating unit level.

An intangible asset – brand value and core deposits is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

PROVISIONS

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

INCOME TAX

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

Current tax comprises tax payable/refundable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the reporting date, and any adjustment of tax payable/refundable for previous years.

DEFERRED TAX

Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

INTEREST INCOME

Interest income is recognised in profit or loss at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual / behavioural terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

FEE AND COMMISSION INCOME

Administration fees - lending
The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Where fees and commissions form an integral part of the effective interest on a financial asset or liability these are included and measured based on effective interest rate. Fees and commissions, which relate to transaction and service fees where the performance obligation is satisfied over a period of time are recognised on an accrual basis as the service is rendered.

Credit life insurance commission
Where the Group is acting as an agent, commissions and fees earned on the sale of insurance products to customers on behalf of the insurer are recognised on a time-apportionment basis over the period the service is provided.

EARLY SETTLEMENT FEE

This is a settlement penalty fee which is levied on customers when they settle their loans before the maturity date and are recognised in profit or loss as and when these loans are settled.

INTEREST EXPENSE

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

INTEREST FROM BANK DEPOSITS

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

OTHER INCOME

Other income comprises income from statement fees and other non-core income streams and are recognised in profit and loss as and 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 profit or loss.

LEGAL RESERVE

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

STATED CAPITAL

Stated capital is recognised at the fair value of the consideration received. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instrument. Treasury shares is where the Group purchases its own stated capital. The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are re-issued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders' equity.

DIVIDENDS PAID

Dividends on ordinary shares are recognised against equity in the period in which they are approved by the Directors. Dividends declared after the reporting date, are not recognised as a liability in the consolidated statement of financial position.

EMPLOYEE BENEFITS

Short term employee benefits 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.

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

PAYROLL ADMINISTRATION COSTS

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

SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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 by the weighted average number of shares outstanding during the period.

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

HEADLINE EARNINGS PER SHARE

The Groups' headline earnings per share (HEPS) is calculated based on the Johannesburg Stock Exchange (JSE) rules per Circular 1/2019.

DIVIDEND PER SHARE

Dividend per share is calculated by dividing the earnings attributable to ordinary equity holders by the number of shares outstanding at the end of a period. The number of shares used to calculate the dividend per share excludes shares held as treasury shares.

CONTINGENT LIABILITIES

The Group discloses a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Group.

FINANCIAL ASSETS AND LIABILITIES

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL ASSETS

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedience, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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

Financial assets at amortised cost
Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost consists of advances to customers, other receivables and cash and cash equivalents.

Advances to customers
Advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Advances to customers are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

Other receivables
Other receivables comprise deposits and other recoverables which arise during the normal course of business. These are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

Cash and cash equivalents
For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with financial institutions. Bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents. Cash and cash equivalents are measured at amortised cost in the consolidated statement of financial position.

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

FINANCIAL LIABILITIES

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities measured at fair value through profit or loss, or financial liabilities measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, customer deposits, cash collateral and trade and other payables.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

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

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

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

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

FINANCIAL LIABILITIES (CONTINUED)

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

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

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

AMORTISED COST MEASUREMENT

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

FAIR VALUE MEASUREMENT

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

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

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

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

IDENTIFICATION AND MEASUREMENT OF IMPAIRMENT FOR FINANCIAL ASSETS

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 the cell are paid out of it's assets, with any profit after deduction of the insurers' fees, allocation taxes and other costs payable to the Group.

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

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

IMPAIRMENT FOR NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying value for its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. For assets excluding goodwill, if there is an indication of impairment, the Group estimates the assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its recoverable amount.

NEW STANDARDS OR AMENDMENTS THAT WERE EFFECTIVE FOR THE FIRST TIME DURING THE YEAR

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019 including IFRIC 23. These amendments and interpretations did not have a material impact on the consolidated financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NEW STANDARDS OR AMMENDMENTS THAT WERE EFFECTIVE FOR THE FIRST TIME DURING THE YEAR (CONTINUED)

IFRS 16 LEASES

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group has lease obligations for the rental of premises and operating equipment. These leases were previously measured in accordance with IAS 17. The Group adopted IFRS 16 using the modified retrospective approach, with the date of initial application of 1 January 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

NATURE OF THE EFFECT OF ADOPTION OF IFRS 16 TO THE GROUP

In addition an assessment was done to review the composition of the lease payments in all subsidiaries to determine if there are any non-lease components. In some cases the lease payments include an additional amount for services charges and these were considered to be non-lease components as they relate to utilities, garbage collection etc.

The Group did not early adopt IFRS 16 and as such the effective date of adoption is 1 January 2019 and noted below is the detailed approach:

Overall impact
The Group has lease obligations for the rental of premises and operating equipment. These leases were previously measured in accordance with IAS 17. The Group has opted not to reassess if these leases meets the definition of a lease on initial adoption of IFRS 16 and as such the leases were considered to have met the definition of a lease.

In addition an assessment was done to review the composition of the lease payments in all subsidiaries to determine if there are any non-lease components. In some cases the lease payments include an additional amount for services charges and these were considered to be non-lease components as they relate to utilities, garbage collection etc. The Group has taken the option to separate lease and non-lease components.

Statement of financial position
IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. Furthermore, the present value of the future lease payments is recognised as a financial liability if lease payments are made over time.

Statement of profit or loss and other comprehensive income
IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). This change aligns the lease expense treatment for all leases. Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reducing total expense as an individual lease matures.

Approach adopted by the Group
The standard allows for two approaches in the adoption being the full retrospective approach and the modified retrospective approach. The full retrospective requires the restatement of the prior year reported numbers whilst in the latter the adjustment as a result of the adoption of the standard are effected in the current year. The Group has opted for the modified retrospective approach and as such the effect of the new standard has been accounted for in the current year.

NATURE OF THE EFFECT OF ADOPTION OF IFRS 16 TO THE GROUP (CONTINUED)

Discount factor
Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees, the lease payments are required to be discounted using:

- The interest rate implicit in the lease if readily determinable or
- The lessee's incremental borrowing rate

Right of use asset
This is the lessee's right to use an asset over the life of the lease. The right of use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised and is depreciated over the lease term.

Lessee's incremental borrowing rate
Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects:

- The credit risk of the lessee
- The term of the lease
- The nature and quality of the security
- The amount 'borrowed' by the lessee and
- The economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

The Group has adopted the incremental borrowing rate as the discount factor and the applicable rates were determined per country. The discount factors take into account the interest rates on the existing facilities where applicable and commercial rates that Group entities could be offered by their lenders if they were to source funding.

Group adopted the practical expedient that allows entities to apply the same discount rate to a portfolio of leases that have similar characteristics. The practical expedient has been applied per country as its effect is reasonably expected to be materially the same as the assessment of the discount rate on a lease-by-lease approach.

The weighted average incremental borrowing rate of 15% was applied across the Group in recognising the lease liabilities at the date of initial application.

The Group applied the available practical expedients as follows:
- Used a single discount rate to a portfolio of leases per subsidiary with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the direct cost from the measurement of the right of use asset at the date of initial application

Short term leases
Group has elected not to recognise assets and liabilities for leases with a leases term of up to 12 months. This election only applies where the total portfolio of similar leases are of that tenor and has been adopted in Uganda only.

Low value leases
The Group has also opted not to recognise assets and liabilities for low value leases for operating equipment.

NATURE OF THE EFFECT OF ADOPTION OF IFRS 16 TO THE GROUP (CONTINUED)

Adjustments recognised from adoption of IFRS 16:	**P'000**
Opening lease commitments disclosed as at 31 December 2018	38 562
Commitment relating to short - term leases	(1 970)
	36 592
New leases as at 1 January 2019	30 545
Operating leases subjected to changes in lease terms	62 078
Discounted using the lessee's incremental borrowing rate at the date of initial application	(32 191)
Lease liability recognised as at 1 January 2019 (note 13)	**97 024**
Operating lease commitments at 31 December 2018:	
Not later than 1 year	14 852
Later than 1 year and not later than 5 years	23 710
	38 562

STANDARDS ISSUED BUT NOT YET EFFECTIVE AT THE REPORTING DATE

A number of new standards and amendments to standards are issued but not yet effective for year ended 31 December 2019. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards or amendments to standards early. These will be adopted in the period that they become mandatory.

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

- Presentation of financial statements Amendments to IAS 1 – effective 1 January 2020
- Definition of Material – Amendments to IAS 1 and IAS 8 - effective 1 January 2020
- The Conceptual Framework of Financial Reporting - effective 1 January 2020
- Amendments to IFRS 3 – Business combinations – effective 1 January 2020

1. FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

Letshego Holdings Limited ("the Group") continued to maintain a 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 Governance, Nominations, Social and Ethics Committee
- Group Remuneration 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 Executive Committee
- Group Risk Management Committee
- Group Innovation Management Committee
- Group Business Growth Committee
- Group Asset and Liability Management Committee
- Group Technology and Operations Committee
- Group Sustainability Committee
- Group Tax Committee

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.

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 Executive 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.

The Group Business Strategy is cascaded throughout the subsidiaries to ensure that their strategies are fully aligned to the Group strategy and risk appetite.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	2019	2018
Growth in gross advances to customers (%)	↑	3%	17%
Loan loss rate (%)	←	1.7%	4.1%
Non-performing loans as a percentage (%) of gross advances	←	6.9%	7.1%
Stage 3 coverage ratio (%)	↔	105%	115%

	2019 P'000	2018 P'000
Loan loss rate % - cost of risk		
Impairment expense	169 101	361 491
Average gross advances to customers	9 687 427	8 856 635
	1.7%	**4.1%**
Non performing loans %		
Non performing loans	678 127	660 547
Gross advances to customers	9 772 116	9 346 841
	6.9%	**7.1%**

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

Impairment

In 2019, the Group prioritised improvement in asset quality. This initiative delivered an overall credit loss rate of 1.7% for the year against 4.1% in 2018 which is a significant improvement towards earnings quality. The below factors also contributed to the overall reduced ECL:

- 25% year on year increase in post write off recoveries from P146.7 Million in 2018 to P183.8 Million in 2019 at the back of intense focus on collections and recoveries
- Bad debts write offs increased from P298.3 Million in 2018 to P434.6 Million in 2019 as part of the Group's write off policy mainly on the non -government portfolio

In addition there were three once-off items included in the 2018 results.

- The adoption of IFRS 9
- A specific credit provision against one loan portfolio in East Africa and
- A higher contribution to the informal (mobile) loan segment in West Africa

If the above were normalised out of the 2018 results, the credit loss rate would have been 2.0% (2019: 1.7%).

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk(continued)

Full year 2019 impairment charge is P169.1Million, a reduction from 2018 (P361 Million) and Stage 3 Coverage ratio reduced slightly from 115% to 105% from 2018 to 2019, with non-performing loans as a percentage of the total loan book reducing year on year from 7.1% in 2018 to 6.9% in 2019.

Write-off policy

The Group subsidiaries write off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. All workable written off accounts are fully followed up for recovery through internal debt collection and third party collection partners. The Group writes off an account when in Contractual delinquency 12 (CD12) i.e. 12 payments in arrears and the policy hasn't been changed with the implementation of IFRS 9 in the prior year. Write off point analysis was done in view of write off being a derecognition under IFRS 9 and this resulted in no change in policy .

Approach to managing credit risk

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

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

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

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk(continued)

Credit risk stress testing

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

The overlay approach followed by the Group is outlined below:

General steps considered by the Group in considering impairment

The following illustrates the steps that the Group follow in calculating impairment of financial assets:

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

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

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

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

Indicators of SICR include any of the following:

- 30 days past due rebuttable presumption
- Historical delinquency behaviour of accounts that are up to date and accounts in 1-30 days category
- Significant adverse changes in business, financial and/or economic conditions in which the client operates, including for example retrenchment of the customer, closure of the sponsoring employer, etc

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk(continued)

Two types of PDs are considered under IFRS 9:

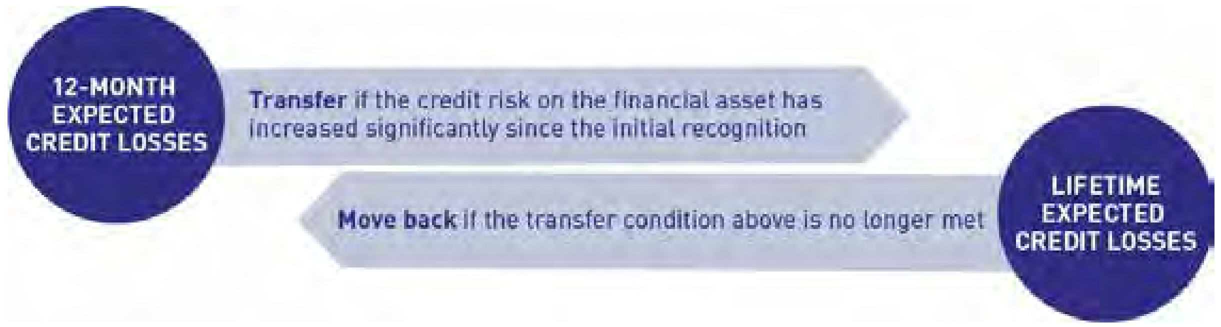
- Twelve-month PDs – This is the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECL, which are applicable to Stage 1 financial instruments
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument which is applicable to Stage 2

Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

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

Diagram 1

Diagram 2



- **Stage 1:** relates to a 12-month ECL allowance on financial assets that are neither credit impaired on origination nor for which there has been a SICR
- **Stage 2:** relates to a lifetime ECL allowance on financial assets that are assessed to display a SICR since origination
- **Stage 3:** relates to a lifetime ECL allowance on financial assets that are assessed to be credit impaired

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk(continued)

Forward looking information

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

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio). Source of the forward looking information will vary from country to country and all macro economic factors used will be approved at high level by the credit committee. This is also based on the correlation exercises done.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Unemployment rates
- Consumer Price Index
- Gross Domestic Product (GDP)

The working group approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on Macroeconomic variables will only apply in cases were the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

Definition of default, 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 that the obligor's credit quality has declined (subsequent to taking on the exposure)
- The Group sells the credit obligation or receivable at a material credit related economic loss
- The Group agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing
- The Group has filed for the obligor's bankruptcy in connection with the credit obligations, and
- The obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation's repayment

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

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk(continued)

Discounting

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

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate.

For the IFRS 9 impairment assessment, Group Impairment Models are used to determine the PD, LGD and EAD. For stage 2 and 3, Group applies lifetime PDs but uses 12 month PDs for stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Renegotiated loans treatment

Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period is 6 months to move to cure state (Stage 1).

Maximum exposure to credit risk

(a) Advances to customers 31 December 2019	Gross Advances P'000	Stage1 P'000	Stage 2 P'000	Stage 3 P'000	Net Advances P'000	Security Held P'000
Southern Africa	7 258 863	(42 844)	(23 994)	(190 980)	7 001 045	-
East and West Africa	2 574 025	(105 820)	(68 129)	(329 637)	2 070 439	(21 721)
	9 832 888	**(148 664)**	**(92 123)**	**(520 617)**	**9 071 484**	**(21 721)**

31 December 2018	Gross advances P'000	Stage1 P'000	Stage 2 P'000	Stage 3 P'000	Net advances P'000	Security held P'000
Southern Africa	6 706 990	(41 672)	(19 586)	(250 267)	6 395 465	-
East and West Africa	2 834 976	(126 322)	(81 060)	(324 228)	2 303 366	(27 028)
	9 541 966	**(167 994)**	**(100 646)**	**(574 495)**	**8 698 831**	**(27 028)**

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 2019 P'000	31 December 2018 P'000
Cash and cash equivalents	1 035 513	1 188 402
Other receivable accounts	213 847	212 701
Right-of-use assets	61 436	-
	1 310 796	**1 401 103**

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk

Below is a summary of the expected credit losses as at 31 December 2019:

Operating Segments P'000	IFRS 9 ECL Provisions at 31 December 2019 Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2019	IFRS 9 ECL Provisions at 31 December 2018 Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2018
Financial assets								
Botswana	22 390	14 238	130 772	167 400	23 341	14 755	201 680	239 776
Namibia	6 200	1 110	13 917	21 227	5 297	876	12 316	18 489
Mozambique	4 420	3 240	13 482	21 142	8 582	994	17 150	26 726
Lesotho	6 558	4 989	28 500	40 047	3 280	1 764	15 724	20 768
Eswatini	3 276	417	4 309	8 002	1 170	1 198	3 397	5 765
Kenya	13 063	7 885	125 033	145 981	10 033	6 407	111 964	128 404
Rwanda	706	190	1 617	2 513	2 638	259	5 670	8 567
Uganda	7 336	5 071	35 402	47 809	13 716	6 838	29 141	49 695
Tanzania	24 287	9 056	63 505	96 848	32 572	14 271	107 746	154 589
Nigeria	2 226	1 947	10 208	14 381	7 014	4 504	12 131	23 649
Ghana	58 202	43 980	93 872	196 054	60 351	48 780	57 576	166 707
Total	**148 664**	**92 123**	**520 617**	**761 404**	**167 994**	**100 646**	**574 495**	**843 135**

**Note that in the prior year the above had been disclosed as per the following segments: Botswana, Namibia, Mozambique, Other Southern Africa, Tanzania, Other East Africa and West Africa. In the current year these have been disclosed at a country level and there has not been any impact on the balances previously reported.*

	At 31 December 2019 (IFRS 9) P'000	At 31 December 2018 (IFRS 9) P'000
Gross advances to customers	**9 832 888**	**9 541 966**
Of which stage 1 and 2	9 107 150	8 808 593
Of which stage 3	725 738	733 373
Expected credit loss provisions	**(761 404)**	**(843 135)**
Of which stage 1 and 2	(240 787)	(268 640)
Of which stage 3	(520 617)	(574 495)
Net advances to customers	**9 071 484**	**8 698 831**
Of which stage 1 and 2	8 866 363	8 539 953
Of which stage 3	205 121	158 878
Impairment (ECL) Coverage Ratio	**8%**	**9%**
Stage 3 coverage ratio	**105%**	**115%**

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Credit quality

Group asset quality has shown improvement over the period with non-performing loans (NPLs) at 6.9% (Dec 2019) compared to 7.1% for same period last year (Dec 2018). Sub optimal loan book quality is being addressed by key focus on collections and recoveries, robust portfolio management, early fraud detection and tightening on underwriting to improve new booking quality.

The loan loss rate is 1.7% compared to 4.1% in the prior year after applying the total impairment charge of P169.1 Million.

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 & education segments.
Informal: short-term loans via mobile platforms.

Analysis of exposure by segment as at 31 December 2019	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**7 214 004**	**40 305**	**4 554**	**7 258 863**
Botswana	2 748 111	20 535	-	2 768 646
Namibia	2 226 635	-	-	2 226 635
Mozambique	1 361 205	126	-	1 361 331
Lesotho	398 937	-	-	398 937
Eswatini	479 116	19 644	4 554	503 314
East and West Africa	**1 382 961**	**852 076**	**338 988**	**2 574 025**
Kenya	243 377	471 466	-	714 843
Rwanda	1 273	40 179	-	41 452
Uganda	268 849	123 604	-	392 453
Tanzania	299 049	147 667	-	446 716
Nigeria	62 600	57 664	-	120 264
Ghana	507 813	11 496	338 988	858 297
Gross advances	**8 596 965**	**892 381**	**343 542**	**9 832 888**
Impairment provision	(428 959)	(202 474)	(129 971)	(761 404)
Net advances	**8 168 006**	**689 907**	**213 571**	**9 071 484**

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Analysis of exposure by segment as at 31 December 2018	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**6 688 697**	**18 293**	**-**	**6 706 990**
Botswana	2 684 065	18 293	-	2 702 358
Namibia	1 920 415	-	-	1 920 415
Mozambique	1 291 433	-	-	1 291 433
Lesotho	357 831	-	-	357 831
Eswatini	434 953	-	-	434 953
East and West Africa	**1 397 507**	**930 497**	**506 972**	**2 834 976**
Kenya	241 848	477 179	-	719 027
Rwanda	2 200	51 892	-	54 092
Uganda	226 375	133 272	-	359 647
Tanzania	376 832	175 188	-	552 020
Nigeria	24 786	80 314	-	105 100
Ghana	525 466	12 652	506 972	1 045 090
Gross advances	**8 086 204**	**948 790**	**506 972**	**9 541 966**
Impairment provision	(573 989)	(149 863)	(119 283)	(843 135)
Net advances	**7 512 215**	**798 927**	**387 689**	**8 698 831**

Expected Credit Loss (ECL) are categorised as either:
Performing: Stage 1; Underperforming: Stage 2 or Non-Performing: Stage 3

Stage 1: Performing
- When a significant increase in credit risk since initial recognition has not occurred, a 12-month ECL is recognised for all Stage 1 financial assets.

Stage 2 : Underperforming
- When a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised.

Stage 3: Non-Performing / Impaired
- When objective evidence exists that an asset is credit impaired, a lifetime ECL is recognised. The Group's definition of default is 90 days past due ("DPD") which is similar to the rebuttable presumption under IFRS 9.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

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

31 December 2019	Expected Credit Loss			
	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total ECL P'000
Southern Africa				
Formal	42 053	21 846	189 769	253 668
Micro finance	481	2 087	1 051	3 619
Informal	311	61	160	532
	42 845	23 994	190 980	257 819
East and West Africa				
Formal	30 571	14 942	129 778	175 291
Micro finance	35 650	13 606	149 599	198 855
Informal	39 598	39 581	50 260	129 439
	105 819	**68 129**	**329 637**	**503 585**
Total Portfolio				
Formal	72 624	36 788	319 547	428 959
Micro finance	36 131	15 693	150 650	202 474
Informal	39 909	39 642	50 420	129 971
	148 664	**92 123**	**520 617**	**761 404**

31 December 2018	Expected Credit Loss			
	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total ECL P'000
Southern Africa				
Formal	41 092	18 980	247 298	307 370
Micro finance	578	607	2 969	4 154
	41 670	**19 587**	**250 267**	**311 524**
East and West Africa				
Formal	25 966	25 061	215 592	266 619
Micro finance	30 303	34 151	81 255	145 709
Informal	70 055	21 847	27 381	119 283
	126 324	**81 059**	**324 228**	**531 611**
Total Portfolio				
Formal	67 058	44 041	462 890	573 989
Micro finance	30 881	34 758	84 224	149 863
Informal	70 055	21 847	27 381	119 283
	167 994	**100 646**	**574 495**	**843 135**

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Movement in gross exposures and impairment allowance

A reconciliation of changes in gross carrying amount and corresponding allowances for ECL by stage for Group is as follows:

Loans and advances at amortised cost

31 December 2019	Stage 1 Gross carrying amount P'000	Stage 1 ECL P'000	Stage 2 Gross carrying amount P'000	Stage 2 ECL P'000	Stage 3 Gross carrying amount P'000	Stage 3 ECL P'000	Total Gross carrying amount P'000	Total ECL P'000
As at 1 January 2019	**8 274 537**	**167 994**	**534 056**	**100 646**	**733 373**	**574 495**	**9 541 966**	**843 135**
New assets originated or purchased	1 240 459	91 874	362 096	60 387	9 285 213	351 298	10 887 768	503 559
Payments and assets derecognised	(1 602 209)	(25 893)	(971 009)	(16 045)	(9 970 878)	(90 675)	(12 544 096)	(132 613)
Changes to PD and LGD rates	745 659	(3 530)	545 660	(2 187)	1 090 530	(12 361)	2 381 849	(18 078)
Write offs	(15 968)	(81 781)	(6 132)	(50 678)	(412 499)	(302 140)	(434 599)	(434 599)
As at 31 December 2019	**8 642 478**	**148 664**	**464 671**	**92 123**	**725 739**	**520 617**	**9 832 888**	**761 404**

31 December 2018	Stage 1 Gross carrying amount P'000	Stage 1 ECL P'000	Stage 2 Gross carrying amount P'000	Stage 2 ECL P'000	Stage 3 Gross carrying amount P'000	Stage 3 ECL P'000	Total Gross carrying amount P'000	Total ECL P'000
As at 1 January 2018	**6 855 536**	**106 148**	**761 726**	**60 313**	**554 042**	**235 939**	**8 171 304**	**402 400**
New assets originated or purchased	1 425 584	95 245	368 659	57 619	8 380 712	717 752	10 174 955	870 616
Payments and assets derecognised	(1 904 897)	(20 223)	(971 009)	(11 310)	(8 053 417)	(90 177)	(10 929 323)	(121 710)
Changes to PD and LGD rates	1 899 564	(2 757)	375 079	(1 987)	148 684	(5 130)	2 423 327	(9 874)
Write offs	(1 250)	(10 419)	(399)	(3 989)	(296 648)	(283 889)	(298 297)	(298 297)
As at 31 December 2018	**8 274 537**	**167 994**	**534 056**	**100 646**	**733 373**	**574 495**	**9 541 966**	**843 135**

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:

31 December 2019	Up-to-date P'000	1-30 days past due P'000	31-60 days past due P'000	61-90 days past due P'000	91 or more days past due P'000	Total Gross advances P'000
Southern Africa						
Formal	6 451 267	243 983	80 614	67 134	371 006	7 214 004
Micro finance	21 295	12 886	4 597	35	1 492	40 305
Informal	3 646	449	164	135	160	4 554
	6 476 208	**257 318**	**85 375**	**67 304**	**372 658**	**7 258 863**
East and West Africa						
Formal	767 538	334 411	55 241	39 113	186 658	1 382 961
Micro finance	576 098	119 136	26 877	16 149	113 816	852 076
Informal	210 365	28 875	23 354	23 788	52 606	338 988
	1 554 001	**482 422**	**105 472**	**79 050**	**353 080**	**2 574 025**

31 December 2018	Up-to-date P'000	1-30 days past due P'000	31-60 days past due P'000	61-90 days past due P'000	91 or more days past due P'000	Total Gross advances P'000
Southern Africa						
Formal	5 886 383	286 587	74 249	62 880	378 598	6 688 697
Micro finance	12 122	1 800	598	511	3 262	18 293
	5 898 505	**288 387**	**74 847**	**63 391**	**381 860**	**6 706 990**
East and West Africa						
Formal	1 044 612	87 784	55 171	30 691	179 249	1 397 507
Micro finance	647 799	138 666	33 773	21 101	89 158	930 497
Informal	377 513	53 304	28 371	20 404	27 380	506 972
	2 069 924	**279 754**	**117 315**	**72 196**	**295 787**	**2 834 976**

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

LGD represents an estimate of the percentage of EAD that will not be recovered, should the obligor default occur and below is an analysis by segments. However in Southern Africa, Letshego Namibia and Letshego Mozambique have credit insurance in place and for the year ended 31 December 2019 this was included as part of recoveries in the calculation of LGD's. Informal loans used a rate of 100% for both Letshego Ghana and Letshego Eswatini mobile loans.

Segments	2019 LGD	2018 LGD
Southern Africa	46%	54%
East and West Africa	85%	79%

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

Stage 1 - 12 month PD		
31 December 2019	PD 0	PD 1
Southern Africa	2%	9%
East and West Africa	4%	17%

Stage 1-12 month PD		
31 December 2018	PD 0	PD 1
Southern Africa	2%	5%
East and West Africa	7%	21%

Lifetime PD				
31 December 2019	PD 0	PD 1	PD 2	PD 3
Southern Africa	2%	10%	30%	43%
East and West Africa	10%	24%	38%	45%

Lifetime PD				
31 December 2018	PD 0	PD 1	PD 2	PD 3
Southern Africa	2%	6%	22%	35%
East and West Africa	9%	26%	43%	50%

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

Financial assets renegotiated

Restructuring

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

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Restructuring (continued)

31 December 2019	Total gross advances P'000	Restructured loans P'000	Expected Credit Loss held on Restructured loans P'000	Restructured %
Southern Africa	7 258 863	15 180	12 366	0.2
East and West Africa	2 574 025	6 162	6 116	0.2
	9 832 888	**21 342**	**18 482**	**0.2**

31 December 2018	Total gross advances P'000	Restructured loans P'000	Expected Credit Loss held on Restructured loans P'000	Restructured %
Southern Africa	6 706 990	15 945	14 781	0.2
East and West Africa	2 834 976	21 730	17 384	0.8
	9 541 966	**37 675**	**32 165**	**0.4**

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 2019	Total gross advances P'000	Rephased loans P'000	Expected Credit Loss held on Rephased loans P'000	Rephased %
Southern Africa	7 258 863	614 218	140 299	8.5
East and West Africa	2 574 025	69 944	42 919	2.7
	9 832 888	**684 162**	**183 218**	**7.0**

31 December 2018	Total gross advances P'000	Rephased loans P'000	Expected Credit Loss held on Rephased loans P'000	Rephased %
Southern Africa	6 706 990	218 602	153 021	3.3
East and West Africa	2 834 976	57 608	40 326	2.0
	9 541 966	**276 210**	**193 347**	**2.9**

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 groupings based on the remaining period at the reporting date to the contractual maturity date:

31 December 2019

Contractual maturities of financial liabilities	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Customer deposits	426 673	-	-	426 673
Cash collateral	21 721	-	-	21 721
Trade and other payables	436 798	-	-	436 798
Lease liabilities	25 856	22 433	16 471	64 760
Borrowings	2 421 433	2 476 324	1 177 921	6 075 678
	3 332 481	**2 498 757**	**1 194 392**	**7 025 630**

31 December 2018

Contractual maturities of financial liabilities	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Customer deposits	497 718	-	-	497 718
Cash collateral	27 028	-	-	27 028
Trade and other payables	389 048	-	-	389 048
Borrowings	1 881 408	3 606 120	1 325 176	6 812 704
	2 795 202	**3 606 120**	**1 325 176**	**7 726 498**

Liquidity contingency plans
The Group's Liquidity Risk Management Policy 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.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.2 Liquidity Risk (continued)

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 Letshego Holdings Limited (the Group) or its subsidiaries 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 and interest rate risk 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 loss for the year ended 31 December 2019 were P5.4 Million (foreign exchange gain for the year ended 31 December 2018: P7.8 Million).This loss resulted mainly from appreciation of the currencies that the Group operates against the Botswana Pula and was mainly driven by the South African Rand on the net liablity position held by the Group during the year and at year end. As at 31 December 2019 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 P0.98 Million (2018: P1.2 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 2019.

31 December 2019

Buckets	< 1 month P'000	1 - 12 months P'000	1 - 3 years P'000	> 3 years P'000	Total P'000
Rate sensitive assets					
Short term investments	27 241	-	-	-	27 241
Loans and advances to customers	168 045	516 742	4 304 192	4 082 505	9 071 484
	195 286	516 742	4 304 192	4 082 505	9 098 725
Rate sensitive financial liabilities					
Customer deposits	47 186	379 487	-	-	426 673
Borrowings	1 598 935	1 734 216	1 538 904	110 120	4 982 175
	1 646 121	2 113 703	1 538 904	110 120	5 408 848
Gap	**(1 450 835)**	**(1 596 961)**	**2 765 288**	**3 972 385**	**3 689 877**
Cumulative Gap	**(1 450 835)**	**(3 047 796)**	**(282 508)**	**3 689 877**	

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.3 Market risk (continued)

31 December 2018

Buckets	< 1 month P'000	1 - 12 months P'000	1 - 3 years P'000	> 3 years P'000	Total P'000
Rate sensitive assets					
Short term investments	277 445	-	-	-	277 445
Loans and advances to customers	387 691	596 423	1 325 181	6 389 536	8 698 831
	665 136	596 423	1 325 181	6 389 536	8 976 276
Rate sensitive financial liabilities					
Customer deposits	56 297	441 421	-	-	497 718
Borrowings	2 072 900	1 819 891	961 076	475 452	5 329 319
	2 129 197	2 261 312	961 076	475 452	5 827 037
Gap	**(1 464 061)**	**(1 664 889)**	**364 105**	**5 914 084**	**3 149 239**
Cumulative Gap	**(1 464 061)**	**(3 128 950)**	**(2 764 845)**	**3 149 239**	

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 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 Management Committee and Group Asset and Liability Management Committee (ALM). 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.

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 (Pula equivalent) at the reporting date.

31 December 2019	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Mozambican Metical P'000
Cash and cash equivalents	11 861	21 885	195 742	20 683	122 196	105	281 338
Advances to customers	-	495 312	2 205 408	358 890	349 868	344 644	1 340 189
Financial assets at fair value through OCI	-	-	-	-	-	-	-
Right-of-use assets	-	1 982	9 953	1 295	807	-	15 794
Other receivables	-	23 890	110 989	401	7 614	55	16 342
Total assets	**11 861**	**543 069**	**2 522 092**	**381 269**	**480 485**	**344 804**	**1 653 663**
Customer deposits	-	-	32 764	-	32 406	-	285 921
Cash collateral	-	-	-	-	-	4 325	-
Borrowings	511 170	274 252	219 830	45 475	-	157 554	360 381
Trade and other payables	2 167	4 410	48 828	1 742	12 391	4 674	14 368
Total liabilities	513 337	278 662	301 422	47 217	44 797	166 553	660 670
Net exposure	**(501 476)**	**264 407**	**2 220 670**	**334 052**	**435 688**	**178 251**	**992 993**
Exchange rates at 31 December 2019 - mid: P1.00 =	**1.32**	**1.32**	**1.32**	**1.32**	**216.30**	**344.52**	**5.79**

31 December 2019	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
Cash and cash equivalents	39 006	20 213	30 207	93 044	979	20 760	176 076	1 418	1 035 513
Advances to customers	568 862	38 939	105 883	662 243	-	-	2 601 246	-	9 071 484
Financial assets at fair value through OCI	-	-	-	-	-	-	53 591	-	53 591
Right-of-use assets	7 827	5 263	2 024	2 862	-	-	13 629	-	61 436
Other receivables	7 998	581	159	31	-	-	45 787	-	213 847
Total assets	**623 693**	**64 996**	**138 273**	**758 180**	**979**	**20 760**	**2 890 329**	**1 418**	**10 435 871**
Customer deposits	-	23 214	41 062	11 306	-	-	-	-	426 673
Cash collateral	17 396	-	-	-	-	-	-	-	21 721
Borrowings	315 590	3 809	-	454 308	-	100 456	2 453 276	86 074	4 982 175
Trade and other payables	106 811	3 251	6 641	154 323	-	-	77 192	-	436 798
Total liabilities	439 797	30 274	47 703	619 937	-	100 456	2 530 468	86 074	5 867 367
Net exposure	**183 896**	**34 722**	**90 570**	**138 243**	**979**	**(79 696)**	**359 861**	**(84 656)**	**4 568 504**
Exchange rates at 31 December 2019 - mid: P1.00 =	**9.53**	**88.78**	**34.11**	**1.86**	**0.07**	**0.09**	**1.00**	**0.08**	

31 December 2018	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Mozambican Metical P'000
Cash and cash equivalents	9 220	22 702	559 239	12 596	68 880	11 244	142 264
Advances to customers	-	429 188	1 901 926	337 063	397 431	309 952	1 264 707
Financial assets of fair value through OCI	-	-	-	-	-	-	-
Other receivables	-	16 916	98 746	500	8 175	-	1 210
Total assets	**9 220**	**468 806**	**2 559 911**	**350 159**	**474 486**	**321 196**	**1 408 181**
Customer deposits	-	-	55 532	-	55 753	-	205 139
Cash collateral	-	-	-	-	-	4 185	-
Borrowings	573 645	95 146	254 081	77 808	32 213	174 798	273 379
Trade and other payables	1 596	7 572	32 600	2 322	1 406	8 414	12 886
Total liabilities	575 241	102 718	342 213	80 130	89 372	187 397	491 404
Net exposure	**(566 021)**	**366 088**	**2 217 698**	**270 029**	**385 114**	**133 799**	**916 777**
Exchange rates at 31 December 2018 - mid: P1.00 =	**1.34**	**1.34**	**1.34**	**1.34**	**214.30**	**346.48**	**5.72**

31 December 2018	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
Cash and cash equivalents	138 088	50 761	36 742	68 911	189	48 766	18 752	48	1 188 402
Advances to customers	594 219	45 526	79 741	876 495	-	-	2 462 583	-	8 698 831
Financial assets of fair value through OCI	-	-	-	-	-	-	53 591	-	53 591
Other receivables	2 300	743	1 686	19 420	-	-	63 005	-	212 701
Total assets	**734 607**	**97 030**	**118 169**	**964 826**	**189**	**48 766**	**2 597 931**	**48**	**10 153 525**
Customer deposits	-	51 919	24 243	105 132	-	-	-	-	497 718
Cash collateral	22 843	-	-	-	-	-	-	-	27 028
Borrowings	449 674	7 365	-	543 751	-	190 432	2 567 105	89 922	5 329 319
Trade and other payables	17 786	1 443	12 416	193 194	-	-	97 413	-	389 048
Total liabilities	490 303	60 727	36 659	842 077	-	190 432	2 664 518	89 922	6 243 113
Net exposure	**244 304**	**36 303**	**81 510**	**122 749**	**189**	**(141 666)**	**(66 587)**	**(89 874)**	**3 910 412**
Exchange rates at 31 December 2018 - mid: P1.00 =	**9.50**	**82.36**	**33.97**	**2.21**	**0.07**	**0.09**	**1.00**	**0.08**	

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 Board and Senior Management oversight at both Group and country level
- Sound risk management practices that are in line with best practice and local regulations in the countries in which the Group operates
- Effective segregation of duties across the footprint
- Established processes in risk identification, assessment, controls and monitoring 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.

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.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.4 Operational risks (continued)

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 are 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 of 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 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 is conducted 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 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)

31 December 2019	Carrying amount					Fair value			
	Fair value - through OCI P'000	Fair value -through profit and loss P'000	Financial assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	53 591	-	-	-	53 591	-	-	53 591	53 591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1 035 513	-	1 035 513				
Advances to customers	-	-	9 071 484	-	9 071 484				
Right-of-use assets	-	-	61 436	-	61 436				
Other receivables	-	-	213 847	-	213 847				
	-	-	10 382 280	-	10 382 280				
Financial liabilities measured at fair value									
Borrowings - currency swap	-	15 390	-	-	15 390	-	15 390	-	15 390
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	436 798	436 798				
Lease liabilities	-	-	-	64 760	64 760				
Customer deposits	-	-	-	426 673	426 673				
Cash collateral	-	-	-	21 721	21 721				
Borrowings	-	-	-	4 966 785	4 966 785				
				5 916 737	5 916 737				

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

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

31 December 2018	Carrying amount					Fair value			
	Fair value - through OCI P'000	Fair value -through profit and loss P'000	Financial assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	53 591	-	-	-	53 591			53 591	53 591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1 188 402	-	1 188 402				
Advances to customers	-	-	8 698 831	-	8 698 831				
Other receivables	-	-	212 701	-	212 701				
	-	**-**	**10 099 934**	**-**	**10 099 934**				
Financial liabilities measured at fair value									
Borrowings - interest rate swap and currency swaps	-	13 240	-	-	13 240	-	13 240	-	13 240
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	389 048	389 048				
Customer deposits	-	-	-	497 718	497 718				
Cash collateral	-	-	-	27 028	27 028				
Borrowings	-	-	-	5 316 079	5 316 079				
	-	**-**	**-**	**6 229 873**	**6 229 873**				

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

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.5 Financial assets and liabilities measured at fair value

Measurement of fair values
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identifiable assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value is observable
- Level 3 - Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable

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

Financial assets - Level 3	31 December 2019 P'000	31 December 2018 P'000
Opening balance	53 591	53 591
Total gain / loss in comprehensive income	-	-
	53 591	53 591

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

Financial instruments measured at fair value

Type	Valuation technique	Level	Significant unobservable inputs
Interest rate swap	Fair value cash flow	Level 2	Discount factor used to derive present value of cash flow (12.5%)
Currency swap	Fair value cash flow	Level 2	Based on P, EURO and USD risk free rates.
Fair value - through other comprehensive income	Since market values are not available from an observable market, as this is an investment in private equity, the recent transaction price has been considered as an 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 consolidated statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

1. 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.

Interest rate risk	31 December 2019 P'000	31 December 2018 P'000
Average cost of borrowings	12.0%	12.1%
Effect of increase in average borrowing cost by 1%		
- Increase in interest expense	49 668	55 905
Effect on profit before tax	4.4%	5.5%
Currency risk		
Effect of P appreciation by 1%		
- Effective movement in foreign exchange rates	(980)	1 164
Effect on profit before tax	(0.1%)	0.1%

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

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.

2. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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 4) and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

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

December 2019	Existing impairment provision	Impact on changes in LGD (+) 5%	Impact on changes in LGD (-) 5%	Impact on changes in PD (+) 5%	Impact on changes in PD (-) 5%
Stage 1: 12-month ECL allowance	148 664	156 360	140 346	313 867	75 223
Stage 2: Lifetime ECL allowance – not credit-impaired	92 123	96 402	87 723	102 559	82 128
Stage 3: Lifetime ECL allowance – credit-impaired	520 617	552 634	488 280	523 130	518 103
Total	**761 404**	**805 396**	**716 349**	**939 556**	**675 454**

December 2018	Existing impairment provision	Impact on changes in LGD (+) 5%	Impact on changes in LGD (-) 5%	Impact on changes in PD (+) 5%	Impact on changes in PD (-) 5%
Stage 1: 12-month ECL allowance	167 994	175 164	153 676	363 063	73 812
Stage 2: Lifetime ECL allowance – not credit-impaired	100 646	105 891	68 452	115 170	62 713
Stage 3: Lifetime ECL allowance – credit-impaired	574 495	619 566	530 444	574 493	574 493
Total	**843 135**	**900 621**	**752 572**	**1 052 726**	**711 018**

The sensitivity analysis has been calculated to show the impact of a 5% increase or decrease in the LGD and PD rates on the provision level. Therefore based on the above an increase in LGD or PD would have an adverse impact to Group profits. Measures are in place as per the risk governance framework to address this including portfolio management, which is inclusive of collection and recoveries, strategic focus and the risk appetite framework (note 1.3.1).

2.2 Share-based payment transactions

The Group operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non market conditions. These non market performance conditions are determined by the Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumption is that there will be a 55% (2018: 60%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate.

Sensitivity analysis
The table below details the impact on the profit following a deviation from the 55% (2018: 60%) vesting probability.

	31 December 2019 P'000	31 December 2018 P'000
Impact of a 10% deviation	4 458	3 014
Impact of a 25% deviation	11 144	7 535
Impact of a 50% deviation	22 289	15 069

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

2. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

2.3 Deferred tax asset

The Group has recognised a deferred tax asset of P145 Million (2018: P212 Million) which arises from tax losses and other temporary differences that are available to set-off against future taxable income and other deductible temporary differences. The Group expects to generate sufficient taxable profits to utilise the deferred tax assets based on historical probability trends, management's plan on future business prospects and through the use of various tax planning opportunities which are available to the Group. In addition the Group reviews the carrying amount of the deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Of the above deferred tax asset, P6.1 Million (2018: P50 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. In the current year tax planning strategies of the Group which include appropriate transfer pricing policies driven by the Group Tax Committee, show that LHL should generate adequate taxable income in the future. LHL took a conservative approach by writing off a portion of the asset held until all the processes have been embedded and there is a turnaround in the profitability levels. Refer to the analysis below for LHL.

Deferred tax asset movement on tax losses	31 December 2019 P'000	31 December 2018 P'000
Opening balance	49 926	95 079
Recognised during the year	-	5 300
Utilised during the year	(3 789)	(1 414)
Written off	(40 035)	(30 636)
Tax losses fallen away	-	(18 403)
Balance at the end of year	**6 102**	**49 926**

Summary of LHL Company tax losses	Year of expiry		
December 2015	2020	-	17 149
December 2016	2021	27 736	27 809
December 2017	2022	-	35 056
December 2018	2023	-	266 899
		27 736	**346 913**

2.4 Income tax expense

The Group is subject to income taxes in various jurisdictions. The Group applies significant judgement in identifying uncertainties over income tax treatments in line with IFRIC 23 which came into effect in 2019. Since the Group operates in multinational environments, it assessed whether the interpretation had an impact on its consolidated financial statements. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. The interpretation did not have an impact on the consolidated financial statements of the Group.

2. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

2.5 Estimating the incremental borrowing rate used in lease liabilities

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

2.6 Estimates in determining deferred revenue and related commissions

The Group recognises interest income using the effective interest method. The effective interest is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual / behavioural terms of the financial instrument. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as other fee income / expense that are integral parts of the instrument.

2.7 Estimates and judgements in determining impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Model adjustments and overlays will persist under IFRS 9 to account for localized impacts on the portfolio that are either not picked up by the model or late breaking news where running the ECL model would not be feasible
- As the ECL model is more quantitative in nature the formulation of provision overlay is backed by detailed analysis. The Group ensures that the following is done
  - Rationale as to why overlay is appropriate is provided
  - Documentation of methodology and data used to determining the overlay is in place
  - Persistent overlays to be incorporated into the ECL model at a future date where applicable

2. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

2.8 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 Letshego Ghana Plc. For the purpose of assessing goodwill for impairment, the relevant entities are considered to be cash generating units. Such impairment assessment was done using a discounted cash flow model incorporating budgets approved by those charged with governance. Cash flows beyond the period covered by approved budgets were forecasted based on projected growth rates for the relevant cash generating unit. The evaluation was based on a five year forecast and terminal value.

The Group assessed the recoverable amount of goodwill, and determined that there was sufficient headroom in respect of all cash generating units with the exception of Letshego Microfinance Bank Nigeria Limited for which a P23.7 Million (2018: P22 Million) and Letshego Bank (T) Limited for which a P15 Million impairment write down were recognised during the year.

The recoverable amount of the cash generating units was determined with reference to the value in use. The growth rate is estimated based on past experience and anticipated future growth. The discount rate used is the weighted average cost of capital adjusted for specific risks relating to the entity. Refer to note 10 for the carrying value of each cash generating unit at the reporting date.

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

	31 December 2019		31 December 2018	
Entity	Discount rates	Long term growth rates	Discount rates	Long term growth rates
Letshego Holdings Namibia Limited	24%	4%	25%	8%
Letshego Tanzania Limited	25%	5%	18%	6%
Letshego Kenya Limited	19%	5%	18%	7%
Letshego Bank (T) Limited	19%	5%	16%	6%
Letshego Microfinance Bank Nigeria Limited	25%	10%	24%	8%
Letshego Ghana Plc	23%	7%	24%	6%

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

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

Discount rates

Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate by 0.5% - 1% for each cash generating unit would result in a further impairment

2. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

2.8 Goodwill (continued)

Inflation rate
Estimates are obtained from published indices for the each country and forecast figures are used if data is publicly available. If inflation rates increased by an average of 0.5% - 1% more than the forecast price inflation, the Group will have a further impairment.

Long term growth rates used to extrapolate cash flows beyond the forecast period
When using industry data for growth rates, these assumptions are important because management assesses how each subsidiary position, relative to its competitors, might change over the forecast period. Management also reviews each subsidiary's previous years' performance against performance targets and an average performance rate is used to extrapolate future cash flows.

An increase in the growth rate assumption will result in a decrease in impairment whereas a decrease in growth rate will have a further impairment.

3. CASH AND CASH EQUIVALENTS

	31 December 2019 P'000	31 December 2018 P'000
Cash at bank and in hand	944 882	822 897
Statutory cash reserve	63 390	88 060
Short term investments	27 241	277 445
	1 035 513	**1 188 402**
Cash and cash equivalents for the purpose of the statement of cash flow	**972 123**	**1 100 342**

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 2018: 1.0% - 5.0%). Cash at bank is held with reputable financial institutions with good credit standing. Statutory cash reserve relates to cash held by the Central Bank for the respective subsidiaries based on the average customer deposits and therefore not available for day to day operations.

4. ADVANCES TO CUSTOMERS

	31 December 2019 P'000	31 December 2018 P'000
Gross advances to customers	9 832 888	9 541 966
Less : Expected credit losses	(761 404)	(843 135)
- Stage 1	(148 664)	(167 994)
- Stage 2	(92 123)	(100 646)
- Stage 3	(520 617)	(574 495)
Net advances to customers	**9 071 484**	**8 698 831**
Maturity analysis		
Maturing within one year	1 599 287	1 216 284
Maturing after one year within five years	4 824 809	5 169 353
Maturing after five years	3 408 792	3 156 329
Total gross advances to customers	**9 832 888**	**9 541 966**

Certain advances to customers are pledged as security to borrowings as set out in note 15.

	31 December 2019 P'000	31 December 2018 P'000
Impairment of advances		
Balance at the beginning of the year	843 135	402 400
Impairment charge for the year	(177 777)	209 914
Impairment on informal loans	96 046	38 947
Impact of adoption IFRS 9	-	191 874
Balance at the end of the year	**761 404**	**843 135**

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

	31 December 2019 P'000	31 December 2018 P'000
Charges to profit or loss		
Amounts written off	434 599	298 297
Recoveries during the year	(183 767)	(146 720)
Expected credit losses (reversed) / raised during the year	(81 731)	209 914
	169 101	**361 491**

5. OTHER RECEIVABLES

	31 December 2019 P'000	31 December 2018 P'000
Deposits and prepayments	33 744	38 909
Receivable from insurance arrangements	160 084	147 331
Withholding tax and value added tax	405	881
Deferred arrangement fees	14 593	16 365
Clearing and other receivables	39 170	49 005
	247 996	**252 491**

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

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2019	11 003	74 561	75 505	17 489	5 468	184 026
Additions	2 213	41 381	10 379	-	5 437	59 410
Transfers	1 350	(4 138)	1 280	-	(3 653)	(5 161)
Disposals	(574)	(1 560)	(606)	-	-	(2 740)
Forex translation	(882)	(628)	(2 309)	221	(152)	(3 750)
Balance at 31 December 2019	**13 110**	**109 616**	**84 249**	**17 710**	**7 100**	**231 785**
Accumulated depreciation						
Balance at 1 January 2019	6 172	50 360	47 991	(1 029)	-	103 494
Charge for the year	2 637	19 851	12 682	-	-	35 170
Disposals	(572)	(1 547)	(531)	-	-	(2 650)
Forex translation	(899)	(1 159)	(1 842)	-	-	(3 900)
Balance at 31 December 2019	**7 338**	**67 505**	**58 300**	**(1 029)**	**-**	**132 114**
Net book value at 31 December 2019	**5 772**	**42 111**	**25 949**	**18 739**	**7 100**	**99 671**

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

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2018	8 445	61 894	68 879	18 425	17 268	174 911
Additions	3 325	11 408	7 056	-	4 454	26 243
Transfers	-	9 241	1 296	-	(10 424)	113
Disposals	(1 004)	(9 851)	(3 063)	-	(5 487)	(19 405)
Forex translation	237	1 869	1 337	(936)	(343)	2 164
Balance at 31 December 2018	**11 003**	**74 561**	**75 505**	**17 489**	**5 468**	**184 026**
Accumulated depreciation						
Balance at 1 January 2018	4 968	42 614	35 219	49	-	82 850
Charge for the year	1 812	10 199	12 433	-	-	24 444
Disposals	(729)	(4 213)	(1 172)	-	-	(6 114)
Forex translation	121	1 760	1 511	(1 078)	-	2 314
Balance at 31 December 2018	**6 172**	**50 360**	**47 991**	**(1 029)**	**-**	**103 494**
Net book value at 31 December 2018	**4 831**	**24 201**	**27 514**	**18 518**	**5 468**	**80 532**

7. RIGHT-OF-USE ASSET

Cost	Property P'000	Total P'000
Balance at 1 January 2019	-	-
Implementation of IFRS 16	97 024	97 024
Forex translation	(155)	(155)
Balance at 31 December 2019	**96 869**	**96 869**
Accumulated depreciation		
Balance at 1 January 2019	-	-
Charge for the year	35 473	35 473
Forex translation	(40)	(40)
Balance at 31 December 2019	**35 433**	**35 433**
Net book value at 31 December 2019	**61 436**	**61 436**

8. INTANGIBLE ASSETS

Cost	Computer Software P'000	Brand value P'000	Core deposit P'000	Total P'000
Balance at 1 January 2019	80 152	4 496	9 440	94 088
Additions	10 550	-	-	10 550
Transfer from work in progress	5 161	-	-	5 161
Disposals	(798)	-	-	(798)
Forex translation	(1 077)	(465)	16	(1 526)
Balance at 31 December 2019	**93 988**	**4 031**	**9 456**	**107 475**
Accumulated amortisation				
Balance at 1 January 2019	40 503	2 133	5 964	48 600
Charge for the year	13 276	280	737	14 293
Disposals	(798)	-	-	(798)
Forex translation	159	-	-	159
Balance at 31 December 2019	**53 140**	**2 413**	**6 701**	**62 254**
Net book value at 31 December 2019	**40 848**	**1 618**	**2 755**	**45 221**

Cost	Software P'000	value P'000	deposit P'000	Total P'000
Balance at 1 January 2018	78 908	4 505	9 098	92 511
Additions	3 648	-	-	3 648
Transfer from work in progress	(113)	-	-	(113)
Disposals	(2 788)	-	-	(2 788)
Forex translation	497	(9)	342	830
Balance at 31 December 2018	**80 152**	**4 496**	**9 440**	**94 088**
Accumulated amortisation				
Balance at 1 January 2018	30 289	1 675	5 207	37 171
Charge for the year	10 632	458	757	11 847
Disposals	(865)	-	-	(865)
Forex translation	447	-	-	447
Balance at 31 December 2018	**40 503**	**2 133**	**5 964**	**48 600**
Net book value at 31 December 2018	**39 649**	**2 363**	**3 476**	**45 488**

Brand value is amortised over its expected useful life of 7 years. Core deposit relates to the intrinsic value of a stable deposit base and is amortised over its useful life of 8 years.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2019 P'000	31 December 2018 P'000
Investment	53 591	53 591
% shareholding	2.3%	3.1%

The Group's shareholding in a financial services organisation is as noted above and the year on year reduction was as a result of rights issues in which the Company did not participate in. 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. Refer to note 1.5 on the valuation technique applied.

10. GOODWILL

Goodwill on the acquisition of:	31 December 2019 P'000	31 December 2018 P'000
Letshego Holdings Namibia Limited	23 111	22 774
Letshego Tanzania Limited	1 874	1 891
Letshego Kenya Limited	33 238	33 367
Letshego Bank (T) Limited	-	15 130
Letshego Microfinance Bank Nigeria Limited	-	23 942
Letshego Ghana Plc	10 010	9 125
	68 233	**106 229**
Movement in goodwill:		
Balance at the beginning of the year	106 229	122 280
Impairment on goodwill	(38 737)	(22 000)
Conditional subsequent payment relating to the investment in AFB Ghana (note 32.1)	2 577	-
Effect of exchange rate changes	(1 836)	5 949
Balance at the end of the year	**68 233**	**106 229**

The Group performs its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. The Group assesses the recoverable amount of goodwill in respect of all cash generating units noted above to determine indications of impairment.

The key assumptions used to determine the recoverable amount for the different cash generating units are disclosed in note 2.8. In the current year an impairment provision of P38.7 Million was recognised for goodwill arising from acquisition of Letshego Microfinance Bank Nigeria Limited (P23.7 Million) and Letshego Bank Tanzania (T) Limited (P15 Million).

11. CUSTOMER DEPOSITS

	31 December 2019 P'000	31 December 2018 P'000
Demand accounts	67 155	29 143
Savings accounts	67 381	110 343
Call and term deposits	292 137	358 232
	426 673	**497 718**

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

12. TRADE AND OTHER PAYABLES

	31 December 2019 P'000	31 December 2018 P'000
Insurance premium payable	36 184	65 547
Payroll related accruals	37 201	25 890
Staff incentive accrual (note 12.1)	66 732	65 547
Other provisions	59 573	60 866
Guarantee funds	194 582	168 215
Trade and other payables	119 677	91 790
Value added tax / withholding tax payable	38 900	14 370
	552 849	**492 225**

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

12.1 Movement in staff incentive accrual

	31 December 2019 P'000	31 December 2018 P'000
Balance at the beginning of the year	65 547	50 942
Current period charge (note 22)	40 280	54 466
Paid during the year	(39 095)	(39 861)
Balance at the end of the year	**66 732**	**65 547**

13. LEASE LIABILITIES

	Carrying amount at 01 January 2019	Implementation of IFRS 16	Interest expense	Cash payments	Forex translation	Carrying amount at 31 December 2019
Lease liabilities	-	97 024	10 416	(42 565)	(115)	64 760

	31 December 2019 P'000	31 December 2018 P'000
The following are the amounts recognised in the profit or loss:		
Depreciation expense of right of use asset	35 473	-
Interest expense on lease liabilities	10 416	-
Expense relating to short-term leases	9 018	-
Expense relating to low value assets	6 891	-
	61 798	**-**

The Group has entered into commercial leases for premises and operating equipment. The leases have an average life of between one and five years. The Group elected not to recognise assets and liabilities with a lease term of up to 12 months and low value leases for operating equipment. There are no restrictions placed upon the lessee by entering into these. The Group's leases are mainly non-cancellable and refer to the ageing of future lease payments as at 31 December 2019:

	31 December 2019 P'000	31 December 2018 P'000
Within one year	25 856	-
After one year but not more than three years	22 433	-
More than three years	16 471	-
	64 760	**-**

14. CASH COLLATERAL

	31 December 2019 P'000	31 December 2018 P'000
Balance at the beginning of the year	27 028	27 319
Utilised during the year	(5 307)	(291)
Closing balance	**21 721**	**27 028**

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.

15. BORROWINGS

	31 December 2019 P'000	31 December 2018 P'000
Commercial banks	1 920 085	2 504 294
Note programmes	1 729 542	1 787 303
Development Financial Institutions	1 118 927	887 655
Pension funds	213 621	150 067
Total borrowings	**4 982 175**	**5 329 319**
Contractual maturity analysis		
Maturing within one year	1 882 077	1 349 130
Maturing after one year within three years	2 215 382	2 933 154
Maturing after three years	884 716	1 047 035
Total borrowings	**4 982 175**	**5 329 319**
Contractual interest on borrowings to maturity at reporting date	1 093 503	1 483 385
Total contractual cash flows on interest bearing loans and borrowings	**6 075 678**	**6 812 704**
Movement in borrowings		
Balance at the beginning of the year	5 329 319	3 984 607
Finance obtained from third parties	1 135 522	1 938 071
Repayment of borrowings	(1 415 529)	(638 687)
Effect of exchange rate changes	(67 137)	45 328
Balance at the end of the year	**4 982 175**	**5 329 319**

Note programmes

The Group has issued medium term note programmes of P1.7 Billion (2018: P1.8 Billion) of which P527 Million (2018 P550 Million) are listed on the Johannesburg Stock Exchange, P304 Million (2018: P300 Million) on the Botswana Stock Exchange and P454 Million (2018: P524 Million) on the Ghana Stock exchange at the reporting date.

15. BORROWINGS (CONTINUED)

Security
Pula 1.9 Billion (31 December 2018: P2.4 Billion) of the borrowings are 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 P4.3 Billion (31 December 2018: P4.7 Billion) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:

- Bad debts ratio
- Cash collection ratio
- Capitilisation ratio and
- Secured property ratio

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

Pula 3.0 Billion (31 December 2018 P2.6 Billion) relates to loans that are secured by a corporate guarantee from Letshego Holdings Limited. During the current year a number of subsidiaries sourced in-country and foreign funding which was guaranteed by Letshego Holdings Limited.

Interest rate
Pula 1.98 Billion (31 December 2018: P2.0 Billion) of the borrowings are at fixed interest rates. P3.0 Billion (31 December 2018: P3.3 Billion) are loans issued at variable interest rates, including rates linked to each country's prime lending rate, 3 months JIBAR, 3 months US Libor, 182 days T-bill and 3 months BoB'c rates.

Interest and currency rate swaps
The company entered into an interest rate swap agreement which was valid from June 2016 to June 2019 with a Botswana financial institution under which it made periodic payments on its behalf over an agreed period of time based on a nominal amount of ZAR335 Million. This swap allowed for conversion of ZAR floating rate liability into a ZAR fixed rate liability.

The interest rate swap hedged the variable factor of the interest coupons payable on the medium term note programme listed on the Johannesburg Stock Exchange.

Letshego Holdings Limited paid the coupon interest on these bonds every quarter and the counter party for the swap settled the difference on the fixed rate per swap and the variable coupon payment. Management evaluated the effective cash flow and applicable payments on the bond coupon and discounted these to calculate the fair value of the interest rate swap. The fair value at 31 December 2018 was P1.654 Million and any movements were recognised in profit or loss.

In October 2018, Letshego Holdings Limited and Letshego Financial Services (Proprietary) Limited Botswana entered into currency swap agreements with a financial institution in respect of foreign currency denominated funding listed below. The currency swap hedges the variable factor of the capital and interest coupons payable on these. Management evaluates the effective cash flow and applicable payments on the capital and coupon payments and discounts these to calculate the fair value of the currency swap.

15. BORROWINGS (CONTINUED)

Interest and currency rate swaps (continued)

Entity	Currency	P'000
Letshego Holdings Limited	Euro	7 000
Letshego Holdings Limited	USD	9 000
Letshego Financial Services (Proprietary) Limited Botswana	USD	9 167

The fair value at 31 December 2019 is P15.39 Million unfavourable (2018: P13.24 Million unfavourable) and this movement was recognised through profit or loss.

16. STATED CAPITAL

	31 December 2019 P'000	31 December 2018 P'000
Issued:		
Issued: 2,144,045,175 ordinary shares of no par value (2018: 2,144,045,175) of which 19,054,190 shares (2018: 19.054.190) are held as treasury shares	**862 621**	**862 621**

31 December 2019	Number of shares in issue	Shares held as treasury shares	Total number of shares
Number of shares at the beginning of the year ('000)	2 124 991	19 054	2 144 045
Shares issued during the year ('000)	-	-	-
Number of shares at the end of the year ('000)	**2 124 991**	**19 054**	**2 144 045**

31 December 2018	Number of shares in issue	Shares held as treasury shares	Total number of shares
Number of shares at the beginning of the year ('000)	2 119 645	24 400	2 144 045
Shares issued during the year ('000)	5 346	(5 346)	-
Number of shares at the end of the year ('000)	**2 124 991**	**19 054**	**2 144 045**

In terms of the Group LTIP (note 18), no shares (2018: P12.78 Million) vested at Group level during the current year. Therefore the number of shares in issue remained at 2.125 Billion (2018: 2.125 Billion) and shares held as treasury shares were 19.054 Million (2018: 19.054 Million).

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

16. STATED CAPITAL (CONTINUED)

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 or 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 2019	31 December 2018
Capital adequacy ratio	36%	33%
Return on equity	16%	12%
Debt to equity	109%	131%

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

17. LEGAL RESERVE

	31 December 2019 P'000	31 December 2018 P'000
Balance at the beginning of the year	73 519	39 607
Movement for the period – allocated from retained earnings	122 274	33 912
Balance at the end of the year	**195 793**	**73 519**

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

Letshego Financial Services Mozambique	Central Bank regulation requires a 15% transfer of annual profits.
Letshego Ghana Plc	Central Bank regulation requires a 50% transfer of annual profits.
Letshego Tanzania Limited	Companies Act regulation requires a transfer to the capital reserve where shares have been redeemed without issue of new shares.
Letshego Uganda Limited	Microfinance regulator requires a transfer of annual profits to be based on the difference between provisioning per IFRS 9 and as per the regulator.

18. SHARE BASED PAYMENT RESERVE

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 2019, 39 618 700 total awards were outstanding (31 December 2018: 41 956 100) at grant date share prices of P2.13, P1.88 and P1.65 for 2017, 2018 and 2019 awards respectively (31 December 2018: P2.50, P2.13 and P1.88 for 2016, 2017 and 2018 awards respectively).

	31 December 2019		31 December 2018	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	**Fair values**	**No. of awards**
Outstanding at the beginning of the year	P2.50/P2.13/P1.88	41 956 100	P2.39/P2.50/P2.13	46 347 400
Granted during the year	P1.65	27 288 800	P1.88	19 991 000
Exercised during the year	P2.50	-	P2.39	(5 345 810)
Forfeited due to not meeting performance	P2.50	(11 029 700)	P2.39	(5 694 690)
Forfeited due to resignations	P2.13/P1.88/P1.65	(18 596 500)	P2.50/P2.13/P1.88	(13 341 800)
Outstanding at the end of the year	**P2.13/P1.88/P1.65**	**39 618 700**	**P2.50/P2.13/P1.88**	**41 956 100**

The amounts outstanding at 31 December 2019 and 31 December 2018 have average vesting periods of 3,15 and 27 months. The expense recognised during the period is disclosed in note 22.

The outstanding share based incentive scheme as at 31 December 2019 was P24.3 Million (2018: P18.1 Million).

Movement in share based payment reserve	**31 December 2019 P'000**	**31 December 2018 P'000**
Opening balance	18 089	38 840
Charge / release during the year (note 22)	6 215	(7 975)
New shares issue during the year	-	(12 776)
Closing balance	**24 304**	**18 089**

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 Letshego Holdings Limited's shares at the grant date.

19. EFFECTIVE INTEREST INCOME

	31 December 2019 P'000	31 December 2018 P'000
Advances to customers	2 504 158	2 466 385
Interest income on risk informal / mobile loans	193 786	140 503
Interest income on non-risk informal / mobile loans	250 414	83 535
Interest income from deposits with banks	26 481	27 834
	2 974 839	**2 718 257**

20. EFFECTIVE INTEREST EXPENSE

	31 December 2019 P'000	31 December 2018 P'000
Overdraft facilities and term loans	663 495	566 797
Interest adjustment on non-risk informal / mobile loans	250 414	83 535
Interest expense on leases	10 416	-
Market-to-market adjustment on foreign currency swaps	1 488	11 586
Foreign exchange loss / (gain)	5 351	(7 839)
	931 164	**654 079**

21. FEE AND COMMISSION INCOME

	31 December 2019 P'000	31 December 2018 P'000
Administration fees - lending	53 213	24 769
Credit life insurance commission	6 238	5 966
	59 451	**30 735**

21.1 Other Operating Income

	31 December 2019 P'000	31 December 2018 P'000
Early settlement fees	52 627	41 241
Income from insurance arrangements	195 026	213 483
Sundry income	25 365	12 697
	273 018	**267 421**

22. EMPLOYEE BENEFITS

	31 December 2019 P'000	31 December 2018 P'000
Salaries and wages	364 146	313 382
Staff incentive (note 12.1)	40 280	54 466
Staff recruitment costs	8 152	2 666
Staff pension fund contribution	27 106	17 913
Directors' remuneration – for management services (executive)	8 124	9 725
Long term incentive plan	6 215	(7 975)
	454 023	**390 177**

23. OTHER OPERATING EXPENSES

	31 December 2019 P'000	31 December 2018 P'000
Accounting and secretarial fees	687	1 084
Advertising	15 941	17 421
Audit fees	5 565	4 836
- Audit services	5 265	4 675
- Covenant compliance fees	237	161
- Tax advisory services	63	-
Bank charges	7 208	7 305
Computer expenses	12 317	18 599
Consultancy fees	50 308	46 116
Corporate social responsibility	3 266	4 138
Collection commission	50 636	49 700
Direct costs	39 844	27 561
Direct costs - informal loans	44 370	32 817
Data centre decommissioning	-	5 000
Depreciation and amortization	49 463	36 291
Depreciation - right of use	35 473	-
Directors' fees – non executive	6 474	7 105
Directors' fees – subsidiary boards	5 832	4 892
Government levies	26 789	22 876
Insurance	9 359	10 136
Impairment of goodwill (note 10)	38 737	22 000
Impairment of cash accounts	6 039	-
Office expenses	22 043	24 301
Operating lease rentals - property	15 909	48 115
Other operating expenses	86 098	91 324
- Claim expenses - cell captive	-	5 726
- Entertainment	576	1 057
- IT costs	5 222	15 325
- Loss on disposal of plant and equipment	36	6 351
- Motor vehicle expenses	6 196	6 192
- Printing and stationery	8 145	7 673
- Repairs and maintenance	6 111	3 806
- Storage costs	1 940	1 496
- Subscriptions and licenses	5 282	3 953
- Other expenses	52 590	39 745
Payroll administration costs	2 234	2 066
Professional fees	27 465	42 643
Telephone and postage	29 261	26 471
Travel	31 419	37 361
	622 737	**590 158**

24. TAXATION

	31 December 2019 P'000	31 December 2018 P'000
Amounts recognised in profit or loss		
Current taxation	374 229	527 094
- Basic taxation	292 783	368 684
- WHT tax credits adjustments	72 041	107 110
- *Under provision in respect of prior years	9 405	51 300
Deferred tax	64 552	(17 068)
- Origination and reversal of temporary differences	64 552	(41 778)
- Under provision in respect of prior years	-	24 710
	438 781	**510 026**

**This includes a provision of P45.3 Million made in respect of a potential tax exposure of an East African subsidiary for the year ended 31 December 2018.*

24.1 Deferred taxation

	31 December 2019 P'000	31 December 2018 P'000
Balance at the beginning of the year	208 446	151 365
IFRS 9 day 1 adjustment	-	40 013
Current year movement	(64 552)	17 068
Balance at the end of the year	143 894	208 446
Deferred tax assets	144 699	211 651
Deferred tax liabilities	(805)	(3 205)
	143 894	**208 446**

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:	31 December 2019 P'000	31 December 2018 P'000
Property and equipment	(12 508)	(8 344)
Lease liability	21 371	-
Right of use asset	(20 274)	-
Share based payment provision	5 123	3 991
Staff incentive provision	13 770	15 501
General impairment provision	125 104	137 239
Taxation losses	6 102	59 136
Deferred rent provision	-	515
Leave pay provision	1 836	754
Severance pay	-	80
Deferred income / (expenditure)	5 810	(251)
Prepayments	(1 833)	(728)
Unrealised exchange (gain) / loss	(607)	553
	143 894	**208 446**

24. TAXATION (CONTINUED)

24.2 Reconciliation of current taxation

	31 December 2019 P'000	31 December 2018 P'000
Profit before taxation	1 130 283	1 020 508
Tax calculated at Botswana statutory rate of 22%	248 662	224 512
Foreign income taxed at 15%	9 760	12 795
Effect of tax rates in foreign jurisdictions	61 939	59 727
Expenses and revenues not deductible for tax purposes	(3 061)	(19 167)
WHT tax credits adjustments	72 041	107 110
Tax losses not recognised and fallen away (note 2.3)	40 035	49 039
Under provision in respect of prior year	9 405	76 010
	438 781	**510 026**

24.3 Reconciliation of income tax paid

	31 December 2019 P'000	31 December 2018 P'000
Opening balance	213 058	164 912
Income tax charge for the year	374 229	527 094
- Tax charge per profit or loss	438 781	510 026
- Movement in deferred tax asset	(66 952)	54 996
- Deferred tax assets on IFRS 9 day 1 adjustment	-	(40 013)
- Movement in deferred tax liabilities	2 400	2 085
Closing balance	(200 244)	(213 058)
Income tax paid	**387 043**	**478 948**

25. EARNINGS PER SHARE

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

	31 December 2019 P'000	31 December 2018 P'000
Earnings attributable to ordinary equity holders of the parent	620 034	438 639
Weighted number of shares:		
At beginning of year	2 124 991	2 119 645
Effect of shares issued (31 December 2019 - no shares issued: 31 December 2018 - P5 346 Million shares)	-	4 072
Weighted number of shares at end of year	2 124 991	2 123 717
Basic earnings per share (thebe)	**29.2**	**20.7**

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

	31 December 2019 P'000	31 December 2018 P'000
Weighted number of shares:		
Weighted number of shares at end of year	2 124 991	2 123 717
Dilution effect - number of shares (note 18)	39 619	41 956
	2 164 610	2 165 673
Diluted earnings per share (thebe)	**28.6**	**20.3**

25. EARNINGS PER SHARE (CONTINUED)

25.1 Headline earnings per share

31 December 2019	Gross	Tax	Net
Earnings attributable to ordinary equity holders of the parent	-	-	620 034
Loss on disposal of plant and equipment	36	(36)	-
Impairment of goodwill	38 737	-	38 737
Provision for reorganisational and restructuring costs	22 000	-	22 000
Impairment of cash accounts	6 039	-	6 039
Headline earnings	**66 812**	**(36)**	**686 810**
Headline earnings per share (thebe)			**32.3**
Diluted headline earnings per share (thebe)			**31.7**

Non-controlling interest had no impact on headline earnings for the year ended 31 December 2019.

31 December 2018	Gross	Tax	Net
Earnings attributable to ordinary equity holders of the parent	**-**	**-**	**438 639**
Loss on disposal of plant and equipment	6 039	(6 039)	-
Impairment of goodwill	22 000	-	22 000
Specific tax provision	45 300	-	45 300
Specific credit provision - East Africa	75 000	(22 500)	52 500
Headline earnings	**148 339**	**(28 539)**	**558 439**
Headline earnings per share (thebe)			**26.3**
Diluted headline earnings per share (thebe)			**25.8**

Non-controlling interest had no impact on headline earnings for the year ended 31 December 2018.

26. DIVIDEND PAID

		31 December 2019 P'000	31 December 2018 P'000
Previous year final dividend paid during the year		70 125	278 373
Interim dividend paid		91 374	184 916
Total dividend paid to equity holders		**161 499**	**463 289**
Dividends per share : Interim (thebe)	- paid	4.3	8.7
: Final (thebe)	- proposed	7.7	3.3

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 Chief Operating Officer (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assessing performance. Operating segments are reviewed and reported geographically to the CODM. All reported segments used by the Group meet the definition of a reportable segment.

The Group operates in eleven countries, namely Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Eswatini, Tanzania and Uganda.

In the prior year 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) had been aggregated into:

- Other Southern Africa includes : Lesotho and Eswatini
- Other East Africa includes: Kenya, Rwanda and Uganda
- West Africa includes: Nigeria and Ghana

These had been previously segmented as follows:

- Botswana
- Namibia
- Mozambique
- Other Southern Africa
- Tanzania
- Other East Africa
- West Africa
- Holding company

In the current year these have been reported at a country level in order to align with the reporting expectations of the new management team including the Chief Operating Decision-Maker, which in the case of the Group is considered to be the Group Chief Executive Officer. This will provide more granular information on each of the country operations inline with the disclosures in the risk management section. These have been reported as follows: Botswana, Namibia, Mozambique, Lesotho, Eswatini, Kenya, Rwanda, Uganda, Tanzania, Nigeria, Ghana and Holding Company.

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

27. SEGMENT INFORMATION (continued)

Reportable Segments

31 December 2019	Botswana P '000	Namibia P '000	Mozambique P '000	Lesotho P '000	Eswatini P '000	Kenya P '000	Rwanda P '000	Uganda P '000	Tanzania P '000	Nigeria P '000	Ghana P '000	Holding company or eliminations P '000	Total P '000
Operating income	669 189	561 126	316 740	88 591	67 452	156 116	9 414	142 348	168 278	53 430	284 979	(141 519)	2 376 144
Profit / (loss) before taxation	527 892	423 836	198 742	42 078	38 310	55 232	2 678	42 096	90 386	7 162	14 161	(312 290)	1 130 283
Taxation - consolidated													(438 781)
Profit - consolidated													691 502
Gross Advances to customers	2 768 646	2 226 635	1 361 331	398 937	503 314	714 843	41 452	392 453	446 716	120 264	858 297	-	9 832 888
Impairment provisions	(167 400)	(21 227)	(21 142)	(40 047)	(8 002)	(145 981)	(2 513)	(47 809)	(96 848)	(14 381)	(196 054)	-	(761 404)
Net Advances	2 601 246	2 205 408	1 340 189	358 890	495 312	568 862	38 939	344 644	349 868	105 883	662 243	-	9 071 484
Total assets	2 887 109	2 576 107	1 680 227	397 833	547 946	676 075	70 451	379 592	543 901	150 122	807 153	150 827	10 867 343
Borrowings	1 163 526	348 212	404 866	260 410	348 696	319 143	15 281	218 503	20 900	850	503 509	1 378 279	4 982 175
Total liabilities	1 277 310	456 181	761 757	267 792	356 921	457 272	48 989	234 105	121 133	53 623	702 088	1 551 555	6 288 726

31 December 2018	Botswana P '000	Namibia P '000	Mozambique P '000	Lesotho P '000	Eswatini P '000	Kenya P '000	Rwanda P '000	Uganda P '000	Tanzania P '000	Nigeria P '000	Ghana P '000	Holding company or eliminations P '000	Total P '000
Operating income	655 835	577 985	226 515	87 480	56 479	137 288	11 602	136 364	203 902	57 503	240 192	(28 811)	2 362 334
Profit / (loss) before taxation	457 854	447 740	109 225	57 168	32 698	(22 034)	(772)	37 210	95 358	14 320	43 148	(251 407)	1 020 508
Taxation - consolidated													(510 026)
Profit - consolidated													510 482
Gross Advances to customers	2 702 359	1 920 415	1 291 433	357 831	434 953	722 623	54 093	359 647	552 020	103 390	1 043 202	-	9 541 966
Impairment provisions	(239 776)	(18 489)	(26 726)	(20 768)	(5 765)	(128 404)	(8 567)	(49 695)	(154 589)	(23 649)	(166 707)	-	(843 135)
Net Advances	2 462 583	1 901 926	1 264 707	337 063	429 188	594 219	45 526	309 952	397 431	79 741	876 495	-	8 698 831
Total assets	2 565 550	2 604 616	1 428 333	359 331	472 236	786 410	104 809	355 601	535 179	132 944	1 006 948	304 332	10 656 289
Borrowings	1 010 044	362 793	370 122	240 003	292 313	536 614	27 361	174 797	32 766	-	552 203	1 730 303	5 329 319
Total liabilities	1 064 987	447 016	614 191	247 505	300 974	584 602	84 497	222 115	143 781	49 922	889 257	1 932 780	6 581 627

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

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 solutions. 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 2019 P'000	31 December 2018 P'000
Paid during the period		
- Short-term employee benefits	8 124	9 725
	8 124	**9 725**

In terms of the Long Term Incentive Scheme there were no awards granted to executive directors relating to the 31 December 2019 and 2018 financial years.

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 2019 P'000	31 December 2018 P'000
No later than 1 year	-	14 852
Later than 1 year and no later than 5 years	-	23 710
	-	**38 562**

The above disclosure is relevant for prior year as per IAS 17 and in the current year this has been reported under IFRS 16. Refer to pages 142-144 on the effects of adopting IFRS 16 by the Group.

30. CAPITAL COMMITMENTS

	31 December 2019 P'000	31 December 2018 P'000
Authorised by the directors:		
- Not contracted for	97 740	41 909

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 7.7 thebe per share was declared on 26 February 2020.

Appointment of Group CEO
Andrew Okai was appointed as the Group CEO with effect from 01 February 2020.

Initial assessment on the impact of COVID-19
The COVID-19 (coronavirus) outbreak occurred at a time close to the Group's reporting date and the condition has continued to evolve throughout the time line crossing 31 December 2019. In late 2019, a cluster of cases displaying the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". Since then, more cases have been diagnosed, also in other countries. Measures were taken, and policies imposed by China and other countries. Gradually more information became available.

Letshego Holdings Limited and their clients have been impacted by the outbreak or by the measures taken in preventing the spread of the disease. The critical judgement and evaluation that management made is whether and, if so, what event in this series of events provides evidence of the condition that existed at the end of the reporting period for the Group's activities or its assets and liabilities. When making this judgement, the Group took into consideration all available information about the nature and the timeline of the outbreak and measures taken.

Management has assessed whether the event is adjusting or non-adjusting and has concluded that the cause of the shut down in the series of events that led to the shutdown is not the outbreak itself, but rather the measures taken by the respective governments in the various jurisdictions the Group operated in after the reporting date. As a result the event is considered a non-adjusting event and cannot be reflected in the Group's assets and liabilities as at 31 December 2019.

Albeit the fact that management has concluded that the event is a non-adjusting event, the impact of this non-adjusting event is material. The Group disclosed the nature of the event and an estimate of its financial effect. In the case of Letshego Holdings Limited, 10 out of 11 countries in which the Group's subsidiaries operate from have been directly affected by the virus and the outbreak has affected its operations through the lockdowns that have been effected by the various governments to protect citizens from further spreading of the disease. Botswana has recently confirmed a few cases of this epidemic, and operations have slowed down due to the governmental measures imposed to curb the spread of the disease into the country and there is a likelihood of a shutdown to be imposed in April 2020.

In the early stages of the outbreak, the high level of uncertainties due to the unpredictable outcome of this disease may make it difficult to estimate the financial effects of the outbreak. The significant estimates and judgements applied to determine the financial position at 31 December 2019 have been included as part of the accounting policies of the Group. The estimates applied, relating to the calculation of Expected Credit Losses, were based on forward looking factors referencing a range of forecast economic conditions as at that date. The outbreak of COVID-19 has resulted in disruption to business activities globally, since mid-January 2020 with a material impact being noted from March 2020.

In March 2020, the Group conducted a stress testing / sensitivity analysis on the Group's Expected Credit Loss (ECL) models as applied to the Group's portfolios as at 29 February 2020. The downside scenarios were stressed with negative multipliers and downside heavy allocation for all countries. The variables adjusted were Consumer Pricing Index, Gross Domestic Product and Unemployment Rate and the stress testing / sensitivity analysis was done for a forward-looking period of 12 months. The metrics applied in these instances were the worst-case forecasts for these variables as provided by the Group's data research team. The analysis was designed to estimate the additional ECL provision that would be required for those Group portfolios by 30 June 2020 as a result of the disruption caused to the business by COVID-19. The conclusion of this analysis was that an estimated additional ECL of P31 Million will be required in relation to the 29 February 2020 Group portfolios.

COVID-19 impact was modelled over a three month period as per table below which shows the impact of the sensitivity analysis by Stages 1, 2 and 3. We will continue to assess the impact on ECL going forward.

31. SUBSEQUENT EVENTS (continued)

The below summarises the sensitivity analysis on Expected Credit Losses based on a 3 months outcome period:

Group	Feb 2020 Expected Credit Losses P'000	Impact on changes forward looking factors P'000	Impact on changes LGD rates P'000	Total Expected Credit Losses P'000	Total Impact P'000
Stage 1: 12-month ECL allowance	134 219	115 125	28 781	143 906	9 687
Stage 2: Lifetime ECL allowance – not credit-impaired	93 224	90 994	22 748	113 742	20 518
Stage 3: Lifetime ECL allowance – credit-impaired	572 244	453 191	119 968	573 159	915
Total	**799 687**	**659 310**	**171 497**	**830 807**	**31 120**

Refer to country ECL breakdown below:

Country	Increase in ECL P'000
Botswana	4 175
Ghana	2 897
Kenya	3 001
Lesotho	3 818
Mozambique	2 675
Namibia	4 175
Nigeria	3 001
Rwanda	109
Eswatini	694
Tanzania	4 255
Uganda	2 320
Group	**31 120**

Other financial risks and potential impact

The impact of COVID-19 was evaluated subsequent to the reporting date and management's estimates with regards to market risk (per note 1.3.1) and estimates (per note 2) were updated with the expected impact as per below:

Interest rate risk

The interest profile of Group's loans and advances to customers are fixed in nature. As of 29 February 2020, 53% of the Group's borrowing had variable interest rate profiles (P2 636 m of P4 952 m). 62% of the Group's deposit balances had a variable interest rate profile (P281m of P456m). Sensitivity analysis performed thereof indicated that a 100 basis points adjustment to all reference floating rates would impact the Group's Net Interest Margin by P30.8m.

31. SUBSEQUENT EVENTS (continued)

Other financial risks and potential impact (continued)

Interest rate risk (continued)

The below summarises the country-wise impact if interest rates were increased by 100 basis points on profit before taxation on an annualized basis:

Country	Decrease in rates
Botswana	(11 096)
Ghana	(4 562)
Kenya	(747)
Lesotho	(455)
Mozambique	(6 585)
Namibia	(2 450)
Nigeria	(465)
Rwanda	(217)
Eswatini	(2 356)
Tanzania	(390)
Uganda	(1 467)
Group	**(30 790)**

Based on the above analysis an increase in interest rates by 100 basis points would result in a decrease in profits by P31 Million and note that a decrease in interest rates by 100 basis points would result in an increase in profits of P31 Million.

Average cost of borrowings during 2019	12.0%

The impact of an increase in external borrowing costs of 1% is given above.

Effect of increase in average borrowing costs ranging between 2% - 3% due to new uncertainties (P'000) 99 000 - 150 000

When assuming an increase in average borrowing costs ranging between 2% - 3% the estimated impact would be a decrease in profit before tax ranging between 9% - 13%. Similarly, a decrease in average borrowing costs within the same range would result in an increase in profit before tax for the year ended 31 December 2019 ranging between 9% - 13%.

Currency risk

We have seen significant pressure on many currencies in the first quarter of 2020 as a result of the outbreak of the COVID-19 however, the full impact on currencies is still unknown and we do expect the currency volatility to continue.

The Group's main foreign currency exposure is on the South African Rand (ZAR) (both assets and liabilities) and during the first quarter of 2020 we have seen it depreciate by at least 13% as at end of March 2020 against the Botswana Pula. Based on these prevailing trends, the continued depreciation of the South African Rand against the Botswana Pula by 10% - 15% would result in foreign exchange gain and an increase the Group's profit before taxation by approximately P8 Million - P12 Million. Similarly, if the ZAR appreciated at the same levels, the impact on the Group's profit before taxation would be a foreign exchange loss of P8 Million - P12 Million for the year 2020.

Impact on goodwill

Key assumptions used in the assessment of goodwill include inflation rates, long term growth rates and discount rate. We have seen a number of countries reducing the prime lending rates and as such we expect inflation and long-term growth rates to be more volatile, at least in the short term, in response. The carrying value of goodwill at 31 December 2019 related to profitable subsidiaries and the impairment assessment conducted had significant headroom that would be able to cushion any future variations or pressures. At this time we do not know of any material impact of changes to business operations that will arise from the COVID-19.

Other than the above there were no other changes in the affairs of the Group between the 31 December 2019 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. Details of subsidiaries of the Group are shown below:

Subsidiary company	Country of incorporation	Nature of business	31 December 2019 % holding	31 December 2018 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
Letshego Ghana (Plc)	Ghana	Unsecured consumer lending and deposit licensed	100	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending and deposit licensed	98	98
Letshego Holdings Namibia Limited	Namibia	Unsecured consumer lending and deposit licensed	78	78
ERF 8585 (Pty) Limited	Namibia	Property	100	100
Letshego Microfinance Bank Nigeria (Proprietary) Limited	Nigeria	MSE, unsecured consumer and deposit licenced	100	100
Letshego Financial Services Swaziland Limited	Eswatini	Unsecured consumer lending	85	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (T) Limited	Tanzania	MSE, unsecured consumer and deposit licenced	100	100
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Intermediary Holdco	100	100

Group Structure

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

32. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

32.1 Conditional subsequent payment relating to the investment in AFB Ghana

In January 2017 Letshego acquired 100% shareholding in AFB Ghana Plc a deduction at source business lending to Government employees with a deposit taking license. The financial results of AFB Ghana were incorporated in the Group results for the year ended 31 December 2017 financial year for the first time. The purchase consideration was P91 Million.

At the date of acquisition there was a pending petition with the tax authorities on the assessment of a tax asset. This contingent asset was not included in the purchase price allocation of the Company. In terms of IFRS 3, an estimate should have been made in the 2017 financial year of the potential further consideration and capitalised in 2017 to the investment, while also creating a contingent consideration. The omission of the contingent consideration in 2017 did not have an impact on profit or loss or the statement of changes in equity. The purchase agreement included a provision stating that if the subject matter was resolved within three years and in the favour of AFB Ghana the tax asset will be shared equally between the seller and buyer. Refer to the details below:

	31 December 2018 P'000
Total tax asset	5 155
50% conditional subsequent payment	**2 577**

32.2 Acquisition of additional interest in a subsidiary

In September 2018, the Group acquired the remaining 25% of the issued shares of Letshego Bank Tanzania Limited for a purchase consideration of P15.6 Million. The Group now holds 100% of the equity share capital of the entity and it derecognised non-controlling interest and recorded a decrease in equity. The effect of changes in the ownership are summarised as follows:

	31 December 2018 P'000
Consideration paid to non-controlling interest	15 547
Carrying amount of non-controlling interests acquired	(5 936)
Excess of consideration paid recognised in Group's equity	**9 611**

32. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

32.3 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Holdings Namibia Limited, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination and will not tie back to the segment report (note 27) as it includes an investment property in Namibia.

Summarised statement of financial position	31 December 2019 P'000	31 December 2018 P'000
Assets	2 559 616	2 589 142
Liabilities	(1 041 221)	(1 303 245)
Net assets	**1 518 395**	**1 285 897**
Accumulated non-controlling interest	329 699	278 267
Summarised statement of profit or loss and other comprehensive income		
Revenue	562 528	581 384
Profit for the year	287 054	295 065
Profit allocated to non-controlling interest	**63 152**	**64 914**
Summarised statement of cash flows		
Cash flows from operating activities	70 230	267 687
Cash flows used in investing activities	(12 940)	(140 266)
Cash flows from financing activities	(440 591)	190 826
	(383 301)	**318 247**

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

Non-controlling interest	31 December 2019 P'000	31 December 2018 P'000
Letshego Financial Services Lesotho	6 500	5 590
Letshego Financial Services Mozambique, SA	1 720	2 555
Letshego Financial Services Swaziland Limited	28 430	25 567
Letshego Uganda Limited	6 390	4 413
	43 040	**38 125**
Total accumulated non-controlling interest	**372 739**	**316 392**

Significant restrictions

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

33. INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

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

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

	31 December 2019 P'000	31 December 2018 P'000
Total assets	115 594	87 309
Total liabilities	(4 188)	(3 713)
Net assets	**111 406**	**83 596**

The cell captive is not consolidated as the Group does not have control over these entities. The net assets of the cell captive are included as part of other receivables (receivable from insurance arrangements) and payables (insurance premium payable) as disclosed in note 5 and note 12. 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

	31 December 2019 P'000	31 December 2018 P'000	31 December 2017 P'000	31 December 2016 P'000	31 December 2015 P'000
Assets					
Cash and cash equivalents	1 035 513	1 188 402	492 367	529 476	526 290
Advances to customers	9 071 484	8 698 831	7 768 904	6 689 740	6 311 678
Other receivables	247 996	252 491	201 605	166 717	177 585
Income tax receivable	39 499	19 074	17 967	17 250	27 570
Financial assets at fair value through other comprehensive income	53 591	53 591	53 591	53 591	-
Property, plant and equipment	99 671	80 532	92 061	76 034	76 030
Right-of-use assets	61 436	-	-	-	-
Intangible assets	45 221	45 488	55 340	52 609	61 312
Goodwill	68 233	106 229	122 280	129 408	170 868
Deferred tax assets	144 699	211 651	156 655	106 961	68 000
Total assets	**10 867 343**	**10 656 289**	**8 960 770**	**7 821 786**	**7 419 333**
Liabilities					
Customers deposits	426 673	497 718	228 432	107 696	154 495
Deposits from banks	-	-	-	-	77 364
Cash collateral	21 721	27 028	27 319	39 225	44 667
Trade and other payables	552 849	492 225	261 751	294 416	175 493
Lease liabilities	64 760	-	-	-	-
Income tax payable	239 743	232 132	182 879	99 373	73 494
Deferred tax liabilities	805	3 205	5 290	808	2 006
Borrowings	4 982 175	5 329 319	3 984 607	3 394 116	2 768 412
Total liabilities	**6 288 726**	**6 581 627**	**4 690 278**	**3 935 634**	**3 295 931**
Shareholders' equity					
Stated capital	862 621	862 621	849 845	875 639	989 487
Foreign currency translation reserve	(713 418)	(696 276)	(680 417)	(634 293)	(254 293)
Legal reserve	195 793	73 519	39 607	32 189	22 178
Share based payment reserve	24 304	18 089	38 840	35 835	19 705
Retained earnings	3 836 578	3 500 317	3 709 308	3 383 983	3 197 534
Total equity attributable to equity holders of the company	**4 205 878**	**3 758 270**	**3 957 183**	**3 693 353**	**3 974 611**
Non-controlling interests	372 739	316 392	313 309	192 799	148 791
Total equity and liabilities	**10 867 343**	**10 656 289**	**8 960 770**	**7 821 786**	**7 419 333**

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

Five Year Financial History

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 December 2019 P'000	31 December 2018 P'000	31 December 2017 P'000	31 December 2016 P'000	31 December 2015 P'000
Effective interest income	2 974 839	2 718 257	2 252 636	1 963 129	1 753 556
Effective interest expense	(931 164)	(654 079)	(470 630)	(352 362)	(326 694)
Net interest income	**2 043 675**	**2 064 178**	**1 782 006**	**1 610 767**	**1 426 862**
Fee and commission income	59 451	30 735	38 596	24 617	28 699
Other operating income	273 018	267 421	234 169	209 724	229 390
Total income	**2 376 144**	**2 362 334**	**2 054 771**	**1 845 108**	**1 684 951**
Employee benefits	(454 023)	(390 177)	(367 057)	(309 016)	(212 487)
Other operating costs	(622 737)	(590 158)	(446 952)	(407 873)	(297 106)
Operating income before impairment	**1 299 384**	**1 381 999**	**1 240 762**	**1 128 219**	**1 175 358**
Expected credit losses / impairment expense	(169 101)	(361 491)	(237 149)	(180 649)	(138 864)
Operating income before taxation	**1 130 283**	**1 020 508**	**1 003 613**	**947 570**	**1 036 494**
Taxation	(438 781)	(510 026)	(322 367)	(337 500)	(311 891)
Profit for the year	**691 502**	**510 482**	**681 246**	**610 070**	**724 603**
Appropriations					
Dividends	(463 289)	(321 607)	(371 685)	(371 685)	(370 450)
Retained income	**228 213**	**188 875**	**309 561**	**238 385**	**354 153**
Attributable to :					
Equity holders of the parent company	620 034	438 639	637 663	568 145	665 179
Non-controlling interests	71 468	71 843	43 583	41 925	59 424
	691 502	**510 482**	**681 246**	**610 070**	**724 603**

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

Value Added Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December 2019 P'000	31 December 2018 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	**2 974 839**	**2 718 257**
Cost of services	(931 164)	(654 079)
Value added services	2 043 675	2 064 178
Fee and commission income	59 451	30 735
Other operating income	273 018	267 421
Other operating costs	(573 274)	(553 867)
Expected credit losses	(169 101)	(361 491)
	1 633 769	**1 446 976**
Value allocated		
To employees		
Staff costs	**454 023**	**390 177**
To expansion and growth		
Retained income	530 003	47 193
Depreciation	35 170	24 444
Amortisation	14 293	11 847
Deferred tax	64 552	(17 068)
	644 018	**66 416**
To Government		
Taxation	374 229	527 094
To providers of capital		
Dividends to shareholders	161 499	463 289
	1 633 769	**1 446 976**
Summary	**%**	**%**
Employees	27.8	27.0
Expansion and growth	39.4	4.6
Government	22.9	36.4
Providers of capital	9.9	32.0
	100.0	**100.0**

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

Analysis of Shareholding

FOR THE YEAR ENDED 31 DECEMBER 2019

Top ten shareholders	**Number ' 000**	**31 December 2019 Shares held P'000 %**	**Number ' 000**	**31 December 2018 Shares held P'000 % %**
Botswana Life Insurance (Pty) Ltd	597 236	27.9	561 036	26.2
African Alliance	284 901	13.3	264 575	12.3
Botswana Insurance Fund Management Limited (BIFM)	251 357	11.7	208 924	9.7
ADP I HOLDING 2	180 484	8.4	180 484	8.4
Allan Grey	108 843	5.1	108 843	5.1
BMO Investment : Former Lloyd George Investment Company	87 325	4.1	116 510	5.4
Investec	74 356	3.5	83 023	3.9
HSBC : Substainable Capital Africa Alpa Fund	59 405	2.8	59 405	2.8
Standard Chartered Bank of Botswana Nominees (Pty) Ltd - Kuwait Investment Authority	49 440	2.3	30 650	1.4
Standard Chartered Bank of Botswana Nominees (Pty) Ltd -NTGSLUX 010/03 Ashmore Emerging Markets	39 743	1.9	52 854	2.5
	1 733 090	80.8	1 666 304	77.7
Other corporate entities. nominees and trusts and individuals	391 901	18.3	458 687	21.4
Treasury shares	19 054	0.9	19 054	0.9
Total	**2 144 045**	**100.0**	**2 144 045**	**100.0**

Directors' shareholdings	**Number ' 000**	**31 December 2019 Shares held P'000 %**	**Number ' 000**	**31 December 2018 Shares held P'000 % %**
*Christopher Low	-	-	2 261	0.1
**Colm Patterson	3 986	0.2	3 986	0.2
Harrington Karuhanga	29	0.0	29	0.0
	4 015	**0.2**	**6 276**	**0.3**

*Christopher Low the Group Chief Executive Officer resigned from the Board on 02 August 2018.
**Colm Patterson the Group Chief Financial Officer resigned from the Board on 5 March 2019.

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

Country Profiles

Botswana

LOANS

Est. **1998**

Opened doors in 1998. Listed on the Botswana stock exchange in 2002.

136
EMPLOYEES

31 745
CUSTOMERS

16
BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	119	129	136
Number of direct sales agents (DSAs)	144	127	123
	263	256	259
Access anytime anywhere			
Number of branches	5	5	5
Number of satellite offices	11	11	11
	16	16	16
Asset quality			
LLR to average gross advances	1.0%	2.8%	(0.7%)
NPL's provision coverage	70%	100%	96%
Performance			
Profit before tax and group charges	461	458	528
Net disbursements to customers	302	483	362
Advances			
Loan book split	2 319	2 463	2 601
Net Advances Formal Loans (P'Millions)	2 317	2 450	2 580
Net Advances MSE Loans (P'Millions)	2	13	21
Customer Split	35 824	35 088	31 745
Number Formal Customers	35 795	34 964	31 565
Number MSE Customers	29	124	180
% Customers Female	39%	41%	39%

FERGUS FERGUSON
Botswana CEO

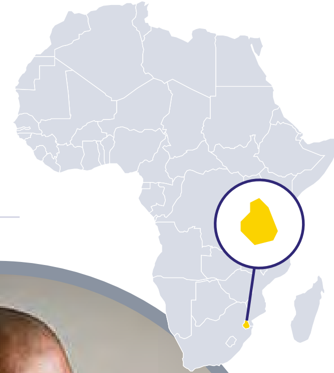
"In 2019, Letshego Botswana delivered a noted improvement in our overall yields, through a combination of new product offerings and improved customer selection. Interest revenue was up 6% year on year, with non performing loans remaining within our target range. We expanded our offering to Small and Micro Entrepreneurs, in line with our focus on diversifying our product and customer revenue streams. Recently enhanced and new digital access channels are already starting to show their value in business growth and customer access."

2019 Country Highlights

- Interest revenue increased 6% year on year
- Profit before tax increased 15% year on year
- Increased support for Micro & Small Entrepreneurs (MSEs) by doubling loan value for vendor financing
- Launched first generation USSD and WhatsApp loan lead platforms
- Embedded our KYC and AML automated platform within risk framework

Eswatini

LOANS



Est. **2006**

Opened doors in 2006 as a Micro Provident Eswatini and rebranded in 2010.

28
EMPLOYEES

127 884
CUSTOMERS

3
BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	25	25	28
Number of direct sales agents (DSAs)	11	15	6
	36	40	34
Access anytime anywhere			
Number of branches	3	3	3
	3	3	3
Asset quality			
LLR to average gross advances	0.0%	0.7%	0.8%
NPL's provision coverage	18%	121%	77%
Performance			
Profit before tax and group charges	31	33	38
Net disbursements to customers	191	162	119
Advances			
Loan book split	370	429	495
Net Advances Formal Loans (P'Millions)	370	427	471
Net Advances MSE Loans (P'Millions)	-	2	20
Net Advances Informal Loans (P'Millions)	-	-	5
Customer Split	7 693	8 366	127 884
Number Formal Customers	7 693	8 358	8 460
Number MSE Customers	-	8	89
Number of Informal Customers	-	-	119 335
% Customers Female	34%	33%	34%

MONGI DLAMINI
Eswatini CEO

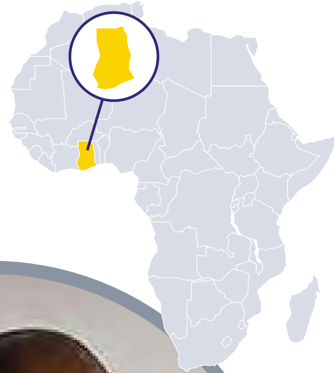
"2019 has been a year of progressive strides for Eswatini. We partnered with MTN Eswatini to pilot the 'MoMo QuickLoan', reaching 119,000 customers in just 6 months. Mobile Loans not only increase Access to our financial solutions, but also boosts our customer experience with simple and appropriate loans, at your fingertips. We also managed to diversify funding sources to include local currency lines, supporting our business development and digitalisation strategies."

2019 Country Highlights

- Pilot of Infomal Sector solution: Mobile Money loans: The partnership with MTN Eswatini extended our reach and access to more Emaswati.
- Launched the Hyphen Banking System: To enhance customer experience we launched Hyphen banking system to reduce TATs (turnaround times) in loan disbursements.
- Raised P95 million in local currency funding

Ghana

DEPOSITS LOANS



Est. 2010

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

194
EMPLOYEES

1 279 107
CUSTOMERS

27
BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	233	218	194
Number of direct sales agents (DSAs)	294	306	308
	527	524	502
Access anytime anywhere			
Number of branches	8	5	5
Number of satellite offices	17	22	22
	25	27	27
Asset quality			
LLR to average gross advances	1.7%	15.5%	13.3%
NPL's provision coverage	98%	201%	217%
Performance			
Profit before tax and group charges	36	43	14
Net disbursements to customers	223	1 809	4 083
Advances			
Loan book split	346	876	662
Net Advances Formal Loans (P'Millions)	298	488	449
Net Advances MSE Loans (P'Millions)	6	4	4
Net Advances Informal Loans (P'Millions)	42	384	210
Customer Split	108 644	1 632 502	1 241 517
Number Formal Customers	43 145	65 450	49 115
Number MSE Customers	3 304	181	31
Number of Informal Customers	62 195	1 566 871	1 192 371
% Customers Female	34%	29%	31%
Customer Savings			
Customer savings split	23	105	11
Net Deposits Retail (P'Millons)	0	2	2
Net Deposits Corporate (P'Millions)	23	103	9
Customer Split	1 475	16 008	37 590
Number Retail Customers	1 472	15 997	37 575
Number Corporate Customers	3	11	15

ARNOLD PARKER
Ghana CEO

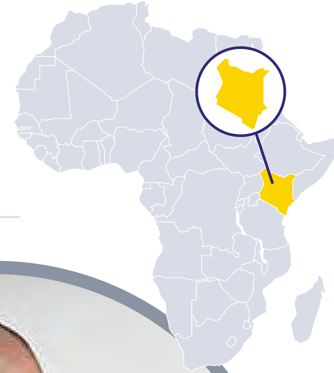
"2019 was a good year for us - Revenues increased 70% year on year, and we received final approval to evolve our brand from afb to Letshego Ghana Savings and Loans Plc. The business implemented the final step in concluding full integration with the Group, following the launch of TBBC, the Group's core banking platform. With our upgraded licence, Ghana can now diversify our solutions with savings, and promote the social benefits a healthy savings culture brings to communities."

2019 Country Highlights

- Total revenue increased by 70% year on year
- Income from lending solutions increased 45% year on year
- Over 1.5million customers supported in 2019
- Investment grade rating of MTN programme affirmed at stable "BBB+" (GH"gramme affirmed at stable "BBB+" (GH"

Kenya

LOANS



Est. 2011

Most Prefered Credit Microfinance in Asset Finance in the Automotive Industry; Most Improved Microfinance in Real Estate based Finance

187
EMPLOYEES

19 272
CUSTOMERS

29
BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	220	191	187
Number of direct sales agents (DSAs)	101	85	90
	321	276	277
Access anytime anywhere			
Number of branches	25	25	25
Number of satellite offices	4	4	4
	29	29	29
Asset quality			
LLR to average gross advances	2.8%	15.3%	4.1%
NPL's provision coverage	135%	294%	236%
Performance			
Profit before tax and group charges	21	(22)	55
Net disbursements to customers	309	284	187
Advances			
Loan book split	516	594	569
Net Advances Formal Loans (P'Millions)	173	75	133
Net Advances MSE Loans (P'Millions)	343	519	436
Customer Split	25 888	22 931	19 272
Number Formal Customers	9 352	8 368	8 858
Number MSE Customers	16 536	14 563	10 414
% Customers Female	59%	41%	38%

ADAM KASAINE
Kenya CEO

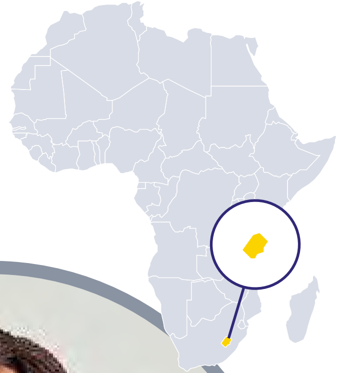
"2019 saw positive progress in prioritising the upskilling and welfare of our internal customers - our people. Happy employees mean happy customers. Another area of focus was to deepen and strengthen our strategic partnerships, including funders, with more than KES2bn in raised in local currency funding, supporting our strategy in enhancing financial solutions and customer delivery."

2019 Country Highlights

- Every employee in Kenya participated in training, with themes including Customer Service, OSHA, Fraud Risk and Anti-money laundering
- Deepened relationships with key government sectors, including disciplined forces and the Teachers Service Commission
- Diversified funding into local currency to support startegy and operations
- Indepedent recognition achieved from two awards: Most Prefered Credit Microfinance in Asset Finance in the Automotive Industry; Most Improved Microfinance in Real Estate based Finance.

Lesotho

LOANS



Est. 2012

Opened doors in 2012.

38 EMPLOYEES

6 817 CUSTOMERS

5 BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	40	40	38
Number of direct sales agents (DSAs)	10	5	6
	50	45	44
Access anytime anywhere			
Number of branches	1	1	1
Number of satellite offices	4	4	4
	5	5	5
Asset quality			
LLR to average gross advances	1.0%	3.2%	6.5%
NPL's provision coverage	56%	72%	108%
Performance			
Profit before tax and group charges	69	57	42
Net disbursements to customers	59	28	82
Advances			
Loan book split	405	337	359
Net Advances Formal Loans (P'Millions)	405	337	359
Customer Split	7 640	7 032	6 817
Number Formal Customers	7 640	7 032	6 817
% Customers Female	51%	51%	52%

DIMA POLOKELO

Lesotho Acting CEO

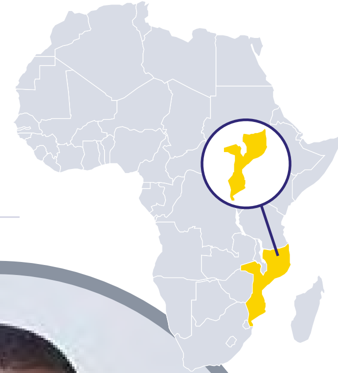
"Letshego Lesotho is built on a solid foundation, excellent customer experience, and strong partnerships with the government, private institutions, and all the people of Lesotho. We are committed to building a strong business, leveraging digital platforms while bringing success through our people, re-engineering processes for increased operational efficiency to deliver strong growth, performance, and returns for our shareholders."

2019 Country Highlights

- Increased net payouts threefold, exceeding 2018 and 2017 combined
- 18% year on year increase in net advances driven by deepening penetration in the government sector and growing strides in non-government segments
- Non-government portfolio grew to contribute 8% of the total loan book
- Successful pilot of 'worksite marketing', providing onsite affordability assessments and loan pre-approvals at employers' premises

Mozambique

DEPOSITS LOANS



Est. 2011

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

Commercial banking license awarded in **2016**

174 EMPLOYEES

123 977 CUSTOMERS

25 BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	162	178	174
Number of direct sales agents (DSAs)	160	173	178
	322	351	352
Access anytime anywhere			
Number of branches	13	13	13
Number of satellite offices	12	12	12
Third Party Agents	119	397	473
	144	422	498
Asset quality			
LLR to average gross advances	2.2%	1.1%	(0.2%)
NPL's provision coverage	29%	46%	33%
Performance			
Profit before tax and group charges	75	109	199
Net disbursements to customers	361	416	315
Advances			
Loan book split	1 013	1 265	1 340
Net Advances Formal Loans (P'Millions)	1 013	1 265	1 340
Customer Split	79 129	84 755	85 743
Number Formal Customers	79 129	84 755	85 743
% Customers Female	28%	27%	26%
Customer Savings			
Customer savings split	12	205	286
Net Deposits Retail (P'Millons)	4	70	114
Net Deposits Corporate (P'Millions)	8	135	172
Customer Split	17 943	32 772	38 234
Number Retail Customers	17 886	32 667	38 142
Number Corporate Customers	57	105	92

CARLOS NHAMAHANGO

Mozambique CEO

"Our ambition is to drive a high-performance culture, be key player in Mozambique, offering products and solutions that meet the demand and needs of our customers and communities. Letshego supports our national government's agenda to increase financial inclusion, while aligning with our brand promise to improve lives."

2019 Country Highlights

- Banco Letshego has increased its profit before tax by 82% year-on-year;
- Savings have grown 39% - 66% retail deposits and 26% corporate deposits;
- Effective cost control measures supported 82% year-on-year profit before tax;
- Piloted Mastercard Tap&Go solution partnership, reaching 100.000 customers in year;
- 6% loan book growth, driven by public employees.

Namibia

DEPOSITS LOANS

Est. 2002

Edu Loan Namibia acquired by Lesthego Group in 2008 and registered as Letshego Micro Finance Services Ltd. Listed on NSE in 2017

145 EMPLOYEES

60 200 CUSTOMERS

16 BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	98	117	145
Number of direct sales agents (DSAs)	11	51	39
	109	168	184
Access anytime anywhere			
Number of branches	2	2	4
Number of satellite offices	14	14	12
Third Party Agents	2	1	-
	18	17	16
Asset quality			
LLR to average gross advances	0.0%	0.7%	0.3%
NPL's provision coverage	19%	26%	25%
Performance			
Profit before tax and group charges	436	448	424
Net disbursements to customers	647	559	692
Advances			
Loan book split	1 930	1 902	2 205
Net Advances Formal Loans (P'Millions)	1 930	1 902	2 205
Customer Split	52 356	51 586	47 728
Number Formal Customers	52 356	51 586	47 728
% Customers Female	36%	43%	45%
Customer Savings			
Customer savings split	72	55	33
Net Deposits Retail (P'Millons)	0.1	2.4	25
Net Deposits Corporate (P'Millions)	72	53	8
Customer Split	109	2 135	12 472
Number Retail Customers	107	2 127	12 459
Number Corporate Customers	2	8	13

ESTER KALI

Namibia CEO

"Despite the economic challenges in 2019, Letshego Namibia managed to achieve sustainable growth in advances, retail deposits and digital transactional accounts. The number of retail customers grew significantly from 2,126 in 2018 to 12,459 in 2019. We remain committed to our agenda and will continue to increase customer experience by enhancing digital access to our solutions. Although off a low base, transactions on cards and USSD have also increased exponentially, and our retail deposits have now grown to N$33million as at end Dec 2019 from (2018: N$2.4)."

2019 Country Highlights

- Advances to customers grew by 14% year-on-year
- Significant increases in digital channel update, esp Cards and USSD
- Deposit mobilisation success with 10,000 new savings customers
- Launched account opening capabilities and increased our deposit taking branches by 100% to 4.

Nigeria

DEPOSITS LOANS

Est. 2008

Opened doors AS FBN Microfinance Bank in March 2008. Acquired by Letshego Group in 2015 and rebranded to Letshego MFB.

265 EMPLOYEES

86 302 CUSTOMERS

21 BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	268	273	265
Number of direct sales agents (DSAs)	-	66	70
	268	339	335
Access anytime anywhere			
Number of branches	23	24	24
	23	24	24
Asset quality			
LLR to average gross advances	20.3%	8.6%	3.2%
NPL's provision coverage	218%	243%	92%
Performance			
Profit before tax and group charges	3	14	7
Net disbursements to customers	142	146	142
Advances			
Loan book split	54	80	106
Net Advances Formal Loans (P'Millions)	1	23	65
Net Advances MSE Loans (P'Millions)	53	57	41
Customer Split	5 426	12 844	16 007
Number Formal Customers	55	5 139	9 502
Number MSE Customers	5 371	7 705	6 505
% Customers Female	45%	49%	43%
Customer Savings			
Customer savings split	24	24	41
Net Deposits Retail (P'Millions)	24	22	35
Net Deposits Corporate (P'Millions)	1	2	6
Customer Split	84 087	66 019	70 295
Number Retail Customers	83 226	65 669	70 261
Number Corporate Customers	861	350	34

TOLULOPE OPAYINKA

Nigeria CEO

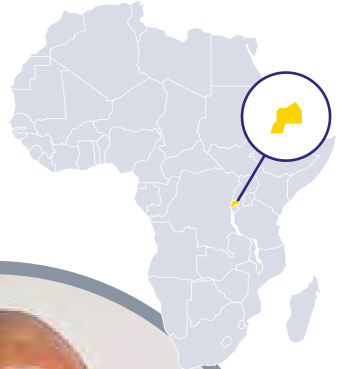
"2019 was a challenging year for us, with a decline in PBT and little traction in our Micro and Small Entrepreneur portfolio. On the upside, we enjoyed significant growth in our Deduction at Source business, a new solution added to our product offering. In 2020 we look forward to building on our positive gains, while further enhancing brand awareness, embedding our risk framework and expanding our reach."

2019 Country Highlights

- Strong growth in deposits
- More than doubled early growth in Deduction at Source
- Established partnership with local bank for LetsGo deposit access nationwide
- Initiated integration with interswitch
- Launched new brand campaign for cards

Rwanda

DEPOSITS LOANS



Est. 2000

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

66 EMPLOYEES

16 047 CUSTOMERS

8 BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	97	82	66
	97	82	66
Access anytime anywhere			
Number of branches	8	8	8
	8	8	8
Asset quality			
LLR to average gross advances	42.8%	(28.1%)	(32.8%)
NPL's provision coverage	142%	148%	136%
Performance			
Profit before tax and group charges	(42)	(1)	3
Net disbursements to customers	(12)	30	14
Advances			
Loan book split	43	46	39
Net Advances Formal Loans (P'Millions)	2	2	1
Net Advances MSE Loans (P'Millions)	41	44	38
Customer Split	1 038	817	622
Number Formal Customers	307	178	109
Number MSE Customers	731	639	513
% Customers Female	30%	32%	31%
Customer Savings			
Customer savings split	28	52	22
Net Deposits Retail (P'Millons)	10	15	16
Net Deposits Corporate (P'Millions)	18	37	6
Customer Split	11 244	14 165	9 784
Number Retail Customers	10 933	13 790	9 567
Number Corporate Customers	311	375	217

BENJAMIN MUKETHA

Rwanda Acting CEO

"Rwanda continues to make progress towards sustainable profitability. In 2019, focus on our turnaround strategy achieved initial levels of profitability. We continue to leverage our financial solutions and market potential to build the business, supporting individuals, micro and small entrepreneurs (MSEs) and small scale farmers across the country."

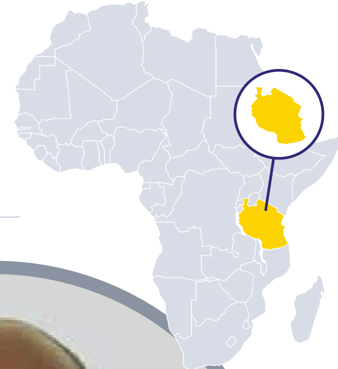
2019 Country Highlights

- Progressed implementation of our turnaround strategy to achieve profitability for the year
- Increased efficiencies in collections to recover P12 Million
- Savings mobilisation successful in boosting retail customers to 50% of total deposits

Tanzania

Letshego Bank Tanzania

DEPOSITS LOANS



Est. 2011

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

140 EMPLOYEES

229 519 CUSTOMERS

10 BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	194	170	140
	194	170	140
Access anytime anywhere			
Number of branches	5	5	5
Number of satellite offices	4	5	5
Third Party Agents	186	252	116
	195	262	126
Asset quality			
LLR to average gross advances	9.7%	(1.2%)	1.8%
NPL's provision coverage	89%	132%	105%
Performance			
Profit before tax and group charges	(10)	4	(6)
Net disbursements to customers	186	158	95
Advances			
Loan book split	130	131	106
Net Advances MSE Loans (P'Millions)	130	131	106
Customer Split	4 558	3 132	1 237
Number MSE Customers	4 558	3 132	1 237
% Customers Female	37%	38%	39%
Customer Savings			
Customer savings split	69	56	32
Net Deposits Retail (P'Millons)	23	28	24
Net Deposits Corporate (P'Millions)	46	28	8
Customer Split	39 451	41 975	228 282
Number Retail Customers	38 936	41 480	227 886
Number Corporate Customers	515	495	396

ANDREW TARIMO

Acting CEO Letshego Bank Tanzania

"In 2019 Letshego Bank Tanzania was successful in extending the reach of our financial solutions, as well as promoting the benefits of a healthy savings culture through 'Timiza Akiba', a savings solution in partnership with a leading mobile network operator (MNO). In 2020 we look forward to leveraging our network to support the resurgence of the local economy with affordable financial solutions, while further diversifying our customer offering and access channels."

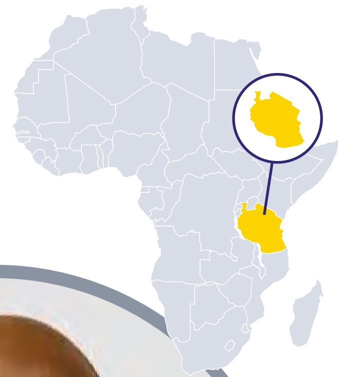
2019 Country Highlights

- Executive team bolstered with the appointment of Andrew Tarimo as acting CEO (September 2019)
- Improved operational efficiencies led to collections increasing year on year by 25%
- Despite economic conditions, the Bank remains well capitalised and liquid with a Capital Adequacy Ratio of 54%

Tanzania

Faidika

LOANS



Est. **2006**

Faidika opened doors in 2006.

80
EMPLOYEES

32 754
CUSTOMERS

103
BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	68	69	80
Number of direct sales agents (DSAs)	348	298	232
	416	367	312
Access anytime anywhere			
Number of branches	16	16	16
Number of satellite offices	94	91	87
	110	107	103
Asset quality			
LLR to average gross advances	16.7%	11.0%	(1.5%)
NPL's provision coverage	95%	119%	90%
Performance			
Profit before tax and group charges	58	92	96
Net disbursements to customers	126	26	22
Advances			
Loan book split	343	267	244
Net Advances Formal Loans (P'Millions)	343	267	244
Customer Split	45 183	39 159	32 754
Number Formal Customers	45 183	39 159	32 754
% Customers Female	37%	35%	

BARAKA MUNISI

Faidika Tanzania CEO

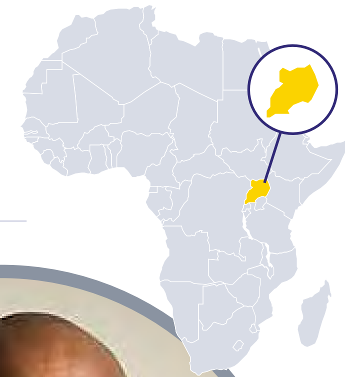
"In 2019, Faidika's governance and leadership capabilities were enhanced with strategic executive appointments in Finance, Risk, Audit and Credit. Our Faidika Board also gained in fiduciary capacity following five new appointments. Through the year, our new leadership team focused on enhancing operational efficiencies, supporting a 3% increase in collections year-on-year."

2019 Country Highlights

- Despite challenging market conditions, Faidika increased profit before management fees and tax by 4%
- Net asset growth of 18% year on year
- Cost to Income ratio was recorded at 31%
- Annual aggregated collection rate of 94%

Uganda

LOANS



Est. **2005**

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

253
EMPLOYEES

43 383
CUSTOMERS

45
BRANCHES

Country Stats	2017	2018	2019
People			
Number of FTE	235	231	253
Number of direct sales agents (DSAs)	208	195	225
	443	426	478
Access anytime anywhere			
Number of branches	22	22	22
Number of satellite offices	23	23	23
	45	45	45
Asset quality			
LLR to average gross advances	8.1%	5.0%	4.0%
NPL's provision coverage	56%	98%	95%
Performance			
Profit before tax and group charges	28	37	42
Net disbursements to customers	178	196	217
Advances			
Loan book split	302	310	345
Net Advances Formal Loans (P'Millions)	179	190	249
Net Advances MSE Loans (P'Millions)	123	120	96
Customer Split	39 900	39 343	43 383
Number Formal Customers	31 344	30 539	32 713
Number MSE Customers	8 556	8 804	10 670
% Customers Female	29%	29%	30%

GILES AIJUKWE

Uganda CEO

"2019 anchored Letshego Uganda on a good pefomance trajectory. Loan Loss Ratio declined by 1% in 2019, compared to 5% in the the previous year. Payouts increased by 11% and profit before tax grew by double digits. Our customer base expanded by 10% year on year, 30% comprising female borrowers."

2019 Country Highlights

- Loan Loss Ratio declined by 1% driven by good collections.
- Net Loan Advances increased by 11% driven by Deduction at Source.
- Continued diversification of the book with 10% growth in customers, driven by Micro and Small Entrepreneur segment (MSEs) under the Group Loan product.

NOTICE OF

Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of the Shareholders of Letshego Holdings Limited will be held virtually on Tuesday 30th June 2020 at 16h30 GMT+2 (Botswana).

In compliance with international and national health guidelines and safe social distancing practices, Letshego Holdings Limited's 21st Annual General Meeting (AGM) will be hosted online via video Zoom conferencing facilities. ***To RSVP or for any enquiries, please email Lebogang Rathedi on RathediL@letshego.com / Tel +267 398 4644.***

The AGM will be convened 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 2019 together with the Directors and Independent External Auditors' reports thereon.

2. RESOLUTION 2

To ratify the dividends declared and paid during the period being an interim dividend of 4.3 thebe per share paid to Shareholders on or around 27 September 2019 and a final dividend of 7.7 thebe per share paid to Shareholders on or around 11 May 2020.

3. RESOLUTION 3

Directors

3a. To confirm the re-election of Hannington 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 Catherine Lesetedi, 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 Runa Alam, who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers herself for re-election.

3d. To ratify and confirm the appointment of Andrew F Okai, who was appointed as the Chief Executive Officer on 1 February 2020 in accordance with Article 19.4 of the Constitution.

3e. To confirm the appointment and resignation of D Ndebele, who was appointed as the Interim Group Chief Executive Officer on 27 March 2019 and resigned on 31 January 2020.

3f. To ratify and confirm the appointment of Abiodun Odubola, who was appointed as an Independent Non-Executive Director 12 December 2019 in accordance with Article 19.4 of the Constitution.

3g. To ratify and confirm the appointment of Phillip Odera, who was appointed as an Independent Non-Executive Director 12 December 2019 in accordance with Article 19.4 of the Constitution.

3h. To ratify and confirm the appointment of Ronald Hoekman, who was appointed as an Independent Non-Executive Director 22 January 2020 in accordance with Article 19.4 of the Constitution.

4. RESOLUTION 4

4a. To approve the remuneration of the Directors for the financial year ending 31 December 2019 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 2020. The board fees and the retainer structure is set out in the Corporate Governance section of the Annual Report.

5. RESOLUTION 5

To ratify the remuneration of the Independent External Auditors for the financial year ending 31 December 2019 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 Ernst and Young, as external auditors for the ensuing year.

6b. To approve the remuneration of the Auditors for the next financial year ending 31 December 2020 estimated at P6, 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. 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 time 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 or emailed to the Group Company Secretary at **matshidisok@letshego.com**, not less than 48 hours before the meeting.

By order of the Board

M Kimwaga
Company Secretary

29 May 2020

Form of Proxy

ORDINARY BUSINESS

For completion by holders of ordinary shares. A short copy of this 'Form of Proxy' is available for download from www.letshego.com/investors - search "AGM Form of Proxy 2020" OR please request a copy via email from RathediL@letshego.com

(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 on Tuesday 30 June 2020 via online video conferencing facilities. The 21st AGM will be hosted online following the onset of COVID-19 and thus, in compliance with international and national health guidelines and safe social distancing practices. **To RSVP or for any enquiries, please email Lebogang Rathedi on RathediL@letshego.com / Tel +267 398 4644.**

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 3h			
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____________________ 2020

Signature____

Assisted by (where applicable) ____

Form of Proxy

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, emailed or posted to The Secretary, Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P O Box 381, Gaborone, or via email to RathediL@letshego.com, not less than 48 hours before the Annual General Meeting (i.e. no later than 09h00 GMT+2 on Friday 26 June 2020.)

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

CEEMEA	Central and Eastern Europe Middle East and Africa
AGM	Annual General Meeting
ALM	Assets and Liabilities Management
ASPAC	Asia Pacific
B.Com	Bachelor of Commerce
BA	Bachelor of Arts
BCM	Business Continuity Management
BEPS	Base Erosion and Profit Shifting
BICA	Botswana Institute of Chartered Accountants
BIHL	Botswana Insurance Holdings Limited
BSE	Botswana Stock Exchange
BURS	Botswana Unified Revenue Services
C	Chairperson
CC	Current Chairperson
CD	Contractual Delinquency
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CGU	Cash-Generating Unit
CMC	Country Management Committee
CODM	Chief Operating Decision-Maker
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRO	Credit Risk Officer
DAS	Deduction at Source
DFI	Developmental Finance Institution
DSA	Direct Sales Agent
EAD	Exposure at Default
EBITDA	Earning Before Income Tax Depreciation and Amortisation
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EPS	Earnings Per Share
ERMF	Enterprise Risk Management Framework
ESG	Environmental Social and Governance
ETR	Effective Tax Rate
EXCO	Group Executive Committee
EXEC	Executive Director
EY	Ernst And Young
FTE	Full Time Employees
FY	Financial Year
GAC	Group Audit Committee
GALMC	Group Asset and Liability Management Committee
GBGC	Group Business Growth Committee
GCEO	Group Chief Executive Officer
GDP	Gross Domestic Product
GIA	Group Internal Audit
GIMC	Group Innovation Management Committee
GNSEC	Group Governance, Nominations and Social And Ethics Committee
GRC	Group Risk Committee
GRemCo	Group Remuneration Committee
GRI	Global Reporting Initiative
GRMC	Group Risk Management Committee
GSIC	Group Strategy and Investment Committee
GTC	Group Tax Committee
GTOC	Group Technology and Operations Committee
HR	Human Resources
IAS	International Accounting Standard
ICAZ	Institute of Chartered Accountants Zimbabwe
ICT	Information and Communication Technology
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFSC	International Finance Services Company
IHS	Internet Host Service
IIA	Institute of Internal Auditors
INED	Independent Non-Executive Director
IT	Information Technology
JSE	Johannesburg Stock Exchange
KING IV	King Iv Report on Corporate Governance
KRI	Key Risk Indicators
LGD	Loss Given Default
LHL	Letshego Holdings Limited
LLR	Loan Loss Ratio
LSE	London Stock Exchange
LTIP	Long-Term Incentive Plan
MBA	Master in Business Administration
MDP	Management Development Programme
MI	Management Information
MNCs	Multi National Corporations
MSc	Master of Science
MSE	Micro and Small Entrepreneur
NAMFISA	Namibia Financial Institutions Supervisory Authority
NBFIRA	Non-Bank Financial Institutions Regulatory Authority
NC	New Chairperson
NCD	Non Communicable Diseases
NCI	Non-Controlling Interest
NED	Non-Executive Director
NPL	Non Performing Loan
NSX	Namibian Stock Exchange
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-Operation and Development
P	Pula
PBMT	Profit Before Management-Fees and Tax
PBT	Profit Before Tax
PCI	Primary Care International
PD	Probability of Default
RCSA	Risk and Control Self Assessments
SAS	Statistical Analysis System
SIC	Standard Industrial Classification
SICR	Significant Increase in Credit Risk
SLA	Service Level Agreement
SPPI	Solely Payments of Principal and Interest
SSI	Strategic and Social Investment
TP	Transfer Pricing
UK	United Kingdom
UMRA	Uganda Microfinance Regulatory Authority
USD	United States of America
USSD	Unstructured Supplementary Service Data
WACC	Weighted Average Cost of Capital
WHO	World Health Organisation