Letshego

INTEGRATED ANNUAL REPORT **2020**

CONTENTS

ABOUT OUR INTEGRATED REPORT

04 24 28

GROUP AT A GLANCE

OPERATING CONTEXT

OUR VALUE CREATION STRATEGY

45

PERFORMANCE

96

HOW WE ARE GOVERNED

147

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

ABOUT
OUR INTEGRATED REPORT

This is the year-end report of Letshego Holdings Limited (Letshego or 'the Group') to its stakeholders. It is intended to give a balanced and accurate assessment of the Group's performance in the financial year under review, namely 1 January 2020 to 31 December 2020. Letshego was incorporated in the Republic of Botswana in March 1998, and publicly listed on the Botswana Stock Exchange in 2002

WHO IS THIS REPORT FOR?

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.

WHAT IS OUR REPORTING BOUNDARY AND SCOPE?

The report covers the performance of Letshego and all of its operating companies in Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Eswatini, Tanzania and Uganda for the financial year ending 31 December 2020. Where applicable and relevant, information subsequent to this date has been included. 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.

WHAT ARE OUR REPORTING PRINCIPLES AND FRAMEWORKS?

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 Botswana Stock Exchange (BSE) Listing Requirements, the principles of the International Integrated Reporting Framework (IIRC), and the King Code of Governance Principles for South Africa (King IV). 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 Integrated Report serves to provide a balanced and holistic summary of the Group's performance.

This integrated report and Letshego's previous reports are available for download from our website at

www.letshego.com

Feedback on this report

We welcome your feedback on this report. Please email your comments to the Group's Company Secretary, Matshidiso Kimwaga on MatshidisoK@letshego.com.

WHAT ABOUT MATERIALITY?

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 integrated thinking and a pragmatic approach in defining material matters, which forms an integral part of our strategic planning activities. Our determination of materiality has culminated in five strategic transformational conversations namely diversification, digital transformation, geographic rebalancing, enterprise agility and sustainable shareholder value.

RESTATEMENTS OR CHANGES FROM THE PRIOR PERIOD

Included in the financial statements is a prior year adjustment arising from the reversal of a loan conversion to preference shares in our Namibia subsidiary, Letshego Micro Financial Services Namibia Ltd (LMFSN).

HOW DO WE ACHIEVE ASSURANCE?

An independent audit of the Group's annual financial statements was performed by Ernst & Young. 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 Board and its subcommittees acknowledge their responsibility for overseeing the integrity and completeness of the financial statements.

Furthermore, it has appropriately considered the accuracy and completeness of the material matters as well as the reliability of all data and information presented herein.

FORWARD-LOOKING STATEMENTS

are based on beliefs and assumptions relative to information currently available to Letshego's management. There can be no assurance that such statements will be accurate and actual results and future events could differ materially from those anticipated in such statements. For purposes of this report, the words 'believe', 'anticipate', 'estimate', 'expect', 'intend' and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to certain risks, uncertainties and assumptions. These risks include, but are not limited to, general market conditions, our ability to manage growth, performance and changes in the regulatory environment, among others.

Letshego undertakes no obligation to update forward-looking statements to reflect subsequently occurring events or circumstances or to reflect unanticipated events or developments.

A NOTE ON DISCLOSURES

Letshego Holdings Limited affirms the following terms with respect to its 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) unless indicated otherwise

OUR VALUE CREATION STORY

A truly integrated report shows the flow of strategising and decision making that leads to value being created for shareholders, people and communities.

By outlining the steps through which Letshego creates value, we intend to provide sufficient information for investors and stakeholders to logically evaluate our current and future prospects. Embedding integrated thinking in an organisation supports an in-depth understanding of all factors impacting our ability to create sustainable value for our stakeholders. Integrated thinking enables us to continuously adjust for fast-moving trends and environments.

Our purpose:
Improving lives

1 Our vision and values

Letshego remains focused on becoming a world-class retail financial services organisation, empowering underserved customer segments.

Our core values are:	
Simple	Ethical
Appropriate	Responsive
Accessible	Inclusive

2 Our products offering

Our solutions encompass 4 customer journeys: lending; savings; payments and insurance.

Our core offerings are:	
Deduction at source (DAS)	Informal lending (mobile loans)
Micro and small entrepreneur (MSE)	Retail deposit taking

3 Our stakeholder's needs

The feedback our stakeholders provide enables us to mould and enhance our strategy and operations to deliver more tangible value.

▷ Customers	▷ Strategic partners
▷ Employees	▷ Governments
▷ Investors and funders	▷ Regulators
	▷ Communities

4 Our risks and opportunities landscape

Having identified Letshego's risks and opportunities, we can minimise each risk and maximise each opportunity.

- ▷ Credit Risk
- ▷ Liquidity Risk
- ▷ Operational Risk
- ▷ Information Technology & Cyber Risk
- ▷ Market Risk

5 Our operating environment

Letshego reviews its operating environment to identify the economic, environmental and social factors that management believes could most substantively impact the Group's ability to create value.

- ▷ COVID-19
- ▷ 4th industrial revolution
- ▷ New and competitive market dynamics
- ▷ Spread of regulatory environments

PLAYING OUR PART IN ACHIEVING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The UN SDGs set a long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. Letshego is committed to playing its role in the attainment of these goals. The Group has identified the following sustainable development goals where our business activities can have the most meaningful impact and improve lives.

Being customer led

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION

Embedding financial inclusion

5 GENDER EQUALITY
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

Strengthening our foundation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our strategic conversations

PRODUCT DIVERSIFICATION AND STRENGTHENING OUR CORE OFFERING

ACCELERATING OUR DIGITAL TRANSFORMATION

GEOGRAPHIC REBALANCING

ENTERPRISE AGILITY

SUSTAINABLE SHAREHOLDER VALUE

Value creation

FINANCIAL PERFORMANCE: Delivering strong growth and returns.

PRODUCT PERFORMANCE: Providing simple, appropriate, and accessible solutions and enhancing the customer experience.

SUSTAINABLE PERFORMANCE: Safeguarding business continuity by adopting practices that benefit our customers, people, and business for the immediate and long term.

SPOTLIGHT ON 2020

INTEREST INCOME (P'bn)	FY19: 3.0	▽ 9%	2.7
CREDIT LOSS (P'mn)	FY19: 169	▽ 85%	26
PROFIT AFTER TAX (P'mn)	FY19: 726	▽ 13%	631
COST TO INCOME RATIO (%)	FY19: 45	△ 5%	50
RETURN ON EQUITY (%)	FY19: 17	▽ 4%	13
TOTAL ASSETS (P'bn)	FY19: 10.9	△ 12%	12.2
CAPITAL ADEQUACY RATIO (%)	FY19: 36	▽ 1%	35
CUSTOMER DEPOSITS (P'mn)	FY19: 427	△ 56%	664
EARNINGS PER SHARE (thebe)	FY19: 30.7	▽ 12%	27.1

3000+ TEAM MEMBERS ACROSS AFRICA

914 CUSTOMER ACCESS POINTS

334K+ BORROWERS

619K+ SAVERS ACROSS SIX COUNTRIES

20+ NATIONALITIES ACROSS OUR PEOPLE

RATED BA3(STABLE) BY MOODY'S

DIGITAL TRANSFORMATION:
Loan transactions via digital channels increased to 69% for the month of December 2020.

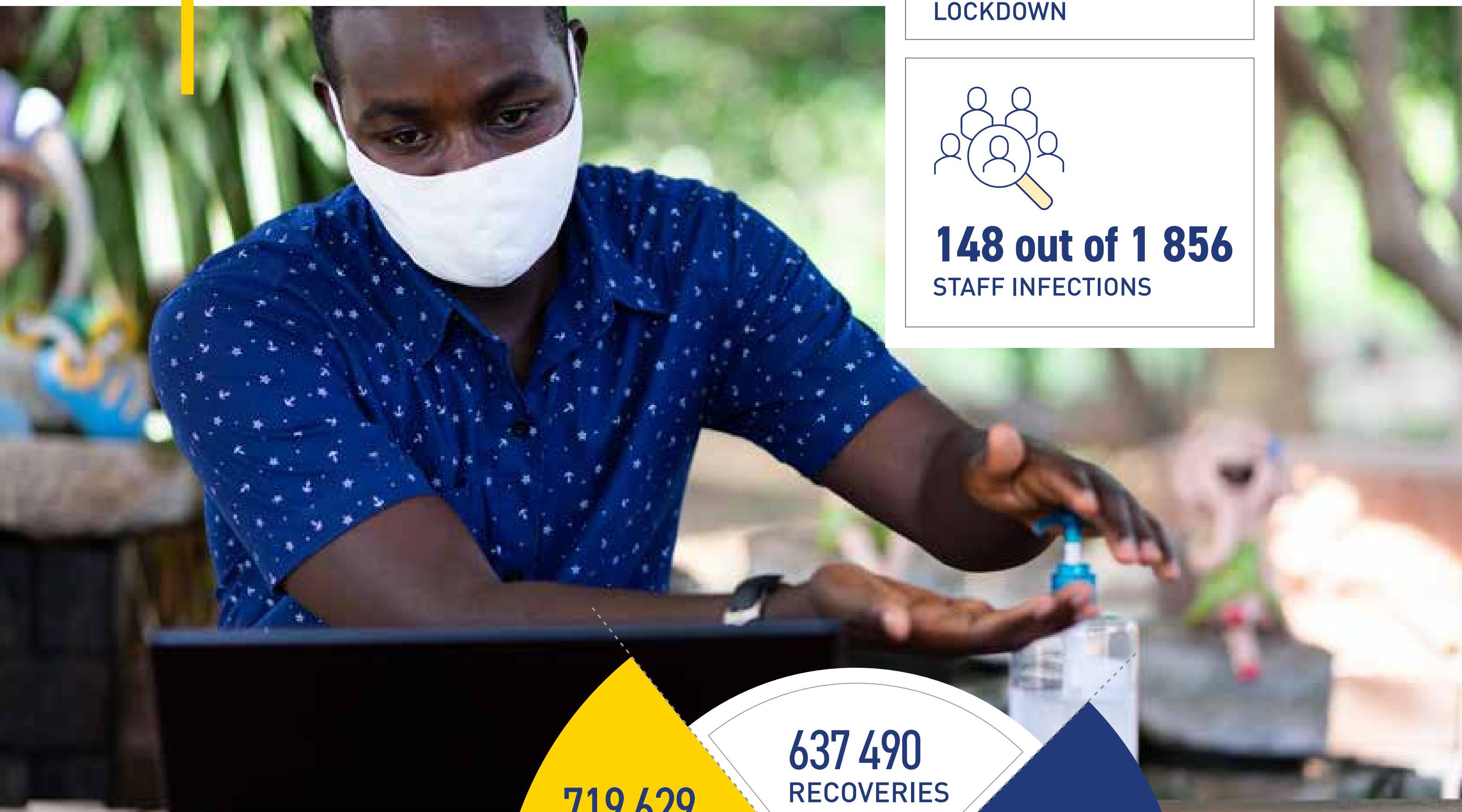
BORROWING CUSTOMERS:
Number of borrowing customers 334 066 (FY2019: 343 000). (Excludes mobile loan customers.)

SAVINGS:
Number of savings increased by 54% to 619 481 year-on-year (FY2019: 402,298) enabled by the mobile savings wallet in Tanzania and Community Commerce pilot concept in Mozambique.

Our COVID-19 planning prioritised the lives and livelihoods of our people, customers and communities.

10 out of 11
COUNTRIES EXPERIENCED VARIOUS LEVELS OF LOCKDOWN

148 out of 1 856
STAFF INFECTIONS



COVID-19 totals Letshego footprint

719 629
INFECTIONS

637 490
RECOVERIES

10 382
DEATHS

Source: www.worldometers.info @31 May 2021

REFLECTIONS FROM OUR GROUP CHAIRMAN

Enos Banda

The resilience of Letshego's transformation strategy has been tested sooner than anyone could have anticipated and has proven it is fit to meet and continue the challenge. The pages of this report will unveil how the COVID-19 pandemic led to our acceleration of a digitalisation strategy, proving that our future planning, as visualised in 2019, was well on point.

OVERVIEW

The year 2020 upended every key assumption on which entire countries and businesses based their plan. The year proved to be an unexpected baptism of fire for financial institutions around the world. Along with just about every business on the globe, Letshego was hard tested against its brand promise and business model by COVID-19. However, there is no doubt that the Group's response to COVID-19 validated and burnished our corporate purpose of 'Improving Lives' and strengthened our core value of simple, ethical and inclusive services for customers.

I take this opportunity to compliment the Group Board and Senior Management for their proactive and committed response in seeking to mitigate the evolving risks arising from the unfolding crisis presented through the 2020 pandemic year.

At the beginning of 2020, Letshego adopted a Transformation Strategy whose resilience was aggressively tested sooner than anyone could have anticipated due to global COVID-19 measures and impacts. Thus tested, the Strategy has proven it is fit to meet and continues to meet the challenge. The pages of this report will chronicle how the COVID-19 pandemic led to our acceleration of a digitalisation strategy, proving that our future planning, as visualised in 2019, was well on point.

Towards the end of 2019 and throughout 2020 the Board completed the important task of strengthening its own ranks with new skills as

Our corporate purpose of 'Improving Lives' and core value of simple, ethical and inclusive services for customers was validated and refined by the Group's response to COVID-19.

well as strengthening and realigning the Group's executive management. Letshego required an urgent refresh of its strategic direction to meet an evolving sector that required innovative thinking and more digital orientated skill sets. With these imperatives in mind, the Group made new executive leadership appointments, introducing new expertise. Where skills were not already available internally, the Company recruited new personnel, all while reconfiguring certain existing roles to align with our new focus and vision.

It says much for the intrinsic stability of Letshego's management and operations that the Group's executive successfully implemented a strategic shift in organisational structure, all while managing the COVID-19 crisis and overseeing a fundamental reorganisation of Letshego's internal processes.

OPERATING ENVIRONMENT

Economic growth in Africa had slowed in recent years, but 2020 will remain unforgettable due to the sudden and extreme challenges COVID-19 brought to societies and, by extension, to business operating environments across the world.

As people were infected by the virus and lockdowns were instituted, global trade and manufacturing were massively impacted, with service industries such as airlines, hospitality and tourism being driven to the verge of or, actual collapse. Thousands of businesses – particularly smaller and family-owned businesses – shut their doors for the first time in decades.

PROTECTING OUR PEOPLE AND COMMUNITIES

Letshego implemented several measures and interventions to prioritise the safety of our colleagues and customers, while also ensuring the continuity of our business operations. These health and safety protocols were aligned with national and international health directives across our 11-market footprint.

Letshego adopted and remains committed to a collaborative approach in managing COVID-19, involving all our communities and economies. The Group has, to date, contributed more than BWP3 million (three million pula) in financial support to regional government relief efforts and will continue to find avenues to support critical efforts until the pandemic has been pushed back.

RESILIENCE AND BUSINESS CONTINUITY

The Letshego business remained resilient in the face of the COVID-19 outbreak. Stress tests and sensitivity analyses were conducted from the outset of the pandemic to map out potential downside scenarios and their financial impact on our business. We offered support via repayment holidays and other debt relief measures, while enhancing customer access through digital channels.

We ensured that our critical-to-operations processes were always available during this period. All processing systems were reviewed in line with effective ongoing monitoring systems. A robust remote working framework was developed to manage businesses as the world entered into a 'new normal' way of interacting and working.

Those economic sectors more severely affected by the pandemic were Travel and Tourism, Manufacturing, Trade and the Education. Our Micro to Small Entrepreneurs (MSE) segment, which comprises around 8% of Letshego's total loan portfolio, was offered a three-month repayment holiday to support these business owners through this crisis.

Fortunately for Letshego, the authorities governing where we operate supported their employees and minimised retrenchments, which kept Letshego's Deduction as Source (DAS) segment relatively unscathed. DAS products account for 90% of the Letshego loan portfolio.

Maintaining our supply chain is critical to our operations. Invoking our business continuity plan triggered a realignment of the Group's supply chain with key suppliers and partners. We also extended Letshego's internal health and safety protocols to onsite suppliers and contractors.

REFLECTIONS FROM OUR GROUP CHAIRMAN continued

WHAT IS COMING OUR WAY?

After a challenging first half, many economies across our footprint started recovering in the second half of 2020. They experienced a setback from a second wave that emerged towards the end of 2020 and into the current year. Although third waves are sweeping through other parts of the world, Africa has mercifully been spared the death and infection rates recorded in Europe and the Americas. While Africa's initial economic rebounds were characterised by W-shaped recoveries, we anticipate more K-shaped economic recovery going forward, as vaccinations roll out and healthier practices become routine. Even before the pandemic struck, Letshego had been preparing for an agile and adaptable technology-based future. COVID-19 simply spurred on the Group's transition to a new Way of Working (operating model) based on quantum leaps in Letshego digital capacity. We are also partnering with regional and global technology companies to speed up our execution and augment our reach into our current footprint.

Africa has a young and growing population, an expanding urban middle class, and large rural areas with limited – but growing – coverage. Increasing availability of 4G is encouraging the rapid uptake of 4G smartphones. Ours is one of the least penetrated continents in the world, with just 45% of the population owning one or more SIM cards. The result is a highly attractive sector – in which a strong vision and outstanding execution are key to success. Letshego's digitalisation strategy will add pace and efficiency to our commitment to diversifying our product offering, content and pricing structures that reach and retain this emerging customer base.

In many of our markets, access to traditional financial institutions for the broader populations remains an opportunity for Letshego. As of 2017, there were only 7.4 banking branches for every 100,000 adults in sub-Saharan Africa. In the region as a whole, less than half of the population has a bank account, the lowest proportion of any emerging market region.

The microfinance market is anticipated to witness steady growth over the next few years. This growth can be attributed to a rapid rise in the number of micro, small and medium enterprises. Government initiatives to improve credit lines of people from lower income Groups is projected to fuel further growth. Technology advances will positively influence further adoption of innovative microfinance services.

This creates a clear opportunity for mobile money services. The recent launch of our LetsGo mobile digital platform is set to provide our customers with an entry point for everyday transaction and saving needs at a cost-effective rate, with pay-as-you-use fees. Although initial launches bring existing customers up to par with the convenience of accessing loans and their accounts via mobile devices, ongoing evolutions will mean LetsGo will enable customers to pay, get paid, save, borrow and access newer options such as insurance. This 'digital mall' of interoperable and shared services will increase customer 'stickiness' and transaction volumes, while creating new business opportunities.

BOARD AND EXECUTIVE PERFORMANCE

I am delighted to report on a sound performance by Letshego's Board and leadership teams in our 11 countries of operation. Despite the disruption of COVID-19 and the restructuring of executive roles at head office and in several countries, management kept the ball in play and delivered the goals set for the year.

Letshego's delivery of profit before tax in excess of P1billion, supported by satisfactory financial results are discussed in detail by our Group Chief Executive within the body of this report. I must however praise our whole team for the swift and accurate rollout of Letshego's digital transformation, which proved crucial to the Group's resilience and ability to achieve targets in the face of an unrelenting pandemic. Newly appointed executives were thrown into the deep end, and emerged with honour and respect. We are satisfied that management for the most part performed well against their KPIs for 2020.

In terms of strategy and operations, the Board's focus during the year centred around Letshego's digital transformation, the appointment and induction of new executives, and oversight of compliance with ongoing regulatory and fiduciary changes.

I am satisfied that the Letshego Board contains a suitable balance of skills, diversity and experience, and that our Group Chief Executive and senior executives have succeeded in raising the bar in regional standards, governance and specialist skills, cementing the foundation to meet our future strategic vision.

STAKEHOLDER RELATIONSHIPS AND SOCIAL SUSTAINABILITY

COVID-19 had the effect of bringing stakeholders together to face the crisis. Our relationships with our stakeholder universe deepened during this time, relationships we intend to deepen into our 'new normal' future. Letshego's Group and country leadership prioritise stakeholder feedback when reviewing risks challenges and opportunities.

We also restructured the reporting and accountability relationship between the Group executive and the country leadership teams by realigning responsibilities and executive oversight, particularly in Operations and Risk. These refreshed reporting lines are delivering quicker and more coherent executive control of Group functions at all levels.

In the last year, I am satisfied that Letshego has taken decisive and definitive steps to ensure our business pivots towards long term shareholder value and delivering tangible and measurable social benefits to our stakeholders. Our deep transformation into an agile and digitally empowered organisation goes hand in hand with our step-change in focus on our communities, social and environmental impact of our commercial activities. Letshego acknowledges its responsibility and commitment to facilitating inclusive, simple and appropriate access to financial services so that many more thousands of Africans may too improve their lives, and the lives of future generations.

The launch of our programmatic approach will not only deliver essential commercial benefits, but also stands to boost a measurable social and environmental impact in the long term by introducing 'green' solutions across multiple segments.

2021 AND BEYOND

At this point the full impact and outcomes of the COVID-19 pandemic remains unpredictable. Although our countries of operation appear to have escaped extreme downside effects, ongoing waves of infection, and emerging variants render near term eradication unlikely. COVID-19 variants not only threaten unvaccinated nations, but possibly even those that have been robust in their vaccine roll outs. Letshego focus on building and enhancing our business resilience will enable the Group and its subsidiaries to navigate future challenges.

Now that Letshego has emerged from the first year of COVID-19 having achieved milestone transformations, solid financial results and renewed purpose, the Board is aligned on our priorities for the current 2021 financial year – Deepening our existing footprint, and supporting our regional business to uphold governance and risk standards, while expanding demonstrable value for our people, customers, stakeholders and communities.

The Board has reiterated its optimism in the business by declaring a final dividend of 8.3 thebe, per share despite the difficult operating environment.

APPRECIATION

On behalf of the Letshego Group Board, I wish to conclude by expressing how grateful I am for the ongoing commitment of all our stakeholders during this turbulent year. To our senior management and my fellow Board Members, thank you for your unwavering loyalty as evidenced by the many extra hours worked this past year. You have all done us proud, and I am honoured to have been a part of this dynamic team.

To Andrew Okai, who took on the role of Group Chief Executive just ahead of a global pandemic, your tireless efforts over the past year have been an inspiration to us all.

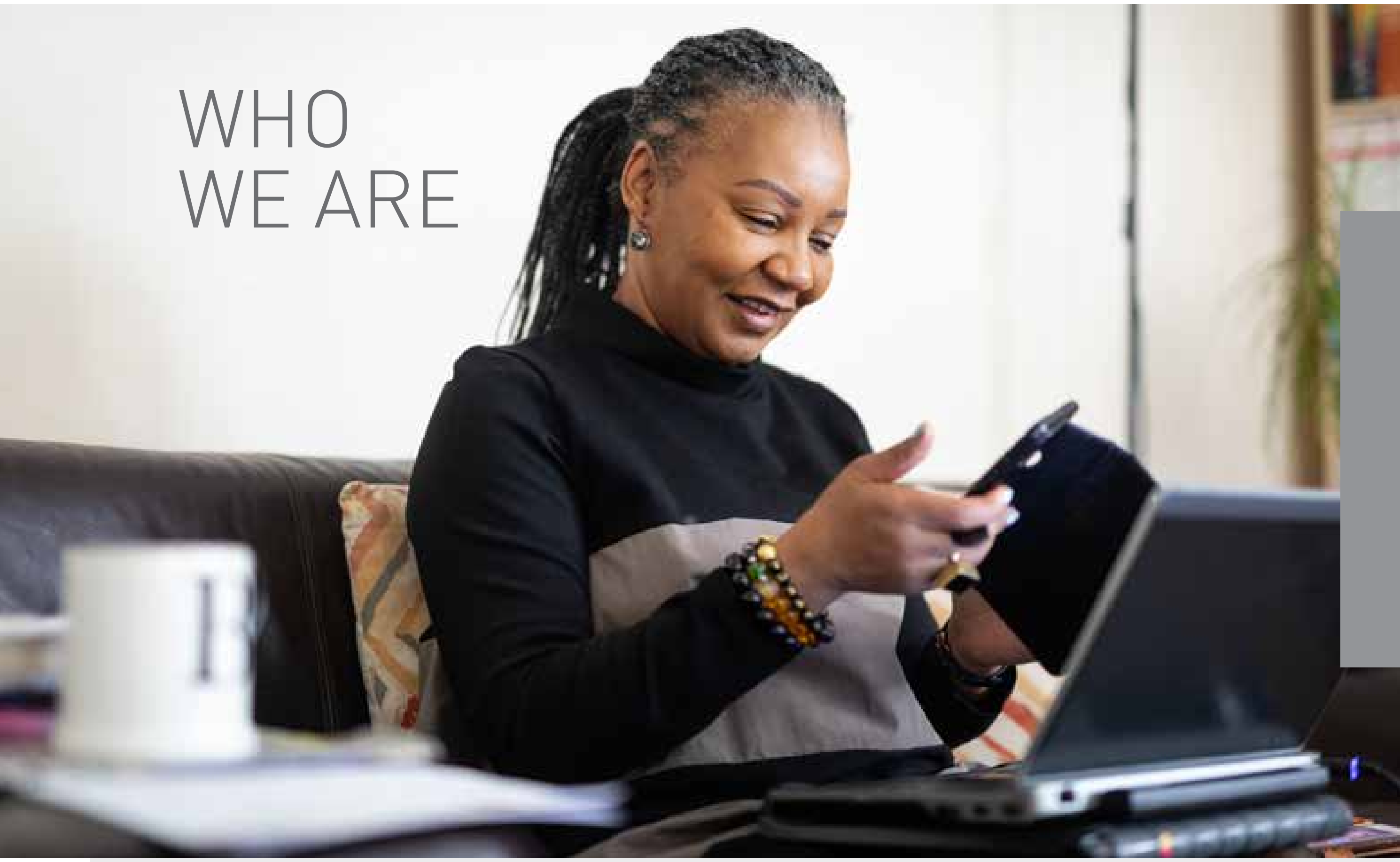
Finally, as always, I would like to thank our valued shareholders for their continued trust and support. We are building a nation, a #LetsGoDigitalNation, that is centred around partnership and collective, sustainable prosperity. We look forward to expanding this movement in the next financial year.

Mr Enos Banda

Group Chairman

4 June 2021

WHO WE ARE



Your partner in SUSTAINABLE INCLUSIVE FINANCE across Africa

OUR JOURNEY

1998
Letshego is founded in Botswana

2002
Listed on the Botswana Stock Exchange

2005
Uganda opens its doors

2006
Eswatini and Tanzania opens their doors

2008
- Acquisition of Eduloan Namibia (now Letshego Namibia) is completed
- Botswana holding company name is changed to Letshego Holdings Limited
- Letshego team size crosses 1,000

2011
Mozambique opens its doors

OUR STORY

Letshego is a Setswana word meaning "support". This encapsulates the Group's ability to partner with individuals as well as Micro and Small Entrepreneurs (MSE) by providing appropriate financial services. The Letshego logo depicts a three legged artifact such as those used to support traditional cooking pots. It symbolises trust, self-sustenance and life improvement.

The Letshego Group is a proudly African multinational organisation, headquartered and listed in Botswana and is focused on providing access to simple, appropriate and accessible financial solutions to underserved populations across 11 Sub Saharan markets. Overall, the Group's solutions encompass savings, borrowings, payments and insurance.

The Group specialises in unsecured loans to government and employees from state owned enterprises under the payroll deduction model, whereby loan repayments are deducted by the employer at source. Letshego diversified its offering in 2012 through the acquisition of Micro Africa Limited in East Africa – providing loans to micro and small entrepreneurs (MSEs), collective groups as well as mass and middle income individuals. The MSE portfolio continues to grow steadily. As at December 2020, the total micro finance book stood at US$73 million.

In addition to Letshego's deposit-taking activities in Ghana, Mozambique, Namibia, Rwanda and Tanzania, microfinance banking has been added in Nigeria and Tanzania through the acquisition of banks already operating in MSE sectors.

Letshego is committed to responsible and ethical lending as well as full regulatory compliance in all its countries of operation. The Group's brand is trusted across Africa and is known for being responsive to customers' needs

With a staff complement of over 3 000 – including both direct and indirect sales agents – and more than 900 000 customers, Letshego is synonymous with leveraging innovation and technology to improve the lives of individuals who have limited access to traditional financial services.

2012
- Funds are raised through JSE and BSE listed Medium Term Note programmes
- Micro Africa Ltd (now Letshego Kenya and Letshego Rwanda) is acquired (62.5%)
- Lesotho opens its doors

2015
- FBN Microfinance Bank in Nigeria (now Letshego MFB) and a controlling stake in Advans Bank Tanzania (now Letshego Bank Tanzania) are acquired
- Group Profit Before Tax crosses P1 billion
- Letshego is now present in Southern, East and West Africa

2017
- Letshego Namibia IPO listing
- Acquired AFB Ghana
- LetsGo Cards launched in Mozambique and Namibia

2018
- LetsGo launched in Rwanda, Nigeria and Tanzania
- Letshego celebrates 20 years of Improving Lives

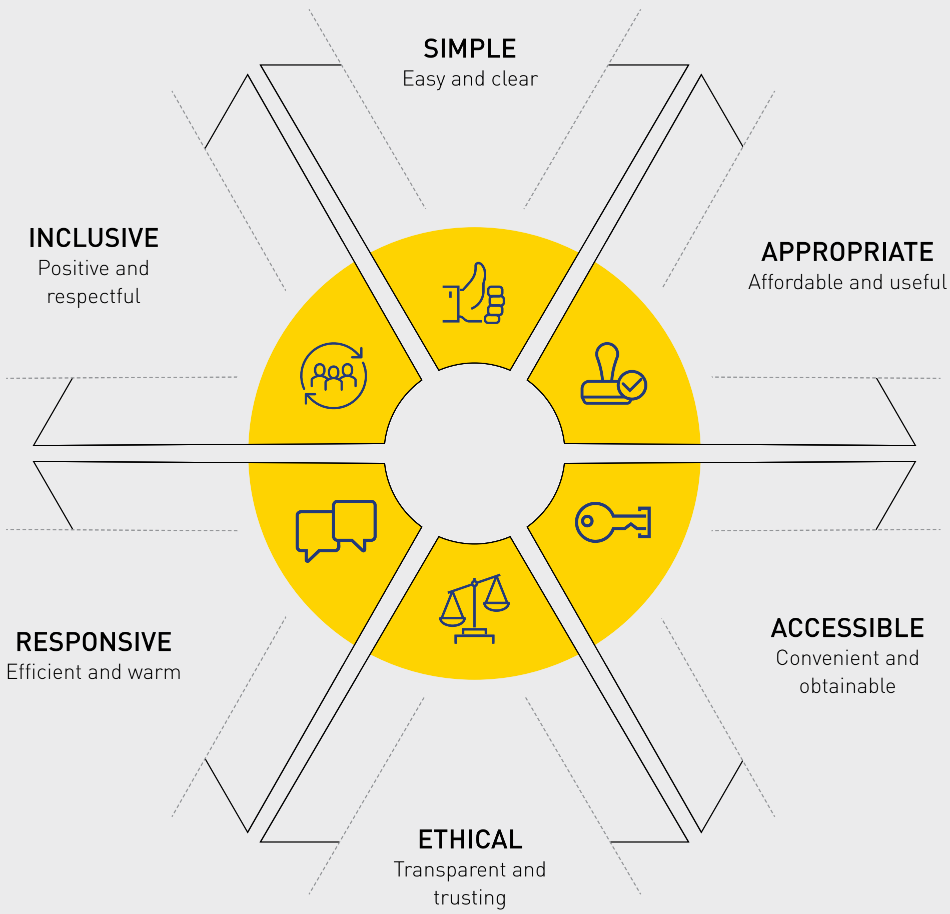
2019/2020
- Nigeria secured Federal Deduction Code
- Ghana launches mobile loans
- Expand DFI funding partnerships
- Prioritised health and wellbeing of our people and customers with arrival of COVID-19
- Digitised customer access channels
- Launched Transformation Strategy, centred aroud 5 Conversations
- Reported >P1bn PBT despite economic conditions
- Digital loan channels implemented and WhatsApp, Web are fastest growing channels.

OUR VISION

Our vision is to become a world-class retail financial services organisation, empowering mass, middle and Micro Small Entrepreneurs (MSE).

OUR VALUES

The Group's values define its culture, ways of working, and its guiding principles for improving the lives of customers, delivering sustainable value to stakeholders and optimising sustainable performance.



5 CONVERSATIONS

1. Product diversification
2. Digitalisation
3. Geographic rebalancing
4. Enterprise agility
5. Sustainable shareholder values

OUR MANTRA

- Commitment
- Confidence
- Collaboration

OUR SOLUTIONS

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. The Group's solutions encompass 4 customers journeys: lending; payments; savings and insurance

1 LENDING

Providing access to capital

Our loans are made to suit our customers' needs, enable them to uplift themselves and their communities and make that change in their lives that can sustain them and grow their income. At an affordable interest rate and through accessible delivery channels, we ensure that our customers are empowered through the productive use of capital.

- Letshego offers 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.
- Our informal lending 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.

2 PAYMENTS

Facilitating simple and secure payments

Money transfers based on technology are increasingly becoming the most effective way to provide financial services and drive the continent's financial inclusion aspirations. Through the use of agency banking, unstructured supplementary service data (USSD) and mobile banking, we bring services to the fingertips of our customers and make our mark in inclusive finance

3 DEPOSITS

Mobilising savings for the future

Having a savings account helps our customers to prepare for rainy days and cover future costs such as a child's education or wedding. With Letshego's savings account, our customers are guaranteed access to their money whenever they need it. We offer competitive interest rates on our savings accounts.

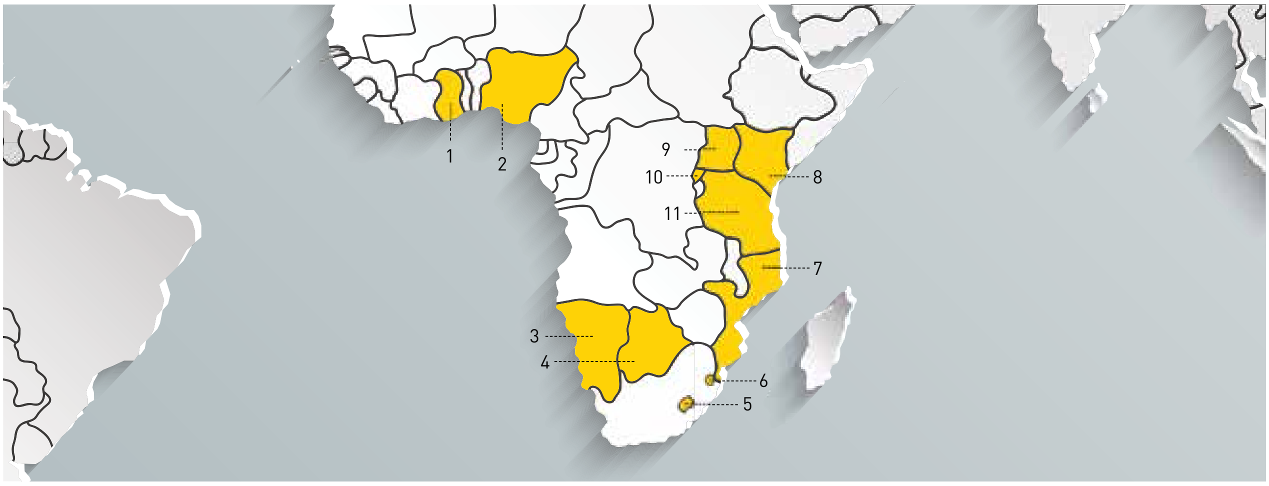
4 INSURANCE

Protecting against risks

Our microinsurance products enable our customers to improve their lives by securing their wealth, fitness and wellbeing through insurance, health care and life cover. Letshego loans come with the added value of loyalty benefits, funeral and life cover.

WHO WE ARE continued

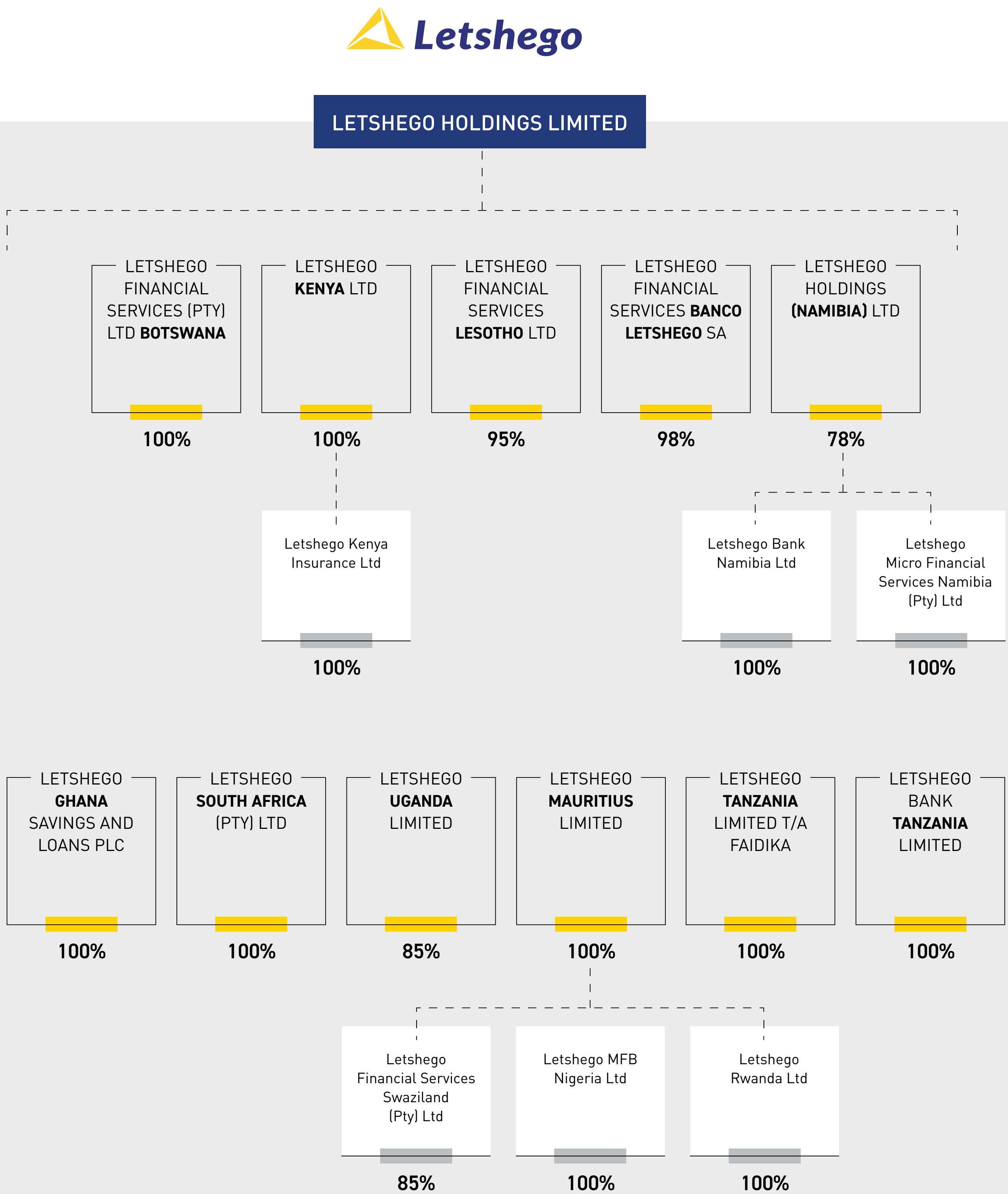
OUR FOOTPRINT



		EMPLOYEES	CUSTOMERS	BRANCHES	
1 Ghana	Opened doors in 2010 as AFB Ghana. Acquired by Letshego Group in 2017.	**189** [2019: 194]	**3 799 511** [2019: 1 279 107]	**26** [2019: 27]	L D T
2 Nigeria	Opened doors as FBN Microfinance Bank in March 2008. Acquired by Letshego Group in 2015 and rebranded as Letshego MFB.	281 [2019: 265]	84 459 [2019: 86 302]	22 [2019: 24]	L D T
3 Namibia	Edu Loan Namibia acquired by Letshego Group in 2008 and registered as Letshego Micro Finance Services Ltd. Listed on NSE in 2017	152 [2019: 145]	73 702 [2019: 60 200]	16 [2019: 16]	L D T
4 Botswana	Opened doors in 1998. Listed on the Botswana Stock Exchange in 2002	148 [2019: 136]	29 992 [2019: 31 745]	16 [2019: 16]	L
5 Lesotho	Opened doors in 2012	40 [2019: 38]	6 221 [2019: 6 817]	5 [2019: 5]	L
6 Eswatini	Opened doors in 2006 as Micro Provident Swaziland and rebranded in 2010.	27 [2019: 28]	114 432 [2019: 127 884]	3 [2019: 3]	L
7 Mozambique	Opened doors in 2011. Commercial banking license awarded in 2016.	171 [2019: 174]	262 314 [2019: 123 977]	25 [2019: 25]	L D T
8 Kenya	Opened doors in 2000 as part of MicroAfrica Group. Acquired by Letshego Group in 2012	171 [2019: 187]	12 967 [2019: 19 272]	29 [2019: 29]	L I
9 Uganda	Opened doors in 2005 as Micro Provident Uganda. Rebranded to Letshego Uganda Limited in 2011.	251 [2019: 253]	43 548 [2019: 42 383]	45 [2019: 45]	L
10 Rwanda	Opened doors in 2000 as part of MicroAfrica Group. Acquired by Letshego Group in 2012.	50 [2019: 66]	13 915 [2019: 16 047]	4 [2019: 8]	L D
11 Tanzania	**Letshego Bank Tanzania** Group acquired Advans bank in 2015 and rebranded to Letshego Bank Tanzania.	128 [2019: 140]	288 862 [2019: 229 519]	9 [2019: 10]	L D T
	Faidika Faidika opened doors in 2006.	86 [2019: 80]	29 202 [2019: 32 754]	16 [2019: 16]	L

L Loan D Deposit T Transaction I Insurance

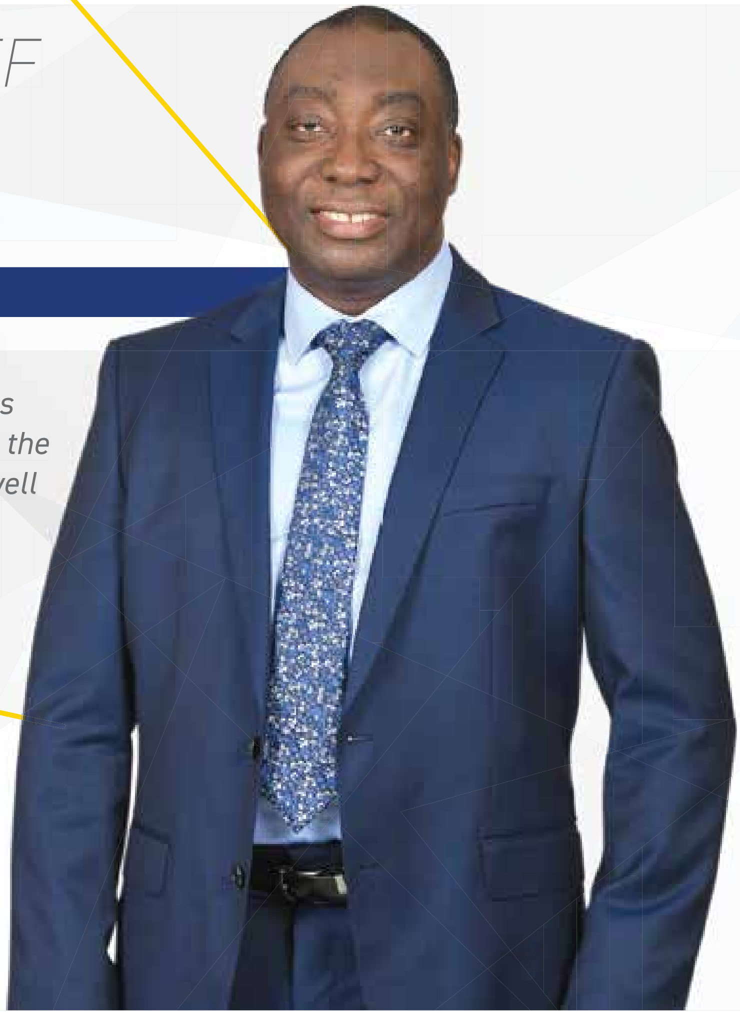
OUR STRUCTURE



GROUP CHIEF EXECUTIVE REVIEW

ANDREW FENING OKAI

I'm pleased to report that Letshego's leadership teams were successful in rising to the challenge, and performed well throughout this uniquely challenging year.



OVERVIEW

2020 will go down in history as a year of societal disruption and potentially, destruction, if one considers the tragic loss of life, loss of income and loss of movement across our global communities.

Governments and society have been forced to set aside what is now outdated thinking, desist from using well-established crisis management strategies and rather take proactive leadership in collaborating in constructive and inclusive survival response plans. Perhaps one trait that appears to have brought societies an element of protection is summed up in one word, ***'Resilience'***.

As we reflect on the past year, our footprint, our performance and our operations, this same overriding theme – underpinned by tenacity, adaptability, agility and stamina – also summarises Letshego's own experience and performance in 2020.

2020 commenced with the appointment of three strategic executives – appointments that have served us well in bolstering our central leadership to support the Group's dynamic year ahead. These appointments included our Group Chief Financial Officer and Group Chief Operating Officer, along with the commencement of my own tenure as Group Chief Executive.

While the rapidly unfolding crisis placed massive pressure on the Group Board, and Group and Country Executive teams, I am pleased to report that Letshego's leadership was successful in rising to the challenge, and performed well considering the year's unique challenges. Our leadership is supported by a loyal and committed family, whose individual courage and commitment ensured that Letshego overcame all the twists and turns of an unrelenting pandemic, while still supporting our customers and delivering solid results.

Critical decisions and key judgement calls had to be made daily, often in the absence of the historic research that usually assures us of probable outcomes. Estimating the extent of lockdowns, surmising the reaction of governments and forecasting scenarios on financial impact was all part of our quest to build and sustain our resilience to secure our future ambitions.

COVID-19 prompted the Group to revisit and reinforce our business continuity and disaster recovery plans, establishing the same theme of resilience to manage ongoing unpredictable infection waves and challenging conditions.

PERFORMANCE HIGHLIGHTS

Recording over P1 billion in profit before tax, despite ongoing challenging economic conditions, was indicative of Letshego's strong business foundations and commitment of our people. Net advances increased 12% for the year, spurred by increased economic activity in the second half following the gradual easing of lockdowns. Our results have been boosted by a strong digital adoption drive, with take up of alternate channels rising from 2% in 2019, to 69% by the end of 2020.

Net Interest Income for the year was P1.861 billion (FY 2019: P2.051 billion) and above expectations in light of the unpredictable economic conditions. Our average monthly net payouts increased by 29% between H1 and H2 of 2020. Borrowing costs were largely flat year on year, with the Group making progress within its funding diversification strategy.

Non-funded income: We have successfully renegotiated our insurance arrangements in Namibia, to align with the regulatory caps introduced in 2019.

As a result, Namibia enjoyed insurance income growth of over 170% between June and December last year.

Total operating expenses increased by 1% to P1.089bn driven by increasing investment strategies and acquisition of specialist talent. Cost monitoring and cost containment remained a focus throughout the year. An increase in digital spend and staff hires is expected in 2021, as the Group continues to progress its digital strategy and vision-aligned organisational design.

Our **effective tax rate** for the period was 39% with the impact of tax on dividends making up 4%. We expect to see improved efficiencies in the payment of dividends as our subsidiaries transform, ultimately supporting shareholder returns.

The Group's Loan Loss Rate at 0.3% was an improvement from 1.7% in the previous year. This was an improvement driven by recoveries and provisions in our MSE segment. Around 60% of our MSE portfolio continued payments despite our repayment holiday offer. Ghana's mobile loan portfolio also gained from enhanced credit risk management. Overall, asset quality, collections and recoveries saw a positive movement to 5.3% from 6.9% in the previous year.

SUBSIDIARY PERFORMANCE

Virtually all of Letshego's 11 subsidiaries were impacted by downward pressures on demand brought on by the pandemic. However, in the second half, most of our markets saw measured resurgence in activity, with stronger performance from Ghana, Lesotho, Mozambique and Kenya.

Ghana's performance was boosted by growth of our core DAS business and the resolution of challenges in mobile loan reconciliations and impairments in 2019, generating improvement in profit before tax from BWP14 million FY2019 to BWP116million FY2020. Lesotho too demonstrated strong returns in performance, with profits increasing by 45% year on year.

GROUP CHIEF EXECUTIVE REVIEW continued

Mozambique remains a strong performer as one of our top 3 markets, while Kenya is showing strong growth potential that shows our business model in that country is sound.

Namibia traditionally contributes the highest net payouts for the Group, but regulatory changes in 2020 disrupted the historic trends. Namibia remains within our top three profit generating centres, affirming our confidence in the market potential.

Letshego remains confident in Nigeria's potential to scale up its business, facilitated by our digitalisation strategy. A strategic repositioning of our business is an imperative, and we are well into our planning to enable us to seize local growth opportunities. Nigeria is one of two countries piloting our LetsGO digital platform, indicating our commitment to prioritising a turnaround.

The challenging economic environment was the main reason for declining performance in certain markets, such as Eswatini, Tanzania and Uganda. While we see a potential for recovery, this will be largely dependent on pandemic trends/outcomes across our footprint. Portfolio stresses were also noted in Eswatini and Tanzania, linked to specific challenges in the legacy book. These will remain in focus in the coming months. Constructive strategies to support and restore Uganda's performance are progressing well.

Products and solutions 2020 was characterised by the strengthening of our core foundation and legacy attributes in our current product offering. Deduction at Source – the bulk of our portfolio, grew net payouts by 33% to an all-time high of P2.5 billion. Our Micro and Small Entrepreneur (MSE) segment profit before tax almost doubled.

Mass Mobile profit grew from a low base, but demonstrated future potential with an increase year on year of 453%. Deposits from customers also increased by 56% year on year to P664 million.

As we progress into the next stage of our transformation journey, we are now in the position to compliment this offering with new products in insurance, green funding and other exciting initiatives. New product offerings will be powered by our LetsGO digital platform, to unlock business efficiencies, access and the potential to scale offerings at pace.

OUR STRATEGIC AGENDA

In July 2020, we launched our transformation agenda under *'5 Strategic Conversations'*:

Product diversification – This pillar entails broadening our product offering by introducing new payment capabilities such as wallets, remittances and diversifying our savings and insurance solutions, as well as Beyond Banking value propositions. Letshego is also taking our DFI endorsed 'programmatic approach' to financing Micro and small Entrepreneurs (MSEs) while piloting high impact social and green projects in select markets. These projects not only deliver value to individual customers, but have a marked social and environmental impact for our communities, in the way of productive lending and green-friendly initiatives.

Digitalisation – The first phase of our Transformation Strategy, 'Plan 6' was characterised by Agility in digitising our customer access channels. Our success was truly phenomenal, from just 2% volumes in online applications at the start of 2020, to 69% by year end. Our success grew exponentially with the help of our 'Digital Eagles', an initiative to leverage our existing front-line talent to personally guide and empower our customers to transition from traditional to digital access channels. For our Micro and Small Entrepreneurs (MSE), automation helped us to improve credit decisioning, as well as boost collection and recovery efforts.

Geographic Rebalancing – We did not expect to gain traction in bringing our smaller markets up the profit contribution curve so early in our journey, however in just the first year, we have seen our East and West markets grow their profit contributions from 20% in 2019, to 27% in 2020. Ghana alone grew its profit before tax by over 700% year on year. This reflects that the fundamentals of our focus and synergy on channels has been well received in all markets.

Enterprise agility – The term is more than industry jargon. In fact, Agile enterprises stand to achieve the highest levels of resilience in tomorrow's fast moving and unpredictable world. In 2020, 26 employees kick started the training with an international certification in Agile Working, and another 40 employees now work with external partners using Agile to implement our various digital platforms. Spurred by the onset of COVID-19, a demonstration of 'Agile in Action' supported our delivery of digital channels to all 11 markets, in just 6 short weeks. We have gone on to leveraging these learnings, and constructed our new LetsGO digital platform within 6 months for final implementation in 2021.

Sustainable shareholder value – Letshego's capital adequacy ratio (CAR) of 35% is robust and continues to demonstrate our resilience. All our subsidiaries are adequately capitalised and as we continue to see improved payouts growth in our markets, we are progressing well with our capital optimisation review process. This will ensure that capital is available for growth which will in turn allow for the extraction of Higher returns on capital deployed in the medium to long term.

The Group's transformational strategy is expected to see improved Return on Equity by 2025, from 13% in the current year.

Letshego paid an interim dividend at a payout ratio of 30% and a final dividend based on 50% payout ratio on the Group's H2 profits of 8.3 thebe a share.

6-2-5 execution roadmap

In 2021 we commenced the second phase of our 6-2-5 journey, 'Plan 2'. This two-year plan is the investment phase of our transformation strategy, where we aim to digitise and automate processes and systems end-to-end, accelerating the foundations for efficiency across functions.

We have already achieved our first Plan 2 milestone – the launch (Release 1) of our digital platform, 'LetsGO'. Ultimately, as a platform catalyst, 'LetsGo' will link front and back end processing, enabling digital product development, increasing access and seamless customer delivery, while bringing Letshego to the palm of our customers' hands, wherever they may be located.

Looking forward to the third and final phase of our journey, Plan 5, our ambition is to create a digitally led, interconnected ecosystem that increases access to inclusive finance solutions for millions of customers across our Africa footprint. Talent mobility, a relentless innovation culture and platform thinking are all themes that will underpin the success of our 5 year Transformation Strategy.

OUTLOOK

We envision economies to adopt a K-shape recovery across our footprint, with sectors and industries recovering at varying speeds. Kenya, Ghana and Nigeria in particular are expected to register solid GDP growth. Conversely, there appears to be an emerging lag effect, with additional waves of infections leading to more uncertainty for 2021, and possibly beyond.

In this context, our Plan 2 will centre around investing in and accelerating our LetsGO digital platform to progress our transformation journey. Operationally, we will focus on our end-to-end digital capabilities, and opening access to Fintechs, DFIs and other strategic partners, with our target being 1 million Enterprise Active Customers (EAC) using our Digital Mall by 2023.

Our diversification agenda serves our vision and purpose, with the aim to broaden our product capabilities to support education, housing, youth, agriculture and health. We continue to work with our valued partners to build and enhance the 'programmatic approach' which stands to provide new opportunities and value for our customers.

These efforts will keep us on track to achieve our strategic ambition of delivering shareholder returns of over 20% ROE by 2025.

Our #peoplefirst culture underpins our success. Internally, every Letshego employee can now access a kaleidoscope of world-class training via our online development portal. Externally, we have commenced a strategic partnership with the Botswana Innovation Hub to support promising young entrepreneurs to develop innovations into workable concepts. Partnership is integrally linked to preparing young people, and our societies, for a bright future. This is a great responsibility, but also an opportunity. Letshego is on the right track to embrace both.

APPRECIATION

I would like to express my sincere appreciation to our Group Chairman, Mr Enos Banda, along with the members of our Group and Country Boards for their fiduciary oversight and leadership. To our executives, both at Group and in-country, your tenacity, dedication and drive has inspired our teams to thrive and push their limits for the benefit of our people, communities and brand.

It is with much gratitude and admiration that I specifically acknowledge the outstanding level of contribution I have witnessed from every member of our Letshego family across our footprint. Every one of our employees, wherever they may be located, have collaborated to support our business through these exceptionally challenging times. Our people have demonstrated our 3C's – Confidence, Collaboration and Commitment – in building resilience over this last year, ensuring that Letshego transitions towards a future-fit digital organisation, and keeping our promise of #improvinglives.

Finally, I wish to thank our customers, our public and private partners, funders, investors and shareholders for providing the support that enables us to remain competitive and deliver sustainable value to our communities across Africa.

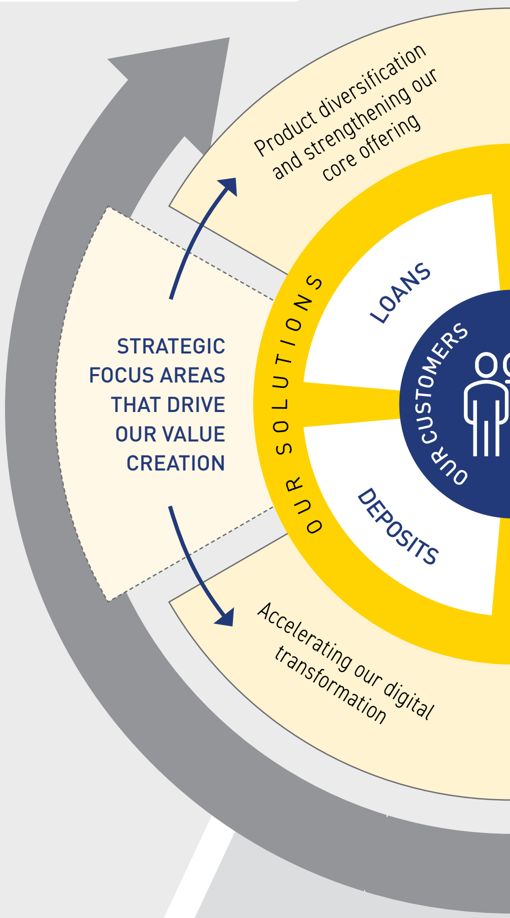
Andrew Fening Okai

Group Chief Executive
4 June 2021

OUR SUSTAINABLE BUSINESS MODEL

RESOURCES	INPUTS
FINANCIAL RESOURCES The pool of funds supporting business operations, including equity finance and debt.	› P4.8 billion equity capital › P5.6 billion debt capital › Shareholder funds › Net customer deposit cash inflows
HUMAN RESOURCES Competencies, capabilities and experience of our employees and how they innovate, collaborate and align with Letshego's objectives.	› 1 856 skilled, customer-centric people › Experienced and ethical leadership team › Performance management system › Various training courses
MANUFACTURED RESOURCES The facilities and general infrastructure that enables Letshego to support business operations. (tangible assets)	› 914 physical access points › Call centres › Online and mobile platforms › IT hardware
INTELLECTUAL RESOURCES The intangibles that sustain the quality of our product and service offering, which provide Letshego's competitive advantage, such as our innovations, systems and reputation. (intangible assets)	› A deliberately shaped, agile culture › A trustworthy brand that resonates with consumers › Marketing campaigns and initiatives › IT systems and enterprise architecture › Balance sheet management › Market and data analysis
SOCIAL AND RELATIONSHIP RESOURCES The relationships and collaborations we create with our customers, stakeholders and communities.	› Relationships with all stakeholder Groups, including over 900 000 total customers › Sustainable business practices to meet the SDGs as well as responsible ESG practices
NATURAL RESOURCES Renewable and non-renewable resources used by Letshego to function	› Electricity › Water › Fuel › Land

VALUE CREATION ACTIVITIES

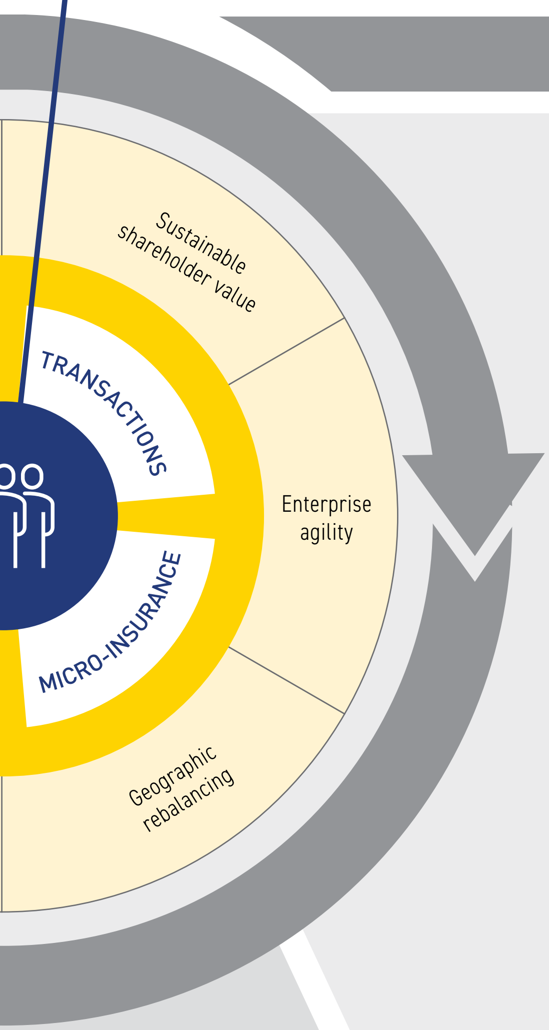


Our value creation process is underpinned by:

ACCESS CHANNELS
- Branches
- Agency outlets
- Digital and mobile platforms

SUPPORT FUNCTIONS
- Human resources
- Transformative technologies

Letshego aims to improve lives by focusing on underserved market segments



OUTPUTS	OUTCOMES
› Revenue: P2.1b › Operating profit: P1.03b › Dividends distributed: P247m › Operational expenditure P1.09b › Finance costs (P851m) › Taxes paid P536m	We leverage financial capital to invest in our business and grow our competitive market position. This has a positive impact on human, intellectual and the social and relationship capitals.
› Excellent customer service › P493m paid in salaries and benefits › P3.7m staff trained during FY20 › Talent pipeline › 8% turnover rate › Increased diversity through hiring people locally	Significant people-related investments in initiatives negatively impacts our financial capital in the short term but positively impacts our human, social and relationship capitals, which, over the longer term, enables us to have the people and capabilities required to deliver our strategy and performance targets. Our appeal as an employer of choice and our brand value, in turn, increases our intellectual capital.
› P14m invested in our technology platform › Increased adoption of digital banking platforms › Staff work from home capability	Although digital adoption is increasing as a result of the COVID-19 pandemic, we chose to retain our physical access points as our customers enjoy face-to-face engagement – thereby reducing the financial capital but increasing social and relationship capital. Automation of routine tasks through technology may reduce human capital.
Letshego is developing a range of distinctive capabilities that cannot be easily replicated by competitors – this will ensure coherent value creation. › Better responses to changing consumer needs › Brand reinforcement and market communication › Accelerated deployment of new technologies › Agile project management › Effective controls and processes › Improved business practices	Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human, and social and relationship capitals, but negatively impacting financial capital in the short term.
› Brand reinforcement and market communication › Understanding our customers › Networking and partnerships › Focused and committed corporate social investment P4.9m and COVID-19 donation of P3.5m spent in FY20	Stakeholder-related investments in initiatives reduces our financial capital in the short term but positively impacts our social and relationship capital, which, over the longer term, enables us to have the community of stakeholders that are loyal and supportive to our brand and provide our social license to operate.
› Responsible management of waste and emissions › Focus on sustainable use of our resources › Maximising digital reduces our carbon footprint.	While certain business activities impact our natural capital (for example, use of fossil fuels and related emissions), these positively impact human, social and relationship and the financial capitals.

CONTROL FUNCTIONS
- Compliance
- Risk management
- Audit

CORPORATE GOVERNANCE
- Overseeing strategic execution
- Setting the ethical tone.

Saturday Suale

MOZAMBIQUE

> "I honestly only have great things to say about the support I have received from Banco Letshego. They have helped me a lot."

Before I went to Banco Letshego, I had my own establishment, but I needed to rehabilitate it and make it more attractive to clients. Through financial assistance from Banco Letshego, I rehabilitated my Social Center and today I have a better space that I rent for various client events, such as weddings, baptisms, birthdays, depending on the needs of each client. The Centre is now able to host up to 300 people and able to cater for live shows, serve meals and provide a decent bar service. I always recommend Banco Letshego to everyone I know because the bank provides financing to those who want to start their business and always demonstrate that they truly trust their customers.

OUR KEY RELATIONSHIPS

Letshego is part of a greater socioeconomic ecosystem and we recognise that we are dependent on robust relationships with all other stakeholders. The feedback our stakeholders provide enables us to mould and enhance our strategy and operations to deliver more tangible value. We are committed to working with our stakeholders to understand their unique objectives leverage opportunities to achieve collective benefits.

STAKEHOLDER GROUP	THEIR NEEDS AND EXPECTATIONS
CUSTOMERS With increased competition in the banking sector, customers have more choice. We strive to understand our customers so that we speak to them in a way that is relevant and offer them products that are right for them.	• Access to simple and appropriate financial services • Convenient access to services, increasingly through digital channels • Excellent client service. • Fast and efficient turnaround
EMPLOYEES Attracting, developing and retaining high performing people is fundamental to creating value. We are committed to fostering positive relationships with our employees, fostering our #peoplefirst culture, that includes leadership capacity, developing talent and upskilling our people.	• Fair remuneration, effective performance management, and recognition. • Career development and advancement opportunities • A safe and healthy work environment.
INVESTORS AND FUNDERS We engage with our shareholders and funders to build their confidence in us; ensure access to equity and debt funding; foster open dialogue to understand and address their concerns.	• Sustainable financial returns • Attractive and sustainable growth strategy • Strong and experienced management • Transparent reporting and disclosure
STRATEGIC PARTNER Business partner engagements are key to the success of our diversification and digitisation efforts.	• Mutual benefits and profitability • Clear agreement on terms and adherence to agreements • Ethical principles and business practices.
GOVERNMENTS AND REGULATORS In the highly regulated banking sector, engagement with government, local authorities, central bank/prudential authority (PA), regulatory authorities/bodies – builds confidence, trust and enhances brand reputation and ease of doing business.	• Compliance with all legal and regulatory requirements. • Being a responsible taxpayer in all jurisdictions where we conduct business. • Active participation and contribution to industry and regulatory working groups.
COMMUNITIES We believe that thriving communities enable businesses to succeed. We engage to understand their needs and to further align our business to meeting these needs; manage the impact they have on us, and we have on them; and to create mutually beneficial partnerships to reach our longer-term goals.	• Access to advice, products and solutions to enhance financial wellbeing • Social investment • Community upliftment/financial education/inclusion.

OUR CHANGING OPERATING ENVIRONMENT

COVID-19

COVID-19 impacted the lives and livelihoods of people, communities, businesses and governments globally. Following the arrival of COVID-19 in sub-Saharan Africa in February 2020, Letshego implemented several measures and interventions to ensure the safety of our colleagues and customers, while also ensuring the continuity of our business operations.

HEALTH AND WELLBEING OF OUR EMPLOYEES AND CUSTOMERS

Letshego introduced health and safety protocols in line with national and international health directives across our 11-market footprint. Some of the measures include remote working, social distancing within our premises and ensuring that our workspaces have the necessary health interventions such as regular disinfection, hand sanitisers, face masks and awareness posters. We also provided safe and hygiene-conscious transport for colleagues to travel to the office, reducing the risks associated with 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, temperature checks etc. During this period, our overall health and hygiene protection measures for employees have increased substantially.

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 plans, we ensured that key elements relating to our critical-to-operations processes were always on standby during this period. The teams responsible were properly briefed and Virtual Private Networks (VPNs) are in place to ensure remote working employees access business systems through safe and secure channels. All processing systems were also reviewed with appropriate redundancy protocols in place (e.g. fail-over protocols and enough capacity at disaster recover site/data centres), 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 throughout this period, and into what is now commonly termed our 'new normal'.

INCREASED CREDIT RISK AND BUSINESS RESILIENCE

COVID-19 resulted in reduced household cash flows and subsequent financial stress to our borrowers. Stress tests and sensitivity analyses were conducted from the outset of the pandemic 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 aforementioned options for customers to access services using digital channels.

The Letshego business remained resilient in the face of the COVID-19 outbreak. While our Micro to Small Entrepreneurs (MSE) segment was been heavily impacted, it is limited in scale, comprising 9% of the Group's total loan portfolio. A three-month repayment holiday was extended to these customers to support them through this crisis. Those economic sectors more severely affected by the pandemic include Travel and Tourism, Manufacturing, Trade and the Education sectors.

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

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 a lot of suppliers and some of them are critical to our operations. At the outset of invoking our business continuity plans, we engaged key suppliers and partners to align our plans and co-create a supply chain business continuity plan over this period. Letshego's internal health and safety protocols have also been extended to onsite suppliers and contractors.

SUPPORTING COMMUNITIES

As the COVID-19 impact unfolds, Letshego remains committed to the collaborative and committed approach such a pandemic requires from all members of our communities and economies. To date, Letshego has contributed more than BWP3million in financial support to regional government relief efforts, and we continue to leverage our strengths to deliver on our brand promise in Improving Lives within the communities where we operate.

FUTURE OUTLOOK

After a challenging first half, the second half of the year saw the start of a recovery in many economies across our footprint, albeit constrained again by a second wave that emerged towards the end of the year, and into 2021. While the initial rebound in economies was characterised by a W-shaped trend, going forward, we anticipate a more K-shaped recovery as health protocols are embedded and vaccinations become more readily available.

Letshego's post COVID-19 transition has prepared for an environment in which businesses need to remain agile and adaptable. The key elements in our plans that will enable this agility is our Way of Working (operating model) and leveraging technology. While we accelerate relevant aspects of our digitalisation journey and continue to improve our technology platforms, we are also partnering with regional and global technology companies to speed up our execution and augment our product and digital capabilities for longer term benefit.

5 TRANSFORMATIONAL CONVERSATIONS (OUR MATERIAL MATTERS)

By 2019 the Letshego board realised that the Group's direction and performance were becoming misaligned with its purpose and shareholder mandate. The board also reached consensus that Letshego was lagging behind the technological advances sweeping through the global financial sector.

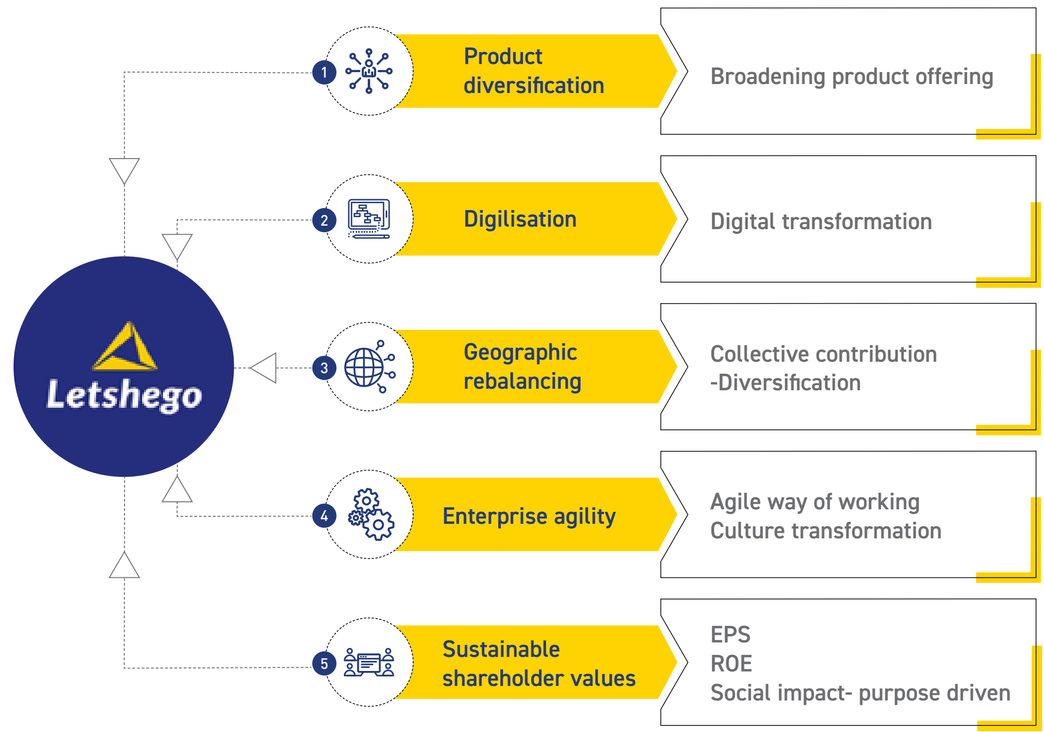
These threats to Letshego's long term sustainability were the ideal opportunity to grasp the nettle of transformational change and advance Letshego into pole position in its markets. Although the Covid-19 pandemic was yet unforeseen, the board decided that time was of the essence, requiring a step change in strategy rather than a linear updating of previous thinking.

During 2019 Letshego's board accordingly commenced a fundamental restructuring of the executive ranks and group strategy, with our internal corporate culture and digitisation of customer and internal processes awarded first priority.

As 2020 got underway and Covid-19 began to spread around the world, it became apparent that the board's foresight had prepared Letshego well for the breaking crisis. A global threat, which is still playing out, was turned into a once-off opportunity to swiftly transform Letshego into a technology driven leader in our chosen markets.

To accurately explain the depth and reach of the strategic changes that will drive Letshego over the next years, we have compiled our transformational strategy into five "conversations", that support the changes taking place at Letshego.

These five strategic conversations are the most material matters regarding Letshego that our shareholders and stakeholders need to consider when considering Letshego's future prospects



PRODUCT DIVERSIFICATION

According to our research, the mass and middle-income segment presents approximately US$5 billion in market opportunities across our markets in Africa. In the micro and small entrepreneurship space, at least US$1 billion is available for Letshego to tap into. We know these segments well and, by focusing our energies on them, can grab these opportunities with both hands.

To this end, we are diversifying our product mix by adding transactional Payments capabilities to the options available to customers, while deposit-taking will become central to our business. Our deduction-at-source (DAS) offering has traditionally been core to what we do, but our improved credit scorecards enable us to launch products outside of this range. We are also exploring additional savings products.

Furthermore, we want to expand our insurance offering. We already offer insurance to the customers on our loan book and we have strong partnerships in place to support it. Expanding this offering will not only benefit us and our partners, but will contribute to Africa's development. The insurance uptake in many markets is far below what it should be, which affects lives and livelihoods during times of uncertainty such as the pandemic.

Our ultimate goal is to broaden our product offering and go "beyond banking" with our Fintech partners to offer customers market-leading and individualised financial choices.

ASSOCIATED CHALLENGES

- Increased competition in the financial service sector
- Letshego's reputation as a mono-product solution
- Obtaining deposit talking licenses with the lowest possible regulatory burden

ASSOCIATED OPPORTUNITIES

- Smaller reliance on DAS model
- Mutually-beneficial partnerships
- Deposit Taking/Banking Licenses
- Delivering on our brand promise
- Increasing customer satisfaction
- Broadening our Product offering and expanding our existing market reach

LINKS TO STAKEHOLDER NEEDS

Customers and communities:

- Access to simple and appropriate financial services

Partners:

- Mutual benefits and profitability

Investors and funders:

- Attractive and sustainable growth strategy

5 TRANSFORMATIONAL CONVERSATIONS (OUR MATERIAL MATTERS) continued

ACCELERATING OUR DIGITAL TRANSFORMATION

Beyond Banking

Our vision of tying into our customers' lifestyle is built around leveraging a new app-led 'LetsGo' digital platform that has been initially launched in our Botswana and Nigeria markets. 'LetsGo' will provide an expanded "customer mall" experience: we are providing our customers with the ability to conveniently transact, borrow, save, insure and access lifestyle services on one platform.

At the same time, we understand that not all our customers can transact through digital apps due to limited mobile and telecommunications infrastructure in many regions. Our USSD functionality will remain available in these areas until they've caught up.

How we are leveraging technology

When we talk about digital transformation, it goes beyond just putting technology and infrastructure in place. We want to transform the way our customers and people work. Part of this is training our workforce to train customers, and teaching employees the skills they will need in a digital future. We are also making sure that our 'customer mall' is a great user experience, so that customers want to use it. Our goal is that at least 80% of our customers' transactions are digitised within five years.

We have a competitive advantage in how we were able to build and keep our core banking technology consistent across all our markets. We have a basic data set that lets us leapfrog some of the challenges that bigger, less agile institutions are facing. Our technology can connect seamlessly with collaborators to perform faster, which will help fast-track the implementation of our digital agenda.

With this opportunity comes the threat of cyberattack, and we are investing in our cyber governance to mitigate the risk. At the same time, we are building up our data analytics.

ASSOCIATED CHALLENGES

- Increased cyber risk
- Inadequate telecommunications infrastructure and high cost of data across Africa
- Competitive market dynamics
- IT skills shortages

ASSOCIATED OPPORTUNITIES

- Successful delivery of transformational strategy
- Automation and decreased manual processing risk
- Improved customer service
- Increased employee engagement
- Partnerships
- Reaching the growing African youth segment

LINKS TO STAKEHOLDER NEEDS

Customers and communities:

- Convenient access to services through digital channels

Employees:

- Career development and advancement opportunities

Partners:

- Mutual benefits and profitability

Investors and funders:

- Attractive and sustainable growth strategy
- Sustainable financial returns

GEOGRAPHIC REBALANCING

Our research shows exciting opportunities in some of our newer geographies. While our traditional markets in southern Africa deliver stable results, we must find ways to grow in other regions so that we have a more balanced business. In the past, our approach to new markets was to take what we knew and implement it consistently – an almost one-size-fits-all approach. Now we recognise that different markets are at different points along the digital journey, so that each territory requires a unique strategy.

We have therefore divided our market into two distinct regions across Africa:

- The Southern Region, comprised of Botswana, Namibia, Mozambique, Eswatini and Lesotho
- The Eastern and Western Region, comprised of our other markets

At this point, 80% of our profits emanate from the Southern Region. Our geographic rebalancing involves increasing the contributions from our Eastern and Western Region. This does not imply that our traditional markets will slow down, but we expect the Eastern and Western Region to grow at a faster place until our geographic contributions balance to within 10% of each other.

We are already seeing this effect as we customise our business models in each country, while diversifying our product range. In the medium and long term, we see ourselves providing the MSE sector with the financial services they need to seize market opportunities, grow their profits, and raise their contributions to our profits.

ASSOCIATED CHALLENGES	ASSOCIATED OPPORTUNITIES	LINKS TO STAKEHOLDER NEEDS
› Regulatory and tax compliance across multiple geographies › Foreign exchange risks › Varying levels of digital adoption across African countries.	› Appropriate business models to grow our brand in each territory › Obtaining deposit-taking or banking licenses › Mergers and acquisitions › Deepening government and strategic relationships › Countercyclical economic advantages	› Customers and communities: › Access to simple and appropriate financial services › Investors and funders: › Attractive and sustainable growth strategy › Sustainable financial returns › Governments and regulators: › Compliance with all legal and regulatory requirements.

5 TRANSFORMATIONAL CONVERSATIONS (OUR MATERIAL MATTERS) continued

ENTERPRISE AGILITY

"Agile" may have become a buzzword, but is the best practice response to a fast-paced and uncertain operating environment, and is a vital strategy for digital organisations. We adopted the Enterprise wide Agility as a methodology to improve our way of work and to support our digital transformation strategy. Letshego ran a diagnostic on our organisational structure, leadership, culture and strategic direction, followed by developing a framework for rolling out Agile across our organisation.

We expect success to follow as we build and reinforce our innovative culture over time. The Agile principles are already helping to increase customer satisfaction, deliver products simpler and faster to the market, and boost employee job satisfaction. Letshego is far down the track in applying Agile, which is creating excitement among our employees, and creating opportunities for industry-wide learning.

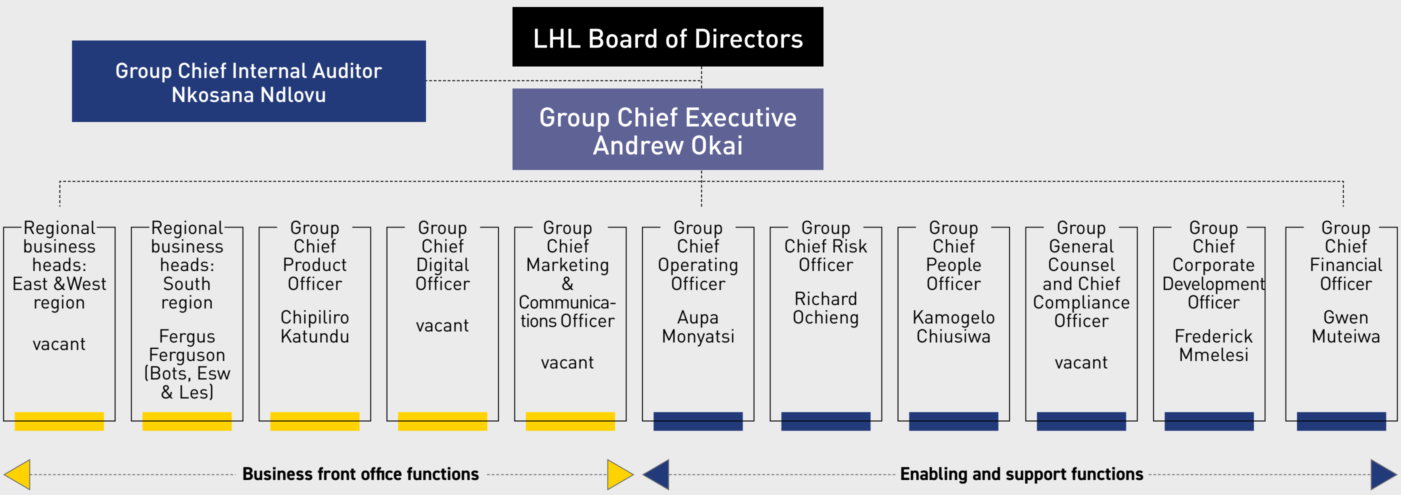
Organisational structure

While we enhance our deposit-taking capabilities with all the compliance requirements that adhere to it, and evolve into a digital-first organisation, we must ensure that our organisational model can support our aspirations. In the past, there was ambiguity around how responsibility and authority is split between the Group Executive and the management team in each country. Our new structure makes sure that our strategy is owned at both a group and country level by determining gaps and clearly allocating responsibility, thereby allowing us to work more efficiently.

The group also introduced new roles at top management level. These included two regional heads for our Southern and Eastern/Western Regions respectively; a Group Chief Product Officer to head up our new "product factory", and a Chief Digital Officer to oversee our digital journey. We streamlined the marketing and communication divisions and enhanced the roles of Chief Operations Officer and Corporate Development Officer.

These roles will serve to strengthen and stabilise Letshego, providing a springboard for the exciting journey ahead.

Organisational design increases proximity of geographies to CEO and shifts P&L responsibility to regional and product execs



ASSOCIATED CHALLENGES

- Attracting the right skills
- Rolling out agile training across the organisation
- Succession planning for key roles
- Localisation and skills shortages
- Organisational change management

ASSOCIATED OPPORTUNITIES

- Develop an innovative and flexible culture
- Increase customer satisfaction
- Rapidly develop and deliver products to the market
- Empower and engage employees

LINKS TO STAKEHOLDER NEEDS

- Customers and communities:
- Client service excellence
- Employees:
- Work satisfaction and engagement
- Training opportunities
- Investors and funders:
- Strong and experienced management team

SUSTAINABLE SHAREHOLDER VALUE

The **Letshego strategy** has respond to ongoing market shifts, ensuring **sustainable value** to our shareholders. This strategy focuses on establishing:

A **world class retail financial services** organisation, meeting the needs of **mass and middle income** individuals and small companies.

A core part of our strategy is enhancing our position in the market as a leading retail financial services organisation. Retail financial services will be extended to include digital channels complementing our existing loan, deposit taking and insurance offering. This aims to increase our revenue streams and help retain customers, enhancing returns to shareholders.

As we pursue our transformational strategy, our key success measures include the following:

- Our ability to service three key customer segments: mass and middle-income individuals, and the MSE's. Continued growth in our customer base amongst these groupings are envisaged.
- Our product range: to be expanded to include seven product offerings over the next five years, Loans for Individuals; Loans for MSEs Insurance; Savings; Payments; Remittances and Beyond Banking.
- Our market share (both per product and by geography): Our goal is to capture 5% to 10% of the market, depending on the region

The group's digital transformation strategy is key to achieving these goals. Our Digital mall shall be a winning platform through which customer segments can access our diverse product range conveniently and effectively.

Within five years 80% of our customer base are envisaged to utlise this digital channel to access our products, resulting in →20% return on equity. This is underpinned by our agile way of working, reinforced culture of innovation, and an organisational design that aligns to the strategy.

PROMOTING STAKEHOLDER CONFIDENCE THROUGH ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) PRACTICES

ESG maximises shareholder returns by focusing on:

Risk Management	Screening of identified risk criteria on an ongoing basis, using the ESG management system to assign key performance targets ensures we manage ESG risks. Ongoing training and development of staff to recognize and respond to risks when identified strengthens our capacity in this area
Customer protection	Our customers are valued, we design our products to drive responsible financial inclusion. Our products are transparent and responsibly priced. Our customers are treated fairly and respectfully, with clear complaints resolution procedures in place. We ensure the protection of our customer data.
Informed decision making	Data collection, internal and external audits, and adequate decision-making structures to assess the data and make informed decisions
Returns	Through management of risk and maintaining our social license to operate in the markets we serve, ensures we maximise returns on investment to our shareholders, investors and society

5 TRANSFORMATIONAL CONVERSATIONS (OUR MATERIAL MATTERS) continued

OUR KEY ESG FOCUS AREAS:

Risk Management	› Country Specific ESG Manual supports country strategies › Set Country Specific KPIs allows tracking of performance › Tracking performance against KPIs enables management of risk factors › Set country specific social impact targets track social return on investment › Evolving our Social Scorecard to align with new 6-2-5 corporate strategy ensures ongoing alignment to stakeholder needs › Data collated informs credit risk pricing models and product development › Lessons learnt and insights gained supports employee training and development protecting clients and investor interests
Market Intelligence	› Market surveys facilitate collation of customer and market insights › Survey outputs enable analysis of market trends and customer needs › Through these inputs Competitor Analysis is realised › Efficacy of new product launches are also tracked › Degree of over indebtedness in the market place is established › Outline of productive use of funds by our customer base is determined
Strategic Communications	› Reporting and disclosures required due to stock exchange requirements facilitate stakeholder engagement and communication › Knowledge sharing realizes thought Leadership in the sector › Membership Registration, ensures tracking of performance against targets and reporting of progress made. › Impact Reporting outlines our achievements in our financial inclusion mandate to society.
Governance	› Implementation and adherence to our ESG manual ensures uniformity of approach and auditability › Ongoing ESG Reporting taking place to international best practice standards holds us accountable › Ensuring the protection of our customers protects our order book and enhances shareholder value › Developing a track record allows us to attract and retain development finance partners › Facilitates the demonstration of ESG return on investment › Promote sustainable business practices

A purpose driven organisation with sustainable social impact

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, Agriculture and Education, we align with 9 out of the United Nations 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.

LETSHEGO'S ALIGNMENT WITH THE UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS

SOCIAL

Aligned to our financial inclusion mandate, with our solution offering targeted at Education, MSE and Agricultural business, Youth 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. Letshego places a strong focus on empowering women through our offering

5 GENDER EQUALITY

PARTNERSHIP

Strategic partnerships enable Letshego to extend value to all stakeholders

17 PARTNERSHIPS FOR THE GOALS

ASSOCIATED CHALLENGES

- Diversifying our product range and digitalising at speed
- Challenging economic landscape following Covid-19
- Increased competition and the threat of new entrants
- Regulation and demands on governance
- Continuously shifting regulatory and governance landscape
- strengthening sector institutional knowledge per country

ASSOCIATED OPPORTUNITIES

- Delivering on our brand promise and solving real-life problems (including customers' need for housing, education, and support small business).
- Growing market share
- Delivering pleasing shareholder returns
- Successfully developing our digital app and 'customer mall'
- broadening market access and improving lives

LINKS TO STAKEHOLDER NEEDS

- Tailored solutions to customer needs
- Enhanced access to financial products and services
- Ensured customer protection through robust systems
- Sustainable financial returns
- Attraction of new cost effective sources of capital
- Support to the realisation of National Development Plans

Patrick Yao Sakpiti

GHANA

> "Letshego Ghana Savings and Loans granted us a 3 –months repayment holiday and an additional loan to cater for staff salaries."

"I heard of Letshego's Edusolution at their lunch that they held at Alisa Hotel two years ago. I quickly applied for a loan facility with them and I must say, it was the best decision I ever made. Before I engaged the services of Letshego Ghana Savings and Loans, I had 6 classrooms and 20 students in my school. Now I have 23 classrooms and 334 students, an office complex, a car park, a fully furnished computer lab, a 150 people capacity canteen and a beautiful playground.

Amazingly, in this trying period of COVID-19, Letshego Ghana Savings and Loans granted us a 3 –months repayment holiday and an additional loan to cater for staff salaries. Presently, God's Garden Montessori is the pinnacle of schools in the Adjei-Kojo-Kanewi District, and the story would not be a reality without support from Letshego Ghana Savings and Loans.

I would like to take this opportunity to thank Letshego Ghana Savings and Loans for their immense support. Indeed, they improve lives. I believe our relationship will only grow stronger and stronger. I promise to act in utmost good faith throughout my relations with Letshego Ghana Savings and Loans."

OUR STRATEGY IN PRACTICE: 6-2-5 ‘RETURN TO GROWTH’ ROADMAP

To achieve our transformational strategy, we crafted a plan with milestones and goals to guide us. We called this plan the 6-2-5 Strategic Roadmap

Plan 6, the first six months of the roadmap, was completed in December 2020. It focused on returning Letshego to stability by strengthening our core business (i.e. DAS) and laying the foundation for diversification and digitalisation. We are delighted to have achieved our targets for Plan 6; our P1 billion PBT & 69% digital adoption, many of them achieved ahead of schedule.

Plan 2, set out our medium-term goals for the next two years, to be completed by the end of 2022. It centres around building the capabilities and platforms that will make us a digital-first organisation. Much of our energy will go into the technology and processes that enable Agile across the Group.

Plan 5, encompasses not includes our long-term goals up to the end of 2025, where scaling up (especially on the digital front) is the main theme.

The end result will be a transformed organisation with a brand new way of working.

Creating a world class Retail Financial services organisation

Short term: Leverage on our strengths to deepen impact

Medium/Long term: Customer; Talent, Innovation and technology

CREATE the future organisation

- Talent mobility
- Relentless Innovation culture
- Digital delivery – Innovation hubs/ Platform/Ecosystem thinking

BECOME customer led

- Invest in Customer Experience
- Leverage on emerging transformative technologies
- Customer led, speed to market
- Enterprise Agility as a methodology.

STRENGTHEN our foundation

- Build on core business, DAS
- Key digital channels to improve DAS productivity
- Diversify solutions & Funding

PRODUCTIVITY OF SOLUTIONS — 6 MONTHS

TRANSFORMATIVE TECHNOLOGIES — 2 YEARS

PLATFORM THINKING — 5 YEARS

5 TRANSFORMATIONAL CONVERSATIONS (OUR MATERIAL MATTERS) continued

PLAN 6: SUCCESSFUL DELIVERY IN FIRST PHASE OF TRANSFORMATION STRATEGY

The first phase of Letshego's 6-2-5 strategy centred on leveraging the Group's legacy and strengthening the foundation of our core business. We are proud of the progress we made on all fronts:

DIGITALISATION

Increasing digital adoption to 69% by December 2020

(FY2019: <1%)

Increasing customers transacting across all our digital lending and non-lending channels by 53% to 539 828

(FY2019: 352 564)

PRODUCT DIVERSIFICATION

Achieving over P1.030 billion in profit before tax (PBT) during difficult trading conditions

(FY2019: P1.138 billion)

Growing YoY DAS Net Payouts by 33% to an all-time high of P2.5 billion

(FY2019: 1.9 billion)

Increasing deposits from customers by 56% to P664 million

(FY2019: P427 million)

Increasing MSE PBT by 99%

Piloting 'green solutions', such as eco-fridges in Ghana

Mass mobile PBT growth by over 400% to P42 million

(FY2019: P8 million)

GEOGRAPHIC REBALANCING

Growing PBT contribution to the Group from East and West markets to 27%

(FY2019: 20%)

Growing Ghana PBT by over 700% YoY to P116 million

(FY2019: P14 million)

ENTERPRISE AGILITY

26 employees achieved international certification in Agile working

40 people started implementing our digital platform by using the Agile methodology with our partners

We achieved a six-week speed-of-delivery of our digital channels in all markets during the pandemic

We built our new digital platform within six months, for implementation in 2021

SUSTAINABLE SHAREHOLDER VALUE

Earnings Per Share (EPS) of 27.1 thebe

(FY2019: 30.7 thebe)

Return of Equity (ROE) of 13%

(FY2019: 17%)

Return on assets of 5%

(FY2019: 6%)

Funding from our new programmatic approach for social impact programmes (i.e. green solutions) assists Letshego to de-risk the business, particularly on MSE lending

This strategic action culminated in the pilot launch of our LetsGo digital platform in February 2021.

The platform is the cornerstone of our digital strategy, and a major milestone in our journey to becoming a digital-first business.

5 TRANSFORMATIONAL CONVERSATIONS (OUR MATERIAL MATTERS) continued

PRODUCT DIVERSIFICATION: STRENGTHENING OUR CORE OFFERING

LOANS

Deduction at source

As part of Plan 6 our focus was to strengthen the DAS business, which remained resilient through the first year of the pandemic. We enhanced the offering and eased customer access to our loans through our Webforms, WhatsApp, and USSD platforms. As a result, DAS net advances increased by 12% to P9.1billion (FY 2019: P8.1billion). We expect the group-wide launch of Letshego's digital platform and the DAS digitalisation planned for 2021 to amplify this success even further.

Micro and Small Entrepreneurs (MSEs) For MSE we launched the 'programmatic approach', which is a recognised strategy for creating positive changes that add up to more than the sum of their components, while positively enhancing societies and the natural environment. The programmatic approach is our formula to transform the lives of our MSE business segment. These are high social impact programs are aligned to the United Nations Social Development Goals (SDG) and Green Future initiatives framework.

The programmatic approach will support product diversification for high social impact programmes. We are piloting the approach in Ghana (with green financing initiatives) and Botswana (supporting the education sector), before expanding to other subsidiaries during the first half of 2021. Diversifying our product suite will launch non-risk products to complement our existing lending portfolio.

MSE lending was severely impacted by the pandemic and we focused on increasing our credit decisioning and improving our collection and recovery efforts to lower impairments. Serving MSE through digital channels lowered the costs of delivery as the number of physical staff engagements decreased. Consequently our MSE net advances increased by 17% to P804 million (FY 2019: P690 million), delivering a PBT of P53 million in 2020 (FY 2019: P27 million).

What is the programmatic approach?

The programmatic approach is a flexible model to help guide the choice of activities, tactics, methodologies and tools in a particular country situation. Depending on the context and collective progress made to date with respect to poverty-environment mainstreaming in the country, some activities might be implemented in an accelerated manner or skipped; their sequence is not rigid either. Each component builds on previous activities and work carried out in the cou ntry. The process is iterative, with many interconnections between activities. Stakeholder engagement, coordination with the development community and institutional and capacity strengthening take place at all stages, from inception through policy development, implementation and monitoring.

Mass Mobile Loans

We are seeing mobile loans emerging as a potentially strong revenue stream. We expect an uptick in revenues through partnering with more mobile wallet service providers that allow us to offer micro loans to their clients. In the year under review, management's implementation of the Group's upgraded credit scorecard optimisation platform reduced portfolio impairments by improving our poor loan performance and enhancing our credit decisioning processes. As a result, net advances for Mass Mobile Loans increased 14% to P243 million in 2020 (FY 2019: P214 million). PBT for this portfolio increased 453% to P42 million in 2020 (FY 2019: P8 million). Credit improvements and impairment charges reduced from negative P96 million in 2019 to positive P9.3 million write-back by December 2020. These positive trends indicate that mobile lending, with effective credit risk management, provides extensive scope for growth in 2021 and beyond.

DEPOSIT TAKING

We want to have deposit talking capabilities in every market where we operate, and it will be a primary source of business and revenues for Letshego. Deposit taking will diversify our funding and make it cheaper. Customer deposits have grown 56%, albeit from a low base, but we continue to make progress year after year. Deposit growth initiatives include: Mobile saving solutions through payments partnerships and Development of payment capabilities to promote salary domiciliation.

PARTNERSHIPS

Partnerships are key to expanding our offering. As prime examples, we have a mobile saving wallet in Tanzania and a community commerce project in Mozambique. These partnerships are helping us to drive results – the growth in our deposits came primarily from a few select markets where we have strong partners. This approach forms a core part of our strategy.

Our approach is not to see Fintech's as competition, but as an opportunity for cooperation. If we partner smartly with the right Fintechs, we stand to gain significant competitive advantages in our digital mall offering.

ACCELERATING OUR DIGITAL TRANSFORMATION

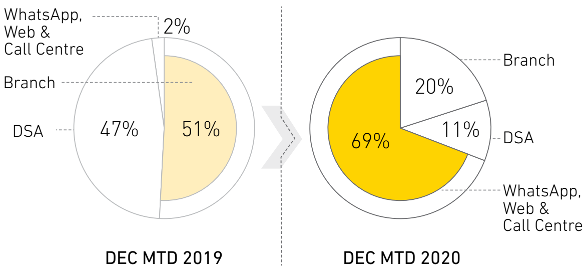
The voice of our customer is at the centre of all developments and we transformed the challenges of the pandemic to opportunities to improve their lives by enabling them to access our products "Anytime Anywhere". Through ongoing Focus groups we are tracking customer's indicated preferences in our digital customer journeys.

Our commitment to extending the reach of our financial solutions is premised on digitising customer access channels while maintaining a complementary network of physical outlets. The COVID-19 pandemic sped up the digitising of customer access channels. We needed to ensure business continuity under lockdown and ensure the safety and wellbeing of our customers and people. This was done by rolling out WhatsApp channels and Webforms, and providing our call centre staff with work-from-home capabilities within a month of the first global lockdown. This was a fundamental shift in the way we do business.

We made strides towards our long-term goal of achieving up to 80% digital adoption by 2025. Our digital adoption leaped from 2% in February 2020 to 69% by year end (FY 2019: Less than 1%). By Q4 the Group was processing more loan transactions on digital and alternative channels than on traditional channels, demonstrating the strategy's success.

The customer migration to Letshego's digital channels was spurred by the Group's 'Digital Eagle' campaign, which trained and empowered sales teams and Direct Sales Agents (DSAs) to support and educate our customers on the merits of transitioning to online platforms. While some naysayers had doubted our digital strategy on the grounds that our target audience may not be up to the task of learning to use the new channels, the shift in our sales strategy – combined with a general consumer migration to online – provided impetus for our success.

CHANNEL CONTRIBUTION (%) TO LOAN SALES



GEOGRAPHIC REBALANCING

Geographic Rebalancing centres around the Group's strategy to focus strategic support for small to medium subsidiaries and seize local growth opportunities, increasing collective contribution to Group Profits over the medium to long term.

In 2020, our East and West Africa subsidiaries continued growing their contributions to the Group's overall sales volumes and profits. Profit before tax (PBT) contribution from East and West subsidiaries grew from 20% in 2019 to 27% in 2020. Our star performer was Ghana (with more than 700% in PBT growth). Kenya improved its PBT by 10%, and the operating income in Nigeria increased by 16%. We expect these countries to continue leading YoY income growth.

5 TRANSFORMATIONAL CONVERSATIONS (OUR MATERIAL MATTERS) continued

ENTERPRISE AGILITY

Agile methodology supported the effective digitalisation of our access channels in the first half of 2020. We adopted experiential learning as part of our Business Agility (Agile) roll-out, helping us to deliver our digital access channels in record time. In the second half of 2020, employees representing each business function and subsidiary completed an international certification in Agile working. All-in-all, 26 employees achieved international accreditation in Enterprise Business Agility.

Our realigned organisational design progressed well. We are confident that our new team will continue driving Letshego's upward trajectory. New appointments during the year included:

- Richard Ochieng as Group Chief Risk Officer
- Purity Kibaara as Head of Group Market/ Business Risk
- Chris Hughes as Head of Group Business Transformation
- Monkgogi Mogorosi – Head of Group Product Management
- Chawada Moseki – Head of Group People Transformation
- Nigel Quartey-Papafio – Head of Group Partnerships
- Mariam A Buahin- Head of Group Digital Marketing

***Business Agility** is the ability to compete and thrive in the digital age by quickly responding to market changes and emerging opportunities with innovative, digitally enabled business solutions.*

*The **Enterprise Business Agility** model provides senior leaders with a strategy and scope for where to invest in order to accelerate and achieve their Enterprise Business Agility transformation vision.*

In 2021, we intend appointing a Group General Counsel and Chief Compliance Officer, Group Chief Digital Officer and Group Chief Marketing and Communications Officer.

Another key strategic function is the proposed Group Regional Shared Service Centre, a central resource that will optimise the operations and costs for all our subsidiaries in the medium to long term. The initial groundwork commenced in the second half of 2020.

SUSTAINABLE SHAREHOLDER VALUE

Letshego's business remained resilient during the pandemic, positioning the Group to achieve its long-term strategic objective of a more than 20% shareholder return on equity (ROE). The ongoing investments in the business and our progress in the second half of the year provided a good foundation for 2021 and beyond.

All our subsidiaries are well capitalised and work is progressing on our capital optimisation plan, with the Group's capital adequacy ratio currently at 35%. Letshego's Debt to Equity Ratio increased to 118% (FY 2019: 107%) – in line with the Group's target range.

The group declared a half year dividend at a 30% pay-out ratio, returning to the targeted 50% ratio for the second half.

SOCIAL IMPACT: OPERATIONALISING ESG PRACTICES

Post financial year end, Letshego appointed an ESG partner to operationalize ESG into our market operations. Our social impact survey partner, 60 Decibels, is a tech-enabled social impact measurement company that combines deep impact measurement expertise, an integrated technology backbone, and a global network of 750+ researchers to make it easy to collect customer-level impact performance data.

Our strategic focus areas for the year ahead include conduction customer and staff surveys, finalising the Group's ESG policy and manual, ESG risk management, strategic communication and developing key industry relationships.

PLAN 2: THE NEW PHASE IN OUR TRANSFORMATION JOURNEY

With the first phase of Letshego's 6-2-5 roadmap successfully concluded by the end of December 2020, we now transition to the next phase of our dynamic transformational journey, Plan 2.

Plan 2 is the investment phase of our strategy execution roadmap, where we intend to focus on building our differentiating product and end-to-end digital capabilities. Through strategic investment in targeted, emerging and 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 methodologies into the way we work, will unlock greater operational efficiencies, collaboration and measurable outputs.

We expect our KPIs to shift accordingly. We aim to achieve above-70% digital adoption levels, within a wider product mix. We also target an ROE of 15% or more for Plan 2, keeping us on track to meet our target ROE of 20%-plus by 2025.

All this is underpinned by the acceleration of our digital transformation when we launch our new app-led 'LetsGo' digital platform in key markets. LetsGo is catalytic to Letshego achieving its vision to be a world-class financial services organisation and delivering its purpose to improve more lives, by enabling ease of access to all our solutions. It integrates existing processing and operations end-to-end, galvanising the acquisition of specialist digital skills to embed emerging transformative technologies across multiple geographies. It enables access to new eco-systems with strategic partners, thereby broadening Letshego's current and future value propositions.

We completed the platform development in February and are already piloting it in Botswana and Nigeria where a sample group of existing customers are applying for loan offerings via this digital channel. We aim to increase our Enterprise Active Customers (EAC) to 1 million by 2023.

Plan 2 also involves entrenching Agile across the Group and embedding Agile squad structures to accelerate further releases of our platform.

PLAN 5: LEVERAGING OUR DIGITAL ECOSYSTEM

While our focus is currently on Plan 2 of the roadmap, we keep an eye on the horizon. As Plan 2 built on the foundation of Plan 6, Plan 2 will provide a springboard for Plan 5 to scale up Letshego across all our business lines.

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. A key focus will be on creating ecosystems or marketplaces around key assets to serve customers along their entire journey.

This phase is platform-led, with the development of innovation hubs emerging technologies 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 deliver sustainable value to all our stakeholders.

OPERATIONAL REVIEW

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

*Our **PRIMARY** purpose is to improve lives by providing access to credit finance and giving customers a safe place to save and make their payments.*

The group mainly provides deduction at source (DAS) solutions to both the government and non-government sectors, 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.

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.

In 2020, we increased distribution and customer transaction activities through alternative channels. Our improved transaction capabilities through agency banking, USSD and cards resulted in an uptick in our retail deposits.

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.

KEY METRICS

ACCESS POINTS

GROUP	2020	2019	2018
Cash handling branches	**48**	45	43
Non cash handling branches	**80**	104	106
Other sales offices (satellite branches)	**175**	161	166
Agency banking locations	**611**	589	650
Total	**914**	899	965

Letshego's financial inclusion strategy is to expand both physical and digital access to customers. We saw significant growth in the volume and value of the alternative digital channels over the past year.

NON-BRANCH TRANSACTION VOLUMES

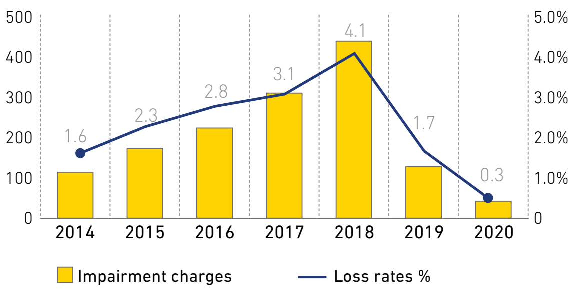
GROUP	2020	2019	2018
Customers using agency outlets	**23 848**	20 500	10 473
Digital transactions (USSD and Cards)	**614 663**	225 404	57 866

OPERATIONAL REVIEW continued

IMPAIRMENT CHARGES

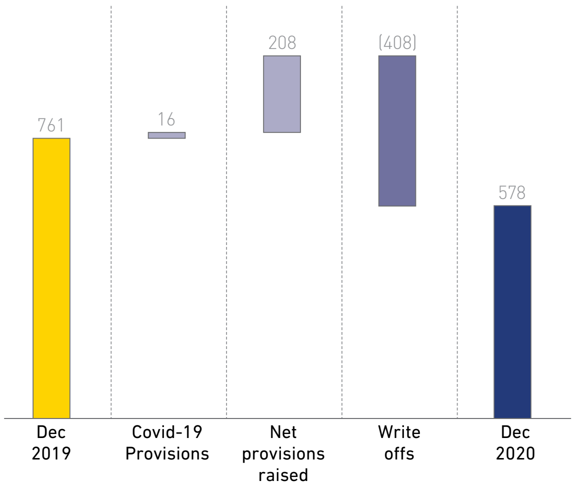
Our impairment charges for 2020 amounted to P26 million, a decrease of 85% from P169 million in 2019.

IMPAIRMENT CHARGES AND LOSS RATES



EXPECTED CREDIT LOSS (ECL)

ECL MOVEMENT P'm



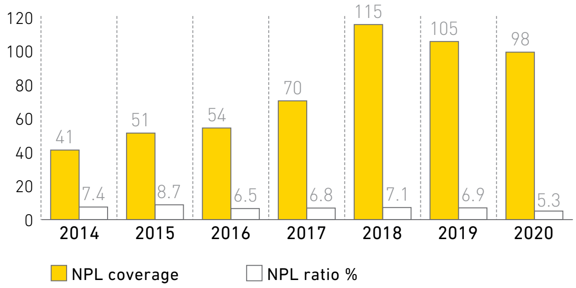
We put provisions in place for COVID-19, particularly for the payment holidays extended to our MSE loanbook. In Eswatini, a successful recovery with a partner enabled us to release about P35 million in provisions. Our MSE businesses are still facing headwinds from COVID-19 restrictions, but we reduced our COVID-19 provisions from P86 million at half-year to P16 million at the end of the financial year.

Looking forward, we need to provide for the negative macro-economic outlook impacting our ECL models, which features a downward trend for key indicators such as CPI, the unemployment rate, GDP and inflation.

Collections and recoveries remain an area of key focus. We are pleased to have decreased our PAR30 ratio to 8.3%, below our 10% target.

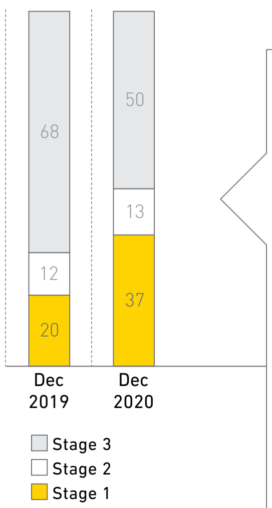
Our non-performing loan (NPL) ratio is down to 5.3% from 6.9% in 2019.

NPL PROVISION ADEQUACY %



At the same time, our overall impairment coverage remained healthy at 5.4% in 2020 (FY 2019: 7.7%) on the back of improved asset quality. Our gross advances increased to P10.74 billion (FY 2019: P9.83 million). When we delve into the ECL data, it shows a marked improvement in the overall quality of our loans:

ECL SPLIT %



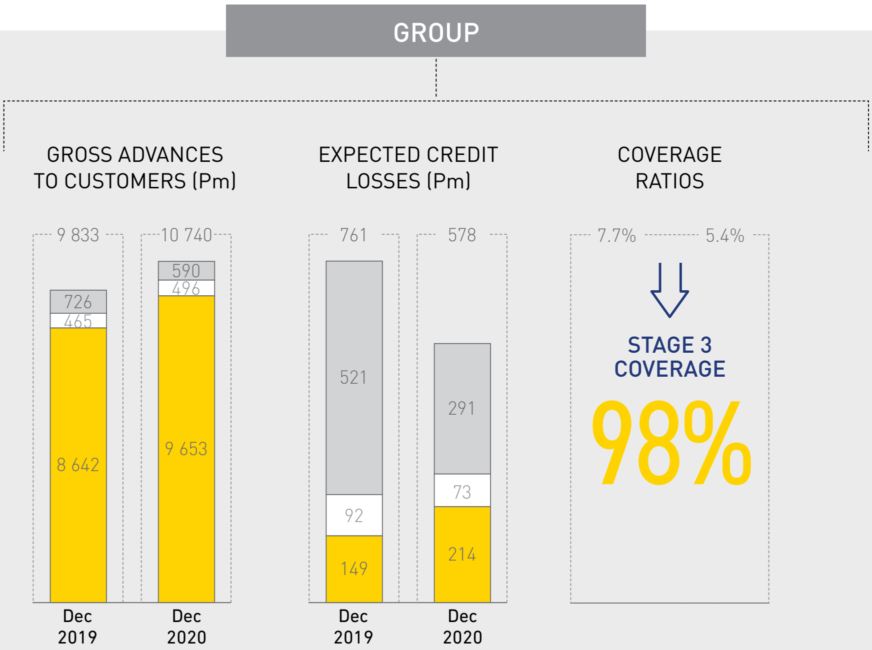
Stage 1 refer to our performing loans. They increased from 20% to 37% due to book growth and a 12% increase in our net advances. This was largely driven by growth in our DAS portfolio.

Stage 2 also increased slightly from 12% to 13% on the back of our MSE credit risk, mainly in the education sector.

Stage 3 includes the 90 days and above. The decline from 68% to 50% is pleasing. This was driven by our mobile loans and the recovery of P36 million in provisions in Eswatini due to the normalisation of a portfolio that was in default in the first half of 2020.

COVERAGE RATIOS

Our coverage ratios are currently solid. The Stage 3 loan coverage is one of our most important metrics – with a 100% score indicating that all the most likely bad debts are covered. We are pleased with the 98% score, considering that the DAS portfolio makes up the largest portion of our book.



PORTFOLIO REVIEW continued

PORTFOLIO REVIEW

Letshego currently benefits from four main revenue lines:

DAS (Formal lending)	MSE	MOBILE SOLUTIONS (Informal lending)	RETAIL DEPOSIT-TAKING

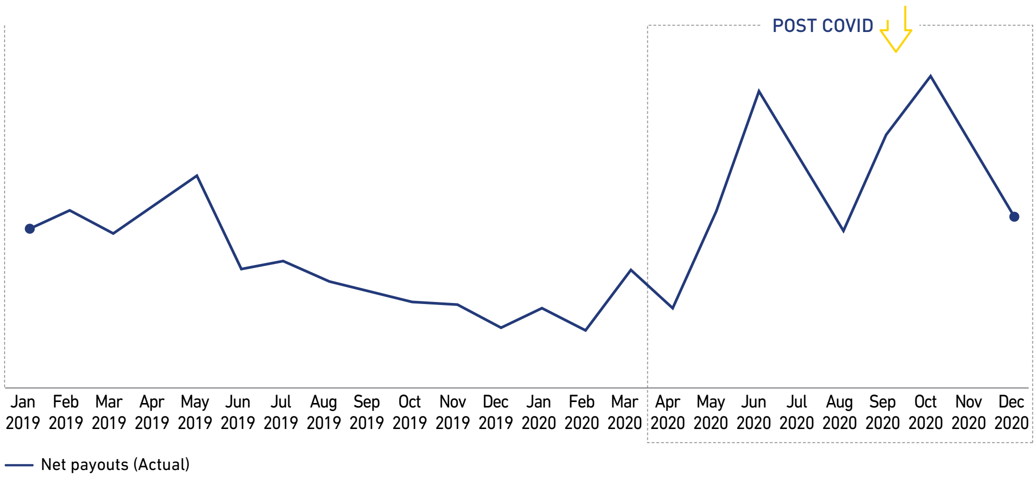
As a responsible lender, our effort to grow our portfolio is balanced against our commitment to promote affordability for our customers. During 2020, we tightened our credit approval process, to protect our customers better and mitigate our credit risk. This process involved reviewing our affordability criteria, levels of disposable income, and the disclosure we provide to customers to ensure 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 enhanced credit controls.

DEDUCTION AT SOURCE

During the COVID-19 pandemic, governments worked hard to avoid retrenchments or salary reductions during this period. This provided us with much-needed stability during the year – government employees make up almost 90% of our customers. In 2020, DAS loans contributed 88.7% of the overall loan portfolio (2019: 88%), with an NPL ratio of 4.7%.

Our two largest markets, Botswana and Namibia performed well in this segment, with net growth of 9% and 21% respectively.

OVERALL DAS PERFORMANCE



New customers	9%
FY2020	

YOY Growth Net Payouts	33%

YOY growth Net Advances	12%

Collection Rate	98%
2019: 98%	

YOY PBT	15%
Decline	

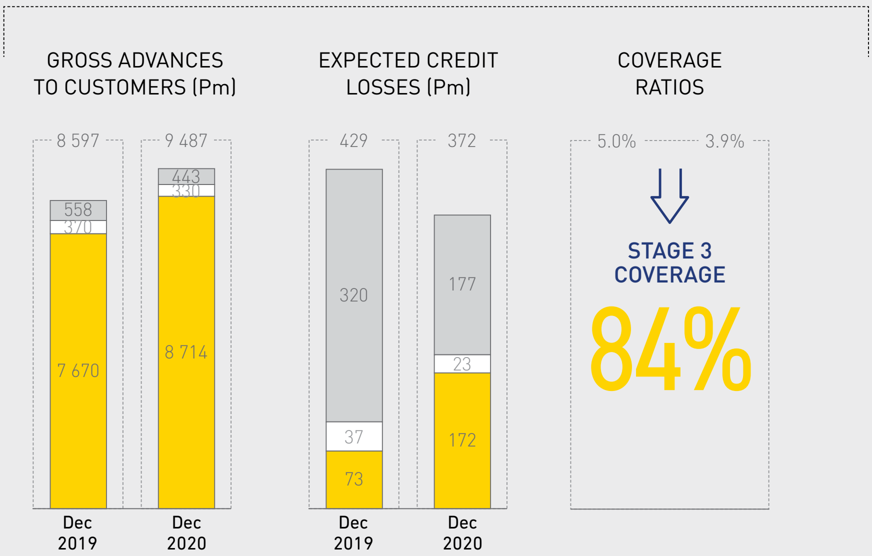
The growth of 33% on our net payouts resulted in an all-time high of P2.58 billion.

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). Our DSA application further accelerates 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.

Our new mobile channels boosted our availability to customers during the pandemic. We saw a dip in payouts in April when the pandemic began spreading in Africa. The group used this time to build our USSD and Webforms platforms and boost our infrastructure. We experienced a sharp climb in payouts in the months that followed, excluding July and August when economies reopened.

COVERAGE RATIOS

We view DAS loans as low-risk, since the deductions take place before salaries are paid out and the deductions often come straight from government employers. We are comfortable with 84% Stage 3 coverage for DAS.

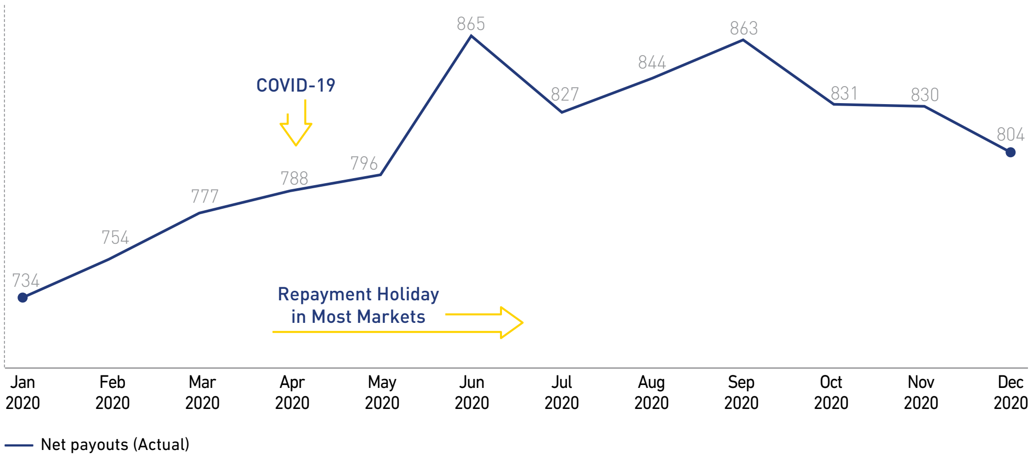


PORTFOLIO REVIEW continued

MSE AND SECURED LENDING

Our MSE revenue stream initially suffered due to COVID-19. These customers are often family businesses or part of the industries that were hardest hit by the pandemic. However, we saw a surge in demand toward the end of the year.

NET LOAN BOOK GROWTH (BWP millions)



YoY decline in customer #s 19%

Decrease in net payouts of 8%

Net loan book Growth 17%

YOY PBT Increase 99%

We provided repayment holidays for clients who opted in. By December 2020 these payments had all been cleared.

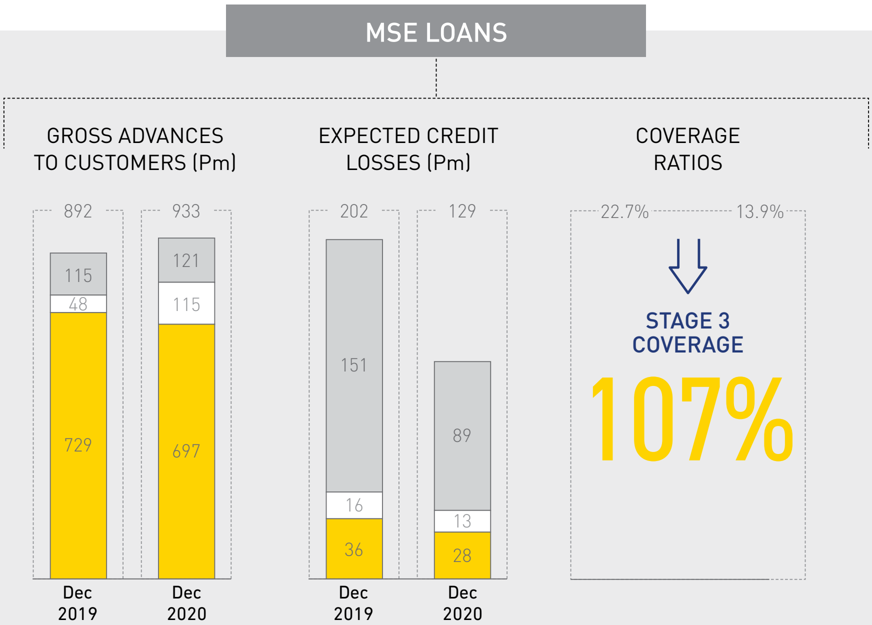
In Botswana we recorded an increase in disbursements, but gained from a release of about P30 million on the MSE book by re-aligning our portfolio and its credit risk with the government portfolio. We had previously been penalising ourselves with its credit risk treatment.

Even with the write-backs, we almost doubled our PBT without underwriting high-risk customers.

The new programmatic approach is acutely relevant to our MSE revenue stream, since it includes accessing longer-term DFI funding to support credit risk management in a particularly risky sector.

COVERAGE RATIOS

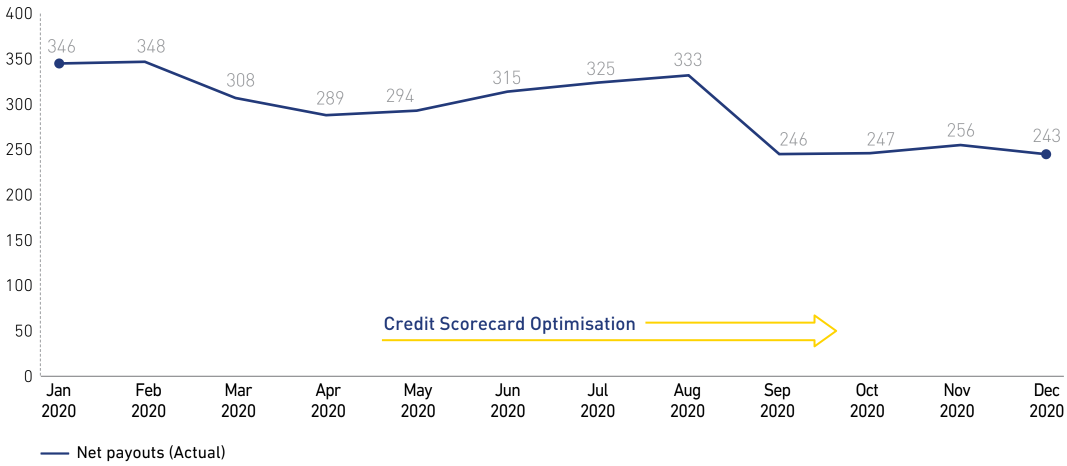
Our MSE book is one of the riskier books. Fortunately, our Stage 3 coverage ratio is in excess of 100%.



MOBILE MASS BUSINESS

In 2020, the Group's credit scorecard optimisation and bad book reduction strengthened our decisioning and reduced portfolio impairments.

OVERALL MASS MOBILE PERFORMANCE (Net Advances)



YOY Growth Net Advances **14%**

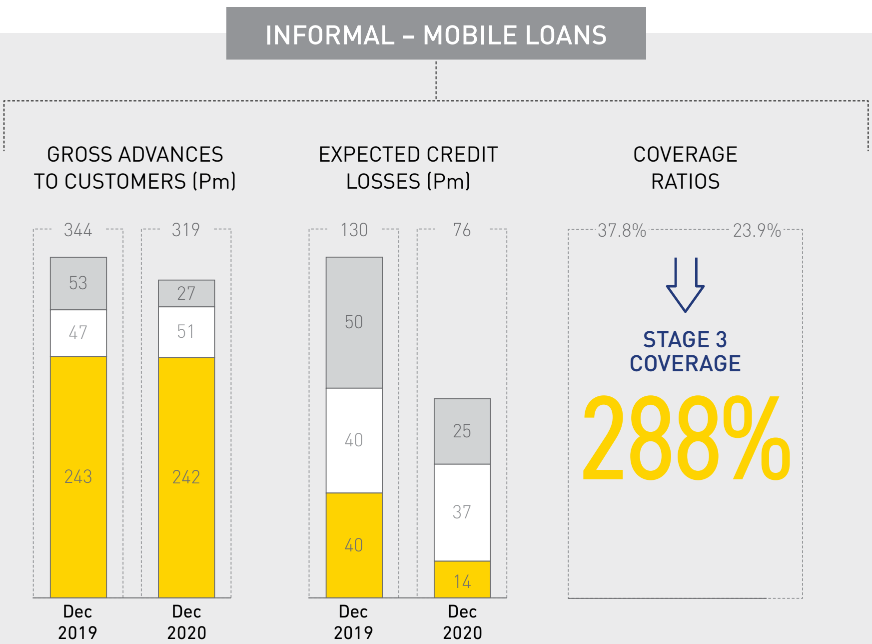
Impairment Provisions Improvement **>100%**

YOY PBT Increase **453%**

In 2019, we experienced challenges with Qwikloans in Ghana. However, we have largely recovered following solid credit management, including improving the asset quality and optimising the credit scorecard. Our prior year impairment charge were P96 million and these reduced to P9.3 million.

COVERAGE RATIOS

As our mobile loans is seen as a riskier book, we are pleased to easily exceed a 100% coverage ratio for our Stage 3 loans.

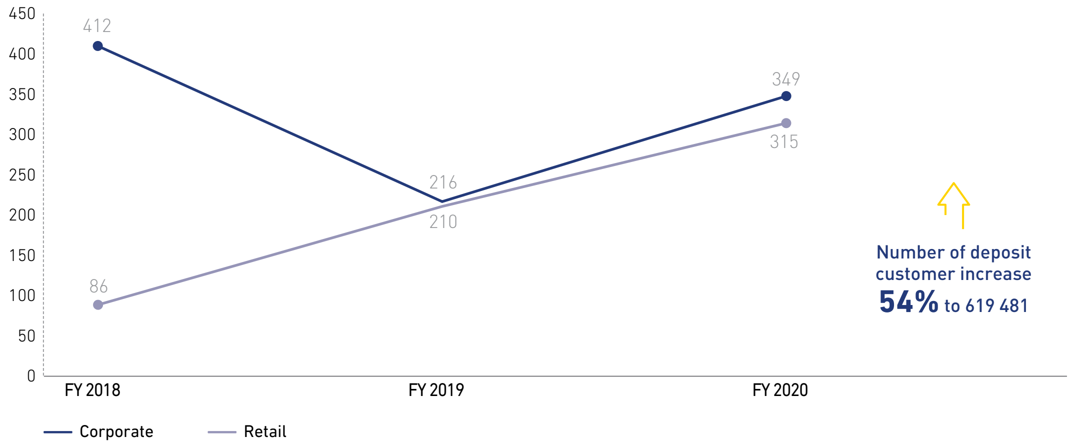


PORTFOLIO REVIEW continued

DEPOSITS

Deposit mobilisation is a critical part of our strategy to diversify our funding base. Namibia is highly important in this regard, along with Mozambique, Ghana, Nigeria and Tanzania.

DEPOSIT VALUES GROWTH



Number of deposit customer increase
54% to 619 481

Interest Expenses on Deposits 31% YOY -31%

Total Retail Deposits 46% Increase YOY

Corporate Deposits Increase YOY 66%

Total Deposit 56% Increase YOY

Our deposit values grew by 56% YoY to P664 million (FY 2019: P427 million). These increases included:

- Retail deposits lifting by 46% to P315 million (FY2019: P216 million)
- Corporate deposits by 66%to P 349 million (FY2019: P210 million)
- Deposit customers by 54% to 619,481 (FY2019: 402,298)

The group recorded particularly good deposit results in Mozambique, Ghana, and Namibia. We reduced our interest expense substantially and we continued exploring ways to diminish our cost of funds by retiring expensive deposits and recouping them at a more competitive interest rates.

LOOKING AHEAD

Transacting and insurance

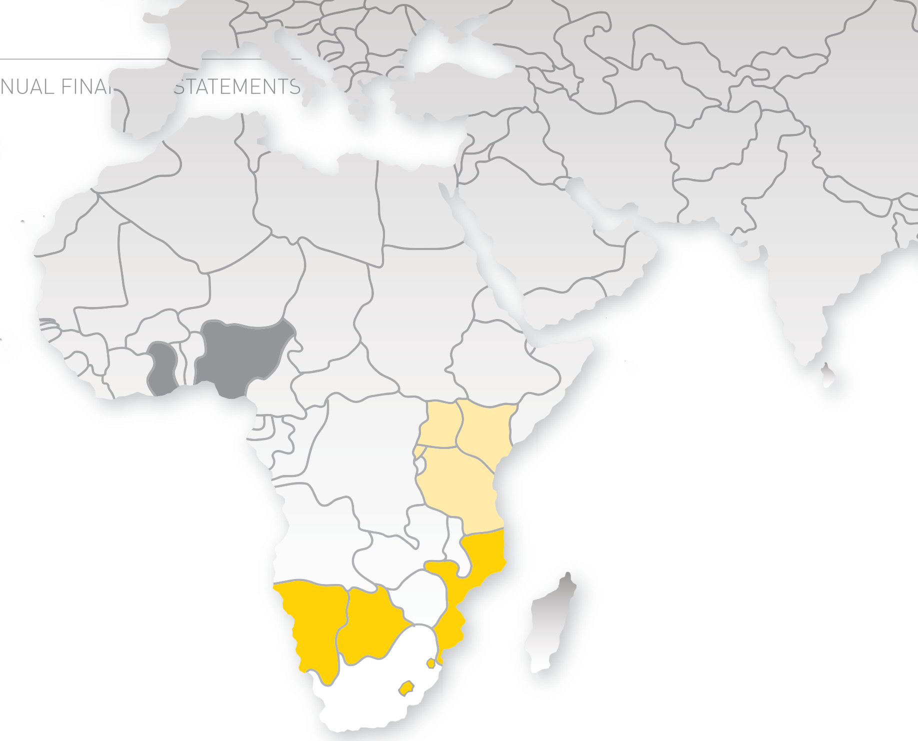
Encouraging deposits by our customers remain a key focus in the year ahead, which goes hand-in-hand with our strategy to increase our transactional capabilities. Customers tend to be more comfortable saving money with a financial institution that also allows for transacting. During 2020, we saw a 56% growth in deposits and more than 200% growth in transactions.

Card transaction values increased to P 376 million compared to the prior year (2019: P109.4 million), and card transaction volumes are up by 164% to 461 341 in 2020 (2019: 174 508). Cards issued have increased to 34 941 in 2020 up from 15 579 in 2019. The number of transactions for digital and mobile banking increased on the prior year by 115% to 485 221 (2019: 225 404).

While most of our loans have credit insurance imbedded in the repayment terms, we will be looking to launch insurance as a standalone product as part of our comprehensive digital offering.

During March 2020, Letshego Kenya partnered with international insurer Liberty Life to launch a funeral insurance policy in the market. The policy will cover final expenses, cushioning off policyholders' families from financial burdens associated with farewells. This solution is Letshego's first insurance solution for Kenyan customers to be complemented by our existing borrowing solutions.

We also offer stand alone Credit Life Insurance in partnership with Botswana Life. The product gives convenience to our customers as there is no medical underwriting required, which normally takes time and delays turnaround time. It covers death, disability and critical illness with 120% return of premiums paid for life cover. On the 15th policy year this can be ceded to loan facilities.



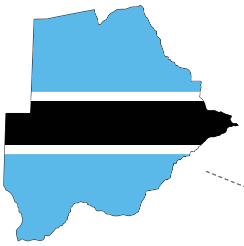
GEOGRAPHIC REVIEW

Letshego recorded increases in net advances in most countries.

SUBSIDIARY	PBT[1] P'M			NET DISBURSEMENTS P'M			NET ADVANCES P'M			LLRS[2] TO AVERAGE ADVANCES (%)		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Group	**1 030**	1 138	1 021	**6 026**	6 330	4 297	**10 162**	9 071	8 699	**0.3%**	1.7%	4.1%
SOUTHERN AFRICA												
Botswana	**471**	528	458	**473**	362	483	**2 826**	2 601	2 463	**0.8%**	(0.7%)	2.8%
Lesotho	**61**	42	57	**92**	82	28	**409**	359	337	**0.3%**	6.5%	3.2%
Mozambique	**197**	199	109	**450**	315	416	**1 244**	1 340	1 265	**0.6%**	(0.2%)	1.1%
Namibia	**334**	418	448	**895**	692	559	**2 671**	2 205	1 902	**0.9%**	0.3%	0.7%
Eswatini	**30**	38	33	**189**	119	162	**492**	495	429	**3.5%**	0.8%	0.7%
EAST AND WEST AFRICA												
Kenya	**61**	55	(22)	**209**	187	284	**600**	569	594	**3.3%**	4.1%	15.3%
Rwanda	**0.6**	3	(1)	**7**	14	30	**31**	39	46	**(17.3%)**	(32.8%)	(28.1%)
Tanzania[3]	**65**	90	96	**147**	117	184	**415**	350	397	**(9.2%)**	(0.4%)	4.9%
Uganda	**22**	42	37	**160**	217	196	**379**	345	310	**(0.3%)**	4.0%	5.0%
Ghana	**116**	14	43	**3 271**	4 083	1 809	**963**	662	876	**(4.3%)**	13.3%	15.5%
Nigeria	**6**	7	14	**133**	142	146	**131**	106	80	**4.8%**	3.2%	8.6%

1 Profit before tax and Group recharges
2 Loan loss ratio
3 Tanzania – includes both entities Faidika and Letshego Bank (T)

SOUTHERN AFRICA



BOTSWANA

Est. 1998
Listed on the Botswana stock exchange in 2002

FERGUS FERGUSON, Botswana CEO

OVERVIEW

29 992
NUMBER OF CUSTOMERS
FY19: 31 745

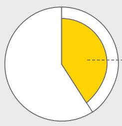
148
NUMBER OF EMPLOYEES
FY19: 136

16
NUMBER OF BRANCHES
FY19: 16

SERVICES L

DIGITAL CHANNELS
WhatsApp | web | mobile | LetsGo app

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Successfully rolled out Digital Channels achieving 30% contribution to overall business
- 9% net loan book growth despite depressed pandemic environment
- Costs remain under control with a 2% drop in operating expenses compared to 2019
- Approval and launch of first Non-Credit product: Wapula Life Insurance
- Revised pricing strategy to strengthen core DAS product segment

OPERATING ENVIRONMENT

The Macro-economic environment remained highly competitive with increasing competition within the non-bank lending sector. In addition, shared market segments between Bank and Non-Bank sectors favours the customer with increased competition in pricing as well as the need for service providers to continuously evolve and innovate customer value propositions.

The COVID-19 pandemic further disrupted business as movement restrictions led to acceleration in digital channels across the financial sector. Customer borrowing trends and behaviours significantly changed with a shift from consumption-led credit towards education, household improvement and debt consolidation purposes. We expect this trend to continue in the short-term which will require an increased solution suite to cater for these new trends.

L Loan

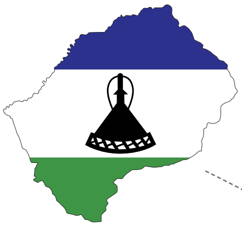
PERFORMANCE

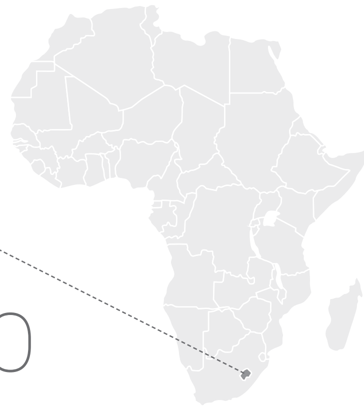
COUNTRY STATS		2020	2019	2018
People	Number of FTE	148	136	129
	Number of direct sales agents (DSAs)	95	123	127
		243	**259**	**256**
Access anytime anywhere	Number of branches	5	5	5
	Number of Satellite offices	11	11	11
		16	**16**	**16**
Asset quality	LLR to average gross advances	0.8%	(0.7%)	2.8%
	NPL's provision coverage	80%	96%	100%
Performance	Profit before tax and group charges	471	528	458
	Net disbursements to customers	473	362	483
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	2 812	2 580	2 450
	Net Advances MSE Loans (P'Millions)	14	21	13
	Net Advances Informal Loans (P'Millions)	–	–	–
		2 826	**2 601**	**2 463**
	Customer Split			
	Number Formal Customers	29 871	31 565	34 964
	Number MSE Customers	121	180	124
	Number of Informal Customers	–	–	–
	% Customers Female	41%	39%	41%
		29 992	**31 745**	**35 088**

LOOKING AHEAD

We expect the business environment to remain competitive with the increasing number of participants in the financial service sector, but limited growth in financially active consumers. Letshego Botswana's strategy is focused on increasing customer choice in terms of lending and insurance solutions, digitising our customer journeys end-to-end, and providing a differentiated experience for existing and potential customers. We continue to strengthen our internal control environment in risk management and compliance monitoring through world-class tools and investment into digital platforms. Our #peoplefirst culture continues to develop and empower our employees to create a sustainable pipeline of talent as well as continuity and specialist expertise to support our growth ambitions. Letshego Botswana is one of two Letshego markets to first pilot the 'LetsGO' digital platform that enables customers to access products and services via mobile devices.

SOUTHERN AFRICA





LESOTHO

Est. 2012

DIMAKATSO POLOKELO, Lesotho CEO

OVERVIEW

6 221
NUMBER OF CUSTOMERS
FY19: 6 817

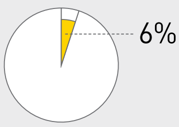
40
NUMBER OF EMPLOYEES
FY19: 38

5
NUMBER OF BRANCHES
FY19: 5

SERVICES (L)

DIGITAL CHANNELS
WhatsApp | web

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Posted strong PBT of P61 million 35% above targets
- Collection rate at 100% against a target of 98%
- Cost to income ratio of 30%
- Launched loan origination via new digital channels: WhatsApp and Webforms
- Growth in digital channel adoption to 95%

OPERATING ENVIRONMENT

Lesotho's economy is predominantly driven by agriculture, mining, manufacturing and construction sectors. The economy also depends on inflows of workers' remittances and receipts from the South African Customs Union (SACU). Premised on the opportunities in the sectors above, Letshego's 2020 strategy for asset growth and diversification into Non-Government Deduction at Source was driven by a focus on parastatals and blue chips companies with prospects in the mining, manufacturing and utilities sectors. The onset of COVID-19 and subsequent national lockdowns to curb the spread of the virus halted or limited the rollout of initiatives that would spur economic growth, including phase 2 of the Lesotho Highlands Water Project.

In view of the national lockdowns, Letshego Lesotho launched its digital channel strategy to sustain support and access to customers, wherever they may be located. Digital channel adoption grew from 47% in August 2020 to 95% by the end of December 2020. The business experienced a recovery of payouts in the second half of the year, with gross pay-outs averaging 105% above targets. The demand for credit was supported by salary increments for civil servants, improving overall debt service ratio.

(L) Loan

Lesotho's economic recovery in 2021 is expected to be staggered in light of ongoing political uncertainty, in addition to the threat of a third wave in COVID-19 cases across Southern Africa. Lesotho's Gross Domestic Product (GDP) is expected to be around 1.7%.

Letshego Lesotho continues its focus and progress in diversifying its customer segments into the nongovernment sectors, boosted by the Group's regional rollout of world-class digitised channels and systems to support customer access, product development and overall business efficiencies.

PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	40	38	40
	Number of direct sales agents (DSAs)	6	6	5
		46	**44**	**45**
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	0.3%	6.5%	3.2%
	NPL's provision coverage	78%	108%	72%
Performance	Profit before tax and group charges	61	42	57
	Net disbursements to customers	92	82	28
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	409	359	337
	Net Advances MSE Loans (P'Millions)	–	–	–
	Net Advances Informal Loans (P'Millions)	–	–	–
		409	**359**	**337**
	Customer Split			
	Number Formal Customers	6 221	6 817	7 032
	Number MSE Customers	–	–	–
	Number of Informal Customers	–	–	–
	% Customers Female	52%	52%	51%
		6 221	**6 817**	**7 032**

LOOKING AHEAD

Letshego Lesotho seeks to deliver stronger growth, performance and returns in 2021 across multiple customer segments including government and non-government segments, as well as MSE (Micro and Small Entrepreneurs). Growth is set to be spurred by the launch of our digital platform as well as an enhanced digitised credit scoring model. Along with adopting agile ways of working, Letshego Lesotho is building a vibrant culture, upskilling its people through development and training initiatives as well as attracting more talent as we continue to improve lives for all Basotho.

MOZAMBIQUE

Est. 2011
Commercial banking license awarded in 2016.

CARLOS NHAMAHANGO, Mozambique CEO

OVERVIEW

262 314
NUMBER OF CUSTOMERS
FY19: 123 977

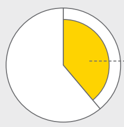
171
NUMBER OF EMPLOYEES
FY19: 174

25
NUMBER OF BRANCHES
FY19: 25

SERVICES L D T M

DIGITAL CHANNELS
WhatsApp | web | mobile

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Deposit growth of 27% YoY
- Acquired regulatory approval to expanded product offering
- Tap & Go low value payment solution in partnership with Mastercard 140 000 customers

OPERATING ENVIRONMENT

Banco Letshego recorded resilient performance in 2020, despite pandemic challenges, 8 months of partial lockdowns and local currency depreciation of 17% year on year. Letshego continues to support the National Government's financial inclusion agenda with the growth of its innovative low-cost payment solution, 'Commercial Commerce' in partnership with Mastercard. The digital pilot was initially launched in 2019, and now benefits over 140,000 customers across 6 provinces. With the conclusion of the successful pilot phase in 2020, the 'Commercial Commerce' partnership will now shift to commercial operations to increase access for more communities and seize positive growth opportunities. In the latest annual Top 100 Mozambique Company Survey, KPMG ranked Banco Letshego best brand in the banking and insurance segment.

L Loan D Deposit T Transaction M Micro-insurance MS Mobile savings

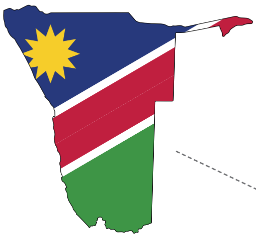
PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	171	174	178
	Number of direct sales agents (DSAs)	214	178	173
		385	**352**	**351**
Access anytime anywhere	Number of branches	13	13	13
	Number of Satellite offices	12	12	12
	Third Party Agents	450	473	397
		475	**498**	**422**
Asset quality	LLR to average gross advances	0.6%	(0.2%)	1.1%
	NPL's provision coverage	42%	33%	46%
Performance	Profit before tax and group charges	197	199	109
	Net disbursements to customers	450	315	416
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	1 244	1 340	1 265
	Net Advances MSE Loans (P'Millions)	–	–	–
	Net Advances Informal Loans (P'Millions)	–	–	–
		1 244	**1 340**	**1 265**
	Customer Split			
	Number Formal Customers	85 681	85 743	84 755
	Number MSE Customers	–	–	–
	Number of Informal Customers	–	–	–
	% Customers Female	29%	26%	27%
		85 681	**85 743**	**84 755**
Customer savings	**Customer savings split**			
	Net Deposits Retail (P'Millions)	199	114	70
	Net Deposits Corporate (P'Millions)	164	172	135
		363	**286**	**205**
	Customer Split			
	Number Retail customers	176 539	38 142	32 667
	Number Corporate Customers	94	92	105
		176 633	**38 234**	**32 772**

LOOKING AHEAD

Banco Letshego remains committed to progressing its Transformation Strategy, enhancing customer experience and value propositions to consistently improve current customer satisfaction indices. The LetsGO digital platform will launch in Mozambique by the end of 2021 increasing account access for customers via their mobile phones. Momentum will also be gained in Banco Letshego's ongoing customer and product diversification strategy, expanding our reach to MSE customers (Micro and Small Entrepreneurs) and offering new solutions in insurance and payments. Enhancements in reporting, processing, governance, risk and credit decisioning will be achieved through centralised shared services and regional systems upgrades.

SOUTHERN AFRICA



NAMIBIA

Est. 2002

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

ESTER KALI, Namibia CEO

OVERVIEW

73 702

NUMBER OF CUSTOMERS

FY19: 60 200

152

NUMBER OF EMPLOYEES

FY19: 145

16

NUMBER OF BRANCHES

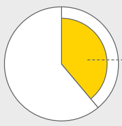
FY19: 16

SERVICES L S C AH

DIGITAL CHANNELS

WhatsApp | web | mobile

CONTRIBUTION TO GROUP PROFIT



32%

2020 COUNTRY HIGHLIGHTS

- Built COVID business resilience with digital channel launches: Webforms, WhatsApp and USSD
- Trained and empowered Direct Sales Agents to transition to 'Digital Eagles' digitalisation strategy
- Digital Adoption increased to 64% in 2020 (end of 2019: less than 1%)
- Strong deposit growth – 318% YoY
- More than doubled number of LetsGo customers (transaction customers) in 2020
- Mobile banking transactions grew 4-fold from P31 million in 2019 to P103 million by the end of 2020
- Internet Banking transaction values doubled in 2020

L Loan S Savings accounts C Cards AH Affordable Housing solutions

OPERATING ENVIRONMENT

Letshego Nambia success in launching new digital channels, supported by the upgrade and capacity building of high traffic branches, enabled the entity to maintain delivery and support to valued customers, despite varying levels of lockdowns and pandemic restrictions. Letshego's digitalisation strategy provides sustainable benefit in supporting future expansion and product diversification to drive growth and longer term shareholder value. Namibia's challenging economic environment in 2020 resulted in downward pressure on demand, tempering full year growth. Namibia's continued momentum in increasing customer value through improved access, pricing, new products and soon to release value-adding lifestyle benefits assisted in spurring customer loyalty. By leveraging central expertise, research and services provided via the Group entity, Letshego Namibia can reduce operational costs and focus on sales growth, all while enhancing its Emerging Risk Management Framework (ERMF), governance standards as well as the automation of credit decisioning processes to maintain a robust portfolio.

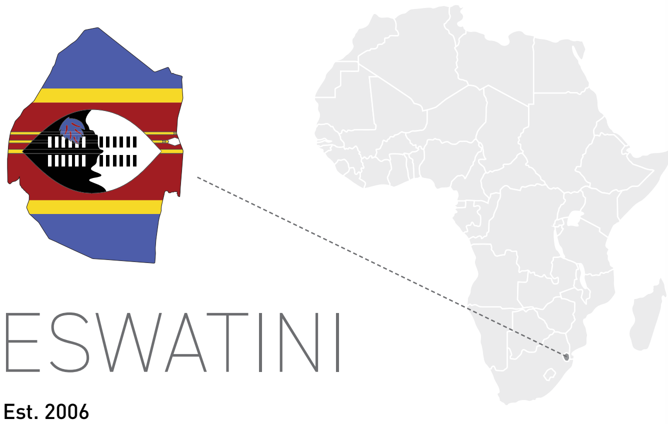
PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	152	145	117
	Number of Digital Eagles (Direct Sales Agents)	41	39	51
		193	**184**	**168**
Access anytime anywhere	Number of branches	4	4	2
	Number of Satellite offices	12	12	14
	Third Party Agents	–	–	1
		16	**16**	**17**
Asset quality	LLR to average gross advances	0.9%	0.3%	0.7%
	NPL's provision coverage	47%	25%	26%
Performance	Profit before tax and group charges	334	418	448
	Net disbursements to customers	895	692	559
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	2 671	2 205	1 902
	Net Advances MSE Loans (P'Millions)	–	–	–
	Net Advances Informal Loans (P'Millions)	–	–	–
		2 671	**2 205**	**1 902**
	Customer Split			
	Number Formal Customers	47 300	47 728	51 586
	Number MSE Customers	–	–	–
	Number of Informal Customers	–	–	–
	% Customers Female	46%	45%	43%
		47 300	**47 728**	**51 586**
Customer savings	**Customer savings split**			
	Net Deposits Retail (P'Millons)	20	25	2.4
	Net Deposits Corporate (P'Millions)	118	8	53
		138	**33**	**55**
	Customer Split			
	Number Retail customers	26 357	12 459	2 127
	Number Corporate Customers	45	13	8
		26 402	**12 472**	**2 135**

LOOKING AHEAD

In line with the subsidiary's commitment to diversifying funding sources, Letshego Namibia concluded its inaugural debt listing (Medium Term Note Programme) on the Namibia Stock Exchange in May 2021.Namibia's new product pipeline stands to increase customer value and benefits, including Insurance and Affordable Housing solutions. Regional digitalisation strategies will support Namibia's launch of the Group's LetsGo digital platform in 2021.Centralised Environmental & Governance Standards (ESG) will enable Namibia to track and quantify its social impact derived from commercial activities

SOUTHERN AFRICA



ESWATINI

Est. 2006
O=Opened doors in 2006 as a Micro Provident Eswatini and rebranded in 2010.

MONGI DLAMINI, Eswatini CEO

OVERVIEW

114 432
NUMBER OF CUSTOMERS
FY19: 8 549

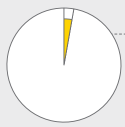
27
NUMBER OF EMPLOYEES
FY19: 28

3
NUMBER OF BRANCHES
FY19: 3

SERVICES CL ML

DIGITAL CHANNELS
WhatsApp | web

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Launched Mobile Loans through partnership with MTN Eswatini, with over 106 000 customers
- Launched new digital access channels: Whatsapp and Webforms
- Over 65% of loan apps and processing transferred to digital channels by end 2020

OPERATING ENVIRONMENT

The arrival of the pandemic in 2020, with subsequent lockdowns created challenging economic conditions, and downside pressure on sales and demand. The launch of digitised channels in Eswatini was instrumental in enabling Letshego to maintain support to customers and continue delivering value. This initial step within our Transformational Strategy not only provided a link for customers during the pandemic, but serves to support our future vision in becoming a digitally led organisation.

CL Consumer lending ML Mobile lending

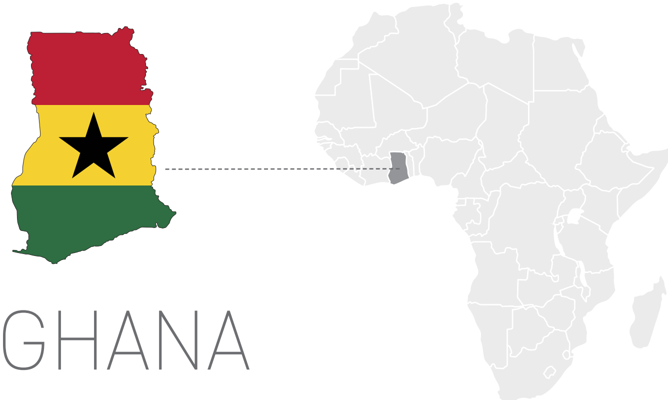
PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	27	28	25
	Number of direct sales agents (DSAs)	8	6	15
		35	**34**	**40**
Access anytime anywhere	Number of branches	3	3	3
	Number of Satellite offices	–	–	–
		3	**3**	**3**
Asset quality	LLR to average gross advances	3.5%	0.8%	0.7%
	NPL's provision coverage	84%	77%	121%
Performance	Profit before tax and group charges	30	38	33
	Net disbursements to customers	189	119	162
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	460	471	427
	Net Advances MSE Loans (P'Millions)	28	20	2
	Net Advances Informal Loans (P'Millions)	4	5	–
		492	**495**	**429**
	Customer Split			
	Number Formal Customers	8 150	8 460	8 366
	Number MSE Customers	108	89	8 358
	Number of Informal Customers	106 174	119 335	8
	% Customers Female	34%	34%	–
		114 432	**127 884**	**8 366**

LOOKING AHEAD

Eswatini has been operating in The Kingdom for 15 years and remains committed to investing in the diversification of its local product offering to improve customer experience. In 2021 Eswatini aims to launch the 'LetsGO' digital platform, not only increase access to services via mobile devices, but also to leverage the integration of new technology to build resilience and increase operational efficiencies. Increased automation will support products and processes, enabling Eswatini to enhance governance, risk and compliance frameworks, while improving financial performance through increased customer access, improved credit decisioning and effective cost management.

EAST AND WEST AFRICA



GHANA

Est. 2010
Opened doors in 2010 as afb Ghana. Acquired by Letshego Group in 2017. Rebranded to Letshego Ghana in 2019.

ARNOLD PARKER, Ghana CEO

OVERVIEW

3 799 511
NUMBER OF CUSTOMERS
FY19: 1 279 107

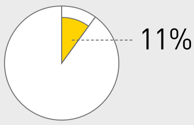
189
NUMBER OF EMPLOYEES
FY19: 194

26
NUMBER OF BRANCHES
FY19: 27

SERVICES CL ML D MS T

DIGITAL CHANNELS
WhatsApp | USSD | Webforms

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Achieved a staggering 717% yoy Profit before tax
- Credit impairment release supported by improvement in mobile loans impairments and aggressive collections & recoveries on the DAS portfolio.
- Non funded income increased by 58% due to increased disbursements across products
- Net interest income better than expected against backdrop of COVID-19 impact, demonstrating business resilience
- Entire MSE lending portfolio (Schools) support with repayment holiday as a result of pandemic challenges

OPERATING ENVIRONMENT

Ghana saw a broad economic slowdown following the onset of COVID-19. Inflation and exchange rates remained stable, however there is general uncertainty for years ahead. Bank of Ghana maintained policy rate at 14.5% signalling a modest expectation of economic growth.

Despite these challenges, Ghana was successful in launching its digitised channels to prioritise the health and wellbeing of our people and customers, while maintaining our delivery of value solutions and increasing access.

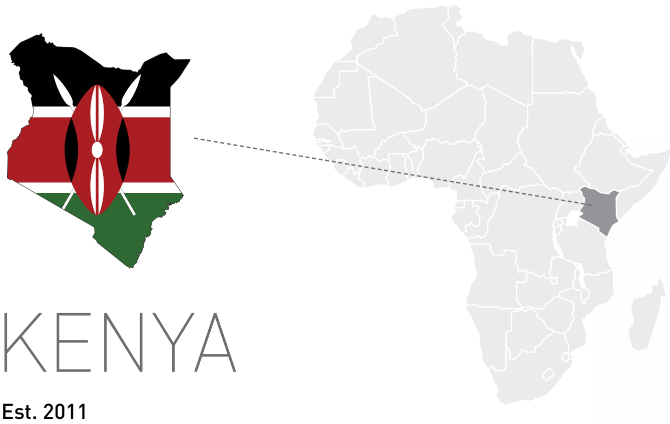
D Deposit T Transaction M Micro-insurance MS Mobile savings CL Consumer Lending ML MSE Lending

PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	189	194	218
	Number of direct sales agents (DSAs)	381	308	306
		570	**502**	**524**
Access anytime anywhere	Number of branches	8	5	5
	Number of Satellite offices	18	22	22
		26	**27**	**27**
Asset quality	LLR to average gross advances	(4.3%)	13.3%	15.5%
	NPL's provision coverage	143%	217%	201%
Performance	Profit before tax and group charges	116	14	43
	Net disbursements to customers	3 271	4 083	1 809
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	720	449	488
	Net Advances MSE Loans (P'Millions)	4	4	4
	Net Advances Informal Loans (P'Millions)	239	210	384
		963	**662**	**876**
	Customer split			
	Number Formal Customers	47 999	49 115	65 450
	Number MSE Customers	37	31	181
	Number of Informal Customers	3 699 404	1 192 371	1 566 871
	% Customers Female	27%	31%	29%
		3 747 440	**1 241 517**	**1 632 502**
Customer savings	**Customer savings split**			
	Net Deposits Retail (P'Millons)	11	2	2
	Net Deposits Corporate (P'Millions)	40	9	103
		51	**11**	**105**
	Customer split			
	Number Retail customers	52,060	37 575	15 997
	Number Corporate Customers	11	15	11
		52 071	**37 590**	**16 008**

LOOKING AHEAD

Looking forward, Letshego Ghana will continue to diversify our product portfolio with innovative ventures such as our latest set of green-friendly solutions. We will continue to boost deposit mobilization and diversify our funding sources to maximise pricing and align capital requirements with the cycles of our business. We look forward to deeping our offering to MSEs (Micro and Small Entrepreneurs), all while upskilling our people in expertise to provide differentiated support to our customers. We look forward to further automating our systems to increase business efficiencies, and most notably, launching Letshego's 'LetsGO' digital platform to spur access, delivery and choice for customers via their mobile phones.



KENYA

Est. 2011

ADAM KASAINE, Kenya CEO

OVERVIEW

12 967
NUMBER OF CUSTOMERS
FY19: 19 272

171
NUMBER OF EMPLOYEES
FY19: 187

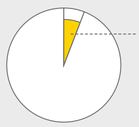
29
NUMBER OF BRANCHES
FY19: 29

SERVICES L M ML

DIGITAL CHANNELS
WhatsApp | Web

YEAR ON YEAR INCOME GROWTH
2%

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Digitised and launched new access channels (Webforms and WhatsApp)
- Automated processing, including the launch of loan paperless processing for all customer segments
- Enhanced brand image, access and visibility through relocation of branches to new modern premise
- Strategic partnership with Equity Bank enhances automated receipting of customer loan repayments through while providing an expanded access network for Letshego customers
- Launched sales agent model to extend our reach and seize available market opportunities

OPERATING ENVIRONMENT

COVID-19 resulted in a downside impact on our business, with 5 month lockdowns and closure of land registries. Letshego supported our customers with an repayment holidays as well as supporting national relief efforts. Our Edu portfolio saw the highest impact with schools closing for a period of 10 months. Governments relief on PAYE was a welcome measure to support the community. Country lockdown measures also restricted the movement of our sales teams. Mitigation strategies to continue delivery to customers and support the sustainability of our business were successful through the digitisation of systems and access channels.

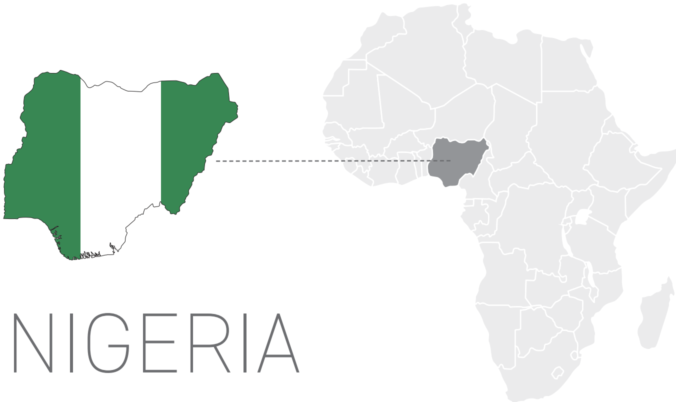
L Loan M Micro-insurance ML MSE Lending

PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	171	187	191
	Number of direct sales agents (DSAs)	96	90	85
		267	**277**	**276**
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	3.3%	4.1%	15.3%
	NPL's provision coverage	209%	236%	294%
Performance	Profit before tax and group charges	61	55	(22)
	Net disbursements to customers	209	187	284
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	156	133	75
	Net Advances MSE Loans (P'Millions)	444	436	519
	Net Advances Informal Loans (P'Millions)	–	–	–
		600	**569**	**594**
	Customer split			
	Number Formal Customers	8 999	8 858	8 368
	Number MSE Customers	3 968	10 414	14 563
	Number of Informal Customers	–	–	–
	% Customers Female	32%	38%	41%
		12 967	**19 272**	**22 931**

LOOKING AHEAD

Letshego Kenya intends to expand its reach, access and omnichannel footprint across the country by upgrading our branches and outlets, as well as relocating select branches to more accessible zones. We look forward to diversifying our product offering further with value adding solutions in health, agri-business and trade finance. New and extended strategic partnerships and alliances with key stakeholders will be a major focus area in 2021. The launch of our 'LetsGO' digital platform later this year will play a major role in bringing access to all our solutions in the palm of our customers' hands, wherever they may be located.



NIGERIA

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

TOLULOPE OPAYINKA, Nigeria CEO

OVERVIEW

84 459
NUMBER OF CUSTOMERS
FY19: 86 302

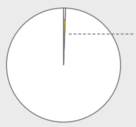
281
NUMBER OF EMPLOYEES
FY19: 265

22
NUMBER OF BRANCHES
FY19: 24

SERVICES L D T

DIGITAL CHANNELS
WhatsApp | web | mobile | LetsGo app

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Launched digital access channels to increase remote access and customer experience (Webforms; WhatsApp)
- Interswitch platform now enables customer transfers and payments
- Loan book growth of 24% yoy
- Deposit growth 20% yoy

OPERATING ENVIRONMENT

With the arrival of COVID-19 in Nigeria in March 2020, national lockdowns and reduced mobility resulted in severe downside pressures on the economy, delays in imports and general trade, reduced purchasing power and increased unemployment following the closure of many businesses. Earnings have also been affected with the Naira devaluing by 33% in just 6 months. The economic environment naturally led to a downward impact on Letshego Nigeria's sales and business growth prospects. However, Letshego Nigeria's successful digitisation of customer access channels and systems boosted customer access despite lockdowns, enabled employees to work remotely and implemented sustainable business efficiencies to support future resilience and strategic growth ambitions.

L Loan D Deposit T Transaction MS Mobile savings

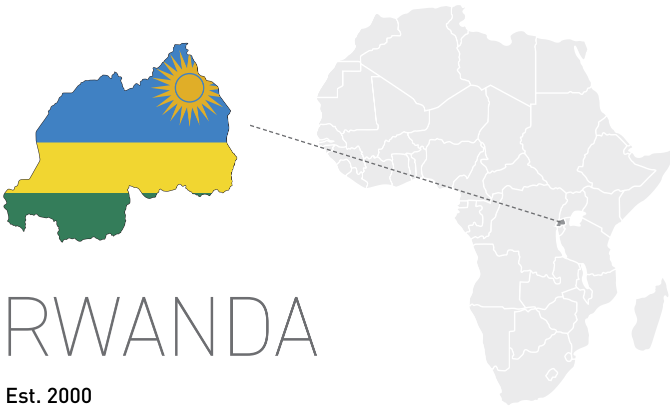
PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	281	265	273
	Number of direct sales agents (DSAs)	123	70	66
		404	**335**	**339**
Access anytime anywhere	Number of branches	22	24	24
	Number of Satellite offices	–	–	–
	Third Party Agents	–	–	–
		22	**24**	**24**
Asset quality	LLR to average gross advances	4.8%	3.2%	8.6%
	NPL's provision coverage	101%	92%	243%
Performance	Profit before tax and group charges	6	7	14
	Net disbursements to customers	133	142	146
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	85	65	23
	Net Advances MSE Loans (P'Millions)	46	41	57
	Net Advances Informal Loans (P'Millions)	–	–	–
		131	**106**	**80**
	Customer split			
	Number Formal Customers	13 836	9 502	5 139
	Number MSE Customers	7 621	6 505	7 705
	Number of Informal Customers	–	–	–
	% Customers Female	44%	43%	49%
		21 457	**16 007**	**12 844**
Customer savings	**Customer savings split**			
	Net Deposits Retail (P'Millons)	31	35	22
	Net Deposits Corporate (P'Millions)	18	6	2
		49	**41**	**24**
	Customer split			
	Number Retail customers	62 950	70 261	65 669
	Number Corporate Customers	52	34	350
		63 002	**70 295**	**66 019**

LOOKING AHEAD

Letshego Nigeria's transformation strategy is gaining momentum, driven by the digitilisation of customer channels and systems. Improving customer experience is our primary objective, with Nigeria being one the Group's first two countries to pilot the 'LetsGO' digital platform in 2021. The LetsGO value proposition will initially enable mobile access to loans and account details, and then expand to include greater diversity in products and 'beyond banking' customer benefits. Payments and transfers will improve with Letshego's access to the Nigeria Inter-Bank Settlement System (NIBSS) payment platform. In addition to increasing access and customer acquisition, the LetsGO digital platform stands to enhance governance and compliance frameworks, create greater efficiencies in financial and data reporting, improve credit decisioning, as well as empower our people with specialist skills in world-class digital ecosystems.

EAST AND WEST AFRICA



RWANDA

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

BENJAMIN MUKETHA, Rwanda Acting CEO

OVERVIEW

13 915
NUMBER OF CUSTOMERS
FY19: 16 047

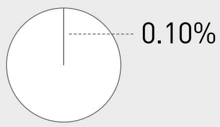
50
NUMBER OF EMPLOYEES
FY19: 66

4
NUMBER OF BRANCHES
FY19: 8

SERVICES L D T MS

DIGITAL CHANNELS
Mobile | LetsGo app

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- P9.2 million in post write-off recoveries following ongoing improvement in operational efficiencies
- Health and wellbeing of employees and customers prioritised with the onset of COVID-19
- Achieved 47% yoy cost saving following implementation of turnaround strategy
- Supported customers with three month payment holiday, with 44% of customers seizing opportunity for relief – over two thirds restored payments before year end.

OPERATING ENVIRONMENT

Despite a challenging economic environment due to the COVID-19 pandemic, Letshego Rwanda managed to complete 2018 – 2020 turnaround strategy and report a modest profit. Our business turnaround strategy is ongoing, but we are pleased to report tangible successes that include cutting our costs down by 140% over the last year period. The quality of the loan book has improved with non-performing loans (NPL) remaining below 5% over the period. The economic impact of the pandemic did exert downside pressure on sales, that resulted in a reduced loan book and drop in operating income.

L Loan D Deposit T Transaction MS Mobile savings

PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	50	66	82
	Number of direct sales agents (DSAs)	–	–	–
		50	**66**	**82**
Access anytime anywhere	Number of branches	4	8	8
	Number of Satellite offices	–	–	–
	Third Party Agents	–	–	–
		4	**8**	**8**
Asset quality	LLR to average gross advances	(17.3%)	(32.8%)	(28.1%)
	NPL's provision coverage	263%	136%	148%
Performance	Profit before tax and group charges	0.6	3	(1)
	Net disbursements to customers	7	14	30
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	1	1	2
	Net Advances MSE Loans (P'Millions)	30	38	44
	Net Advances Informal Loans (P'Millions)	–	–	–
		31	**39**	**46**
	Customer split			
	Number Formal Customers	59	109	178
	Number MSE Customers	421	513	639
	Number of Informal Customers	–	–	–
	% Customers Female	35%	31%	32%
		480	**622**	**817**
Customer savings	**Customer savings split**			
	Net Deposits Retail (P'Millons)	11	16	15
	Net Deposits Corporate (P'Millions)	7	6	37
		18	**22**	**52**
	Customer split			
	Number Retail customers	13 431	9 567	13 790
	Number Corporate Customers	4	217	375
		13 435	**9 784**	**14 165**

LOOKING AHEAD

With Rwanda being an advanced and adaptive economy when it comes to digital and tech innovation, Letshego looks forward to launching our 'LetsGO' digital platform later in 2021. LetsGO will enable us to accelerate our turnaround strategy by increasing access and improving delivery efficiencies, facilitating the launch of new products and overall, supporting enhanced customer value. Letshego Rwanda is committed to building operational capacity and expertise to drive a high performance culture and achieve sustainable profitability for medium to long term shareholder benefit.

TANZANIA
(FAIDIKA)

Est. 2006

BARAKA MUNISI, Faidika Tanzania CEO

OVERVIEW

29 202
NUMBER OF CUSTOMERS
FY19: 32 745

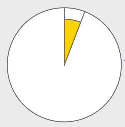
86
NUMBER OF EMPLOYEES
FY19: 80

16
NUMBER OF BRANCHES
FY19: 16

SERVICES L

DIGITAL CHANNELS
WhatsApp | web

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Adoption of digital and alternate sales channels
- Increased loan tenure to 84 months
- Reduced interest rates to 3%
- Customer first sales restructure with new roles, customer journey officer and customer experience manager
- Launched successful marketing initiative, "BUYBACK"

OPERATING ENVIRONMENT

2020 has been a challenging year, with the arrival of the global pandemic in March. Faidika was swift in shifting our business to adapt to agile and remote working environments, executed the successful roll out of digital access channels all to ensure we continued to deliver value to our customers in the safety and security of their homes.

Faidika worked hard to deliver on our promise to improve lives, by increasing affordability levels to 33.3%, reducing interest rates to 3% and increasing our loan tenure to 84 months – all welcome offers in challenging market conditions.

External factors, including general elections, resulted in downward pressure on sales, especially in electioneering months September and October 2020.

L Loan

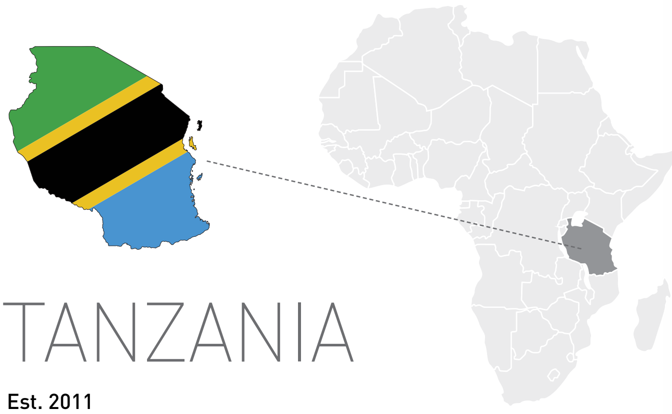
PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	86	80	69
	Number of direct sales agents (DSAs)	238	232	298
		324	**312**	**367**
Access anytime anywhere	Number of branches	16	16	16
	Number of Satellite offices	87	87	91
	Third Party Agents	–	–	–
		103	**103**	**107**
Asset quality	LLR to average gross advances	(8.5%)	(1.5%)	11.0%
	NPL's provision coverage	63%	90%	119%
Performance	Profit before tax and group charges	77	96	92
	Net disbursements to customers	66	22	26
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	287	244	267
	Net Advances MSE Loans (P'Millions)	–	–	–
	Net Advances Informal Loans (P'Millions)	–	–	–
		287	**244**	**267**
	Customer Split			
	Number Formal Customers	29 202	32 754	39 159
	Number MSE Customers		–	–
	Number of Informal Customers		–	–
	% Customers Female	34%	33%	35%
		29 202	**32 754**	**39 159**

LOOKING AHEAD

2021 sees the launch of our second phase of our execution strategy, 'Plan 2'. Stategic success will be achieved through:

- The launch of our LetsGO digital platform
- Roll out of expanded and new products, to deepen customer value and diversify our offering
- Continue automation and digitisation of systems and credit decisioning to bolster asset quality and reporting
- Continue to enhance and improve our governance standards in line with the evolving regulatory environment



TANZANIA

Est. 2011
Group acquired Advans bank in 2015 and rebranded to Letshego Bank Tanzania.

ANDREW TARIMO, Letshego Bank Tanzania Acting CEO

OVERVIEW

288 862
NUMBER OF CUSTOMERS
FY19: 229 519

128
NUMBER OF EMPLOYEES
FY19: 140

9
NUMBER OF BRANCHES
FY19: 10

SERVICES L T D M

DIGITAL CHANNELS
WhatsApp | web | mobile

2020 COUNTRY HIGHLIGHTS

- At least 85% of new loan applications coming through digital channels
- Loan book quality improved as non-performing loans improved to 14.5% (2019: 17.9%)
- Successful launch of VISA Card
- Achieved 4 year high for monthly payout record

OPERATING ENVIRONMENT

With the arrival of the Pandemic, and later in the year, general elections, Letshego Bank Tanzania (LBT) experienced downward pressure on sales and demand, especially in electioneering months September and October 2020. Despite the onset of the COVID-19 pandemic, Letshego Bank Tanzania (LBT) was successful in digitising access channels, to increase access and delivery to customers. Despite the pandemic conditions and challenging environment, LBT managed to grow total assets by 18% year on year.

L Loan D Deposit T Transaction MS Mobile savings

PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	128	140	170
	Number of direct sales agents (DSAs)	–	–	–
		128	**140**	**170**
Access anytime anywhere	Number of branches	5	5	5
	Number of Satellite offices	4	5	5
	Third Party Agents	161	116	252
		170	**126**	**262**
Asset quality	LLR to average gross advances	2.6%	1.8%	(1.2%)
	NPL's provision coverage	124%	105%	132%
Performance	Profit before tax and group charges	(13)	(6)	4
	Net disbursements to customers	81	95	158
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	–	–	–
	Net Advances MSE Loans (P'Millions)	128	106	131
	Net Advances Informal Loans (P'Millions)	–	–	–
		128	**106**	**131**
	Customer Split			
	Number Formal Customers	–	–	–
	Number MSE Customers	924	1 237	3 132
	Number of Informal Customers	–	–	–
	% Customers Female	39%	39%	38%
		924	**1 237**	**3 132**
Customer savings	**Customer savings split**			
	Net Deposits Retail (P'Millons)	42	24	28
	Net Deposits Corporate (P'Millions)	3	8	28
		45	**32**	**56**
	Customer Split			
	Number Retail customers	287 573	227 886	41 480
	Number Corporate Customers	365	396	495
		287 938	**228 282**	**41 975**

LOOKING AHEAD

Letshego Bank Tanzania will progress momentum in executing the second phase of the brand's 6-2-5 roadmap, within the Group's regional Transformation Strategy The LetsGO digital platform is set to launch in Tanzania before the end of 2021, enabling customers to access loans and accounts via their mobile phones. Deposit mobilisation remains a core focus in line with LBT's commitment to diversifying its product offering and increasing customer value. Process re-engineering and business efficiencies expect to be achieved leveraging the Group's agile enterprise methodologies, and facilitated by the digitalisation of systems and processes. Letshego's digital and automation strategy will enable enhancements to LBT's governance, compliance and risk frameworks, as well as improve credit decisioning processes to maintain and improve asset quality.

UGANDA

Est. 2005

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

GILES AIJUKWE, Uganda Acting CEO

OVERVIEW

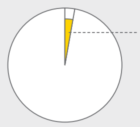
43 548	251	45
NUMBER OF CUSTOMERS	NUMBER OF EMPLOYEES	NUMBER OF BRANCHES
FY19: 42 383	FY19: 253	FY19: 45

SERVICES L

DIGITAL CHANNELS

WhatsApp | Webforms

CONTRIBUTION TO GROUP PROFIT



2020 COUNTRY HIGHLIGHTS

- Prioritised the health and wellbeing of our customers and people
- Launched new and enhanced digital access channels to increase access throughout the pandemic (Webforms and WhatsApp)
- Increased automation in loan processing to support faster turnaround and business efficiencies
- Upgraded banking systems to enable greater functionality and speed in processing and reporting

OPERATING ENVIRONMENT

Periodic lockdowns as a result of the pandemic led to lowered economic activity and business closures. This in turn impacted Letshego Uganda's sales demand and general business activity. Uganda's electoral campaign in the third quarter created further disruption in economic activity and stability in the local market. Digitising our customer access channels and systems assisted in not only maintaining delivery to our customers, but also delivering greater business efficiencies. Despite reduced demand from fluctuations in local economic activity, the Uganda business has gained sustainable value from processing improvements realised through our digitisation strategy. Efficiencies include processing of loans, that have now improved from a 48 hour turnaround to less than 6 hours. Uganda's remote working infrastructure has also enabled employees to keep an 8 hour work day, thus maintaining levels of productivity.

L Loan ML MSE lending

PERFORMANCE

COUNTRY STATS		2020	2019	2018
People	Number of FTE	251	253	231
	Number of direct sales agents (DSAs)	233	225	195
		484	**478**	**426**
Access anytime anywhere	Number of branches	22	22	22
	Number of Satellite offices	23	23	23
	Third Party Agents	–	–	–
		45	**45**	**45**
Asset quality	LLR to average gross advances	(0.3%)	4.0%	5.0%
	NPL's provision coverage	115%	95%	98%
Performance	Profit before tax and group charges	22	42	37
	Net disbursements to customers	160	217	196
Advances	**Loan book split**			
	Net Advances Formal Loans (P'Millions)	269	249	190
	Net Advances MSE Loans (P'Millions)	110	96	120
	Net Advances Informal Loans (P'Millions)	–	–	–
		379	**345**	**310**
	Customer Split			
	Number Formal Customers	32 423	32 713	30 539
	Number MSE Customers	11 125	10 670	8 804
	Number of Informal Customers			
	% Customers Female	30%	30%	29%
		43 548	**42 383**	**39 343**

LOOKING AHEAD

Looking forward, Letshego Uganda seeks to deepen the value and efficiencies achieved through the digitisation of access channels and systems. The digital strategy will see Uganda launch the LetsGO digital platform before the end of 2021, providing Ugandan customers with mobile access to an expanding offering of products, as well as further benefits in turnaround times and processing. Uganda's recent proactive realignment of its organisational structure in line with the Group's transformational strategy and vision, along with re-engineering of processes and upskilling of employees, stands to deliver medium to long term benefits in cost, business efficiencies, market activation and sustainable shareholder value.


LetsGo

SUSTAINABILITY REVIEW

OUR PEOPLE

Without the commitment and effort of our people, none of what we seek to achieve would be possible. Our staff and corporate culture are recognised as a key competitive advantage within the changing financial services landscape. With competition for skilled, flexible and dynamic people increasing, Letshego strives to be a leading employer of choice. Our employee experience and people practices are evolving as we execute against our 6-2-5 strategy.

WORKFORCE PROFILE

Country head count analysis as at 31 December 2020

(Voluntarily or due to dismissal, retirement, or death in service)

	NUMBER OF EMPLOYEES AS AT 31 DECEMBER 2019	EMPLOYEES HIRED DURING THE YEAR	EMPLOYEES LEFT DURING THE YEAR	NUMBER OF EMPLOYEES AT 31 DECEMBER 2020
GROUP	157	16	11	**162**
BOTSWANA	136	12	0	**148**
NAMIBIA	145	22	15	**152**
LESOTHO	38	04	02	**40**
ESWATINI	28	03	04	**27**
MOZAMBIQUE	174	08	11	**171**
KENYA	187	05	21	**171**
RWANDA	66	00	16	**50**
UGANDA	253	27	29	**251**
NIGERIA	265	29	13	**281**
TANZANIA	220	10	16	**214**
GHANA	194	03	08	**189**
TOTAL	**1 863**	**131**	**145**	**1 856**

OVERALL EMPLOYEE GENDER PROFILE

Male	Female
49	51

EMPLOYMENT STATUS

Permanent	Temporary
1 856	83

EMPLOYEE AGE PROFILE

‹30	30-40	40-50	›50
18%	58%	18%	06%

GENDER SPLIT BY LEVEL OF SENIORITY

	Male	Female
Senior management	69%	31%
Management	58%	42%
Employee	46%	54%

SUSTAINABILITY REVIEW continued

OVERVIEW

Working culture and group ethics

Letshego's culture is anchored on our 3 Cs Mantra three core, namely Commitment, Collaboration and Confidence. "Put People First" is our overarching philosophy. Our people and their individual strengths and contributions are integral to the success of the 6-2-5 Strategy.

2020 Focus areas

Strengthening our foundations

2020 was a redefining year for Letshego, in terms of where we are coming from and where we are going.

In 2020 Human Capital (HC) transitioned to become People and Culture in line with the People First philosophy that underpins our 6-2-5 Strategy. An organisational realignment project was undertaken during the period under review in line with the Organisational Design (OD) pillar of the strategy. The project commenced at Group level with the aim to deliver fit for purpose structures to enable successful delivery of our 6-2-5 Transformational Strategy. The focus for 2021 will be alignment at subsidiary level.

Our People and Culture theme for 2020 was "Strengthening Foundations". We reviewed our People and Culture policies to ensure that they are both impactful and progressive, and are implemented consistently across the Group.

Covid-19

Another focus area in 2020 was employee welfare and wellness, especially against the backdrop of the pandemic, as we strove to optimise productivity while supporting our employees' mental and physical wellbeing.

From an People and Culture perspective, the greatest challenges faced in 2020 were sustaining productivity in the face of COVID-19, transitioning to remote working and empowering line managers to oversee remote teams.

Employee satisfaction

Over the course of the year our overall attrition rate was only 8% – down by 43% from 2019 and well below the general industry benchmark. This shows that most of our employees are satisfied with the way in which the Group is run, and that they have confidence in its future.

Diversity

Since we are a multinational business, we see the coming together of people of various ethnicities with different experiences, as a key driver of innovation and creativity. In 2020 our gender ratio was 49% male and 51% female, demonstrating the great strides we have been making towards gender parity in the workplace.

PROTECTING THE WORKFORCE

Even before the full impact of COVID-19 and the resultant mitigating measures were felt in the market, we had formed a Corona Crisis Management Committee to provide strategic guidance and management within the Letshego Group. This committee is responsible for general guidance on COVID-19 awareness, prevention, management and coping measures. All of our departments and country offices are represented on it.

The group also immediately introduced the cohort system of work, in which employees take turns working from home. This ensures that work can continue uninterrupted if one member of the cohort becomes infected. To allow remote working we have provided our employees with laptops and internet connectivity.

In addition, we have put in place various measures to ensure employee wellbeing, from fumigating buildings and sanitising surfaces to providing face masks and encouraging social distancing. All training and meetings have been conducted virtually, and all non-critical travel has been suspended. Since public transport may expose our employees to a greater risk of infection, we have also provided private transport options.

Crucially, we have kicked off a campaign to provide free COVID-19 testing for employees and their households. The group has also launched the ICAS Employee Assistance Programme to provide employee assistance (including counselling) through both a 24-hour call centre and access to in-country counsellors.

WhatsApp groups in each country have helped us to communicate faster when working remotely, and we have fostered awareness of COVID-19 through emailers and posters in branch offices.

The group has encouraged employees to share suggestions and comments through their COVID-19 Coordinators on the Corona Crisis Management Committee. While some staff members have been infected, we are very grateful that we have not to date lost a single employee to COVID-19.

One positive impact of the pandemic has been the digitisation of our customer service, from 2% digital adoption at the beginning of the year to 69% by the end. As a result, customer service agents have been able to assist clients from their homes.

Overall, we have embraced new ways of working, and going forward we will monitor staff productivity when working remotely. Since most jobs will evolve as a result of massive digitisation, employees are encouraged and enabled to acquire new skills in order to ensure the necessary agility for post-COVID-19.

PERFORMANCE

The group conducted a baseline survey in June 2020 to measure employee level of commitment and willingness to go above and beyond, as well as their belief that they are enabled to do their job. A total of 92% employees participated, and we achieved an engagement index of 70% (which is above the General Industry and Financial Services norm).

The enablement index was 74%, which is the same as that of high-performing organisations. In order to maintain or improve on the baseline results, countries have drawn up impact plans for improvements to key areas.

Letshego embarked on an exercise to define the new organisational model and structures that would enable us to deliver on the next wave of growth. The exercise has resulted in agile and efficient ways of working that support far-reaching and fast-moving change. The initiative has also created an opportunity for the Group to bring in new skills and capabilities, especially in the areas of digital, products, finance, corporate development and technology.

We have also unearthed latent talent and placed potential high achievers in new roles. In the medium term, as we begin to streamline and automate most of our processes, we expect to see lower servicing costs, centres of excellence that deepen skills, tax efficiencies and improved customer experiences.

In terms of leave management, in 2020 employees were encouraged to take leave and rest. As a result, far more leave was taken than in previous years. This helped to enhance productivity.

ATTRACTING, RETAINING AND MOTIVATING PEOPLE

A total of 1,856 employees were trained during 2020, which represents 100% of our employees. Every employee received training on Performance Management, Fraud/ Risk and Cyber Security Awareness. Other training included an introductory Agile Course run across the entire group for senior management, a digital marketing course for marketing managers and customer service training for frontline workers.

The learning and development spend as at December 2020 of BWP 3.722 million is 62% below budget and is 2% less than December 2019 training spend, which was BWP 3.793 million.

SUSTAINABILITY REVIEW continued

These significant costs savings are due to

- deliberate curtailing of learning and development expenditure while awaiting the finalisation of organisational design.
- the rise of online learning due to the COVID 19 pandemic, which significantly reduced associated travel and accommodation costs
- the majority of courses being run by identified employees who were trained as subject matter experts, thereby saving costs

Leadership development is one of the key pillars of our People and Culture strategy, and in 2020 an agreement was signed with the Gordon Institute of Business Science (GIBS) for leadership development programmes.

People and Culture has also helped to create synergy at a leadership level in 2020. Our country CEOs have become part of strategic decision-making at group level, which has created a strong sense of unity in how the company is managed and in setting the direction going forward.

Notably, we have introduced activities that help to hone leadership skills, namely teambuilding and culture sessions. These sessions have successfully established both the kind of culture currently in place and the culture Letshego aims to strengthen going forward, enhancing a sense of unity among group leaders and co-creating the culture we want for the company.

In another key move, a Learning and Development Strategic Skills Framework has been put in place to ensure that all learning and development initiatives focus on employees' career development, and on skill clusters aligned to business requirements. We view all learning as an investment and link it to individual development plans, talent management and succession planning.

The Framework aligns learning and development strategy, practices and plans with the overall group strategy, which is premised on digital transformation.

Key roles have been identified and succession plans put in place. Group Learning and Development also carried out a number of initiatives during the year to develop employee skills in line with group strategy and learning priorities.

OVERALL EMPLOYEE GENDER PROFILE

Male	Female
49	51

SPLIT OF TRAINING SPEND BY LEVEL OF SENIORITY

	Senior management	Management	Employee
Male	69%	58%	46%
Female	31%	42%	54%

LOOKING AHEAD

In 2021 we aim to embark on strategies that will bring to life and embed the 'People First' culture. We are also developing a more compelling employee value proposition that will be at the heart of our 'People First' strategy and drive employee engagement.

One major undertaking for 2021 is the launch of new leadership development programmes, which will be key to building a common leadership culture. A skills audit will also be carried out to assist employee career development and meet requirements arising from the OD project.

The acquisition of our digital learning platform is on track for completion in 2021.The platform will provide quality online learning development programmes that will be accessible to all employees.

The focus for 2021 still remains to proactively manage costs and focus on high priority training needs and group coordination to enable costs savings.

ENGAGING WITH OUR STAKEHOLDERS

OUR APPROACH TO STAKEHOLDER ENGAGEMENT

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 our communities.

Stakeholder feedback 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.

HOW WE ENGAGED WITH KEY STAKEHOLDERS IN 2020

Our Customers

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. We strive to understand our customers so that we speak to them in a way that is relevant and offer them products that are right for them.

HOW WE ENGAGE	STAKEHOLDER NEEDS	OUR RESPONSE	ADAPTING TO A COVID-19 ENVIRONMENT
› Marketing Campaigns › Customer Polls and Surveys › Branches › Call Centres › Digital Access Channels	› Appropriate and accessible financial solutions. › Friendly and efficient service › Empowering information that leads to financial wellness › Transparency › Ethical and fair treatment	› We are looking at improving three main customer channels in order to address this challenge: cards, digital and mobile › Safeguarding deposits, while growing returns › Excellent customer service › Convenient access to banking, increasingly through digital channels › Stable and secure IT systems	› We continued to maintain business operations at the highest level possible during lockdown periods. › Customers are being encouraged to use digital channels. › The group supported clients with pandemic related cashflow challenges by deferring payments for a suitable period.

SUSTAINABILITY REVIEW continued

ANALYSIS OF SHAREHOLDING

FOR THE YEAR ENDED 31 DECEMBER 2020

Top ten shareholders	31 December 2020 Shares held ('000) Number	%	31 December 2019 Shares held ('000) Number	%	Public/ Non-Public
• Botswana Life Insurance (Pty) Ltd	597 236	27.9	597 236	27.9	Non-Public
• African Alliance	293 820	13.7	284 901	13.3	Public
• Botswana Insurance Fund Management Limited (BIFM)	274 698	12.8	251 357	11.7	Public
• ADP I HOLDING 2	180 484	8.4	180 484	8.4	Public
• Allan Grey	88 763	4.1	108 843	5.1	Public
• Investec	66 163	3.1	74 356	3.5	Public
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd – Kuwait Investment Authority	47 870	2.2	49 440	2.3	Public
• Business Doctor Investment Limited	47 684	2.2	–	–	Public
• The Bank of New York Mellon	44 480	2.1	52 964	2.5	Public
• Anadkat	39 885	1.9	–	–	Public
	1 681 083	78.4	1 599 581	74.6	
Other corporate entities, nominees and trusts and individuals	448 391	20.9	525 410	24.5	Public
Treasury shares	14 571	0.7	19 054	0.9	Public
Total	**2 144 045**	**100.0**	**2 144 045**	**100.0**	

Directors' shareholdings	31 December 2020 Shares held Number ('000)	%	31 December 2019 Shares held Number ('000)	%
*Colm Patterson	–	–	3 986	0.2
Hannington Karuhanga	29	0.0	29	0.0
	29	**0.0**	**4 015**	**0.2**

* Colm Patterson the Group Chief Financial Officer resigned from the Board on 2 March 2019.

Criteria:

Public

Any shareholding less than 10%; or

(i) A pension fund regulated by NBFIRA
(ii) an entity established under the Collective Investment Undertakings Act or any other listed investment fund regulated by NBFIRA; or
(iii) a registered holder of securities which are the subject of an Exchange Traded Fund or depository receipt programme listed on the Botswana Stock Exchange.

The exemptions above will only be valid provided such entities do no 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 shares; any party acting in concert with the parties set out above.

Our Employees

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	STAKEHOLDER NEEDS	OUR RESPONSE	ADAPTING TO A COVID-19 ENVIRONMENT
› Online meetings and virtual sessions › Email Updates › Group "townhalls" › Country "townhalls" › Intranet › Leadership and Training sessions › Employee Engagement Events › Employee Performance Management › Volunteering › Team Building	› Fair and just treatment › Defined performance expectations › Clear communication › Training, skills development and talent management › Recognition and rewards › Career progression and growth opportunities › Enabling environment and culture, › Consistent interpretation and application of policies and processes › Empowerment	› A Learning and Development Strategic Skills Framework › Enhancing skills and capabilities in working in a matrix organisational structure › Team building and culture sessions › Long service awards assist in improving level of staff engagement › Communication framework › Delegation of Authority › Employee engagement survey	› Continuous communication, education and awareness of Covid 19 Protocols, as well as ensuring the utilisation of the ICAS programme, which includes counselling › Covered under Remote working policy and protocols › Corona Crisis Management Framework and Committee › Virtual learning and development delivery › No deviation in remuneration during lockdown periods › Infection risk minimisation through remote working policy and protocols

Investors and Funders

WHY WE ENGAGE

Our investors and lenders 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	STAKEHOLDER NEEDS	OUR RESPONSE	ADAPTING TO A COVID-19 ENVIRONMENT
› Financial Results and Releases › Investor and Funder Updates › Engagement Events › Integrated Annual Reports › Impact Reports › Website Updates	› Consistent financial performance and dividend payments › Consistent growth in asset value › Long-term stability › Sound governance › Regular reporting and disclosure	› Sound business strategies aimed at delivering growth and value › Proactive balance sheet management and capital optimisation › Strong liquidity ratios in all our markets › Strong corporate governance structures › Formal report back at the Annual General Meeting	› Clearly communicating our strategy › Maintaining a focus on credit, liquidity and capital management › Driving digital adoption to minimise business disruptions.

Governments and Regulators

WHY WE ENGAGE

Governments are a key stakeholder, enabling Letshego to provide appropriate financial solutions that support national mandates to increase financial inclusion. 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	STAKEHOLDER NEEDS	OUR RESPONSE	ADAPTING TO A COVID-19 ENVIRONMENT
› Government Relations Framework › Regulatory updates and reporting › Financial results and releases › Shareholder and Stock Exchange Notices › Investor and funder updates › Engagement events › Integrated Annual Reports › Impact Reports › Website updates › Annual General Meetings	› Compliance › Capital adequacy and liquidity › Risk and cybercrime management	› Being a responsible taxpayer in all jurisdictions where we conduct business. › Compliance with all legal and regulatory requirements. › Active participation and contribution to industry and regulatory working groups	› We have complied with all government regulations in response to the Covid-19 pandemic.

SUSTAINABILITY REVIEW continued

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	STAKEHOLDER NEEDS	OUR RESPONSE	ADAPTING TO A COVID-19 ENVIRONMENT
› Financial reporting › Shareholder and Stock Exchange announcements › Annual Integrated Reporting › Impact Reporting	› Alignment of individual strategies and objectives › Maximising benefits to stakeholders › Extending market reach	› We ensure both parties are able to maximise synergies when selecting partnerships › We select partners that are aligned to our key objectives of providing simple, affordable and easy to operate solutions to our customers, with a fast rollout ability. › We seek to share services with complimentary customer segments to maximise benefits to both our own and our partners customers › 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 and is mutually beneficial to both parties.	› At the outset of invoking our business continuity plans, we engaged key suppliers and partners to align our plans and co-create a supply chain business continuity plan. › Letshego's internal health and safety protocols have also been extended to onsite suppliers and contractors.

Our communities

WHY WE ENGAGE

We believe that thriving communities enable businesses to succeed. We engage to understand societal needs and to further align our business to meeting these needs. Communities gain indirect benefits from our operations, through which we seek to improve the lives of our customers on a sustainable basis.

HOW WE ENGAGE	STAKEHOLDER NEEDS	OUR RESPONSE	ADAPTING TO A COVID-19 ENVIRONMENT
› Open dialogue › Interaction › Consumer education › Corporate Social Investment initiatives	› Social investment › Community upliftment/ financial education/ inclusion › Outbreak of the Covid-19 pandemic and its effects, remote schooling, access to data, food	› We have supported Covid relief efforts in all the countries in which the Group operates	

SUSTAINABILITY REVIEW continued

Green solutions in Ghana

Environmentally friendly refrigerators and air conditioners will soon be widely accessible in Ghana through Green On-wage financing implemented by the ECOWAS Refrigerators and Air Conditioners Initiative in collaboration with Letshego and other banks.

The ECOWAS Refrigerators and Air Conditioners Initiative (ECOFRIDGES) is a joint program by the United Nations Environment Programme's United for Efficiency (UNEP U4E) initiative and the governments of Ghana and Senegal through the Energy Commission in collaboration with regional and local partners to accelerate adoption of energy-efficient and climate-friendly domestic refrigerators and room air conditioners in the residential sector. A cornerstone of ECOFRIDGES is a financial mechanism to ensure these cooling products are affordable.

Through the innovative ECOFRIDGES Green On-Wage (GO) financial mechanism, local financial institutions aim to unlock USD5 million in financing to support the purchase of well over 10 000 cooling appliances to replace old existing equipment by 2022.

Letshego will offer a credit to finance the up-front cost of a qualifying appliance purchased by eligible customers from participating vendors.

Approved vendors will deliver new domestic refrigerators and room air conditioners and facilitate the collection and disposal of old products that are being replaced. Customers can receive a voucher to turn-in used but operational cooling equipment that is valid for future use at vendor stores.

ECOFRIDGES GO will help consumers readily access cooling products that are cheaper to own and operate over their lifetimes than models using outdated technology. It offers a triple win – benefitting consumers, reducing strain on Ghana's electrical grid, and mitigating key environmental impacts.

As a business we are continually seeking ways to improve the lives of Ghanaians through simple, appropriate and accessible financial solutions. The ***ECOFRIDGES*** *solution will impact the lives of many Ghanaians as it ensures savings on electricity bills to households. Our interest to partner on delivering this solution to Ghanaians underpins our vision to impact lives and the environment as a whole.*

Education support in Botswana

Letshego offers mentorship opportunities to innovators

Letshego Holdings Limited has collaborated with Botswana Innovation Hub to host a pitch day where eight innovators showcased their works for potential future mentorship and support. The event enabled Letshego to scout the top three innovative solutions, thereafter offering support and mentoring opportunities to transform the entrepreneur's future growth potential into a reality.

With Letshego's sponsorship, the pitch day provided eight startup innovators from Botswana Innovation Hub portfolio a platform to pitch their business ideas to a panel of judges, comprising select executives from Letshego's regional markets.

After hearing all the eight innovative pitches, the panel of judges commended the entrepreneurs on their outstanding submissions and creative concepts.

The winning solutions will work with partners to manage subsequent development of the proof of concepts. This will include innovation sprint sessions and hackathons, leveraging Botswana Innovation Hub's tried and tested innovation management framework to either support Letshego directly, or the economies and communities where Letshego operates across Africa.

In our journey to create a world-class retail financial services organisation, Letshego remains committed to developing a relentless innovation culture. We aim to achieve this by leveraging digital innovation, strategic partnerships and eco-system thinking to enhance customer experience and increase access to simple and appropriate financial solutions for emerging market consumers across the Group's 11-country footprint.

The top three solutions included Kwiky, a business to business to consumer solution that facilitates access to financial services for the underbanked by accessing mobile phone and mobile wallet transaction data and Diamond Digital, a free online and offline instant identification to support the financial services sector. The other was PCG software – a digital solutions firm specialising in tailor-made mobile development and web-based projects.

1

POSITION 1:

Kwiky represented by Titose Chembezi – Awarded P30 000 Prize Money

Kwiky is a B2B2C solution that facilitates access to financial services for the unbanked by mining mobile phone and mobile wallet transaction data from various data points including parastatals, research agencies, through onboarding KYC documentation to integrate with its unique credit risk model for identity, origination, payments, loan lifecycle management, and customer service. Users can apply for credit using the App, WhatsApp/Messenger, Chatbot or USSD in low internet connectivity regions. This alternative credit scored profile funds the user's wallet enabling them to make purchases and make loan repayments on the mobile wallet.

2

POSITION 2:

Digital Diamond represented by Mthabisi Bokete – Awarded P15 000 Prize Money

Digital Diamond is a free online and offline instant identification application that does not need to be downloaded. The App stores valid user data to enable the users to rapidly complete logbook, registers, forms and KYC applications at the tap of a button. Additionally, a 6-character number and QR code is generated for users.

3

POSITION 3:

PCG Software represented by Letsibogo Ramadi – Awarded P10 000 Prize Money

PCG Software is a digital solutions firm specialising in tailor-made mobile development and web-based projects. PCG Software has developed 'Mogwebi CyberPlaza' – a virtual networking and trade platform that connects businesses to an unlimited online audience for business continuity as we manage through the Covid-19 pandemic. Mogwebi CyberPlaza enables virtual events, trade fairs and business expositions to operate online thereby, allowing organisers and participants to adhere to the required social distancing precautions and protocols.

These innovations will trickle down to Letshego's various markets as part of our efforts to cater for ever growing consumer demand for better digital banking experiences. The evident consumer migration to digital channels for financial services has led to a surge in new banking technologies that are reinventing the banking industry, making digitisation of our operations across the Letshego eco-system a key priority.

SUSTAINABILITY REVIEW continued

MEASURING OUR SOCIAL IMPACT

REALISING FINANCIAL INCLUSION

Over time, Letshego's competitive edge – its DNA – has been its ability to deliver simple, appropriate and accessible solutions to those who are typically excluded or under-served financially, in a responsive, inclusive and ethical manner. Letshego's promise remains committed, clear and consistent – and that is to Improve Life while promoting growth and diversity. We continue to invest in expanding our African footprint through our people, our technology and the digital delivery platforms we create. Increasing the use of digital and mobile engagement channels will reduce the costs associated with providing people access to financial solutions.

Letshego's financial inclusion strategy is about increasing access of financial solutions to more customers. During 2020, the focus was on increasing our portfolio of solutions, as well as driving alternative transactional channels.

OUR ESG JOURNEY

	ESG FRAMEWORK DEVELOPMENT	SOCIAL IMPACT SURVEY – KYC	ESG REPORTING
2016	Launched Letshego's Social impact scorecard statistical analysis of data undertaken to inform poor loan book performance and develop a social scored	First in-depth social survey 5 markets	Launched journey towards achieving global standards in Annual Integrated reporting
2017		Mini Poll undertaken to verity initial observations across 10 Countries of Operation (Excluding Rwanda)	Annual Report Evo2 GRI Alignment 6 capitals model **2017 PWC award for integrated reporting**
2018	First draft of ESG manual	Second deep dive customer survey conducted in 10 markets (Excl Rwanda)	Annual Report Evo3 Social impact criteria added
2019	Updated Group ESG manual with organisational changes	Added question on product efficacy, established social indicator correlation to NPLs	Annual Report Evo3 First impact report publish
2020	Updated Group ESG manual with new organisational structure country ESG manuals established ESG data dashboard by function	Establish partnership with internationally acclaimed research entity '60 Decibels' 60 Decibels to conduct next deep dive customer social survey in 2021	Annual Report Evo4 **2020 PWC award for integrated reporting**
2021	Launch ESG training for all staff; country ESG champs; operationalise ESG framework commence automation of ESG data tracking and reporting	11 countries First survey to include MFI and Climate Modules	Annual report Evo5 Impacts report II Social impact survey

OUR APPROACH

When we speak of measuring our impact, we are speaking of providing evidence that our activities provide real and tangible benefits in our communities. Our impact measurement activities feed into our learnings and organisational practices, enhancing our ability to identify the opportunities, constraints, impacts and social risks associated with our policies, product design, implementation and management. In addition, it assists us in framing our impact discussions with our stakeholders.

Letshego is well placed to make a positive contribution to a number of key United Nation's Sustainable Development Goals (SDGs). Financial inclusion can contribute to reduction in poverty and inequality, as well as increases in economic growth and employment. When financial solutions are targeted at social outcomes, impacts can be seen in areas of increased access to education and health care, reduction in hunger and the improvement of environment conditions. These outcomes will be tracked against various SDGs.

Goals relating to society (SDG 2, SDG 3, SDG 4, and SDG 11), are aligned to our financial inclusion mandate, with our solution offerings targeted at agriculture, education, health care, and provision of affordable housing. Economic growth goals (SDG 8, SDG 9, and SDG 10) further align to our Micro and Small Entrepreneur (MSE) solution offerings, with goals relating to gender (SDG 5) and partnerships (SDG 17) forming part and parcel of our strategy to further financial inclusion.

According to the African Development Bank, 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. Also, people included in the financial system are able to improve their economic situations by investing in their health and education. They can make short- and long-term payments, smooth out their consumption patterns, manage risks, and cope with shocks such as emergencies and large, unexpected expenses. Financial inclusion makes it easier for people to manage financial emergencies (such as job losses or crop failures) that would otherwise impoverish families.

Increasing access to agriculture finance can improve agricultural productivity, which in turn, enables better remuneration, and raised living conditions. These investments can also help to reduce pressure on scarce natural resources.

When compared to people who live in urban areas, those living in rural areas are underserved and reflect lower socio-economic development on average. They also tend to have higher poverty rates, lower levels of employment, lower levels of education, and more limited access to a myriad of opportunities for economic improvement. Studies have shown that expansion into underserved markets can increase the chances of having a bank account and securing a loan. Letshego has developed innovative financial solutions, to empower rural customers to start and/or improve the financial performance of their businesses, with the ultimate aim of improving their income levels.

An increase in new businesses, run by low income entrepreneurs, is associated with improvements in access to financial services. Some studies have shown that credit availability can influence the profitability of entrepreneurship by as much as 8.5%.

The provision of finance for agricultural purposes can have positive effects on production, with some studies reflecting increases in output of up to 8% and improvement in earnings (daily wages) by 9–16%. In addition, food consumption also increased, with households being 11% less likely to run out of food.

Access to financial services can have a positive effect on social outcomes such as education, with some reports indicating an increase of up to 20% on education spend in households that have opened free bank accounts. There are also positive effects on spending on food. 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) of female vendors who gained access to an account increased by 13% and 38% respectively. Lastly, a study in Kenya found that giving people a safe place to store money increased health spending by 66%.

IMPACT AGRI BUSINESS

Investing in the agricultural sector can address not only hunger and malnutrition but also other challenges including poverty, health, water and energy use, climate change and unsustainable production and consumption. During 2020, we disbursed loans to the agricultural sector to the value of P618 million. This financial injection into the sector catalyses increased yields for farmers, increased indirect spin-off economic activities and associated jobs.

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

SIZE OF PORTFOLIO

- P618 million in 2020
- 74% female customers
- 26% male customers

HOW IT IS MEASURED

- 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

OUR CONTRIBUTION

- P760 million in additional economic spin off
- Close to 79 353 indirect jobs supported

IMPACT EDUCATION

Education is a fundamental human right and is indispensable for the achievement of sustainable development. Investment in education has positive impacts related to income, economic growth and poverty reduction. Also, educational investment supports developmental outcomes such as health, fertility, women's empowerment, risk management, individual and community resilience, civic engagement and increased tolerance.

EDUCATION DEFINED

Making use of loans to further education

PRODUCTIVE LOAN USE DEFINED

> Funding used for secondary or tertiary education

SIZE OF PORTFOLIO

> 29% of our Customer Base
> P2.99 billion in 2020

HOW IT IS MEASURED

> Impact of one year of tertiary education on income is 20.2%
> Impact of one year of secondary education on income is 17.7%

OUR CONTRIBUTION

> Secondary Education
> P10 877 increase in earning potential per pupil
> Tertiary Education P12 413 increase in earning potential per pupil
> Total projected increase in earning potential
> P1.9 Billion
> About 161 304 students.

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

IMPACT MICRO AND SMALL BUSINESSES

MSE accounts for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% o employment worldwide. Formal MSEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal MSEs are included. In emerging markets, most formal jobs are generated by MSEs, which create 7 out of 10 jobs. However, access to finance is a key constraint to MSE growth, it is the second most cited obstacle facing MSEs to grow their businesses in emerging markets and developing countries.

MSE DEFINED

Micro and small enterprises

PRODUCTIVE LOAN USE DEFINED

Starting or growing a business, this may include the use of funds for primary inputs, the upgrading of infrastructure, or the purchase of land or premises.

SIZE OF PORTFOLIO

> 22% of the loan book is estimated to be used for this purpose.
> This quates to P2 Billion disbursed for this purpose

HOW IT IS MEASURED

> Every US$ 1 invested in MSEs generates on average an additional US$ 12 in the economy.
> Of the US$ 12 more than 41% benefits those outside the enterprise.

OUR CONTRIBUTION

> P24 Billion in direct economic stimulus
> P10 Billion indirect economic stimulus

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
17 PARTNERSHIPS FOR THE GOALS

IMPACT HOUSEHOLD CONSUMPTION

With rapid economic development and urbanisation, household consumption plays an important role in the economic growth of a nation. Consumer spending is what households buy to fulfil everyday needs. This private consumption includes both goods and services – the things we buy that creates the demand that keeps companies profitable and hiring new workers. The economy benefits when most of the gain goes toward low-income families. They must spend a more significant share of each dollar on necessities until they reach a living wage. The economy doesn't benefit as much when increases go toward high-income earners. They are more likely to save or invest additional income instead of spending.

HOUSEHOLD CONSUMPTION DEFINED

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.

PRODUCTIVE LOAN USE DEFINED

Loan contributing to household consumption

SIZE OF PORTFOLIO

- P10.2 billion
- Female customers 37%
- Male customers 63%

HOW IT IS MEASURED

Household consumption expenditure increases US$0.22 for every additional US$1.22 borrowed by women from credit programmes, compared with US$ 0.13 for men

OUR CONTRIBUTION

- P687.2 million was utilised productively by women in the home, as compared to P691.4 million by men.
- Aggregated loans issued to men was P6.5 billion and P3.8 billion to women

IMPACT HOUSING FINANCE

Housing has profound benefits on the health and well-being and empowering of middle- and lower income households, strengthening communities through the provision of services. Adequate accommodation increases the performance of school children, enhancing access to quality education. Access to clean water and sanitation is ensured at the household level through delivery of well build, affordable housing.

Increased access to finance for affordable housing builds economic infrastructure supporting a productive housing market for all. This contributes to inclusive growth, by building asset wealth, facilitating job creation, equitable economic growth, reduced levels of poverty and improved living conditions. Provision of finance for housing promotes equal rights to economic resources, including ownership and control over land. Overall, it reduces levels of inequality in society since it supports gender equality, skills enhancement, income generation, increased levels of security, health, self-confidence and human dignity. Housing is a productive investment which can shift credit usage away from consumption, increasing income-earning through home-based enterprises. A functioning housing market further enables municipal revenue collection, supporting sustainable cities.

HOUSEHOLD CONSUMPTION DEFINED

Individuals looking to purchase or build a home

PRODUCTIVE LOAN USE DEFINED

Home improvements or purchasing land. The building or purchasing of a home.

SIZE OF PORTFOLIO

- P2 Billion was loaned for this purpose in 2020
- 18% of borrowers make use of funds for this purpose
- Both DAS customers use loans for this purpose as well as individuals applying for bespoke housing products in certain geographies when offered (Nigeria, Tanzania, Uganda and Kenya).

HOW IT IS MEASURED

- The provision of housing or improvement in the provision of housing has a direct impact on per capita GDP as well as GDP.
- Every US$ 100 spent on housing finance activities in Africa, US$36.50 are added to per capita
- US$225 are added to GDP.

OUR CONTRIBUTION

- In 2020, this equated to a GDP per capital increase of P670 million when assessed across all customers and P61 million across the 4 countries with a specific housing product.
- This is a 15% increase from the previous year.
- Contribution to GDP equates to P4 Billion when assessing all customers and P375 million across the 4 countries with a specific housing product offering.

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

LOOKING AHEAD

The Covid-19 pandemic is projected to cause per capita incomes to decline by 0.2% in 2021, setting Sustainable Development Goals (SDGs) further out of reach in many countries.

We believe that we are on the right track, and the recognition and support that we have received from our stakeholders and partners, both local and international is testament to that fact. As we continue our transformational journey, we will continue to improve on the measurement of our impact.

We are aware of areas where we can improve our impact measurement and are already in the process of implementing such measures. These include enhanced customer tracking, and better integration of social data into our reporting processes. As we further segment our portfolios, we will improve our tracking of the impact of individual initiatives, such as the effect our financial literacy training is having on the financial behaviours of our customers.

While avoiding survey fatigue for both our customers and staff, we will continue to engage more with our customers, and develop greater insights into how our solutions have changed their lives.

OUR LEADERSHIP

GROUP BOARD OF DIRECTORS

ENOS BANDA (55)

Chairman and Independent Non-executive Director

Appointed 2016

LL.M, D.Jur, BA Financial Accounting

Committee memberships

Chairman of the Group Governance and Nominations Committee (GGNC)

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.

Nationality: South Africa
Residence: USA
Shareholding: None

STEPHEN PRICE (69)

Independent Non-executive Director

Appointed 2013

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

Committee memberships

Chairman of the Group Audit Committee (GAC)

Member of the Group Risk, Social and Ethics Committee (GRSEC)

Member of the Group Strategy and Investment Committee (GSIC)

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.

Nationality: United Kingdom
Residence: UAE
Shareholding: None

DR. GLORIA SOMOLEKAE (62)

Independent Non-Executive Director

Appointed 2016

BA, MA Public Policy and Administration,
PhD in Public Administration

Committee memberships

Chairman of the Group Remuneration Committee (GRemCo)
Member of the Group Audit Committee (GAC)
Member of the Group Governance and Nominations Committee (GGNC)

Gloria is currently the head of Governance and Administration (senior research fellow) at the Botswana 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.

Nationality: Botswana
Residence: Botswana
Shareholding: None

RUNA ALAM (61)

Non-Executive Director

Appointed 2018

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

Committee memberships

Member of the Group Remuneration Committee
Member of the Group Risk, Social and Ethics Committee

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.

Nationality: United Kingdom
Residence: United Kingdom
Shareholding: None

OUR LEADERSHIP continued

GROUP BOARD OF DIRECTORS

HANNINGTON R. KARUHANGA (62)

Independent Non-Executive Director

Appointed 2013

BA (Hons), MBA

Committee memberships

Chairman of the Group Strategy and Investment Committee (GSIC)

Member of the Group Audit Committee (GAC)

Member of the Group Remuneration Committee (GRemCo)

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.

Nationality: Uganda
Residence: Uganda
Shareholding: 28 987

ABIODUN ODUBOLA (61)

Independent Non-Executive Director

Appointed 2019

BSc Agricultural Economics; MBA

Committee memberships

Chairman of the Group Risk, Social and Ethics Committee (GRSEC)

Member of the Group Remuneration Committee (GRemCo)

Member of the Group Audit Committee (GAC)

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.

Nationality: Nigeria
Residence: Nigeria
Shareholding: None

GERRIT LODEWYK VAN HEERDE (53)

Non-Executive Director

Appointed 2014

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

Committee memberships

Member of Group Risk, Social and Ethics Committee (GRSEC)

Member of Group Strategy and Investment Committee (GSIC)

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.

Nationality: South Africa
Residence: South Africa
Shareholding: None

PHILIP ODERA (62)

Independent Non-Executive Director

Appointed 2019

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

Committee memberships

Member of the Group Audit Committee (GAC)

Member of the Group Governance and Nominations Committee (GGNC)

Member of Group Strategy and Investment Committee (GSIC)

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.

Nationality: Kenya
Residence: Kenya
Shareholding: None

OUR LEADERSHIP continued

GROUP BOARD OF DIRECTORS

CATHERINE LESETEDI (53)

Non-Executive Director

Appointed 2017

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

Committee memberships

Member of Group Governance and Nominations Committee (GGNC)

Member of the Group Remuneration Committee (GRemCo)

Catherine is the Group Chief Executive 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.

Nationality: Botswana
Residence: Botswana
Shareholding: None

RONALD HOEKMAN (57)

Independent Non-Executive Director

Appointed 2020

Diploma, Dutch Banking Institute (IBE)

Committee memberships

Member of Group Risk, Social and Ethics Committee (GRSEC)

Member of the Group Governance and Nominations Committee (GGNC)

Member of the Group Strategy and Investment Committee (GSIC)

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.

Nationality: Netherlands
Residence: Czech Republic
Shareholding: None

ANDREW FENING OKAI (53)

Executive Director

Appointed 2020

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

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.

Nationality: Ghana
Residence: Botswana
Shareholding: None

GWEN TINOTENDA MUTEIWA (46)

Executive Director

Appointed 2020

B Comm Accounting, Hons Compt (Accounting), Chartered Accountant (Zimbabwe & Botswana) MBA Steinbeis University, Germany

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.

Nationality: Zimbabwe
Residence: Botswana
Shareholding: None

OUR LEADERSHIP continued

GROUP EXECUTIVE COMMITTEE

ANDREW FENING OKAI

Group Chief Executive

- All members of the executive committee report to the GCE

GWEN MUTEIWA

Group Chief Financial Officer

- Financial Strategy
- Tax Management
- Financial and Regulatory Reporting
- Financial Control
- Treasury
- 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 Chief Corporate Development Officer

- Partnerships
- Mergers and Acquisitions
- Strategic Projects
- Government and Strategic Relationships

NKOSANA NDLOVU

Group Chief Internal Auditor

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

FERGUS FERGUSON

Botswana CEO and Regional Head Eswatini and Lesotho

- Botswana
- Lesotho
- Eswatini

CHIPILIRO KATUNDU

Group Chief Product Officer

- Consumer Finance
- Savings and Deposits
- Payments and Remittances
- Insurance
- Distribution
- MSE

RICHARD OCHIENG

Group Chief Risk Officer

- Enterprise Risk Management
- Credit Risk
- Business & Market Risk
- Operational Risk
- Fraud Risk

KAMOGELO CHIUSIWA

Group Chief People and Culture Officer

- People and Culture Transformation
- Organisational Effectiveness
- Talent Sourcing and International Mobility
- Employee Relations and Wellness
- Learning and Development

Group Chief Digital Officer

- Analytics
- Data Strategy
- Digital Product Management
- Digital Design
- Engineering
- Agile Coaching

Group General Counsel & Chief Compliance Officer

- Legal Risk
- Governance Framework
- Compliance Framework
- Financial Crime

Group Chief Marketing & Communication Officer

- Customer Experience
- Marketing Strategy
- Corporate Affairs & Strategic Comms
- Customer Insights
- Digital Marketing
- Innovation
- Investor Relations

Regional Business Head East & West

- Kenya
- Tanzania
- Uganda
- Rwanda
- Ghana
- Nigeria

OUR LEADERSHIP continued

COUNTRY CEOS

FERGUS FERGUSON

Botswana
Nationality: Botswana
Residence: Botswana

ESTER KALI

Namibia
Nationality: Namibia
Residence: Namibia

CARLOS NHAMAHANGO

Mozambique
Nationality: Mozambique
Residence: Mozambique

MONGI DLAMINI

Eswatini
Nationality: Eswatini
Residence: Eswatini

DIMAKATSO POLOKELO

Lesotho
Nationality: Botswana
Residence: Lesotho

ADAM KASAINE

Kenya
Nationality: Kenya
Residence: Kenya

GILES AIJUKWE*

Uganda
Nationality: Uganda
Residence: Uganda

BARAKA MUNISI

Tanzania – Faidika
Nationality: Tanzania
Residence: Tanzania

ANDREW TARIMO*

Tanzania – Letshego Bank
Nationality: Tanzania
Residence: Tanzania

BENJAMIN MUKETHA*

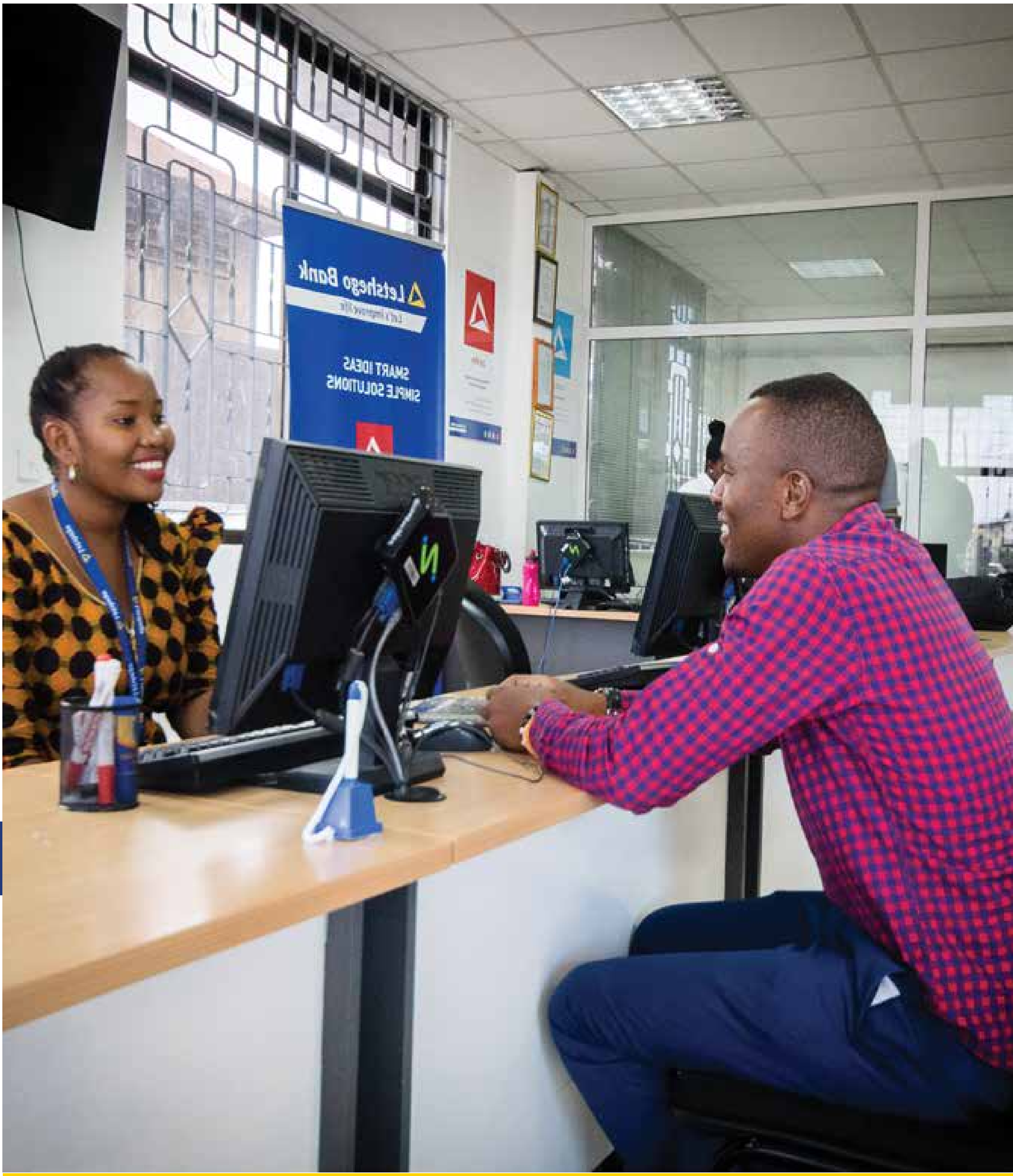
Rwanda
Nationality: Kenya
Residence: Rwanda

ARNOLD PARKER

Ghana
Nationality: Ghana
Residence: Ghana

TOLULOPE OPAYINKA

Nigeria
Nationality: Nigeria
Residence: Nigeria


Letshego Bank
SMART IDEAS
SIMPLE SOLUTIONS

OUR APPROACH TO GOOD GOVERNANCE

The Letshego Group Board oversees a group of companies that operate across 11 African countries. Its role includes safeguarding our brand promise, while ensuring that the Group continues to create value for generations to come.

The Board, in executing its fiduciary duties, among other things, remains the accountable custodian of corporate governance. It is committed to ensuring, collectively and individually, that sound governance principles are fully integrated into all aspects of the business.

As a result, Letshego Group's policies, processes and procedures are controlled and executed according to a structured and formal system. This encompasses managing the expectations of the Group's various stakeholders. These interest groups include those stakeholders who are affected by our business, those who could potentially influence how we conduct business, and those stakeholders who have an interest in the Group's actions and how these are being performed.

The Letshego Group remain committed to open and transparent disclosure regarding not only out strategy, but our governance principles and practices.

ORGANISATIONAL ETHICS

Over the past few decades, investment in microfinance has increased from a business perspective due to its potential for extraordinary return on investment.

Our purpose is to improve lives. Ethical leadership is paramount as it forms the basis for clients' and key stakeholders' trust in the Group.

The Board is committed to achieving the Group's strategy with integrity, high ethical standards and in compliance with all applicable laws, while being a responsible corporate citizen.

Our business philosophy – or Group 'uniqueness' describes how the Group acts and conducts its business as a unified brand across multiple subsidiaries and jurisdictions. Our brand character is underpinned by our:

- Vision and values
- Agile and flexible culture
- Innovative and solution orientated approach
- Strong ties with business partners
- Customer Centricity
- Business responsibility

Ethics and Business Conduct

The Board is guided by the following set of ethics and business conduct principles, as outlined in Letshego's Board Charter:

- Letshego's values
- Full compliance with all applicable local and international legislation as well as regulatory requirements
- Commitment to maintaining and fostering and inclusive, empowering employee culture and working environment
- Protect the intellectual property, information and data of our business, systems and strategy
- Protect and maintain the best interests of Letshego's stakeholders
- Proactively identify, manage and mitigate possible, emerging, actual or perceived conflicts or interests
- Celebrate and leverage ongoing innovation, development, commitment and success
- Empower and encourage its people and stakeholders to report any unlawful conduct

The directors are fully committed to these principles, which ensures that the business is managed according to the highest ethical standards, even beyond mere legal compliance, within its operating environment, as well as social, political and physical environment.

☎ An ethics hot line is in place and is monitored by an independent source (Delloite).

Governance in all markets

To support and develop mature governance and ethics structures and processes in all the markets where Letshego operates, all companies across the Group are expected to adhere to and confirm compliance with Letshego's governance principles.

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
- Commitment to Group strategy and brand promise

Subsidiary Boards provide 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.

In addition, the Group continuously reviews and assesses the maturity of the risk management processes across the Group. There continues to be a strong focus on increasing the awareness, capacity and knowledge among Group entities.

Training and awareness

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 anti-bribery, 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
- Are aware of the tools available to them to report any unethical behaviour or suspected fraud, through our whistleblowing programme.

GOOD GOVERNANCE CRITERIA AND EXTERNAL GUIDELINES

As the custodian of governance, the Board is ultimately responsible for ensuring there is effective control within the business. The Board ensures effective control through a number of mechanisms, including:

Commitment to the governance principles set out in King IV™

The Board remains committed to the principles of King IV™ and ensures that its recommendations are materially entrenched into the Board's internal controls, policies, terms of reference and overall procedures and processes. A King IV™ Application Register, setting out how the company has applied the principles of King IV™, is available on page 139 of this report.

The outcomes of applying the 16 principles and many recommended practices of King IV during 2020 include transferring the Social and Ethics mandate from the Group Governance, Nominations, Social and Ethics Committee to the Group Risk Committee. This resulted in the committees being renamed to Group Governance and Nominations Committee and Group Risk, Social and Ethics Committee respectively.

The Board Charter

The roles and responsibilities of the Board and individual directors are set out in the Board Charter which is aligned with the provisions of relevant statutory and regulatory requirements and is reviewed on an annual basis.

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

Governance structures and delegation

The company's governance structure provides for delegation of authority, while enabling the Board to retain effective control. Such structures similarly support and enable the informed oversight exercised by the Board. The Board delegates authority to established Board committees, as well as the Chief Executive, with clearly defined mandates.

Compliance with applicable laws, regulations and governance practices

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.

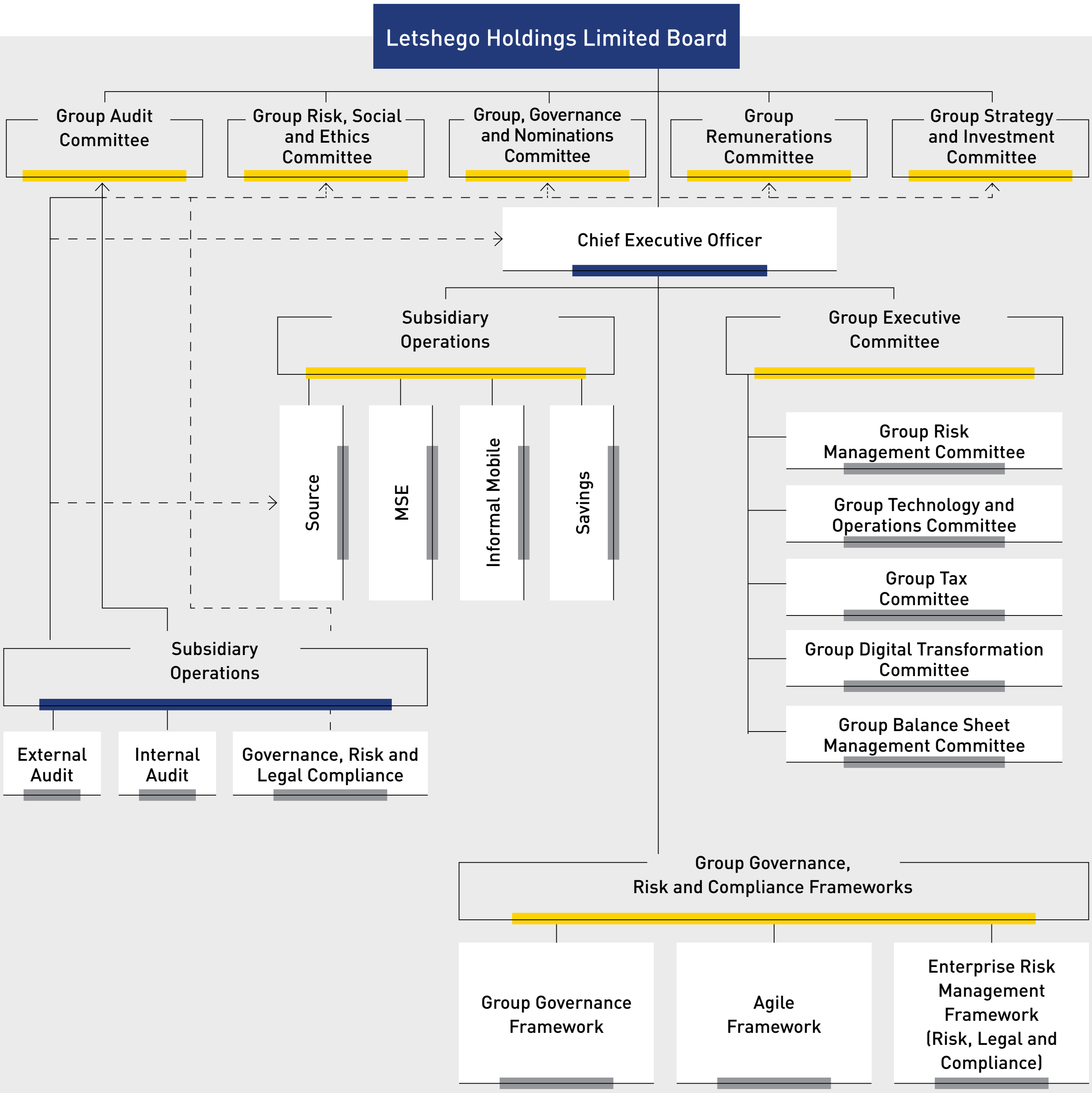
The decisions and actions taken by the Board ensures that the company subscribes to full compliance with applicable laws, regulations and governance practices. This function is delegated to the Group Risk Management Committee. During the financial year, the company was fully compliant with the requirements of the Debt Listing requirements of the Johannesburg Stock Exchange (JSE) and the Botswana Stock Exchange (BSE) except for the late submissions of the 2019 AGM results, and a BSE application for a listed Note.

THE BOARD AND COMMITTEES continued

Our Board plays a pivotal role in creating and protecting value by approving strategy, setting policy, ensuring capital prudence, and overseeing the Group's governance frameworks and control environment. Governance, risk and operational discussions are founded in strategic consideration and interrogation. The Board applies its diverse and relevant mix of skills and knowledge to deliberations and constructively challenges and holds executive management to account.

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.

GOVERNANCE REPORTING STRUCTURE



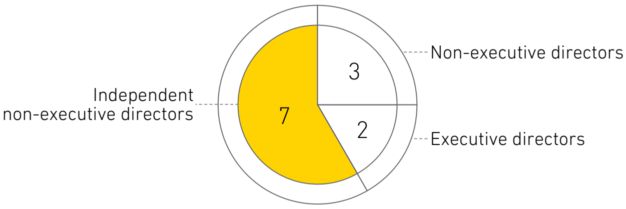
BOARD COMPOSITION

Changes in Board composition

There were several changes to the Board during 2020 and subsequent to the year-end as follows:

- 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 PROFILE

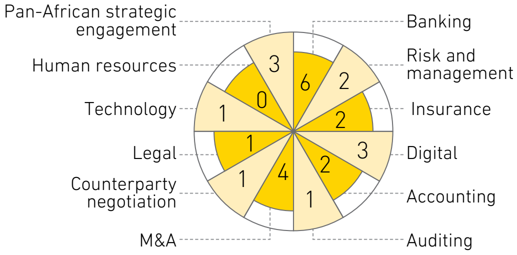


The independence of directors is reviewed annually.

2020 BOARD OPINION

Board composition is sufficiently independent to ensure diverse mind-sets and opinions. The Board Chair, Mr Enos Banda, is independent and free from any conflicts of interest.

SKILL

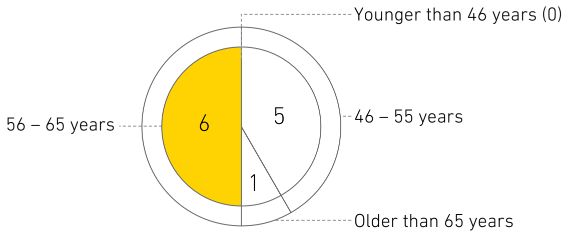


Where gaps in knowledge or skills are identified, directors are provided with development training and/or new appointments are made. The Board has access to subject matter experts for matters requiring specialised guidance.

2020 BOARD OPINION

The Board skills mix is appropriately aligned to the Group's strategy and operating environment.

AGE



We strive for a balance on experience and institutional memory with youthful energy and fresh insight. The Board addresses succession planning and ensures that skillsets are retained following the retirement of members.

2020 BOARD OPINION

Board succession plans are adequate, including the interim measures in the event of an unforeseen loss of expertise or COVID-19 infection.

THE BOARD AND COMMITTEES continued

DIVERSITY

Nationalities represented: Botswana, Ghana, Kenya, Nigeria, South Africa, The Netherlands, Uganda, United Kingdom and Zimbabwe	9
Women representation	33%

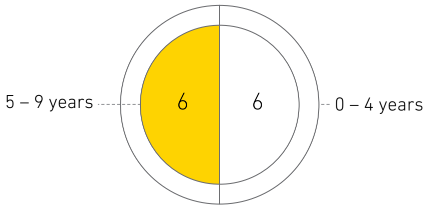
The Board ensures a formal and transparent appointment process with a focus on skills, experience, gender equality, and broader diversity.

2020 BOARD OPINION

The requirements of the Board appointment policy have been met and exceeded.

As Board Members retire, the Board is making further progress on the appointment of new Directors in support of our gender and diversity policy.

TENURE



The Group Governance and Nominations Committee recommends on all new Board appointments and directors who are retiring by rotation, for re-election.

2020 BOARD OPINION

There are no relationships or circumstances likely to affect, or which appear to affect the judgement of Dr Gloria Somolekae, Stephen Price and Gerrit van Heerde as directors who are retiring by rotation at the AGM in 2021. In line with King IV recommended practice, the independence of the Board Chair will be reviewed in 2021.

LEADERSHIP ROLES AND FUNCTIONS

Non-executive directors (NEDs)

All members of the Board have a fiduciary responsibility to represent the best interest of the Group and all of its stakeholders. The Group's non-executive directors are individuals of a high calibre and credibility who make a significant contribution to the Board's deliberations and decisions. They have the necessary skills and experience to exercise judgement on areas such as strategy, performance, transformation, diversity and employment equity.

The Chairman

The Chairman's role is to set the ethical tone for the Board and to ensure that the Board remains efficient, focused and operates as a unit. Enos Banda is an independent, non-executive Chairman and his role is separate from that of the Group Chief Executive, Andrew Okai.

Enos Banda provides overall leadership to the Board and the Chief Executive without limiting the principle of collective responsibility for Board decisions.

Chief Executive

The Board appoints the Chief Executive to lead and implement the execution of the approved strategy. Andrew Okai, supported by the Group's Chief Financial Officer, Gwen Muteiwa, serves as the link between management and the Board and is accountable to the Board. The Chief Executive reports on the progress made against the implementation of the strategy. The Group Remuneration Committee evaluates the performance of the Chief Executive against approved targets on an annual basis.

Company secretary

The Company Secretary plays a vital role in the corporate governance of the Group and is responsible for ensuring Board compliance with procedures and regulations of a statutory nature. The company secretary ensures compliance with the Botswana Stock Exchange (BSE) listings requirements, and ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the Board and Johannesburg Stock Exchange (JSE) Debt Listing requirements and its members and the company itself are properly administered.

The company secretary's primary responsibilities are to:

- ensure that Board procedures are followed and reviewed regularly
- ensure applicable rules and regulations for the conduct of the affairs of the Board are complied with
- maintain statutory records in accordance with legal requirements
- guide the Board as to how its responsibilities should be properly discharged in the best interest of the company
- keep abreast of, and inform, the Board of current and new developments regarding best practice corporate governance thinking and practice
- ensure that Board and Committee Charters are kept up to date
- circulate Board and Committee meeting papers in good time
- assist in eliciting responses, input and feedback for Board and its Committee meetings
- assist the Group Governance and Nominations Committee (GGNC) to ensure that the correct procedures are followed for the appointment and induction of directors.

The Board satisfied itself regarding Matshidiso Kimwaga's work experience, performance, technical skills and overall competence in fulfilling her role as Company Secretary. She reports to the Chairman on all statutory duties and functions performed relating to the Board. Matshidiso is a legal and compliance professional with 10 years experience.

THE BOARD AND COMMITTEES continued

BOARD MEETINGS AND PROCEDURES

The Board meets at least quarterly during the year. In addition, during 2020 board members attended:

- an annual strategy review meeting
- separate Board and Group Audit Committee meetings to review and approve final year end 2020 audited financial statements
- Crisis Management Board meetings which convened monthly in the first half of the year to receive updates from the Executive Management on the COVID-19 impact on the Business.

Furthermore, the number of Group Remuneration Committee meetings increased significantly following the appointment of new Executive Management to strengthen and enhance the remuneration policy of the business.

Directors are fully briefed by the Company Secretary and receive all the necessary information ahead of scheduled Board and Committee meetings, to enable them to discharge their responsibilities.

DIRECTOR	STATUS	MAIN BOARD	BOARD STRATEGY MEETINGS	OTHER ADHOC MEETINGS	GROUP AUDIT COMMITTEE	GROUP RISK, SOCIAL AND ETHICS COMMITTEE	GROUP REMUNE-RATION COMMITTEE	GROUP STRATEGY AND INVESTMENT COMMITTEE	GROUP NOMINATIONS AND SOCIAL ETHICS COMMITTEE	CRISIS MANAGEMENT BOARD MEETINGS (COVID-19 MEETINGS)
E Banda (Chairman)	INED	4/4	1/1	1/1	–	–	–	–	3/3	4/4
S Price	INED	4/4	1/1	2/2	5/5	6/6	–	3/3	–	4/4
H Karuhanga	INED	4/4	1/1	2/2	5/5	–	11/11	3/3	–	4/4
G Somolekae	INED	4/4	1/1	2/2	5/5	–	11/11	–	3/3	4/4
R Hoekman	INED	4/4	1/1	2/2	–	6/6	–	3/3	3/3	4/4
P Odera	INED	4/4	1/1	2/2	5/5	–	–	3/3	3/3	4/4
A Odubola	INED	4/4	1/1	2/2	5/5	6/6	11/11	–	–	4/4
R Alam	NED	4/4	1/1	1/1	–	6/6	11/11	–	–	4/4
C Lesetedi	NED	4/4	1/1	1/1	–	–	11/11	–	3/3	3/4
G van Heerde	NED	4/4	1/1	2/2	–	6/6	–	3/3	–	4/4
A Okai (GCE)	EXE	4/4	1/1	2/2	5/5	6/6	10/11	3/3	3/3	4/4
G Muteiwa (GCFO)	EXE	3/4	1/1	2/2	4/5	5/6	–	2/3	–	4/4

Appointments to the Board

Although no directors resigned or retired during 2020, the Group appointed one additional non-executive directors to further strengthen the board's existing skills base.

The Board has a formal and transparent policy regarding the appointment of directors to the Board. While the appointments are a matter for the Board, the authority to oversee the nomination and to carry out the interview process have been delegated to the Group Governance and Nominations, Committee (GGNC).

Apart from a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly.

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 INED board appointments are put to a shareholder vote at the next Annual General Meeting.

New appointees are appropriately familiarised with the Group's business through an induction programme. The composition of the Board is reviewed on a regular basis to ensure ongoing compliance with the requirements of King IV™.

Rotation and re-election of directors

In line with the Constitution, directors who have served for a term of three consecutive years or have been in the Board the longest are required to stand for re-election at the company's Annual General Meeting (AGM). As a result, Dr Gloria Somolekae, Stephen Price and Gerrit van Heerde will stand for re-election at our 2021 AGM.

The maximum term for NEDs is nine years. Two directors will therefore be retiring in the 2022 financial year.

Retirement age for NEDs is 70.

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 GGNC. 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.

Board evaluation

Board evaluation was performed in 2021 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 2021 appraisal was 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.

Of the governance areas evaluated, the strongest performance was found within Board Committees and Board Role Players. There are some aspects that require attention in the areas that cover Board Composition although it achieved a strong overall score.

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.

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.

THE BOARD AND COMMITTEES continued

KEY GOVERNANCE MILESTONES AND 2020 FOCUS AREAS

Responding to the COVID-19 crisis

The Board responded swiftly to the unfolding Covid-19 pandemic by scheduling crisis meetings to strategise effective responses. Guidelines and processes were compiled to assist management teams with their day to day operations, with the emphasis on minimising health risks to our people while conducting their business responsibilities.

Ongoing oversight of strategic transformation

The board continued overseeing the Group's strategic and operational transformation in parallel with navigating the Covid-19 crisis. As a result, Letshego mainly achieved its set objectives for the year, despite the pandemic related disruptions.

A key strategic discussion point was the Group's deliberations regarding the Rwandan market. Whilst the Board initially decided to divest out of Rwanda upon scrutiny of the micro trends in the market and the region working with advent technology which enables better business model, the Board agreed to give Management an opportunity into pivoting to a neo Bank Business model. This approach in Rwanda will not only to turn around the Rwandan subsidiary business but also to provide an experimentation and innovation platform that will be replicated across the Letshego group.

Enhancing board processes

The Governance Framework review is ongoing, with certain aspects implemented and rolled out to subsidiaries.

During the reporting period the Group revised its Enterprise Risk Management (ERM) framework and tightened audit processes. Our IT and technology governance is being accelerated in light of the new digitalisation strategy, with all policies being reviewed and updated as our infrastructure expands. The Group recently appointed an international IT partner to strengthen our cybersecurity and risk capabilities.

Further detail regarding our enhancements to risk, audit and IT governance are reported on under 'additional governance disclosures', on page 127.

New executive and senior management appointments

The board approved the following new Executive and Senior Management appointments during the year under review:

Name	Role	Date of appointment
Richard Ochieng	Group Chief Risk Officer	19 February 2021
Chawada Moseki	Head of Group People Transformation	01 December 2020
Monkgogi Mogorosi	Head of Group Digital Product Management	01 December 2020
Chris Hughes	Head of Group Business Transformation	01 December 2020
Purity Kibaara	Head of Group Business and Market Risk	14 October 2020
Miriam Buahin	Head of Group Digital Marketing	01 February 2021
Nigel Quartey-Papafio	Head of Group Partnership	15 February 2021
Russel Akoum	Head of Group Payments and Remittances	25 May 2021

The Board is satisfied that the new CEO and recently appointed senior executives are bringing the desired inputs to the Group's leadership. Evaluations of board and executive performance are performed regularly.

Considering stakeholder feedback

The Group seeks to continuously improve its communications with stakeholders by disseminating relevant information through a variety of channels that invite feedback, dialogue and engagement. At each board meeting, the CEO updates the board on feedback from all stakeholder groups, including investment analysts, institutional investors and regulatory authorities.

The board is responsive to engagement with stakeholders who require direct engagement. During FY20 the board met with an investor at his request.

At each meeting the board is updated on customer feedback and progress on strategic partnerships. Various streams of stakeholder feedback are fed into board discussions as part of regional board reports and committee deliberations.

During 2020, the Group Chairman sat on several forums with the chairmen of all subsidiaries to ensure that all governance issues receive adequate and timeous attention. This type of forum engagement is also being fostered between the subcommittees of the Group and its subsidiaries.

Strategic social investments

During 2020 the board's social investment focus was on supporting communities through the Covid-19 pandemic. The Letshego Group has committed more than P3 million in direct financial support to regional government relief funds and non-profit organisations across its 11- market footprint. The board also supported customers by offering payment holidays and providing structured repayment relief to SME's.

Managing multijurisdictional compliance

During the year 2020 most of the jurisdiction and regulators enforced Anti-Money Laundering legislation and with some of our markets having AML regulatory reviews.

In addition, due to the impact of Covid-19 the enforcement and introduction of cyber crime legislation was realised in a few other countries. This was in most instances accompanied with Privacy and data protection legislation.

Botswana introduced guidelines on corporate governance and related party transactions.

OUTLOOK: BOARD FOCUS AREAS FOR 2021

- Overseeing the Transformational Strategy to create long-term value
- Increased oversight on Cybersecurity given the transformational strategy of Letshego
- Focusing on workforce transformation and new ways of working
- Promoting enterprise resiliency in the face of uncertainty
- Ensuring ongoing compliance with an enhancement of the Letshego Group Governance policy, including enhancing governance and compliance protocols implemented across the Group.
- Promoting and monitoring ESG and responsible investment principles in how Letshego conducts its business;
- Adopting a heightened approach towards stakeholder inclusivity and exercising an oversight role over the implementation of Letshego's Group stakeholder management policy;

THE BOARD AND COMMITTEES continued

BOARD COMMITTEES

The Board has a number of permanent standing Board committees with specific responsibilities to assist the Board in discharging its duties and responsibilities. These committees comprise:

Group Audit Committee (GAC)	Group Risk, Social and Ethics Committee (GRSEC)	Group Remuneration Committee (GRemCo)	Group Strategy and Investment Committee (GSIC)	Group Governance and Nominations Committee (GGNC)

The responsibilities of these committees are defined in terms of their respective charters as approved by the Board.

The ultimate responsibility resides at all times with the Board. The Board does not abdicate this responsibility to the committees and exercises its oversight responsibility accordingly.

There is full disclosure, transparency and reporting from the standing committees to the Board at each Board meeting, while the chairs of the committees attend the AGM and are available to respond to any shareholder questions.

During the financial year, all the Board committees conducted their annual self-assessments to evaluate their effectiveness and procedures. The committees' members confirmed that they were satisfied that they had fulfilled their responsibilities in accordance with each committee's terms of reference.

GROUP AUDIT COMMITTEE (GAC)

Board Sub-committee	Purpose	Composition – at 31 March 2021	Quorum	Frequency of meeting
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 CE Group CFO **Permanent invitees** Group Chief Internal Auditor and other Exco members	Minimum of three members and majority required for a quorum	Meets at least four times a year

GROUP AUDIT COMMITTEE (GAC) continued

2020 Highlights	Self-Assessment
› GAC considered progress on the combined assurance. This coordinated approach will ensure that all assurance activities provided by management, internal and external assurance providers adequately address significant risks facing the business and that suitable controls exist to mitigate the risks. GAC reviewed the findings from the Group Credit Impairment Provision (IFRS 9) model audit following the implementation of Generation 2 model which replaced the previously used model – Generation 1. › The Group Audit Committee, has satisfied itself regarding the Group CFO's technical capabilities, performance, work experience and overall competencies continually required to fulfill her role. The Group CFO, Gwen Muteiwa, is a qualified Chartered Accountant, with over 20 years experience in the financial services experience.	GAC undertook a self-assessment exercise in 2021 and issues have been raised in the following areas: › 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 GGNC 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 Chief Internal Auditor 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

THE BOARD AND COMMITTEES continued

GROUP RISK, SOCIAL AND ETHICS COMMITTEE (GRSEC)

Board Sub-committee	Purpose	Composition – at 31 March 2021	Quorum	Frequency of meeting
Group Risk, Social and Ethics Committee (GRSEC)	> 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 > 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 On 26 February 2020, the committee changed its name to Group Risk, Social and Ethics Committee.	Independent Non-Executive Directors A Odubola (Chairman) S Price R Hoekman **Non-Executive Directors** R Alam G van Heerde **Management attendees** Group CE 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

GROUP RISK, SOCIAL AND ETHICS COMMITTEE (GRSEC) continued

2020 Highlights	Self-Assessment
> Considered the efficacy of the Group's business continuity plans and reviewed an update on the plans taking into account the impact on COVID-19. GRSEC reviewed and approved enhanced Frameworks as well as polices to reduce operational risk, including the Enterprise Risk Management Framework (ERMF), which facilitate a consistent approach to risk management across the Group and the adoption of international best practice and local regulatory requirements. approach to risk management across the Group and the adoption of international best practice and local regulatory requirements. > GRSEC comprehensively reviewed the credit risk, cyber security risk as well as the market risk of the organisation.	**The Committee undertook a self-assessment exercise in 2021 and issues have been raised in the following areas:** > GRSEC members to participate in continuing education programmes to enhance their understanding of relevant regulatory, compliance and risk issues > GRSEC in conjunction with GGNC to ensure that a succession and rotation plan for its members, including the GRSEC Chairman is in place > GRSEC to consider and compare the Group's performance to that selected peers in a manner that enhances comprehensive risk oversight > GRSEC to set clear expectations and provide feedback to the full Board concerning the competency of the Group Chief Risk Officer and the Risk Management team > GRSEC in conjunction with GRemCo to ensure that a succession plan for the Group Chief Risk Officer is in place > GRSEC 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

THE BOARD AND COMMITTEES continued

GROUP REMUNERATION COMMITTEE (GREMCO)

Board Sub-committee	Purpose	Composition – at 31 March 2021	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 CE Group Chief People and Culture Officer	Minimum of three members and majority required for a quorum	Meets at least twice a year

2020 Highlights

- GREMCO reviewed the Group's approach to fair remuneration and the measures already implemented.
- GREMCO reviewed and approved roll out of the revised Organisational Design
- GREMCO considered and approved the KPI framework which measures Letshego's progress towards achieving the goals of the Transformational Strategy for the period 2020- 2024.

Self-Assessment

The Committee undertook a self-assessment exercise in 2021 and issues have been raised in the following areas:

- GREMCO has access to and uses independent surveys and consultants as a useful mechanism in facilitating the determination of all the essential components of remuneration and establishing remuneration credibility with shareholders.
- The Committee reviews its charter annually to determine whether its responsibilities are described adequately and recommends changes to the board for approval.
- GREMCO operates effectively and contributes well to the Board.
- GREMCO's meetings allow sufficient time for the discussion of substantive matters.
- GREMCO meeting agendas and related background information are circulated in a timely manner to enable full and proper consideration to be given to the important issues.
- The committee chairperson reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

GROUP STRATEGY AND INVESTMENT COMMITTEE (GSIC)

Board Sub-committee	Purpose	Composition – at 31 March 2021	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 to 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.	**Independent Non-executive** Directors H Karuhanga (Chairman) S Price P Odera R Hoekman **Non-executive Directors** G van Heerde **Management attendees** Group CE, Group COO, Group Chief Product Officer	Minimum of three members and majority required for a quorum	Meets at least once a year.

2020 Highlights

- GSIC approved the Transformational Strategy for the Group for the period 2020- 2024.
- GSIC considered the shareholder value review report from the review which was conducted by McKinsey following the significant decline in the price performance in 2019.

Self-Assessment

The committee undertook a self-assessment exercise in 2021 and issues have been raised in the following areas:

- Members participate in a continuing education programme to enhance their understanding of relevant financial, investment, reporting, regulatory, and industry issues.
- The Committee reviews its charter annually to determine whether its responsibilities are described adequately and recommends changes to the board for approval.
- The Strategy & Investment Committee operates effectively and contributes well to the Board
- GSIC collaborates with other Board committees such as the Group Audit and Group Risk Committees to address current and emerging risk factors – strategic, operational and compliance risks.
- The agenda and related information (e.g. prior meeting minutes, press releases and financial statements) are circulated in advance of meetings to allow members sufficient time to study and understand the information
- GSIC ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitments, committee service and involvement outside Board meetings.

THE BOARD AND COMMITTEES continued

GROUP GOVERNANCE AND NOMINATIONS COMMITTEE

Sub-committee	Purpose	Composition – at 31 March 2021	Quorum	Frequency of meeting
Group Governance and Nominations, Committee (GGNC)	› 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 › 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 › On 26 February 2020, the committee changed its name to Group Governance and Nominations Committee.	**Independent Non-Executive Directors** E Banda (Chairman) G Somolekae P Odera R Hoekman **Non-Executive** Directors C Lesetedi **Management attendee** Group CE	Minimum of three members and majority required for a quorum	Meets at least once a year

2020 Highlights

- GNSEC approved policies that provide guidelines regarding Directors Succession Planning process in order to establish guidelines and processes for a planned, orderly succession of Directors and filling any unplanned vacancy on the Board.

Self-Assessment

The committee undertook a self-assessment exercise in 2021 and issues have been raised in the following areas:

- There is succession planning for the key positions of Chairman of the Board, Committees and Group CE.
- GGNC oversees the Board and its Committees' self-assessments and reports to the Board performance assessments results and proposed action plans.
- GGNC oversees the performance evaluations of individual Board members and reports to the Board the performance results and makes recommendations for Board action.
- GGNC ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitments, committee service and involvement outside Board meetings.

EXECUTIVE COMMITTEES AND GROUP TRANSFORMATION COMMITTEE

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. These committees comprise:

Group Executive Committee (EXCO)	Group Risk Management Committee (GRMC)	Group Balance Sheet Committee (GBSC)
Group Digital Transformation Committee (GDTC)	Group Technology and Operations Committee (GTOC)	Group Tax Committee (GTC)
Country Management Committee (CMC)		

During 2020 we reviewed the management committees and made several management changes. As a result, not all of the management committees achieved the normal frequency of meetings.

GROUP EXECUTIVE COMMITTEE (EXCO)

Purpose	Composition	Quorum	Frequency of meeting
› 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 CE (Chairperson) **EXCO members** **Permanent invitee** Group Chief Internal Auditor	Majority of EXCO members	Monthly

GROUP RISK MANAGEMENT COMMITTEE (GRMC)

Purpose	Composition	Quorum	Frequency of meeting
› 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, GRSEC 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 Chief Internal Auditor	Majority of GRMC members	Quarterly

THE BOARD AND COMMITTEES continued

GROUP BALANCE SHEET COMMITTEE (GBSC)

Purpose	Composition	Quorum	Frequency of meeting
> 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 Chief Internal Auditor	Majority of GBSC members	Monthly

GROUP TECHNOLOGY AND OPERATIONS COMMITTEE (GTOC)

Purpose	Composition	Quorum	Frequency of meeting
> 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

GROUP TAX COMMITTEE (GTC)

Purpose	Composition	Quorum	Frequency of meeting
› 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 o Promoting an ethos of tax compliance o Early identification, proactive in-country and Group communication and minimisation of tax risks – Tax excellence: aspiring to be a standardsetter 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 CFO (Chairperson) **Selected EXCO members, Non-Executive Board member**	Majority of GTC members	Quarterly

GROUP DIGITAL TRANSFORMATION COMMITTEE (GDTC)

Purpose	Composition	Quorum	Frequency of meeting
› Prioritize the Group's Strategic Agenda by providing robust and agile decision making to streamline and fast track innovative, digital solutions. The Committee provides guidance on partnership opportunities providing ecosystems, access, and technology within funding mandates, approve initiatives to take to the next stage of implementation. › To approve Innovation initiatives and projects from concept to Implementation › To review and provide guidance and prioritisation on all pipeline initiatives › To serve as the Group's oversight committee of global trends and developments › Approve funding requests for initiatives and projects	Group Chief Executive (Chair) Group Chief Operations Officer Group Chief Product officer Head of Group Innovation Group Chief Financial Officer (alternate Chair) Group Chief Risk Officer Head of Group Transformation	4 committee members, including the Chairman or his alternate	Bi-monthly

THE BOARD AND COMMITTEES continued

COUNTRY MANAGEMENT COMMITTEE (CMC)

Purpose	Composition	Quorum	Frequency of meeting
> 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

ASSURANCE AND EFFECTIVE CONTROL

RISK GOVERNANCE

The Board, with support from the Group Risk, Social and Ethics Committee (GRSEC), is ultimately responsible for the governance of risk. The role of GRSEC 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 GRSEC 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.

The group's risk management philosophy and the three lines of defence underpin the effectiveness of the ERMF.

Risk Philosophy: Letshego subscribes to a risk philosophy that says 'Risk is best managed at its inception'. The originators of risk events are expected to address the risks arising from such events. Hence everybody is a risk manager responsible for managing risks that arise from his/her business activities.

1st Line of Defence

Management oversight:
Line management is accountable and responsible for the management of risk and business performance. A key element of this line of defense is the extent of management reviews and the actions that follow. Management must use a system of self-assessment that includes RCSAs, KRIs, Performance Indicators and Risk Registers to inform them of the adequacy of risk management activities.

Risk activities include people and processes, management supervision and oversight. Line management is responsible and accountable for managing risk around business-as-usual.

2nd Line of Defence

Management of risk and compliance:
The Risk and Compliance functions provide support to line management in executing their duties. Key risk activities include:

- Developing and maintaining risk management policies.
- Promotion of risk awareness.
- Advising on how to manage risks.
- Facilitating/Governance of risk and control self-assessments to identify and measure risks and assess related controls.
- Monitoring of key risk and control indicators.
- Monitoring of losses.
- Performing targeted deep dives.
- Tracking remediation/risk acceptance of issues.
- Stress testing, etc.

3rd Line of Defence

Internal Audit:
Internal Audit focuses on internal risk-based audits that provide independent and objective assurance over the controls, risk management and governance activities of the Group, as performed in lines one and two. Internal Audit also provides combined assurance with line two on activities in line one, or combined assurance with Independent Assurance functions such as External Auditors and Regulators on activities in line one and two. Should the inherent and residual risk be high or critical, lines two and three may review the same areas.

Independent assurance: This includes external assurance such as regulator reviews and external audits.

2020 Focus areas

ALIGNING THE ERMF TO THE NEW TRANSFORMATIONAL STRATEGY

In line with the Group Transformational Strategy, the Enterprise Risk Management Framework was enhanced with the primary risks being increased from six to twelve to adequately address all the major risks faced by the Group. People, Product, Digital, Data and IT risks were elevated to primary risk status with Market and Liquidity risks being combined into the ALM/Treasury risk. The management principles were revamped with more emphasis being placed on risk and control owners supported by the Three Lines of Defense.

Against this background, all risk management activities across the Group must be proportionate, aligned, comprehensive, embedded and dynamic and responsive to emerging and changing risks in the Group's operations.

INCREASING MAJOR RISK CATEGORIES

The team adopted a zero-based approach to evaluating all potential major risks against Letshego's strategic objectives, resulting in our identified principal risks increasing from six to 12.

Fundamental shifts included upgrading People Risk and Product Risk from secondary to primary risks and allocating their own risk frameworks, risk appetites and owners. The Group also introduced Digital Risk, which had previously been managed through the IT governance framework.

ASSURANCE AND EFFECTIVE CONTROL continued

2020 Focus areas continued

Risks are divided into Level 1 (regulatory, governance, legal requirements) and Level 2 (operational) risks, with the Board deciding on Level 1 risks and the Group Executive Committee (GExco) taking responsibility for Level 2 risks.

UPDATING POLICIES, TOOLS AND PRACTICES

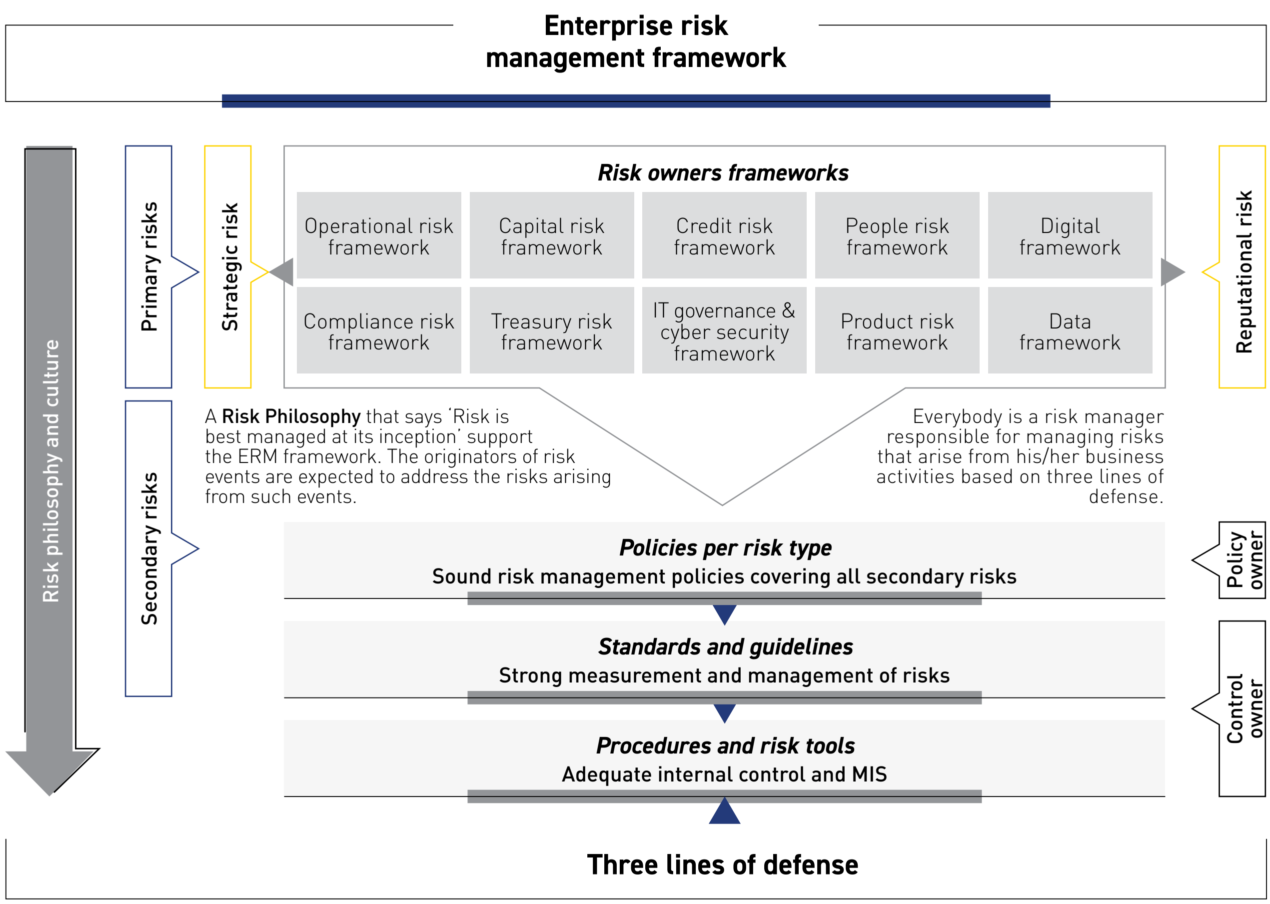
Each major risk category is supported by a framework or sub-framework (depending on level) that include both qualitative and quantitative risk limits. These cascade down through standards and procedures to create a fresh and prioritised risk culture throughout Letshego. Country CEOs and their Country Management Committees (CMC) are responsible for applying standards and procedures in their individual countries.

In addition, all policies and practices across the Group were reviewed and adapted in line with agile methodology. This approach ensures that risk management can pivot and adapt based on risk evolution as we execute our strategy.

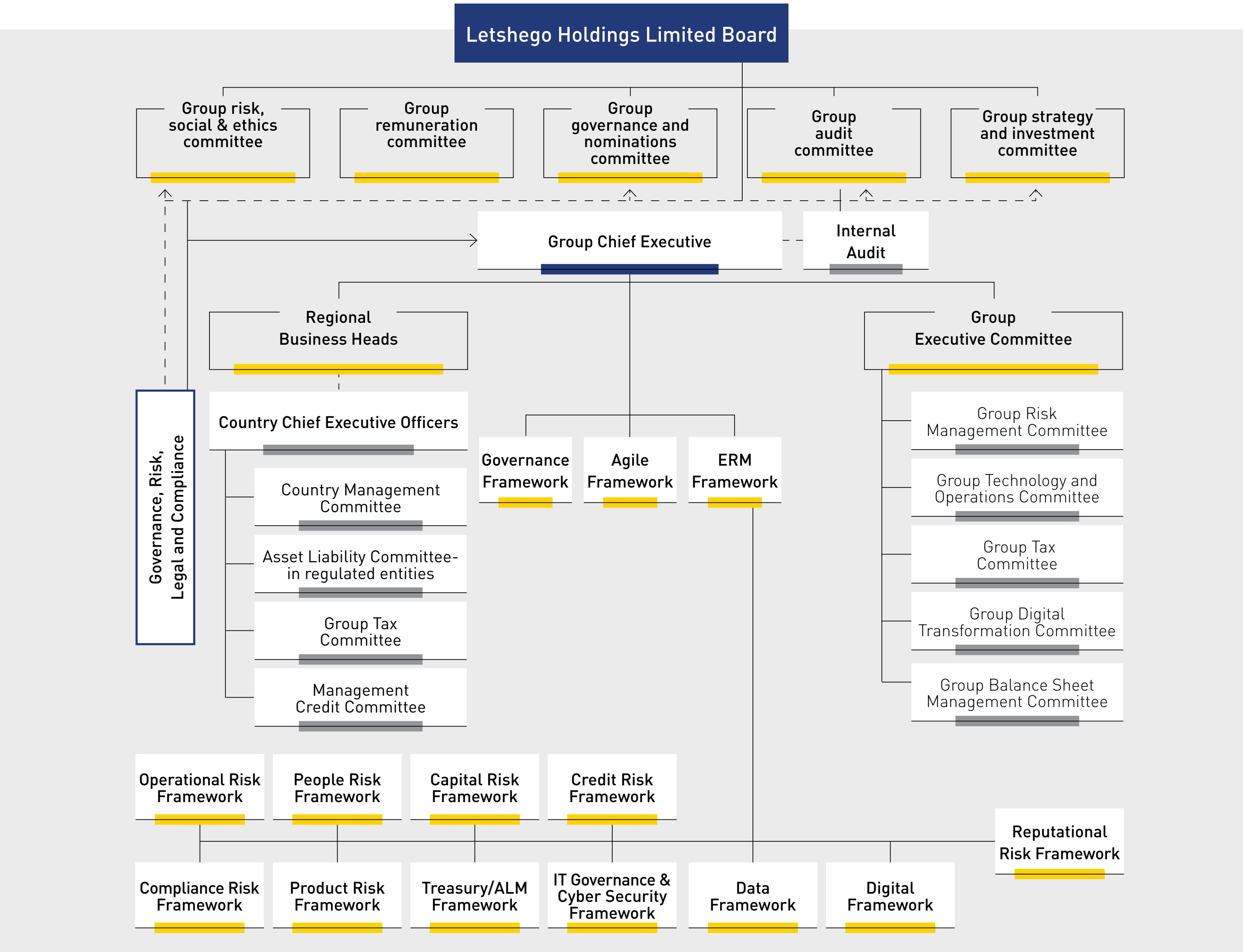
COMBINED ASSURANCE AND LINES OF DEFENCE

The Group introduced combined assurance, which is a collaborative approach between second and third lines of defence to offer more coverage and depth.

ENHANCED ERMF FRAMEWORK



GROUP RISK GOVERNANCE FRAMEWORK



LOOKING AHEAD

With well-defined ERMF documentation in place across the organisation, we are proceeding to imbed our frameworks, policies and procedures across the Group subsidiaries and functions. At the same time, we will inculcate an appropriate risk culture across the Group.

Letshego's digital and data risk frameworks are largely in place and will be reviewed and approved by the board during 2021.

ASSURANCE AND EFFECTIVE CONTROL continued

AUDIT REVIEW

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 Chief Internal Auditor reports functionally to the Group Audit Committee Chairman and administratively to the Group CE.

The Group's external and internal auditors have unlimited access to the Audit Committee and report to the Committee at its quarterly meeting as well as discussing any identified areas of possible audit risk exposure. Where the Committee identifies any cause for concern, or scope for improvement, it makes recommendations to the Board and recommends remedial actions.

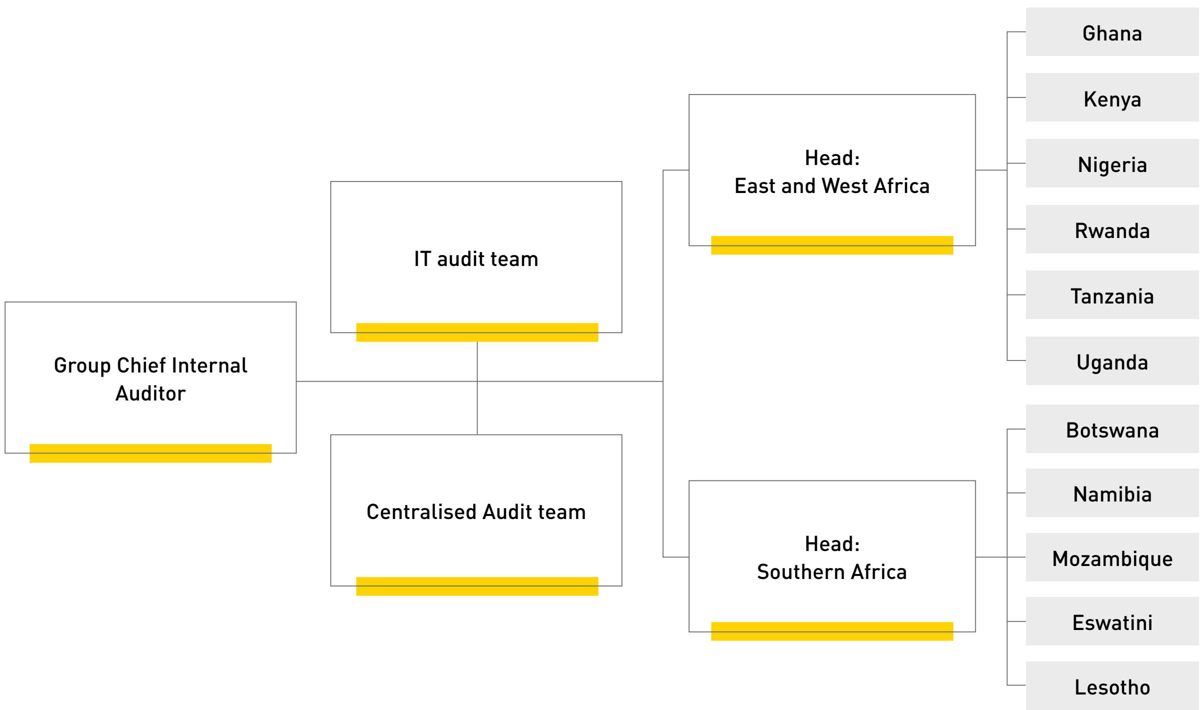
INTERNAL AUDIT

The Group has an internal audit plan in place and internal controls are reviewed at regular intervals in all operating units. Internal audit, under the leadership of the Group Chief Internal Auditor, Nkosana Ndlovu, provides regular reports to the Audit Committee.

The internal audit function conducts periodic audits in line with the Group's most significant risk categories. Its mission is to provide independent and objective assurance and advisory services designed to mitigate risks within country audit plans and improve group operations. It plays an important role in the combined assurance model and assists the board, board committees and executive management to accomplish its objectives by bringing a systematic, disciplined and consistent approach to evaluate and improve the effectiveness of governance, risk management and the internal control environment.

Internal auditors inform management and the Audit Committee of any breaches, violations or key risk issues and the Audit Committee ensures that there is an open line of communication between the head of internal audit, the external auditors and the board.

GROUP INTERNAL AUDIT STAFFING STRUCTURE



Our centralised IT audit team is able to perform 80% of its work remotely but will travel to countries for specific tests as necessary. The Audit Quality Review team also operates remotely and provides assurance that the Group's audit information is reliable.

2020 Focus areas

A risk assessment was undertaken at the start of the financial year to inform the audit plan, which was approved by each country board. The consolidated plan was then approved by the Group Audit Committee.

The key audit focus areas for 2020 included:

- Credit risk
- Technology
- Financial reporting
- Tax Compliance

During 2020 the audit team commenced 'agile' training and has fully adopted the agile enterprise methodology. An agile internal audit approach allows the team to pivot when necessary to accommodate any emerging risk.

The audit team also implemented several recommendations made by an external assessor in 2019. These enhancements include the standardisation of the audit process across all 11 markets, with guidelines in place and auditors trained across the Group in 2020.

LOOKING AHEAD

The internal audit department's goals and objectives for the year ahead are to utilise agile methodology to enhance and streamline audit processes. We are also planning an external quality assessment review.

ASSURANCE AND EFFECTIVE CONTROL continued

EXTERNAL AUDITOR

Ernst and Young (EY) have independently audited the 2020 annual financial statements contained in this report. Its unmodified audit opinion appears on pages 151 to 155 of the AFS.

With a view to ensuring the overall adequacy of the Group's internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the Board on its appointment and/or retention. The appointment of the external auditor is approved by shareholders at the Annual Meeting of Shareholders.

During 2020, the Audit Committee met regularly and independently with the external auditor.

Combined Assurance

To ensure we have adequate assurance across the Group, and to prevent gaps or duplication in assurance efforts, we have adopted a combined assurance approach.

The objective is to assure the Risk, Social and Ethics Committee (GRSEC) and, in turn, the board, that significant areas of risk within our Group are adequately addressed, and that suitable controls exist to mitigate these risks.

To facilitate this, we employ an integrated planning and reporting process. This is achieved by aligning the activities of the separate assurance functions across the Group.

TECHNOLOGY AND INFORMATION GOVERNANCE

The board is responsible for technology and information governance (IT), which is governed by an IT charter. The Group Technology and Operations Committee (GTOC) is responsible for directing, controlling and measuring the IT activities and processes of the Group. It also keeps the board updated on the Group's technology and information performance. Each operation has formal business continuity and disaster management plans in place, which are the responsibility of the respective country managers.

The Group continues to enhance its information technology 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
- 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

2020 Focus areas

Operating during a pandemic

As a result of business interruptions associated with the Covid-19 pandemic the GTOC pivoted its strategy during the year towards ensuring the Group was able to maintain operations and enable seamless remote access and connectivity for employees working from home.

We rapidly transitioned many of our solutions to computer-based or digital interfaces, enabling customers to interact with the Group despite lockdowns. Highlights include offering loan applications through digital channels such as web forms and WhatsApp.

Our contact centre capabilities were also scaled up, including a hotline that could handle significantly higher volumes of customer inquiries.

Digitisation strategy

During the second half of the year the GTOC turned its focus towards facilitating the Group's digitisation strategy. Key plan 6 deliverables include:

- conceptualising the digital mall and building that capability
- enhancing legacy environments (such as USSD platforms) to sustain lending and traditional banking payments
- updating back-end processes to eliminate manual and time-consuming activities
- introducing automation to make processes more efficient and eliminate human error

Agile methodology

Letshego's IT department was an early adopter of the agile system, which facilitates better alignment between business needs and IT solution development. Agile working methods assist with dealing with the changing realities of business in a more efficient way to save reduce rework and less wasted time.

Looking ahead

Our main priorities for the year ahead are aligning business demands with technological capabilities. The Group controls 12 operations across 11 countries, each with their own objectives. As a centralised IT team, we intend building a single-structured IT solution that is uniquely enabled in each country to deal with that country's specifics, although based on the same core functionalities.

Additional 2021 focus areas include:

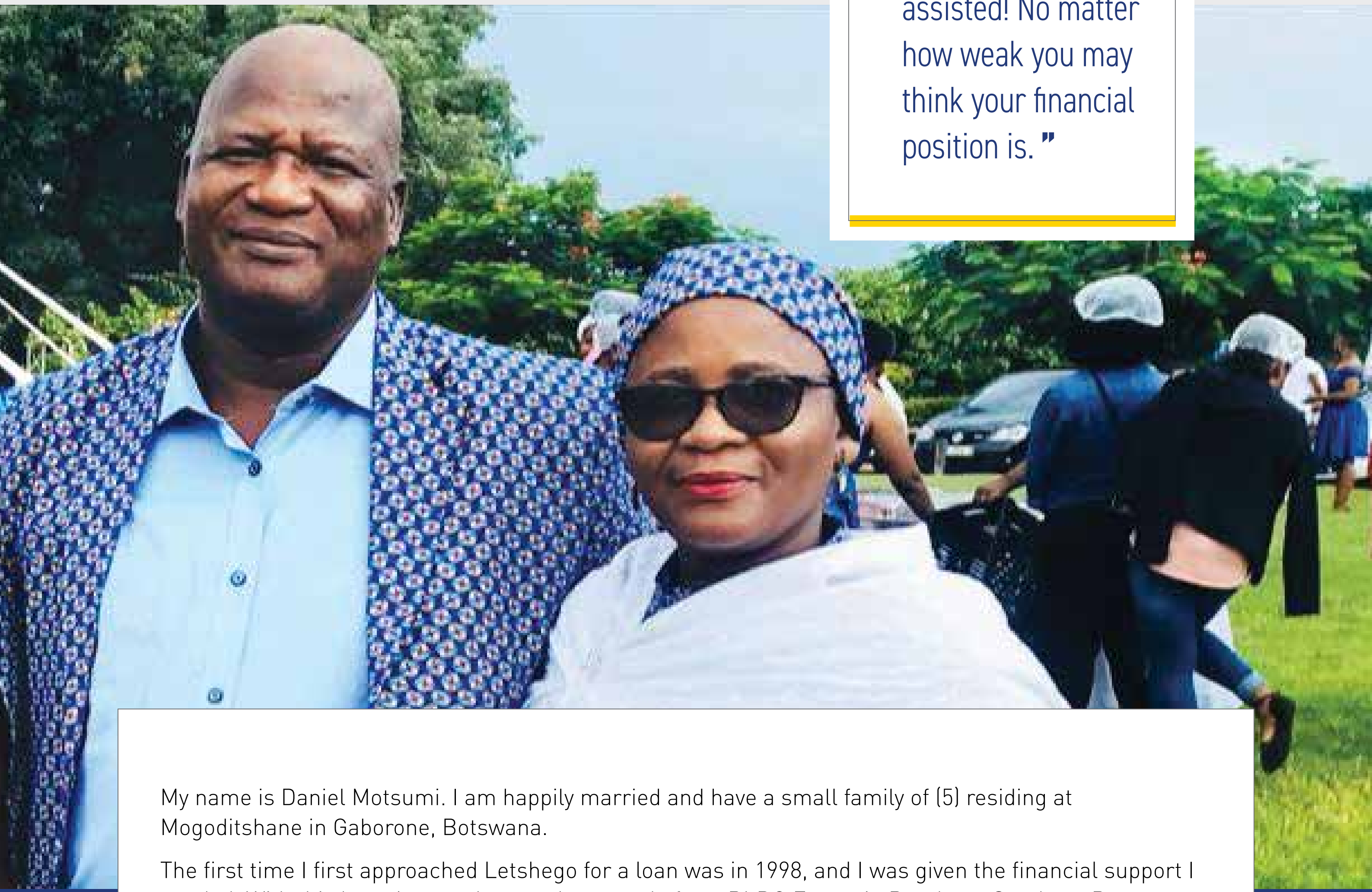
- migrating our core hosting capabilities and our core systems to the cloud
- automating and digitising processes

ASSURANCE AND EFFECTIVE CONTROL continued

Daniel Motsumi

BOTSWANA, GABORONE

“ What I like about Letshego Botswana is that you cannot leave the office without being assisted! No matter how weak you may think your financial position is. ”



My name is Daniel Motsumi. I am happily married and have a small family of (5) residing at Mogoditshane in Gaborone, Botswana.

The first time I first approached Letshego for a loan was in 1998, and I was given the financial support I needed. With this loan, I wanted to purchase cattle from BLDC Farms in Borolong, Southern Botswana and purchased an engagement ring for my partner. I utilised the second loan in 2002 and used it to get married. I do not exactly remember the subsequent years that I applied for loans from Letshego, but I used some of them on the finishing touches for our house. I took my most recent loan with Letshego when I had to pay my daughter's university tuition after the government unfortunately declined to re-sponsor her studies.

What I like about Letshego Botswana is that you cannot leave the office without being assisted! No matter how weak you may think your financial position is. I look forward to future where they may be able to offer financial assistance to struggling individuals and entities like Ipelegeng and their workers.

TAX GOVERNANCE

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 taxable income arising from approved financial services as per the Botswana Income Tax (Amendment) Act of 2018. LHL's gross income consists of amounts accrued or deemed to have been accrued from all sources, both inside and outside Botswana.

LHL operates in 11 jurisdictions across Africa through subsidiaries and provides management support services to all its subsidiaries across Africa. Service Level Agreements (SLA) are in place between LHL and its subsidiaries, for the recharge of management and service fees. There has been an increased scrutiny by Revenue authorities, in the countries where we operate, on Transfer Pricing of intra Group (related party) transaction. Since the inception of the OECD Base Erosion and Profit Shifting (BEPS) project, Letshego has continuously updated its pricing methods and applicable mark ups ensuring that profits are reported where value is created. The holding company filed its inaugural Transfer Pricing files with the Botswana Unified Revenue Services (BURS) for the 2020 tax year.

Effective Tax Rate (ETR)

ETR Analysis

Our ETR was 39% up from the restated position for 2019 of 36%. We continue with implementation of tax planning initiatives. 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.

LHL's approach to tax

Tax Governance

The Group Tax Committee (GTC) 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 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, nor those that have no commercial substance, nor those that 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

REMUNERATION OVERVIEW

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 2020 financial year is set out below:

The Board fees are as follows:

- **Board Chairman**
  P29 000 per meeting
- **Directors**
  P27 285 per meeting
- **Committees**
  P15 000 per meeting attended or P10 000 if ad hoc meeting
- **Annual retainer** – Chairman
  P880 000
- **Annual retainer** – Directors
  P360 000

	MAIN BOARD	RETAINER	REMCO COMMITTEE	INVESTMENT COMMITTEE	NOMINATIONS COMMITTEE	RISK COMMITTEE	AUDIT COMMITTEE	COVID-19 MEETINGS	TOTAL
E Banda *	174 000	880 000	–	–	45 000	–	–	116 000	1 215 000
S Price ****	163 710	360 000	–	45 000		80 000	80 000	109 140	827 850
G Somolekae***	163 710	360 000	140 000	–	45 000		80 000	109 140	887 850
H Karuhanga***	163 710	360 000	140 000	45 000	–		80 000	109 140	887 850
P Odera***	163 710	360 000	–	45 000	45 000		80 000	109 140	792 850
R Hoekman***	163 710	360 000	–	55 000	45 000	80 000		109 140	802 850
A Odubola***	163 710	360 000	140 000			80 000	80 000	109 140	922 850
R Alam**	163 710	360 000	140 000			80 000	–	109 140	852 850
G van Heerde**	163 710	360 000	–	55 000	–	80 000	–	109 140	757 850
C Lesetedi**	136 425	360 000	140 000	–	55 000	–	–	81 855	763 280
Total	1 620 104	4 120 000	700 000	245 000	225 000	400 000	400 00	1 070 975	8 781 079

* Other ad hoc fees include P72,500 for NBFIRA stakeholder engagement
** Fees are paid to the organisation they represent
*** Other ad hoc fees include P10,000 for attendance of a joint GAC/GSIC meeting
**** S Price, R Hoekman and P Odera were paid fees of P180 000, P115 000 and P105 000 respectively, for consultancy work done for the Group.

The Group's Remuneration Committee is responsible for recommending Non-Executive Director (NED) remuneration.

Overview of Non-Executive Director Remuneration policy:

- NED fees are fixed for a period of 2 years post adjustment.
- Directors of the Group's Board and subsidiaries are remunerated with an annual retainer and sitting fees for meetings attended.
- NEDs do not receive any additional fees relating to the performance of the Group and do not participate in any share-based payments or incentives.
- The current structure was approved by shareholders at the Annual General Meeting held on 30 June 2020. No other changes were made to the remuneration of Non-Executive Directors in 2020 and no changes are being made or proposed for 2021.

NED REMUNERATION REVIEW AND BENCHMARKING

In line with Letshego's commitment to compensate Board members and employees on a fair and transparent basis, and in line with market related trends, the Group Remuneration Committee conducts a benchmarking review of the Group's NED Remuneration strategy every 2 year period. The latest benchmarking review was conducted by external consultants, PWC, in the fourth quarter of 2020. This exercise compared Letshego's NED fees to a peer entities and organisations who boast similar footprints and commercial strategies, comprising a list of both African and international organisations.

Based on final benchmarking reports concluded by PWC, the Group Board is satisfied that the current level of remuneration for NEDs is within industry and sector trends. The next benchmarking review for NED compensation will be conducted in 2022.

Executive Directors' remuneration as at 31 December 2020

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	PERIOD SERVED AS DIRECTOR	FOR MANAGEMENT SERVICES	PERFORMANCE BONUS*****	NET SETTLEMENT*	TOTAL
Andrew Okai*	01/02/2020 – 31/12/2020	4 529 969	4 375 000	–	**8 904 969**
Dumisani Ndebele**	27/03/2019 – 30/01/2020	364 655	–	325 833	**690 488**
Tinotenda Gwendoline Muteiwa***	24/03/2020 –1/12/2020	2 349 339	783 741	1 700 000	**4 833 080**

* Andrew Okai was appointed Group Chief Executive and Executive Director on the Board of Letshego Holdings Limited on 1 February 2020.

** Dumisani Ndebele re-joined Letshego Holdings Ltd on 7 January 2019 as the Group Company Secretary. He was subsequently appointed Acting Group Chief Executive for Letshego Group Holdings Ltd on 27 March 2019. The prorata net settlement relates to Dumisani Ndebele's terminal benefits due as at 30 January on resignation from the Group Board.

*** Tinotenda G Muteiwa was appointed Group Chief Financial Officer for Letshego Holdings Ltd on 1 March 2020 with subsequent appointment to the Group Board as Executive Director on 24 March 2020.

**** Performance bonuses were awarded in April 2021. The directors remuneration note 24 of the signed financial statements does not included bonuses as these were awarded after the signing of the financial statements. At the time of signing the financial statements the bonus would still be included in staff incentive accrual.

***** In 2020, in terms of the Long Term Incentive Scheme, no ordinary shares vested to Executive Directors that related to 31 December 2020 financial year end.

Executive Directors' remuneration as at 31 December 2019

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**

* 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.

Top three earners who are not Executive Directors as at 31 December 2020

	FOR MANAGEMENT SERVICES	PERFORMANCE BONUS/SIGN-ON BONUS	TOTAL
Employee 1	2 696 962	2 648 744	**5 345 706**
Employee 2	3 054 220	1 055 992	**4 110 212**
Employee 3	2 790 004	609 458	**3 399 462**

2020: In terms of Long Term Incentive Scheme 1 816 930 ordinary shares vested to the top 3 earners that related to the 31 December 2020 financial year

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 Long Term Incentive Scheme 1 489 125 ordinary shares vested to the top 3 earners that related to the 31 December 2019 financial year.

REMUNERATION OVERVIEW continued

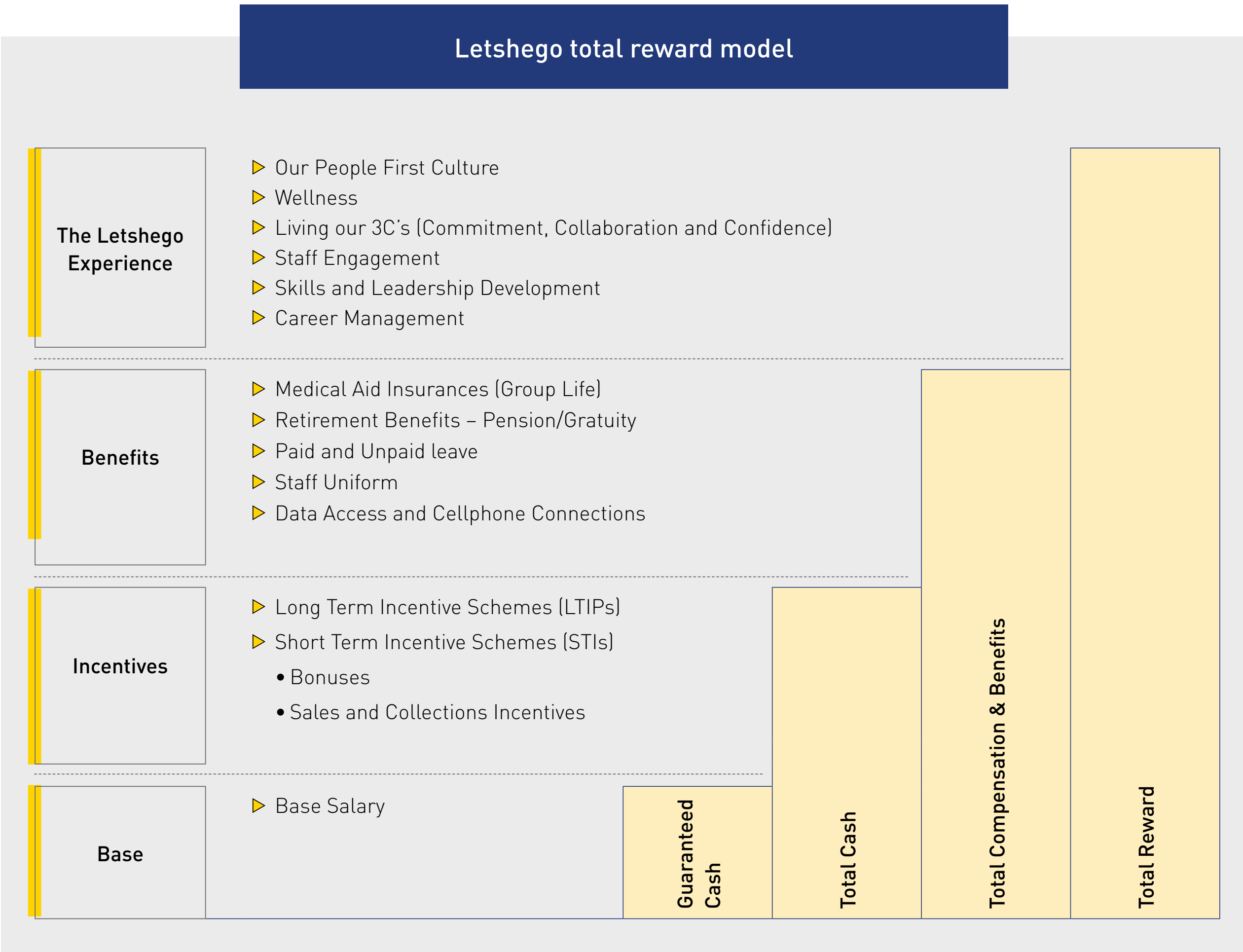
EMPLOYEE REMUNERATION POLICY

Employee Remuneration: The Letshego Experience

In this overview, Letshego unpacks its Employee Remuneration Policy, the components thereof, and how this policy serves to drive employee engagement and productivity, leveraging the Group's #peoplefirst initiatives.

Our reward philosophy and principles guide the design and operation of our reward programs that support our business strategy while reinforcing our values. 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 values.

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



Reward components description

REWARD COMPONENT	CHARACTERISTIC	PARTICIPANTS
Salary	Paid for skills and experience brought to a role and is linked to market rates	All Staff
Benefits	Non-financial reward elements designed to assist and support the employee: medical cover, pension contributions, group life, paid and unpaid leave	All Staff
Performance Bonus	Paid for achievement of predetermined performance targets by the Group and Individual	All Staff
Deferred Bonus	Providing a 'soft landing' for those coming off the LTIP. Aligns the Group Senior and Country Management team with the overall group objectives and strategy and is an incentive to drive performance and also acts as a retention tool for key employees Paid upon achievement of Group and personal targets as a motivation and retention tool This aligns Senior Management's objectives with those of the Group and is linked to movements in the share price. Vests in two tranches, 50% after two years and the remaining 50% after three years.	Senior Management
Long Term Incentive Plan Scheme	Ensures competitiveness in the market to attract top talent into the organisation. Incentivises senior executives to drive the successful execution and delivery of the Group's strategy through higher performance, and measured in sustainable shareholder value creation. Awards are conditional to achievement of targets set on ROE and EPS. Vesting of awards is in one tranche at the end of three years.	Group Executive and Country CEOs
The Letshego Experience	The employee experience is the journey that an employee takes with Letshego throughout the employee lifecycle. It serves to demonstrate our #peoplefirst culture, by using initiatives to celebrate the value of our people across our organisation. Our #peoplefirst culture recognises that our people are our competitive advantage, and are integral to delivering our strategy and vision to be a world class financial services organisation. The employee wellness program seeks to support an employees 'individual ecosystem' – supporting the multiple dimensions that contribute to social, mental and physical wellness. In 2020, Letshego's support centred around COVID, assisting employees with direct access to accredited information and awareness, financial assistance for testing and medical treatment, psychosocial support as well as family medical testing and support, as we navigate our way through the pandemic. A key aspect of the People First Culture is the building of an enabling work environment through a culture based on our 3C's: Commitment; Collaboration and Confidence. The 3Cs provides a basis for our employee engagement where we proactively seek employees' views, input and contribution in working together to foster an inclusive work place experience. We leverage on the diversity of our people and acknowledge that each individual makes a unique contribution to our organization. Employees are also provided with opportunities to develop their skills and competencies in order to increase their personal productivity and enhance their career aspirations through a comprehensive learning and development framework. The Letshego Experience is an holistic ecosystem approach that draws on the latest organisational research and people tools, strategic partnerships and social mechanisms to inspire and empower our people to gain from and contribute to a multidimensional, world-class working experience. An experience that not only delivers direct and sustainable benefit for our people, but also brings indirect benefit for our organisation, our valued stakeholders and our communities where we live and work.	

COMPLIANCE WITH 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)	2020	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 is evaluated every alternate year, the formalisation of this process has been identified as an area requiring improvement. An External Communication policy sets out the strategies and objectives behind the Group's engagement with key stakeholders, with the primary objective of ensuring that the Company conducts its business as a responsible corporate citizen.
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 GRSEC 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. A whistle-blowing policy is in place with proper and secure channels to follow. Codes of conduct and policies of the organisation have been published in the Company's website.
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 GGNC 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. During the period the Group implement a Stakeholder Engagement policy aimed at creating sustainable value for all stakeholders.
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 GRSEC 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.

KING IV REFERENCE	KING IV PRINCIPLE(S)	2020	COMMENTARY
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 longterm prospects.	Partly Applied	The Board works with the GRSEC 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.
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 GGNC, 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, GRSEC, GGNC, 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 2020.

COMPLIANCE WITH KING IV continued

KING IV REFERENCE	KING IV PRINCIPLE(S)	2020	COMMENTARY
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	An assessment of the performance of the Board, Board Committees and Director self-evaluation is conducted every alternate year (2 years), either internally (whilst maintaining impartiality) or through the use of external consultants. A formal appraisal of the Board was performed in 2021 by the IoDSA. In-house self-assessment also conducted in 2021. All outcomes and areas of improvement are formally noted in a report to the Board as well as disclosed in the IAR 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.
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 GRSEC, is ultimately responsible for the governance of risk. The role of GRSEC as set out on page •• 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 GRSEC 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) was implemented in 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 Chief Internal Auditor has a functional reporting line to the Group Audit Committee, and administratively reports to the Group CE.

KING IV REFERENCE	KING IV PRINCIPLE(S)	2020	COMMENTARY
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 GRSEC. 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. GRSEC 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 GRSEC 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. GRSEC 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 GGNC, GAC and GRSEC, oversees the governance of compliance. Compliance falls within the risk matrix and forms part of the business risk management process. Through GRSEC, the Board can address the legal and compliance requirements of the institution. The legal and compliance update is a standing agenda item of GRSEC; during which the Board is apprised 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 GRSEC, 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 strengthened with all the remuneration-related shortcomings being addressed during the year ending 31 December 2020. 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.

COMPLIANCE WITH KING IV continued

KING IV REFERENCE	KING IV PRINCIPLE(S)	2020	COMMENTARY
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.	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.	N/A Applicable	The principle is not applicable as the Group is not an institutional investor.

Natangwe S. Nekuiyu

NAMIBIA

“ Thank you for the huge support and for enabling me to help fellow Namibians gain access into the housing market as homeowners.”

In 2017 I applied for and was given a loan by Letshego Bank Namibia. I used the proceeds of the loan to invest into my construction company, as I had always wanted to venture into the lucrative property development market. I used the loan to fund the construction of two residential properties that I have since completed building and have sold to some interested customers.

The support I received from Letshego made this possible, particularly their great service and timely dispensing of funds that enabled me to effectively meet the tight project timelines and helped me to strengthen the position of my company and enter into fresh opportunities that were initially beyond my company's reach. Overall, it was a great experience working with Letshego Bank Namibia. Thank you for the huge support and for enabling me to help fellow Namibians gain access into the housing market as homeowners.

Thank you Letshego Bank Namibia!


LetsGo

CONTENTS

147

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

GROUP CORPORATE INFORMATION

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

COMPANY SECRETARY AND REGISTERED OFFICE

Matshidiso Kimwaga
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

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 2020.

NATURE OF BUSINESS

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

STATED CAPITAL

Stated capital of the Group at 31 December 2020 amounted to P872,169,337 (31 December 2019: P862,621,720).

On the 6th April 2020, 4,483,050 ordinary shares were issued in terms of the Group's Long Term Incentive Plan. These were issued from shares currently held as treasury shares and the remaining treasury shares at the end of the year were 14,571,140 (2019: 19,054,190).

In the prior year no ordinary shares were issued in terms of the Group`s Long Term Incentive Plan.

DIVIDENDS

An interim dividend of 3.9 thebe per share (prior year: 4.3 thebe per share) was declared on 27 August 2020.

A second and final dividend of 8.3 thebe per share (prior year: 7.7 thebe) was declared on 26 February 2021 and will be paid on or about 12 May 2021.

DIRECTORS

The following persons were directors of the Group:

Non-executive

NAME	DETAILS	NATIONALITY
E.N Banda	Chairman	South Africa
S. Price		UK
H. Karuhanga		Uganda
Dr G.Somolekae		Botswana
R. N. Alam		USA
C. Lesetedi		Botswana
G. Van Heerde		South Africa
P. Odera		Kenya
A. Odubola		Nigeria
R. Hoekman	Appointed 22 January 2020	Holland

Executive

NAME	POSITION	NATIONALITY
D. Ndebele	Interim Chief Executive Officer – appointed 27 March 2019 and resigned 30 January 2020	Botswana
A.F. Okai	Group Chief Executive – appointed 01 February 2020	Ghana
G.T. Muteiwa	Group Chief Financial Officer – appointed 24 March 2020	Zimbabwe

DIRECTORS' SHAREHOLDINGS

The aggregate number of shares held directly by Directors at 31 December 2020 were at 28,987 (31 December 2019: 4,014,987). Full details of this shareholding are available at the registered office of the Company or at the office of the transfer secretaries.

LONG TERM INCENTIVE PLAN

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the consolidated annual financial statements of Letshego Holdings Limited the "Group" that give a true and fair view, comprising the consolidated statement of financial position at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 25 March 2021 and are signed on its behalf by:

E.N. BANDA
CHAIRMAN

A.F. OKAI
GROUP CHIEF EXECUTIVE

INDEPENDENT AUDITOR'S REPORT

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

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

Independent Auditor's Report
To the Shareholders of Letshego 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 156 to 239, which comprise the consolidated statement of financial position as at 31 December 2020, 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 the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letshego Holdings Limited as at 31 December 2020, 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 Companies Act (CAP 42:01).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (IESBA Code)* together with other ethical requirements that are relevant to our audit of the 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 consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

Key Audit Matter	How the matter was addressed in the audit
Estimation of expected credit losses related to loans and advances /// ECL	
Loans and advances to customers amounted to P10.162 billion at the reporting date (2019: P9.833 billion), representing 83% of the Group's total assets. The estimated credit loss allowance for advances to customers amounted to P578 million at the reporting date (2019: P 761 million). The estimation of expected credit losses related to loans and advances is required by IFRS 9, Financial Instruments, the estimation is inherently judgemental and separate considerations for the inputs and assumptions over the 11 jurisdictions in which the Group operates is necessary.	**With the support of our internal valuation specialists we performed the following audit procedures amongst others:** ➢ We obtained an understanding of the Group's credit policy and evaluated and tested the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment. ➢ We assessed the appropriateness of the model and methodologies against accounting standards and generally accepted industry principles.

INDEPENDENT AUDITOR'S REPORT (continued)

Building a better working world

This resulted in a key audit matter in the current year due to the extent of auditor effort required in evaluating the modelling assumptions and relevance of jurisdictive specific input data used in the ECL model due to the significant number of regions across which the Group operates. In addition, the judgements in the models also required significant auditor attention and necessitated the involvement of internal valuation specialists. Specifically, this was required for the evaluation of: • The application of judgemental management overlays in circumstances where existing models do not fully incorporate factors which impact on the ECL model. • The repercussions of COVID-19 and resultant payment holidays delaying and masking stage migrations subjectively impacting the ECL model. The disclosures associated with expected credit losses related to loans and advances are set out in the consolidated financial statements in Note 1.3 *Credit risk* and Note 4 *Advances to Customers in* the Consolidated Financial Statements.	➢ We reconciled the data from the core banking systems of each jurisdiction to the relevant ECL models. ➢ We evaluated the appropriateness of the forecasted information developed by management for each jurisdiction by comparing it against the relevant historical data in relation to the support measures implemented (payment holidays) due to the effects of COVID-19 on customers, and taking into account the other macroeconomic factors of the various jurisdictions which we have benchmarked against external evidence. ➢ We reperformed the staging distribution for a sample of loans and advances to assess the accuracy of the staging applied in the models against the criteria indicated by management. ➢ We evaluated management's criteria used to allocate the loans and advances between stage 1, 2 or 3 in accordance with the guidance provided in IFRS 9. ➢ We evaluated the impact of COVID-19 support measures such as payment holidays on the staging of various types of portfolios and its effect on the ECL model. ➢ We have evaluated management's rationale for the variable overlays to the models, as well as whether additional overlays should be applied to the model and evaluated them against our understanding of the factors used based on independent data. ➢ Based on our judgement, we performed sensitivity analyses to assess the impact of the changes to the inputs on the valuation of the ECL. ➢ We assessed the adequacy of the disclosures related to IFRS 9, *Financial Instruments*, in the notes to the consolidated financial statements.
Uncertain tax positions in respect Income Tax Liabilities and Expenses relating to multiple jurisdictions	
The Group is exposed to income tax from tax authorities in the multiple jurisdictions in which it operates. There are various open tax matters from prior years due to the interpretation of tax laws and/or tax audits, consequently resulting in tax provisions raised across jurisdictions. In the current year there was an unwinding and settlement of these provisions resulting in a decreased tax exposure for the group. Management makes use of legal and tax specialists to determine provisions and unwinding thereof in these uncertain tax positions.	**With the support of our internal tax specialists across the various jurisdictions we performed the following audit procedures amongst others:** ➢ We inspected management's Group tax risk register and their determination and assessment of uncertain tax positions as well as completeness of provisions raised and the application of IFRIC 23, Uncertainty over income tax treatments. Specifically, we inspected management's documentation of their assessment of "probable or not" and its impact on the respective provisioning.

INDEPENDENT AUDITOR'S REPORT (continued)

This resulted in a key audit matter in the current year due to significant auditor attention required in the assessment of the settlement/unwinding of tax provisions and evaluating the completeness of the remaining tax exposure. This required the involvement of our own internal tax specialists due to the number of jurisdictions the Group operates and thus required specialized knowledge over the tax legislation in these regions. Refer to *Use of Estimates and Judgements* in note 2 and note 26 on *Taxation* in the consolidated financial statements for disclosures associated with the estimates and judgements applied in determining the Group's tax liabilities. . .	➢ We inspected the tax assessments/health checks performed by management's external and internal specialist and impact on tax exposure relating to the various jurisdictions. ➢ We evaluated the tax and legal opinions obtained by management from independent and internal tax advisors, in relation to the income tax exposures identified to determine whether the treatment is consistent in terms of quantum and interpretation of legislation with evaluations performed in the current year by our internal tax specialists. ➢ For the remaining uncertain tax positions at year end, we evaluated the management's level of accuracy in determining the estimation of the prior year uncertain tax positions for those positions which have unwound in the current year. We then considered whether this impacted the remaining exposures in the current year. ➢ We evaluated any changes in the current year to local tax legislation across the relevant jurisdictions for its potential impact on the uncertain tax positions and unwinding thereof. ➢ We assessed the competence and objectivity of external specialists utilized by management in their tax assessments. ➢ 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.

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

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

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 Companies Act (CAP 42:01), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst + Young

Ernst & Young
Practicing member: Francois Roos
Partner
Certified Auditor
Membership number: 20010078
Gaborone

31 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	31 December 2020 P'000	Restated 31 December 2019 P'000	Restated 31 December 2018 P'000
ASSETS				
Cash and cash equivalents	3	1 043 864	1 035 513	1 188 402
Advances to customers	4	10 161 534	9 071 484	8 698 831
Other receivables	5	263 202	247 996	252 491
Financial assets at fair value through profit or loss	6	140 804	–	–
Financial assets at fair value through other comprehensive income	10	59 408	53 591	53 591
Income tax receivable		102 633	82 741	44 829
Property, plant and equipment	7	94 229	99 671	80 532
Right-of-use assets	8	131 703	61 436	–
Intangible assets	9	39 091	45 221	45 488
Goodwill	11	65 598	68 233	106 229
Deferred tax assets	26.1	124 139	144 699	201 088
Total assets		**12 226 205**	**10 910 585**	**10 671 481**
LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities at fair value through profit or loss	12	152 855	15 390	13 902
Customer deposits	13	664 393	426 673	497 718
Cash collateral	16	18 838	21 721	27 028
Trade and other payables	14	714 548	553 772	492 584
Lease liabilities	15	133 377	64 760	–
Income tax payable		103 057	239 743	232 132
Borrowings	17	5 649 561	4 966 785	5 315 417
Deferred tax liabilities	26.1	–	805	3 205
Total liabilities		**7 436 629**	**6 289 649**	**6 581 986**
Shareholders' equity				
Stated capital	18	872 169	862 621	862 621
Foreign currency translation reserve		(885 673)	(675 885)	(653 010)
Legal reserve	19	214 835	195 793	73 519
Fair value adjustment reserve	10	5 817	–	–
Share based payment reserve	20	31 295	24 304	18 089
Retained earnings		4 133 314	3 823 280	3 454 814
Total equity attributable to equity holders of the parent company		**4 371 757**	**4 230 113**	**3 756 033**
Non-controlling interests		417 819	390 823	333 462
Total shareholders' equity		**4 789 576**	**4 620 936**	**4 089 495**
Total liabilities and equity		**12 226 205**	**10 910 585**	**10 671 481**

* Refer to note 27 for details on the restatement

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 P'000	Restated 31 December 2019 P'000
Interest income at effective interest rate	21	2 712 278	2 974 839
Interest expense at effective interest rate	22	(819 324)	(913 909)
Other interest expense	22.1	(31 640)	(9 905)
Net interest income		**1 861 314**	**2 051 025**
Fee and commission income	23	71 033	59 451
Other operating income	23.1	212 536	273 018
Operating income		**2 144 883**	**2 383 494**
Employee benefits	24	(493 497)	(454 023)
Other operating expenses	25	(595 308)	(622 737)
Net income before impairment and taxation		**1 056 078**	**1 306 734**
Expected credit losses	4	(25 771)	(169 101)
Profit before taxation		**1 030 307**	**1 137 633**
Taxation	26	(399 434)	(411 295)
Profit for the year		**630 873**	**726 338**
Attributable to:			
Equity holders of the parent company		575 718	652 239
Non-controlling interest		55 155	74 099
Profit for the year		**630 873**	**726 338**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss net of tax			
Fair value adjustment of financial asset	10	5 817	–
Foreign operations – foreign currency translation differences		(219 197)	(18 634)
Total comprehensive income for the year		**417 493**	**707 704**
Attributable to:			
Equity holders of the parent company		371 747	629 364
Non-controlling interest		45 746	78 340
Total comprehensive income for the year		**417 493**	**707 704**
Earnings per share			
Basic earnings per share – (thebe)	28	27.1	30.7
Diluted earnings per share – (thebe)	28	25.7	30.1

* Refer to note 27 for details on the restatement. In addition refer to note 22 on the reclassification of interest expense.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Stated capital P'000	Retained earnings P'000
Balance at 01 January 2020 – Restated		**862 621**	**3 823 280**
Total comprehensive income for the year			
Profit for the year		–	575 718
Other comprehensive income, net of income tax			
Other comprehensive income		–	–
Foreign currency translation reserve		–	–
Transactions with owners, recorded directly in equity			
Allocation to legal reserve	19	–	(19 042)
Recognition of share based payment reserve movement	20	–	–
New shares issued from long term incentive scheme		9 548	–
Dividends paid by subsidiary to minority interests		–	–
Dividends paid to equity holders	29	–	(246 642)
Balance at 31 December 2020		**872 169**	**4 133 314**
Balance at 31 December 2018 – as previously reported		**862 621**	**3 500 317**
Prior year adjustment	27	–	(45 503)
Balance at 31 December 2018 – Restated		**862 621**	**3 454 814**
Total comprehensive income for the year			
Profit for the year		–	652 239
Other comprehensive income, net of income tax			
Foreign currency translation reserve		–	–
Transactions with owners, recorded directly in equity			
Allocation to legal reserve	19	–	(122 274)
Recognition of share based payment reserve movement	20	–	–
Dividends paid by subsidiary to minority interests		–	–
Dividends paid to equity holders	29	–	(161 499)
Balance at 31 December 2019 – Restated		**862 621**	**3 823 280**

* Refer to note 27 for details on the restatement

Share based payments reserve P'000	Fair value reserve of financial assets at FVOCI P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interests P'000	Total P'000
24 304	**–**	**(675 885)**	**195 793**	**390 823**	**4 620 936**
–		–	–	55 155	630 873
–	5 817	–	–	–	5 817
–	–	(209 788)	–	(9 409)	(219 197)
–	–	–	19 042	–	–
16 539	–	–	–	–	16 539
(9 548)	–	–	–	–	–
–	–	–	–	(18 750)	(18 750)
–	–	–	–	–	(246 642)
31 295	**5 817**	**(885 673)**	**214 835**	**417 819**	**4 789 576**
18 089	**–**	**(696 276)**	**73 519**	**316 392**	**4 074 662**
–	–	43 266	–	17 070	14 833
18 089	**–**	**(653 010)**	**73 519**	**333 462**	**4 089 495**
–	–	–	–	74 099	726 338
–	–	(22 875)	–	4 241	(18 634)
–	–	–	122 274	–	–
6 215	–	–	–	–	6 215
–	–	–	–	(20 979)	(20 979)
–	–	–	–	–	(161 499)
24 304	**–**	**(675 885)**	**195 793**	**390 823**	**4 620 936**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 P'000	Restated 31 December 2019 P'000
OPERATING ACTIVITIES			
Profit before taxation		1 030 307	1 137 633
Adjustments for:			
– Interest income at effective interest rate		(2 712 278)	(2 974 839)
– Interest expense		850 964	923 814
– Amortisation of intangible assets	9	14 402	14 293
– Depreciation property, plant and equipment	7	35 406	35 170
– Depreciation right-of-use assets	8	35 183	35 473
– Disposal and write off of plant and equipment		683	36
– Impairment and write off charge	4	224 400	352 868
– Impairment of goodwill	11	–	38 737
– Net foreign exchange differences		(238 697)	(65 676)
– Net change in market adjustments on foreign currency swaps		3 846	–
– Net change in market adjustments on interest currency swaps		(7 184)	1 488
– Long term incentive plan provision		16 539	6 215
Changes in working capital:			
Movement in advances to customers		(1 308 390)	(700 851)
Movement in other receivables		(15 206)	4 495
Movement in trade and other payables		160 776	61 188
Movement in customer deposits		237 720	(71 045)
Movement in cash collateral		(2 883)	(5 307)
Cash used in operations		**(1 674 412)**	**(1 206 308)**
Interest received		2 712 278	2 974 839
Interest paid		(837 911)	(913 398)
Income tax paid	26.3	(536 257)	(387 607)
Net cash flows (used in)/generated from operating activities		**(336 302)**	**467 526**
INVESTING ACTIVITIES			
Proceeds on disposal of plant and equipment		–	54
Purchase of property, plant and equipment and intangible assets		(45 320)	(69 960)
Net cash flows used in investing activities		**(45 320)**	**(69 906)**
FINANCING ACTIVITIES			
Dividends paid to equity holders		(246 642)	(161 499)
Dividends paid to subsidiary non-controlling interest		(18 750)	(20 979)
Conditional subsequent payment relating to the investment in AFB Ghana	34.1	–	(2 577)
Payment of capital and interest on leases	15	(49 886)	(42 565)
Finance obtained from third parties	17	1 273 785	1 134 034
Repayment of borrowings	17	(519 042)	(1 415 529)
Net cash generated from/(used in) financing activities		**439 465**	**(509 115)**
Net movement in cash and cash equivalents		**57 843**	**(111 495)**
Movement in cash and cash equivalents			
At the beginning of the year		972 123	1 100 342
Movement during the year		57 843	(111 495)
Effect of exchange rate changes on cash and cash equivalents		(43 432)	(16 724)
At the end of the year	3	**986 534**	**972 123**

* Refer to note 27 for details on the restatement

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a retail financial services organisation involved in banking and microfinance activities in 11 African countries across East, West and Southern Africa. Six of the 11 operations have deposit-taking licenses with the rest being microfinance institutions. The Group's ambition is to increase its deposit taking capabilities across the footprint.

The consolidated financial statements for the year ended 31 December 2020 have been approved for issue by the Board of Directors on 25 March 2021.

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

Statement of compliance

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

Basis of preparation

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

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

BASIS OF CONSOLIDATION

Investments in subsidiaries

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

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable assets acquired and liabilities assumed. Transaction costs are expensed as incurred except if it relates to the issue of debt or equity securities.

Goodwill

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

Transactions eliminated on consolidation

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

Non-controlling interest

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

Loss of control

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

Change in the Group's interest in subsidiaries

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 prorate basis from the date the asset is available for use.

Subsequent expenditure is capitalised when it is probable that the future economic benefits will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

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

WORK IN PROGRESS

Work in progress comprises of:

- Costs incurred in the 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.

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.

LEASES

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

Group as a lessee

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

Right-of-use assets

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

- Property 2 to 5 years

LEASES (continued)

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.

Discount factor

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

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

Lessee's incremental borrowing rate

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

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

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

INTANGIBLE ASSETS – COMPUTER SOFTWARE

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

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

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

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

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

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 through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual/behavioural terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

FEE AND COMMISSION INCOME

Administration fees – lending

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

Credit life and disability insurance commission

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

EARLY SETTLEMENT FEE

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

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, market to market gains on foreign currency swaps and other non-core income streams which are recognised in profit and loss as and when they are earned.

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.

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

Determination of fair value of equity instruments granted

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

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 disclosed 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 expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

FINANCIAL ASSETS (continued)

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

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

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

FINANCIAL ASSETS AT AMORTISED COST

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

ADVANCES TO CUSTOMERS

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

OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

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

FINANCIAL ASSETS AT FAIR VALUE

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets and issued for management of short term currency exposures. Financial assets at fair value through profit or loss are recorded and measured in the statement of financial position at fair value. Gains and losses arising from changes in fair value are recognised in profit or loss. Interest or income is recognised in the profit or loss when the contract comes to an end or when the right to payment has been established.

SIGNIFICANT ACCOUNTING POLICIES (continued)

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, financial liabilities at fair value through profit or loss and trade and other payables.

Subsequent measurement

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

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

Financial 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 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.

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.

FINANCIAL LIABILITIES (continued)

Offsetting

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

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

Amortised cost measurement

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

Fair value measurement

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

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

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

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

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

CELL CAPTIVE ACCOUNTING

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

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

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

IMPAIRMENT FOR NON-FINANCIAL ASSETS

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

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

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

The below new amendments and interpretations that took place during the year did not have a material impact on the condensed consolidated financial statements.

- 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

The below accounting standard was amended during the year and management is assessing its impact to the Group:

- Amendment to IAS 39, IFRS 7, IFRS 9 in respect of IBOR – effective 1 January 2020

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 2020. 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.

- Covid-19 Related rent concessions – Amendment to IFRS 16 – effective 1 June 2020
- IBOR phase 2 – effective 1 January 2021
- Onerous contracts – Costs to fulfil a contract – effective 1 January 2022
- IFRS 17 – effective 1 January 2023
- Classification of liabilities as Current or Non-current – Amendments to IAS 1 – effective 1 January 2023

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:

- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 – effective 1 January 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

Amidst the current economic pressures arising from the Covid-19 pandemic headwinds and tailwinds, Letshego Holdings Limited ("the Group") embarked on a new journey to strengthen the foundations of risk management across the entire Group. In 2020, the Group enhanced its Enterprise Risk Management Framework (ERMF) to align to the Group's new Transformational Strategy.The enhanced framework provides minimum requirements for sound risk management practices with the main aim of embedding an integrated risk management approach that adequately identifies,assesses, measures, monitors and controls the constantly evolving risks. The framework further articulates the Group's Risk Culture and Philosophy anchored on creating an environment of transparency and openness in the management of risks among staff, management and the Board. The Group through the framework, manages risks proactively using Agile practices. ERMF assigns risk management responsibilities to staff across the Group on the basis of Three Lines of Defence – first line, second line and third line.

The Board of Directors has the ultimate responsibility for providing overall strategic direction to the Group through reviewing and approving the Group Transformational Strategy, ERM Framework, Policies and related Risk Appetite.The Board is supported by the following reconstituted Board Committees in achieving its mandate:

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

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

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

In line with the enhanced Group Enterprise Risk Management (ERM) Framework, the Group reviewed its risk taxonomy and material risks during the year and increased its primary or principal risks to include data, digital, people, Information Technology and product risks. The Risk Owner Frameworks and supporting policies for the upgraded primary risks were under consideration for approval by the Board at year end and will be fully covered in next year's reports. Under the ERMF, Group policies are implemented through standards and procedure.

Top primary risks for the Group in 2020 are discussed in detail in the following sections below:

1.2 Strategic risk

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

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

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

Whilst reputational risk was previously considered as a secondary risk under strategic risk, Management and the Board upgraded the risk to primary risk status during the year. Against that background, the Group developed the Reputational Risk Framework supported by a robust Reputational Risk Policy in line with the Group's ERM Framework. All primary risks have risk owner frameworks that are supported by policies per risk type. Below the policies are standards or guidelines and procedures to complete the hierachy of the documents under each primary risk.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk

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

1.3.1 Credit risk

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

As a predominantly Government Deduction at Source (DAS) business, Letshego was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that governments had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends. As such our collection rate was 98% for DAS and 81% for MSE. This was demonstrated by a double digit loan book growth, loan loss rate and Stage 3 ratio which are well below market trends. This was underpinned by strong collection and recoveries strategies inclusive of experienced front-office, risk management teams with sector expertise and long-standing government/customer relationships. Non performing loans therefore improved to 5.3% against a long standing target of 5%. (FY 2019: 6.9%). Early Performance indicators (30 days past due) also improved positively from 10.2% in FY 2019 to 8.3% in FY 2020, reflecting good underwriting and booking quality.

Key metrics	YoY Trend	2020	2019
Growth in gross advances to customers (%)	↑	9%	3%
Loan loss rate (%)	↓	0.3%	1.7%
Non-performing loans as a percentage (%) of gross advances	↓	5.3%	6.9%
Stage 3 coverage ratio (%)	↓	98%	105%

	2020 P'000	2019 P'000
Loan loss rate % – cost of risk		
Impairment expense	25 771	169 101
Average gross advances to customers	10 286 205	9 687 427
	0.3%	**1.7%**
***Non performing loans %**		
Non performing loans	560 474	678 127
Gross advances to customers	10 621 549	9 772 116
	5.3%	**6.9%**

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

Impairment

The Group demonstrated strong FY 2020 credit performance despite the COVID-19 pandemic. Expected Credit Losses as a percentage of Gross Advances reduced from 7.7% in December 2019 to 5.4% in December 2020 in line with impaired portfolio (Stage 3). The Group recorded a low loan loss ratio of 0.3%, down from 1.7% for 2019, attributable to:

- **Release of Informal loans provisions of P105.3 million**

  With ongoing credit scorecard optimisation, informal loans provisions reduced by P105.3 million, with the portfolio enjoying increased stability and (continued) enhancements in credit risk management. The informal loan portfolio exposure in Ghana was reduced to mitigate portfolio risk, with portfolio value now at P313 million (FY 2019: P339 million; FY 2018: P507 million).

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

- **Reversal of COVID provisions on the back of repayment holidays**

  Repayment holidays were granted for loans amounting to P683.6 million at 30 June comprising of 7% of the Group's total loan portfolio, with additional relief provided via loan restructures. MSE customers made up 90% of payment relief recipients, with the balance being non-government Deduction at Source customers. COVID-19 provision of P70 million taken in the first half of the year was then reversed (P86 million at H1 2020) as the repayment period came to an end in December 2020. 60% of MSE accounts in repayment holiday (continued) to pay, even during the relief months.

- **Recovery of single exposure employer partners**

  The Group recovered P35 million during the financial period, with major contributions from improved employer contributions in Eswatini and general provision reversals post closure of payment holiday support.

- **Improvement in asset quality, collections and recoveries**

  The provisions decrease was driven by an uptick in collections and recoveries from the Group's delinquent book, and once-off policy write-offs. In 2020, the Group (continued) its prioritisation of asset quality as well as initiated a review of historic defaults in write-offs. This resulted in increased collections and recoveries, particularly in the second half of the year. Non performing loans coverage ratio (provisions against PAR90 loans), was adequate at 98% (FY 2019: 112%). Overall, non performing loans improved to 5.3% against a target of 5% (FY 2019: 6.9%). Our Deduction at Source (DAS) portfolio has remained resilient with a collection rate of 98%, as governments sought to minimise retrenchments despite the pandemic. MSE collections rate improved to 81% (FY2019: 75%), supported by focused collection and recovery strategies as well as customer support mechanisms, including repayment holidays and structured repayment plans.

Write-off policy

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

Approach to managing credit risk

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

Credit risk mitigation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit risk mitigation (continued)

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

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

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

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

The overlay approach followed by the Group is outlined below:

General steps considered by the Group in considering impairment
The following illustrates the steps that the Group follows in calculating impairment of financial assets:

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

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

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

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

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

Indicators of SICR include any of the following:

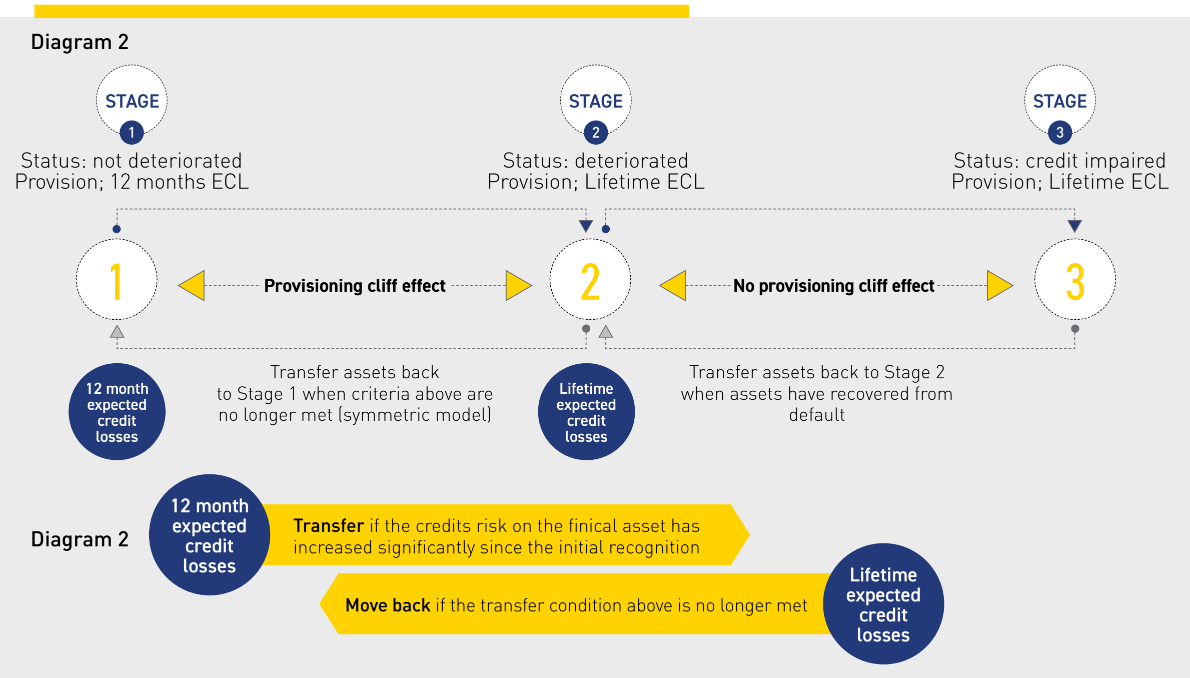
- 30 days past due rebuttable presumption;
- historical delinquency behaviour of accounts that are up to date and accounts in 1 – 30 days category
- significant adverse changes in business, financial and/or economic conditions in which the client operates, including for example retrenchment of the customer,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

Two types of PDs are considered under IFRS 9:

- 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



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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Forward-looking information

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

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

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

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

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

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

Definition of default

Default is not defined under IFRS 9.The Group is responsible for defining this for themselves and it should be based upon its own definition used in the Group's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.

The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g. breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.

Indications of inability to pay include:

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

31 December 2019	Gross advances P'000	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Net advances P'000	Security held P'000
Southern Africa	7 258 863	(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)**

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 16).

(b) Other financial assets	31 December 2020 P'000	31 December 2019 P'000
Cash and cash equivalents	1 043 864	1 035 513
Other receivable accounts	215 496	213 847
	1 259 360	**1 249 360**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 *Credit risk (continued)*

Below is a summary of the expected credit losses as at 31 December 2020:

	IFRS 9 ECL Provisions at 31 December 2020				IFRS 9 ECL Provisions at 31 December 2019			
Operating Segments 31 December 2020 P'000	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2020	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2019
Financial assets								
Botswana	21 799	4 010	85 075	**110 884**	22 390	14 238	130 772	**167 400**
Namibia	16 752	9 690	16 429	**42 871**	6 200	1 110	13 917	**21 227**
Mozambique	13 423	1 614	9 090	**24 127**	4 420	3 240	13 482	**21 142**
Lesotho	7 789	769	10 756	**19 314**	6 558	4 989	28 500	**40 047**
Swaziland	3 704	2 252	16 653	**22 609**	3 276	417	4 309	**8 002**
Kenya	88 182	5 604	43 778	**137 564**	13 063	7 885	125 033	**145 981**
Rwanda	1 144	727	766	**2 637**	706	190	1 617	**2 513**
Uganda	13 028	3 522	22 559	**39 109**	7 336	5 071	35 402	**47 809**
Tanzania	15 966	3 304	25 221	**44 491**	24 287	9 056	63 505	**96 848**
Nigeria	2 631	2 388	15 091	**20 110**	2 226	1 947	10 208	**14 381**
Ghana	29 203	39 555	45 513	**114 271**	58 202	43 980	93 872	**196 054**
Total	**213 621**	**73 435**	**290 931**	**577 987**	**148 664**	**92 123**	**520 617**	**761 404**

As at 30 June 2020, the Group took additional P36 million for a single employer exposure in Eswatini which had six months outstanding repayments. As at 31 December 2020, all outstanding repayments had been received and therefore the provision was released. Furthermore, an additional Covid-19 provision of P70 million taken in the first half of the year was reversed (P86 million at H1'20) as the repayment period came to an end. ECL 's are down from P761 million in the end of 2019 to P578 million in December 2020. This was driven by increased write offs from August to October 2020 (FY 2020: P408 million) causing release of provisions coupled with positive rate update impact from Ghana, Mozambique, Tanzania Faidika and Uganda Consumer Finance on the back of improved asset quality. The Group for the first time since 2014 has meet the Non performing loan (NPL) target of 5% as it was 5.3% at the end of December 2020 (FY 2019: 6.9%).

The impact of the Covid-19 pandemic is a signifcant matter for reporting in 2020. The outbreak affected most businesess across the continent and the world at large. Letshego's operations were also affected as a result of the lockdowns introduced by governments to protect its citizens from the pandemic, although the impact was curbed by the nature of Letshego's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro to Small Enterprises (MSE) and 3% informal loans. In 2020, no governments in our countries of operation retrenched employees and a 98% collection rate was maintained to the end of the year on the DAS book.

During the year 2020, Covid-19 has resulted in the slowdown of most economies in Africa. Letshego's Medium-to-Small Enterprises (MSE) segment in East and West Africa suffered the greatest impact. As part of mitigation measures to sustain the portfolio, the Group introduced a three-month repayment holiday as well as Covid -19 related collection and recovery strategies. 90% of MSE customers mainly in the travel and tourism, manufacturing, trade and the education sectors applied for the repayment holiday. The MSE segment makes up 9% of the Group's total loan portfolio. The Deduction at Source (DAS) portfolio accounts for 88% of the loan portfolio and remained relatively resilient as governments have supported employees and sought to minimise retrenchments.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Impairment expense reduced by P142.5 million from December 2019 to December 2020, driven by informal loans which reduced by P105.3m following implementation of our turnaround strategy which included scorecard optimisation. The portfolio has since normalised and had no once -offs. In previous reporting periods (2018/2019) the main drivers of increase in provisons were in East and West Africa as credit risk deteriorated on the MSE portfolio.

Below is a summary of the informal loans expected credit losses as at 31 December 2020:

Expected credit losses (mobile lending)	December 2020	December 2019
Stage 1	14 164	48 613
Stage 2	37 074	33 517
Stage 3	25 111	28 460
Total	**76 349**	**110 590**

Covid-19 ECL: In June 2020, stress testing led to staging amendments and therefore additional provision taken to cover 7% of the portfolio on repayment holiday (P684 million exposure at risk). MSE portfolio consisting 84% of the total accounts offered repayment holiday was impacted heavily at sector level with reduction in cash flows, constrained collections and recoveries environment during lockdowns, slowdown in the foreclosure processes and deterioration of forward looking outlook. However 88% of our portfolio is government deduction at source and we leveraged from government continue to pay salaries and offering subsidies. However, customers offered repayment holiday continued to pay even during the stress relief period, with 80% of the portfolio ending the repayment period in July 2020 and the rest in December 2020 hence a minimal impact on overall book performance at the back of enhanced relationship based collection strategy.

Below is a summary of the accounts offered repayment holiday at 31 December 2020:

	As at 30 June 2020		As at 31 December 2020	
In P'000	No of Accounts	Balance	No of Accounts	Balance
MSE Total	9 917	575 400	1	274
DAS Total	8 090	108 200	0	0
Grand Total	**18 007**	**683 600**	**1**	**274**

Based on the sensitivity analysis done at the end of 31 December 2020, a 5% increase in LGD and PD will result in additional expected credit losses of P30 million – P60 million. Alternatively a 5% decrease in LGD and PD will result in a release of expected credit losses of P30 million – P60 million.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

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

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

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

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

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

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

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 *Credit risk (continued)*

31 December 2019	ECL Staging Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Purchased Credit Impaired P'000	Total P'000
Gross carrying amounts:					
At 1 January	**167 994**	**100 646**	**574 495**	**–**	**843 135**
Transfers:					
Transfers from Stage 1 to Stage 2	(15 829)	15 829	–	–	–
Transfers from Stage 1 to Stage 3	(76 855)	–	76 855	–	–
Transfers from Stage 2 to Stage 3	–	(48 381)	48 381	–	–
Transfers from Stage 3 to Stage 2	–	(2 178)	2 178	–	–
Transfers from Stage 2 to Stage 1	797	(797)	–	–	–
New assets originated or purchased	146 178	–	–	–	146 178
Payments or assets derecognised	(73 621)	27 004	253 307	–	206 690
Write-offs	–	–	(434 599)	–	(434 599)
	148 664	**92 123**	**520 617**	**–**	**761 404**

Maximum exposure to credit risk

	At 31 December 2020 (IFRS 9) P'000	At 31 December 2019 (IFRS 9) P'000
Gross advances to customers	**10 739 521**	**9 832 888**
Of which Stage 1	9 652 640	8 642 478
Of which Stage 2	496 482	464 671
Of which Stage 3	590 399	725 739
Expected credit loss provisions	**(577 987)**	**(761 404)**
Of which Stage 1	(213 621)	(148 664)
Of which Stage 2	(73 435)	(92 123)
Of which Stage 3	(290 931)	(520 617)
Net advances to customers	**10 161 534**	**9 071 484**
Of which Stage 1	9 439 020	8 493 815
Of which Stage 2	423 046	372 548
Of which Stage 3	299 468	205 121
Impairment (ECL) Coverage Ratio	**5%**	**8%**
Stage 3 Coverage Ratio	**98%**	**105%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Expected credit losses: Stress Testing and Sensitivity Analysis

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

Model recalibrations were performed in 2020 at two points, in April and October 2020. The period between April and October saw the pinnacle of the economic effects of the pandemic. This was the period that had the most severe lockdowns, curfew measures and border restrictions, affecting the ease of doing business. The Group put in a number of measures to mitigate the impact of these conditions which included repayment holidays and loan restructures.

Loss given default (LGD)

The absolute value shift in LGDs between April and October 2020 was 6.4%. This gave an indication of the sensitivity of our LGDs under economic duress. We were therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

Probability of default (PD)

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

Macroeconomic analysis

COUNTRY	INFLATION	GDP	CPI	UER
Botswana	↘	↘	↗	→
Ghana	↘	↘	↗	↗
Kenya	↗	↘	↗	↘
Lesotho	↗	↘	↗	↘
Mozambique	↗	↘	↗	↘
Namibia	↗	↗	↗	↘
Nigeria	↗	↘	↗	↘
Rwanda	↗	↘	↗	→
Swaziland	↗	↘	↗	↘
Tanzania	↗	↘	↗	↗
Uganda	↗	↘	↗	↗

Country Macro-analysis: 2019 – 2020

Inflation

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

Gross domestic product (GDP)

With the exception of Namibia, Gross Domestic Product (GDP) has decreased across all the subsidiaries.

1 FINANCIAL RISK MANAGEMENT (continued)

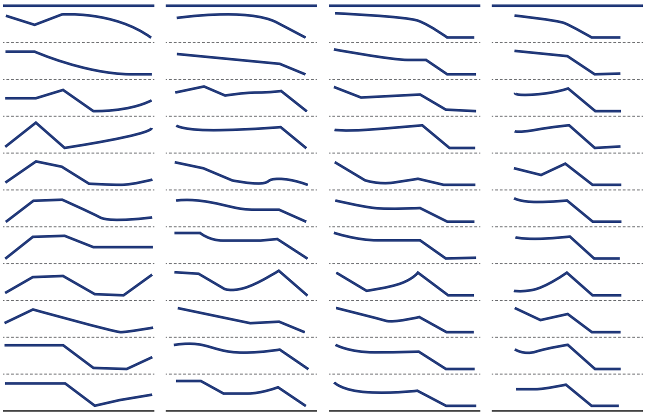
1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Unemployment rate (UER)

Unemployment rates have reduced for Kenya, Lesotho, Mozambique, Namibia, Nigeria and Swaziland. Ghana, Tanzania and Uganda have experienced an increase in unemployment rates, while Botswana and Rwanda's unemployment rates remained flat.

COUNTRY	INFLATION	GDP	CPI	UER
Botswana				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Swaziland				
Tanzania				
Uganda				
Country Macro-analysis: 2015 – 2020				



The Government Deduction at Source (DAS) portfolio is the largest portfolio and constitutes more than 88% of the total loan portfolio. In general, the macroeconomic environment was on a downturn due to pressure from the Covid-19 pandemic. However, Governments were reluctant to retrench. Therefore, although the Group was operating in a difficult macroeconomic environment, clients continued to honor their financial obligations.

Influence of economic variables on estimate of ECL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Expected credit losses: Forward looking

Macro economic forward looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate in line with Fitch Solutions' revised outlook for the period ending 31 December 2020.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the period ending 31 December 2020.

P'000	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
	ECL	ECL	Impact	ECL	Impact	ECL	Impact
Consumer	256 318	291 557	35 238	532 041	275 722	365 948	109 630
MSE	245 320	96 371	(148 949)	90 610	(154 710)	230 486	(14 834)
Informal	76 349	–	–	14 442	(61 907)	17 461	(58 888)
Total	**577 987**	**387 928**	**(113 711)**	**637 093**	**59 105**	**613 895**	**35 908**

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

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

Country	Base ECL P'000	Probability Weighting P'000	Impact P'000
Botswana	110 884	121 202	10 318
Ghana	114 272	119 520	5 248
Kenya	137 565	137 589	24
Lesotho	19 314	21 061	1 747
Mozambique	24 127	28 588	4 461
Namibia	42 871	46 480	3 609
Nigeria	20 110	21 665	1 555
Rwanda	2 637	3 514	877
Swaziland	22 609	24 657	2 048
Tanzania – Bank	26 289	28 003	1 713
Tanzania – Faidika	18 691	19 276	585
Uganda	38 618	42 340	3 723
Group	**577 987**	**613 895**	**35 908**

The Group, therefore estimates an additional ECL impact of P35.9 million as at December 2020 should the Group not have any mitigation in place.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit quality

Group asset quality has shown improvement over the period with non-performing loans (NPLs) at 5.3% (Dec 2020) compared to 6.9% for same period last year (Dec 2019). 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 0.3% compared to 1.7% in the prior year after applying the total impairment charge of P25.77 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 and education segments.

Informal: short-term loans via mobile platforms.

Analysis of exposure by segment as at 31 December 2020	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**7 800 352**	**56 211**	**5 996**	**7 862 559**
Botswana	2 908 735	28 395	–	2 937 130
Namibia	2 714 213	–	–	2 714 213
Mozambique	1 268 176	–	–	1 268 176
Lesotho	428 787	–	–	428 787
Swaziland	480 441	27 816	5 996	514 253
East and West Africa	**1 686 792**	**877 160**	**313 010**	**2 876 962**
Kenya	239 832	497 611	–	737 443
Rwanda	514	32 795	–	33 309
Uganda	289 459	128 840	–	418 299
Tanzania	305 379	153 933	–	459 312
Nigeria	92 310	59 253	–	151 563
Ghana	759 298	4 728	313 010	1 077 036
Gross advances	**9 487 144**	**933 371**	**319 006**	**10 739 521**
Impairment provision	(372 343)	(129 295)	(76 349)	(577 987)
Net advances	**9 114 801**	**804 076**	**242 657**	**10 161 534**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit quality (continued)

Analysis of exposure by segment as at 31 December 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
Swaziland	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	507 814	11 496	338 988	858 298
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**

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 Financial risk (continued)

1.3.1 Credit risk (continued)

Credit quality (continued)

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

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

	Expected Credit Loss			
31 December 2019	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Movement in gross exposures and impairment allowance

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

Loans and advances at amortised cost

	Stage 1		Stage 2		Stage 3		Total	
31 December 2020	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000
As at 1 January 2020	**8 642 478**	**148 664**	**464 671**	**92 123**	**725 739**	**520 617**	**9 832 888**	**761 404**
New assets originated or purchased	1 476 454	121 905	407 316	51 791	9 200 307	287 040	11 084 077	460 736
Payments and assets derecognised	(1 366 212)	4 138	(925 789)	(24 641)	(10 055 785)	(154 932)	(12 347 786)	(175 435)
Changes to PD and LGD rates	981 656	26 500	590 880	(10 783)	1 005 623	(76 618)	2 578 159	(60 901)
Write offs	(81 736)	(87 586)	(40 596)	(35 055)	(285 485)	(285 176)	(407 817)	(407 817)
As at 31 December 2020	**9 652 640**	**213 621**	**496 482**	**73 435**	**590 399**	**290 931**	**10 739 521**	**577 987**

	Stage 1		Stage 2		Stage 3		Total	
31 December 2019	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000
As at 1 January 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**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Loans and advances at amortised cost (continued)

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

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

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Loans and advances at amortised cost (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 this is included as part of recoveries in the LGD calculations. Informal loans used a rate of 100% for both Letshego Ghana and Letshego Swaziland informal loans.

Segments	2020 LGD	2019 LGD
Southern Africa	65%	46%
East and West Africa	88%	85%

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 2020	PD 0	PD 1
Southern Africa	1%	4%
East and West Africa	8%	16%

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

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

	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%

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

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Financial assets renegotiated

Restructuring

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

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

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

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

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**

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.

The Group manages Liquidity risks through the following ways:

- Effective Board and Senior Management oversight at both Group and country level;
- Adequate policies and procedures;
- Formulation of a liquidity strategy;
- Effective internal controls and independent reviews; and
- 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 Treasury and Country Heads of Finance respectively with independent day to day monitoring being provided by Group Market Risk.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.2 Liquidity risk (continued)

Liquidity Risk Measurement

The Group applies various tools and techniques to measure and control liquidity. These techniques include contractual and behavioural liquidity gaps, ratios, and stress testing.

Liquidity contingency plans

The Group Treasury/ALM 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.

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.

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 2020	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Contractual maturities of financial liabilities				
Financial liabilities at fair value through profit or loss	144 649	8 206	–	152 855
Customer deposits	664 393	–	–	664 393
Cash collateral	18 838	–	–	18 838
Trade and other payables	593 717	–	–	593 717
Lease liabilities	38 208	64 523	108 964	211 695
Borrowings	2 549 739	3 195 907	1 100 291	6 845 937
	4 009 544	**3 268 636**	**1 209 255**	**8 487 435**

31 December 2019	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Contractual maturities of financial liabilities				
Financial liabilities at fair value through profit or loss	–	15 390	–	15 390
Customer deposits	426 673	–	–	426 673
Cash collateral	21 721	–	–	21 721
Trade and other payables	437 721	–	–	437 721
Lease liabilities	36 272	43 265	47 719	127 256
Borrowings	2 421 433	2 476 324	1 177 921	6 075 678
	3 343 820	**2 534 979**	**1 225 640**	**7 104 439**

The year on year growth in deposits by 56%, demonstrates the Group's resilience against the backdrop of Covid-19 impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

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 2020 were P18.6 million (foreign exchange gain for the year ended 31 December 2019: P1.99 million). This loss resulted mainly from depreciation of the currencies that the Group operates against the Botswana Pula during the year due to economic pressures posed by Covid-19.

As at 31 December 2020 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 P3.84 million (2019: P0.98 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

Methodology

The Group's interest rate risk methodology is largely based on re-pricing risk and endowment risk. Interest rate risk arises from timing differences in the maturity and re-pricing of assets and liabilities. This is the main source of interest rate risk for the Group. Endowment risk is interest rate risk exposure due to rate insensitive assets or liabilities, for example capital, non-interest earning assets or non-interest paying liabilities.

The main objective of applying these methodologies across the Group is largely to identify, measure, monitor and control interest rate risk in line with the operating model.

Management is guided by the approved interest rate risk policy and maintain internal guidelines for measuring interest rate risk. Group Treasury and Group Business Risk Functions review this on a monthly basis. The Group has adequate risk management systems for measuring interest rate risk relative to its operating model and plans are in place to enhance the management information systems in line with its digitalisation agenda.

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 2020.

31 December 2020 Buckets P'm	<1 month	1 – 12 months	1 – 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	68 250	–	–	–	68 250
Loans and advances to customers	318 988	534 493	4 778 633	4 529 420	10 161 534
	387 238	**534 493**	**4 778 633**	**4 529 420**	**10 229 784**
Rate sensitive financial liabilities					
Customer deposits	64 930	599 463	–	–	664 393
Borrowings	2 242 608	2 055 704	838 445	512 804	5 649 561
	2 307 538	2 655 167	838 445	512 804	6 313 954
Gap	**(1 920 300)**	**(2 120 674)**	**3 940 188**	**4 016 616**	**3 915 830**
Cumulative Gap	**(1 920 300)**	**(4 040 974)**	**(100 786)**	**3 915 830**	

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 Market risk (continued)

Interest rate risk (continued)

31 December 2019 Buckets P'm	< 1 month	1 – 12 months	1 – 3 years	> 3 years	Total
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**	

Market risk framework and governance

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

The 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 Management Risk Committee and Group Balance sheet Management Committee. On a day-to-day basis, market risk exposures are managed by the Head of Group Treasury. Group Market Risk 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, and stress testing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 Market risk (continued)

Market risk measurement (continued)

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

31 December 2020	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1 519	17 267	346 901	(641)	71 410	22 019
Advances to customers	–	491 644	2 671 342	409 473	418 821	382 883
Financial assets at fair value through profit or loss	–	–	–	–	–	–
Financial assets at fair value through OCI	–	–	–	–	–	–
Right-of-use assets	–	1 317	6 846	1 379	4 872	4 011
Other receivables	–	5 011	134 563	197	4 544	5 903
Total assets	**1 519**	**515 239**	**3 159 652**	**410 408**	**499 647**	**414 816**
Financial assets at fair value through profit or loss	76 753	–	–	–	–	–
Customer deposits	–	–	137 822	–	45 273	–
Cash collateral	–	–	–	–	–	4 452
Borrowings	349 659	200 642	619 796	21 537	–	161 968
Trade and other payables	49	7 281	105 749	4 271	14 107	6 372
Total liabilities	426 461	207 923	863 367	25 808	59 380	172 792
Net exposure	**(424 942)**	**307 316**	**2 296 285**	**384 600**	**440 267**	**242 024**
Exchange rates at 31 December 2020 – mid: BWP 1.00 =	**1.36**	**1.36**	**1.36**	**1.36**	**214.87**	**338.21**

Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
169 879	45 007	18 347	22 228	196 919	172	25 518	107 251	68	1 043 864
1 244 049	603 878	30 672	135 453	962 765	–	–	2 810 554	–	10 161 534
–	–	–	–	–	–	–	140 804		140 804
–	–	–	–	–	–	–	59 408	–	59 408
11 873	6 339	765	1 774	13 742	–	–	78 785	–	131 703
22 887	1 545	2 056	105	32	–	–	38 653	–	215 496
1 448 688	**656 769**	**51 840**	**159 560**	**1 173 458**	**172**	**25 518**	**3 235 455**	**68**	**11 752 809**
–	–	–	–	–	–	67 896	8 206	–	152 855
363 390	–	17 889	48 967	51 052	–	–	–	–	664 393
–	14 386	–	–	–	–	–	–	–	18 838
149 607	361 445	309	–	531 166	–	101 845	3 056 277	95 310	5 649 561
17 841	105 522	2 425	5 337	265 817	–	–	58 946	–	593 717
530 838	481 353	20 623	54 304	848 035	–	169 741	3 123 429	95 310	7 079 364
917 850	**175 416**	**31 217**	**105 256**	**325 423**	**172**	**(144 223)**	**112 026**	**(95 242)**	**4 673 445**
6.92	**10.11**	**91.47**	**35.66**	**1.84**	**0.07**	**0.09**	**1.00**	**0.08**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 Market risk (continued)

Market risk measurement (continued)

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
Cash and cash equivalents	11 861	21 885	195 742	20 683	122 196	105
Advances to customers	–	495 312	2 205 408	358 890	349 868	344 644
Financial assets at fair value through OCI	–	–	–	–	–	–
Right-of-use assets	–	1 982	9 953	1 295	807	–
Other receivables	–	23 890	110 989	401	7 614	55
Total assets	**11 861**	**543 069**	**2 522 092**	**381 269**	**480 485**	**344 804**
Financial assets at fair value through profit or loss	–	–	–	–	–	–
Customer deposits	–	–	32 764	–	32 406	–
Cash collateral	–	–	–	–	–	4 325
Borrowings	511 170	274 252	219 830	45 475	–	157 554
Trade and other payables	2 167	4 410	49 751	1 742	12 391	4 674
Total liabilities	513 337	278 662	302 345	47 217	44 797	166 553
Net exposure	**(501 476)**	**264 407**	**2 219 747**	**334 052**	**435 688**	**178 251**
Exchange rates at 31 December 2019 – mid: BWP 1.00 =	**1.34**	**1.34**	**1.34**	**1.34**	**214.30**	**346.48**

Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
281 338	39 006	20 213	30 207	93 044	979	20 760	176 076	1 418	1 035 513
1 340 189	568 862	38 939	105 883	662 243	–	–	2 601 246	–	9 071 484
–	–	–	–	–	–	–	53 591	–	53 591
15 794	7 827	5 263	2 024	2 862	–	–	13 629	–	61 436
16 342	7 998	581	159	31	–	–	45 787	–	213 847
1 653 663	**623 693**	**64 996**	**138 273**	**758 180**	**979**	**20 760**	**2 890 329**	**1 418**	**10 435 871**
–	–	–	–	–	–	–	15 390	–	15 390
285 921	–	23 214	41 062	11 306	–	–	–	–	426 673
–	17 396	–	–	–	–	–	–	–	21 721
360 381	315 590	3 809	–	454 308	–	100 456	2 437 886	86 074	4 966 785
14 368	106 811	3 251	6 641	154 323	–	–	77 192	–	437 721
660 670	439 797	30 274	47 703	619 937	–	100 456	2 530 468	86 074	5 868 290
992 993	**183 896**	**34 722**	**90 570**	**138 243**	**979**	**(79 696)**	**359 861**	**(84 656)**	**4 567 581**
5.72	**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 an improved 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 on shareholder value.

OPERATIONAL RISK FRAMEWORK AND GOVERNANCE

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

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

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

THE MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISK

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

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

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

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

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 Risk Owners and Control Owners to rate the level of inherent as well as residual risk taking consideration of the adequacy and effectiveness of controls.

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

KEY RISK INDICATORS (KRIs)

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

IMPACT OF COVID-19 TO THE GROUP OPERATIONS

As all organizations adjusted to the new normal of living with Covid-19 during the year, no significant operational losses were incurred during the year. However, uncertainty in the full unrestricted operation of sectors such as MSE had negative impact on the overall performance of the Group's loan book. In mitigating against this exposure, the Group strengthened its Management Credit Portfolio Review Committees and trained its credit staff in effective collections and recoveries strategies in the new normal. Furthermore, appropriate measures were put in place around safety, health and environment factors affecting employees, customers and business operations across the Group. These include:

- Provision of personal protective equipment (PPE) to employees.
- Educating employees and customers on Covid-19 transmission.
- Emergency response plan which includes employee communications, simulations and work place procedures.
- Working with authorities and providing local support/health facility to affected employees and their families.
- Remote working guidelines put in place and cohort working established.
- Continuous communication with employees

INCIDENT MANAGEMENT

The incident management process is supported by the Incident Management Policy and the Operational Risk Manual. Management and Staff respond appropriately to risk events or incidents and adopt relevant, timely actions to minimize their impact. During the year, the Group enhanced its incident management approach that defines the specific actions to be taken upon occurrence of a risk event. Under the enhanced ERM Framework, all key functions under the Group will maintain and complete records of all risk events, perform impact assessment and review risk and controls.

BUSINESS CONTINUITY MANAGEMENT AND CRISIS MANAGEMENT

The Group established the Group Corona Crisis Committee (CCC) during the year in response to the pandemic as part of its overall Business Continuity Management (BCM) framework. In line with the enhanced ERM Framework, all related BCM training covering all staff will be conducted via e-learning modules. Group Operations provides the central co-ordination, reporting and monitoring of all Group-wide BCM initiatives, BCM Capability, including the Group-wide BCM program of work as approved by Group Management Risk Committee with oversight from the Group Chief Operating Officer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 FINANCIAL RISK MANAGEMENT (continued)

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

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

	Carrying amount					Fair value			
31 December 2020	Fair value – through OCI P'000	Fair value – through profit and loss P'000	Financial Assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	59 408	–	–	–	59 408	–	–	59 408	59 408
Financial assets at fair value through profit or loss	–	140 804	–	–	140 804	–	140 804	–	140 804
	59 408	140 804	–	–	200 212	–	140 804	59 408	200 212
Financial assets not measured at fair value									
Cash and cash equivalents	–	–	1 043 864	–	1 043 864				
Advances to customers	–	–	10 161 534	–	10 161 534				
Other receivables	–	–	222 846	–	222 846				
	–	–	11 428 244	–	11 428 244				
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	–	152 855	–	–	152 855	–	152 855	–	152 855
Financial liabilities not measured at fair value									
Trade and other payables	–	–	–	605 680	605 680				
Lease liabilities	–	–	–	133 377	133 377				
Customer deposits	–	–	–	664 393	664 393				
Cash collateral	–	–	–	18 838	18 838				
Borrowings	–	–	–	5 649 561	5 649 561				
	–	–	–	7 071 849	7 071 849				

1 FINANCIAL RISK MANAGEMENT (continued)

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

	Carrying amount					Fair value			
31 December 2019	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				
Other receivables	–	–	213 847	–	213 847				
	–	–	10 320 844	–	10 320 844				
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	–	15 390	–	–	15 390	–	15 390	–	15 390
Financial liabilities not measured at fair value									
Trade and other payables	–	–	–	447 217	447 217				
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				
	–	–	–	5 927 156	5 927 156				

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	31 December 2020 P'000	31 December 2019 P'000
Financial assets – Level 3		
Opening balance	53 591	53 591
Gain included in other comprehensive income	5 817	–
	59 408	**53 591**

SENSITIVITY OF FAIR VALUE MEASUREMENTS TO CHANGES IN UNOBSERVABLE MARKET DATA

Based on the above a change in the value per share (based on company valuation), which is usually conducted during a rights issues changes by 1% – 5% will result in a fair value gain or loss of P0.6m and P3m respectively. Where the fair value of this investment does not materially vary to its carrying value, gains or losses will not be recognised.

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

TYPE	VALUATION TECHNIQUE	LEVEL	SIGNIFICANT UNOBSERVABLE INPUTS
Financial assets and liabilities at fair value through profit or loss	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO and USD risk free rates
Fair value – through other comprehensive income	Since market values are not available from an observable market, as this is an investment in private equity, the recent transaction price has been considered as an 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.

	31 December 2020 P'000	31 December 2019 P'000
Interest rate risk		
Average cost of borrowings	12.5%	12.0%
Effect of increase in average borrowing cost by 1%		
– increase in interest expense	50 724	49 668
Effect on profit before tax	4.9%	4.4%
Currency risk		
Effect of BWP appreciation by 1%		
– Effective movement in foreign exchange rates	(3 840)	(980)
–Effect on profit before tax	-0.4%	-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 occur mainly on loans and advances, impairments and share based payment calculations. Judgement is also applied to the valuation of goodwill recognised and probability of having sufficient taxable profits against which deferred tax assets may be utilised.

2.1 Impairment of advances to customers

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group regularly reviews its loan portfolio (note 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.1 Impairment of advances to customers (continued)

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

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

December 2019	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 5%	(-) 5%	(+) 5%	(-) 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**

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).

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

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.1 Impairment of advances to customers (continued)

ESTIMATES AND JUDGEMENTS IN DETERMINING IMPAIRMENT OF FINANCIAL ASSETS (continued)

- 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

2.2 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% (2019: 55%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate.

SENSITIVITY ANALYSIS

The table below details the impact on the profit following a deviation from the 55% (2019: 55%) vesting probability.

	31 December 2020 P'000	31 December 2019 P'000
Impact of a 10% deviation	5 690	4 458
Impact of a 25% deviation	14 225	11 144
Impact of a 50% deviation	28 451	22 289

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

2.3 Deferred tax asset

The Group has recognised a deferred tax asset of P124 million (2019: P145 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.

In the current year Letshego Holdings Limited (LHL) took a conservative approach and did not recognise any deferred tax assets on tax losses (2019: P6.1 million). The Company will recognise these at a point in which it can demonstrate it will generate adequate taxable income in the future. Tax losses in Botswana have to be utilised within five years from the year of origination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.3 Deferred tax asset (continued)

		31 December 2020 P'000	31 December 2019 P'000
Deferred tax asset movement on tax losses			
Opening balance		6 102	49 926
Recognised during the year		–	–
Utilised during the year		(6 102)	(3 789)
Written off		–	(40 035)
Balance at the end of year		**–**	**6 102**
Summary of LHL Company tax losses recognised	**Year of expiry**		
December 2016	2021	–	27 736
		–	**27 736**

2.4 Income tax expense

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

During the year the Group carried out an internal tax assessment of its subsidiaries and based on this a provision was recognised for a subsidiary in East Africa. Furthermore there was release of a tax provision in respect of a tax exposure for an East African subsidiary based on revised tax assessments.

2.5 Estimating the incremental borrowing rate used in lease liabilities

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

2.6 Estimates in determining deferred revenue and related commissions

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

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.7 Goodwill

As required by IAS 36 Impairment of assets, the goodwill was assessed for impairment at year end. This goodwill arose from acquisition of Letshego Holdings Namibia Limited, Letshego Tanzania Limited, 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.

In light of the current economic factors as a result of Covid-19 the Group assessed the recoverable amount of goodwill for the entities and determined that they were profitable with positive growth expected, indicating sufficient headroom to cushion against any future variations or pressures. However, in the prior year there was an impairment write down of goodwill to nil in Letshego Microfinance Bank Nigeria Limited of P23.7 million and Letshego Bank (T) Limited of P15 million.

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

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

	31 December 2020		31 December 2019	
Entity	Discount rates	Long term growth rates	Discount rates	Long term growth rates
Letshego Holdings Namibia Limited	22%	4%	24%	4%
Letshego Tanzania Limited	24%	6%	25%	5%
Letshego Kenya Limited	19%	6%	19%	5%
Letshego Bank (T) Limited	–	–	19%	5%
Letshego Microfinance Bank Nigeria Limited	–	–	25%	10%
Letshego Ghana Plc	26%	7%	23%	7%

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS AND SENSITIVITY TO CHANGE IN ASSUMPTIONS

The calculation of value in use for each cash generating unit is most sensitive to:

- discount rates
- inflation rate
- long term growth rates used to extrapolate cash flows beyond the forecast period

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)

2.7 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 2020 P'000	31 December 2019 P'000
Cash at bank and in hand	918 284	944 882
Statutory cash reserve	57 330	63 390
Short term investments	68 250	27 241
	1 043 864	**1 035 513**
Cash and cash equivalents for the purpose of the statement of cash flow	**986 534**	**972 123**

Short term investments constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 1.0% – 5.0% per annum (31 December 2019: 1% – 5.0%). Cash at bank is held with reputable financial institutions with good credit standing. Statutory cash reserve relates to cash held by the Central Bank for the respective subsidiaries based on the average customer deposits and therefore not available for day to day operations.

4 ADVANCES TO CUSTOMERS

	31 December 2020 P'000	31 December 2019 P'000
Gross advances to customers	10 739 521	9 832 888
Less: Expected credit losses	(577 987)	(761 404)
– Stage 1	(213 621)	(148 664)
– Stage 2	(73 435)	(92 123)
– Stage 3	(290 931)	(520 617)
Net advances to customers	**10 161 534**	**9 071 484**
Maturity analysis		
Maturing within one year	853 482	1 599 287
Maturing after one year within five years	5 333 124	4 824 809
Maturing after five years	4 552 915	3 408 792
Total gross advances to customers	**10 739 521**	**9 832 888**
Certain advances to customers are pledged as security to borrowings as set out in note 17.		
Impairment of advances		
Balance at the beginning of the year	761 404	843 135
Impairment charge for the year	(174 155)	(177 777)
Impairment on informal loans	(9 262)	96 046
Balance at the end of the year	**577 987**	**761 404**
An analysis of net advances by credit risk, including related impairment provisions, is contained in Note 1.3.1 to these financial statements.		
Charges to profit or loss		
Amounts written off	407 817	434 599
Recoveries during the year	(198 629)	(183 767)
Expected credit losses reversed during the year	(183 417)	(81 731)
	25 771	**169 101**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5 OTHER RECEIVABLES

	31 December 2020 P'000	31 December 2019 P'000
Deposits and prepayments	46 951	33 744
Receivable from insurance arrangements	168 029	160 084
Withholding tax and value added tax	755	405
Deferred arrangement fees	19 418	14 593
Settlement and clearing accounts	23 619	34 745
Other receivables	4 430	4 425
	263 202	**247 996**
Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.		

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 P'000	31 December 2019 P'000
Foreign currency swap	140 804	–
	140 804	**–**

This relates to a short term foreign currency swap arrangement with a financial institution, where the Group paid a specified amount in one currency and received a specified amount in another currency to reduce its exposure on currency risk. These were translated using reporting date exchange rates to reflect the changes in foreign currencies. The related financial liability at fair value through profit or loss is in note 12.

7 PROPERTY, PLANT AND EQUIPMENT

	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
Cost						
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**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 RIGHT OF USE ASSET

	Property P'000	Total P'000
Cost		
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**

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

9 INTANGIBLE ASSETS

	Computer Software P'000	Brand value P'000	Core deposit P'000	Total P'000
Cost				
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**

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020 P'000	31 December 2019 P'000
Balance at the beginning of the year	53 591	53 591
Fair value gain recognised through other comprehensive income	5 817	–
	59 408	**53 591**
% shareholding	**2.3%**	**2.3%**

The Group entered into a strategic partnership with a financial services organisation in 2016 and acquired 2.3% shareholding at P53.6 million. A fair value assessment is performed annually. In previous years the fair value of this investment did not materially vary to its carrying value and no gains or losses were recognised.

A valuation of the financial services organisation was carried out by an independent valuer during the current year as part of a rights issue. Management assessed the Group's investment and determined its value to be P59.4 million. This resulted in a fair value gain of P5.8 million recognised above.

11 GOODWILL

	31 December 2020 P'000	31 December 2019 P'000
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22 489	23 111
Letshego Tanzania Limited	1 886	1 874
Letshego Kenya Limited	31 349	33 238
Letshego Ghana Plc	9 874	10 010
	65 598	**68 233**
Movement in goodwill		
Balance at the beginning of the year	68 233	106 229
Impairment on goodwill	–	(38 737)
Conditional subsequent payment relating to the investment in AFB Ghana (note 34.1)	–	2 577
Effect of exchange rate changes	(2 635)	(1 836)
Balance at the end of the year	**65 598**	**68 233**

The Group performs its annual impairment test in December and when circumstances indicated that the carrying value may be impaired the assessment is done bi-annually. 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.

In light of current economic factors as a result of Covid 19 the Group performed an impairment assessment as at 31 December 2020 for all the above cash generating units and no indications of impairment were noted.

The key assumptions used to determine the recoverable amount for the different cash generating units are disclosed in note 2.7. In the prior 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).

12 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 P'000	31 December 2019 P'000
Foreign currency swap	144 649	–
Interest currency swap	8 206	15 390
	152 855	**15 390**

In the current year P144.6 million relates to a short term foreign currency swap arrangement with a financial institution, where the Group paid a specified amount in one currency and received a specified amount in another currency to reduce its exposure on currency risk (the assets is disclosed in note 6).

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.

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 2020 is P8.21 million favourable (2019: P15.39 million unfavourable) and this movement was recognised through profit or loss.

13 CUSTOMER DEPOSITS

	31 December 2020 P'000	31 December 2019 P'000
Demand accounts	106 384	67 155
Savings accounts	107 669	67 381
Call and term deposits	450 340	292 137
	664 393	**426 673**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 TRADE AND OTHER PAYABLES

	31 December 2020 P'000	31 December 2019 P'000
Insurance premium payable	146 530	36 184
Payroll related accruals	14 204	37 201
Staff incentive accrual (note 14.1)	75 968	66 732
Accruals (note 14.2)	58 167	59 573
Guarantee funds	291 961	194 582
Trade and other payables	94 818	119 677
Value added tax/withholding tax payable	32 900	39 823
	714 548	**553 772**

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

	31 December 2020 P'000	31 December 2019 P'000
14.1 Movement in staff incentive accrual		
Balance at the beginning of the year	66 732	65 547
Current period charge (note 24)	75 053	40 280
Paid during the year	(65 817)	(39 095)
Balance at the end of the year	**75 968**	**66 732**
14.2 Movement in accruals		
Balance at the beginning of the year	59 573	60 866
Paid during the year	(1 406)	(1 293)
Balance at the end of the year	**58 167**	**59 573**

15 LEASE LIABILITIES

	Carrying amount at 01 January 2020	Additions	Interest expense	Cash payments	Forex translation	Carrying amount at 31 December 2020
Lease liabilities	64 760	111 863	13 053	(49 886)	(6 413)	133 377

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

	31 December 2020 P'000	31 December 2019 P'000
The following are the amounts recognised in the profit or loss:		
Depreciation expense of right of use asset	35 183	35 473
Interest expense on lease liabilities	13 053	10 416
Expense relating to short-term leases	7 325	9 018
Expense relating to low value assets	2 852	6 891
	58 413	**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 2020:

	31 December 2020 P'000	31 December 2019 P'000
Within one year	25 155	25 856
After one year but not more than three years	38 417	22 433
More than three years	69 805	16 471
	133 377	**64 760**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16 CASH COLLATERAL

	31 December 2020 P'000	31 December 2019 P'000
Balance at the beginning of the year	21 721	27 028
Utilised during the year	(2 883)	(5 307)
Closing balance	**18 838**	**21 721**

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.

17 BORROWINGS

	31 December 2020 P'000	31 December 2019 P'000
Commercial banks	2 588 765	1 904 695
Note programmes	1 555 891	1 729 542
Development Financial Institutions	1 339 680	1 118 927
Pension funds	165 225	213 621
Total borrowings	**5 649 561**	**4 966 785**
Contractual maturity analysis		
Maturing within one year	2 074 631	1 866 687
Maturing after one year within three years	2 514 968	2 215 382
Maturing after three years	1 059 962	884 716
Total borrowings	**5 649 561**	**4 966 785**
Contractual interest on borrowings to maturity at reporting date	1 196 376	1 108 893
Total contractual cash flows on interest bearing loans and borrowings	**6 845 937**	**6 075 678**
Movement in borrowings		
Balance at the beginning of the year	4 966 785	5 315 417
Finance obtained from third parties	1 273 785	1 134 034
Repayment of borrowings	(519 042)	(1 415 529)
Effect of exchange rate changes	(71 967)	(67 137)
Balance at the end of the year	**5 649 561**	**4 966 785**

17 BORROWINGS (continued)

Note programmes

The Group has issued medium term note programmes of P1.6 billion (2019: P1.7 billion) of which P350 million (2019: P527 million) are listed on the Johannesburg Stock Exchange, P325 million (2019: P304 million) on the Botswana Stock Exchange and P484 million (2019: P454 million) on the Ghana Stock exchange at the reporting date.

Security

Pula 2.3 billion (31 December 2019: P1.9 billion) of the borrowings is secured by the advances to customers of:

- Letshego Micro Financial Services (Namibia) (Pty) Limited
- Letshego Financial Services (Pty) Limited (Botswana)
- Letshego Financial Services Swaziland (Pty) Limited which was retired on the 29th September 2020.

The aggregated net advances to customers of the above is P4.34 billion (FY 2019 P4.3 billion) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:

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

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

Pula 4.1 billion (31 December 2019: P3.0 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 1.95 billion (31 December 2019: P1.97 billion) of the borrowings are at fixed interest rates. P3.7 billion (31 December 2019: P3.0 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.

Libor linked funding

As at 31 December 2020, the Group had borrowings of P280 million that were linked to the London Interbank Offered Rate (LIBOR). The LIBOR is expected to be phased out in 2021 and therefore the Group will go through an exercise to adopt new transaction based reference rates with lenders in line with market conventions. The lenders reserve the right to vary the interest margin should there be any material adverse change in the risk profile of the Group or any major change in market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18 STATED CAPITAL

	31 December 2020 P'000	31 December 2019 P'000
Issued: 2,144,045,175 ordinary shares of no par value (2020: 2,144,045,175) of which 14,571,140 shares (2019: 19,054,190) are held as treasury shares	**872 169**	**862 621**

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

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**

In terms of the Group LTIP (note 20), 4.483 million shares (2019: nil) vested at Group level during the current year and were issued from the treasury shares. Therefore the number of shares in issue increased to 2,129 million (2019: 2,125 million) and shares held as treasury shares reduced to 14.571 million (2019: 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.

Capital management

The Group monitors its debt to equity ratio and return on equity as key metrics of capital management.

The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position, are:

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

The Group's capital consists of shareholders' funds (stated capital and reserves) and long term borrowings. The Group monitors the adequacy of its capital using internally measured benchmarks such as capital adequacy, return on equity, debt to equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

18 STATED CAPITAL (continued)

Capital management (continued)

	31 December 2020	31 December 2019
Capital adequacy ratio	34%	36%
Return on equity	13%	17%
Debt to equity	118%	107%

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

19 LEGAL RESERVE

	31 December 2020 P'000	31 December 2019 P'000
Balance at the beginning of the year	195 793	73 519
Movement for the period – allocated from retained earnings	19 042	122 274
Balance at the end of the year	**214 835**	**195 793**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 SHARE INCENTIVE SCHEME

Shares granted in terms of the Long Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the holding company. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

As at 31 December 2020, 108,526,021 total awards were outstanding (31 December 2019: 39,618,700) at grant date share prices of P1.88, P1.65, P0.71, P0.86 and P0.90 for 2018, 2019 and 2020 awards respectively (31 December 2019: P2.13, P1.88 and P1.65 for 2017, 2018 and 2019 awards respectively).

	31 December 2020		31 December 2019	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	**Fair values**	**No. of awards**
Outstanding at the beginning of the year	P2.13/P1.88/P1.65	39 618 700	P2.50/P2.13/P1.88	41 956 100
Granted during the year	P0.71	72 385 263	P1.65	27 288 800
Sign on awards	P0.71/P0.86/P0.90	10 313 857	–	–
Exercised during the year	P2.13	(4 483 050)	P2.50	–
Forfeited due to not meeting performance	P2.13	(3 667 950)	P2.50	(11 029 700)
Forfeited due to resignations	P1.88/P1.65/P0.71	(5 640 800)	P2.13/P1.88/P1.65	(18 596 500)
Outstanding at the end of the year	**P1.88/P1.65/P0.71/ P0.86/P0.90**	**108 526 020**	**P2.13/P1.88/P1.65**	**39 618 700**

The amounts outstanding at 31 December 2020 and 31 December 2019 have average vesting periods of 3, 15 and 27 months.

The outstanding share based incentive scheme as at 31 December 2020 was P31.3 million (2019: P24.3 million).

	31 December 2020 P'000	31 December 2019 P'000
Movement in share based payment reserve		
Opening balance	24 304	18 089
Charge during the year (note 24)	16 539	6 215
New shares issue from treasury shares during the year	(9 548)	–
Closing balance	**31 295**	**24 304**

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.

21 INTEREST INCOME AT EFFECTIVE INTEREST RATE

	31 December 2020 P'000	31 December 2019 P'000
Advances to customers	2 426 509	2 504 158
Interest income on risk informal/mobile loans	78 346	193 786
Interest income on non-risk informal/mobile loans	185 271	250 414
Interest income from deposits with banks	22 152	26 481
	2 712 278	**2 974 839**

22 INTEREST EXPENSE AT EFFECTIVE INTEREST RATE

	31 December 2020 P'000	31 December 2019 P'000
Overdraft facilities and term loans	634 053	663 495
Interest adjustment on non-risk informal/mobile loans	185 271	250 414
	819 324	**913 909**

22.1 Other interest expense

	31 December 2020 P'000	31 December 2019 P'000
Interest expense on leases	13 053	10 416
Market adjustment loss on interest currency swaps	–	1 488
Foreign exchange loss/(gain)	18 587	(1 999)
	31 640	**9 905**
	850 964	**923 814**

In the prior year interest expense was disclosed collectively as effective interest expense. In the current financial year interest expense has been disaggregated and presented as interest expense at effective interest rate and other interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 FEE AND COMMISSION INCOME

	31 December 2020 P'000	31 December 2019 P'000
Administration fees – lending	64 443	53 213
Credit life insurance commission	6 590	6 238
	71 033	**59 451**

23.1 Other operating income

	31 December 2020 P'000	31 December 2019 P'000
Early settlement fees	42 156	52 627
Income from insurance arrangements	153 925	195 026
Market adjustment gain on interest currency swaps	7 184	–
Sundry income	9 271	25 365
	212 536	**273 018**

Income from insurance arrangement is earned in Namibia and Mozambique. In October 2019, changes to the Usury Act and new regulations from the Namibia Financial Institutions Supervisory Authority (NAMFISA), the non-bank regulating body, resulted in a cap on the rates that banks and microfinance institutions could charge clients. Interest rates in banks were capped at 16.8% while microfinance institutions were capped at an all – in rate of 21%.To comply with the all- in rates stipulated by the new legislation, the insurance arrangements were terminated. In April 2020 credit life insurance was re-introduced at a lower rate of 3.5% (previously 5.79%) and in August 2020 the short term insurance was resumed at 5.21% (previously 6.21%).

24 EMPLOYEE BENEFITS

	31 December 2020 P'000	31 December 2019 P'000
Salaries and wages	361 782	364 146
Staff incentive (note 14.1)	75 053	40 280
Staff recruitment costs	2 184	8 152
Staff pension fund contribution	28 669	27 106
Directors' remuneration – for management services (executive)	9 270	8 124
Long term incentive plan	16 539	6 215
	493 497	**454 023**

25 OTHER OPERATING EXPENSES

	31 December 2020 P'000	31 December 2019 P'000
Accounting and secretarial fees	641	687
Advertising	22 078	15 941
Audit fees	5 732	5 565
– Audit services	5 575	5 265
– Covenant compliance fees	157	237
– Tax advisory services	–	63
Bank charges	10 497	7 208
Computer expenses	17 005	12 317
Consultancy fees	59 650	50 308
Corporate social responsibility	4 912	3 266
Collection commission	61 033	50 636
Direct costs	50 305	39 844
Direct costs – informal loans	22 969	44 370
Depreciation and amortization	49 808	49 463
Depreciation – right of use	35 183	35 473
Directors' fees – non executive	8 581	6 474
Directors' fees – subsidiary boards	7 746	5 832
Government levies	27 142	26 789
Insurance	18 688	9 359
Impairment of goodwill (note 11)	–	38 737
Impairment of cash accounts	–	6 039
Office expenses	23 161	22 043
Short term leases – property	7 325	9 018
Rental expense for low value assets	2 852	6 891
Other operating expenses	80 668	86 098
– Entertainment	338	576
– IT costs	8 000	5 222
– Loss on disposal of plant and equipment	683	36
– Motor vehicle expenses	6 554	6 196
– Printing and Stationery	7 745	8 145
– Repairs and Maintenance	4 292	6 111
– Storage costs	2 271	1 940
– Subscriptions and licenses	5 919	5 282
– Other expenses	44 866	52 590
Payroll administration costs	2 086	2 234
Professional fees	24 972	27 465
Telephone and postage	32 995	29 261
Travel	19 279	31 419
	595 308	**622 737**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26 TAXATION

	31 December 2020 P'000	31 December 2019 P'000
Amounts recognised in profit or loss		
Current taxation	**379 679**	**357 306**
– Basic taxation	278 929	275 860
– WHT tax credits adjustments	78 766	72 041
– * Release of prior years tax provision	(14 401)	–
– Under provision in respect of prior years	36 385	9 405
Deferred tax	**19 755**	**53 989**
– Origination and reversal of temporary differences	19 755	53 989
	399 434	**411 295**

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

	31 December 2020 P'000	31 December 2019 P'000
26.1 Deferred taxation		
Balance at the beginning of the year	143 894	197 883
Current year movement	(19 755)	(53 989)
Balance at the end of the year	**124 139**	**143 894**
Deferred tax assets	124 139	144 699
Deferred tax liabilities	–	(805)
	124 139	**143 894**

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.

26 TAXATION (continued)

26.1 Deferred taxation (continued)

	31 December 2020 P'000	31 December 2019 P'000
Deferred taxation arises from temporary differences on the following items:		
Property and equipment	(7 480)	(12 508)
Lease liability	22 164	21 371
Right of use asset	(21 889)	(20 274)
Share based payment provision	5 998	5 123
Staff incentive provision	20 746	13 770
Expected credit losses	100 971	125 104
Taxation losses	–	6 102
Leave pay provision	1 979	1 836
Deferred income	538	5 810
Prepayments	(2 591)	(1 833)
Unrealised exchange loss/(gain)	3 703	(607)
	124 139	**143 894**

26.2 Reconciliation of current taxation

	31 December 2020 P'000	31 December 2019 P'000
Profit before taxation	1 030 307	1 137 633
Tax calculated at Botswana statutory rate of 22%	226 668	250 279
Foreign income taxed at 15%	8 899	9 760
Effect of tax rates in foreign jurisdictions	55 274	32 836
Expenses and revenues not deductible for tax purposes	7 843	(3 061)
WHT tax credits adjustments	78 766	72 041
Tax losses not recognised and fallen away (note 2.3)	–	40 035
Release of prior year provision	(14 401)	–
Under provision in respect of prior year	36 385	9 405
	399 434	**411 295**

26.3 Reconciliation of income tax paid

	31 December 2020 P'000	31 December 2019 P'000
Opening balance – net of receivables and payables	157 002	187 303
Income tax charge for the year	**379 679**	**357 306**
– Tax charge per profit or loss	399 434	411 295
– Movement in deferred tax asset	(20 560)	(56 389)
– Movement in deferred tax liabilities	805	2 400
Closing balance – net of receivables and payables	(424)	(157 002)
Income tax paid	**536 257**	**387 607**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27 PRIOR YEAR ADJUSTMENT

Letshego Holdings Limited (LHL) is the majority shareholder of Letshego Holdings Namibia Limited (LHN), with a shareholding of 78%. LHN in turn has two wholly-owned subsidiaries, Letshego Micro Financial Services Namibia Ltd (LMFSN) and Letshego Bank Namibia (LBN).

In August 2011, Letshego Holdings Limited granted a shareholder loan to Letshego Micro Financial Services Namibia Ltd (LMFSN) of N$600 million, increasing the loan amount over the years. On 1 March 2018, in order to support the growth of the Namibian business, LHL made a decision to convert the outstanding shareholder loan of N$897.1 million into 1000 redeemable non-cumulative preference shares of N$1.00 each, at par value plus a premium.

During 2019, it was determined that the conversion had not been completed in accordance with the Companies Act 2004 and the Listing Requirements of the Namibia Stock Exchange, thereby making the transaction irregular and therefore null and void.

The Group sought external legal counsel to assess the options available and the way forward on this transaction. Two alternatives were given, as follows:

1. regularise and validate the conversion through the court process.
2. maintain the conversion as null and void and therefore reverse the transaction from the date of conversion. This would entail reinstating the shareholder loan retrospectively from 1 March 2018.

Following deliberations and consultation, the LHL Board opted to reverse the transaction and restate the LHN and LHL company financial statements for the years 2018 and 2019.

The restatement entails recalculation of interest on the loan from 1 March 2018 and adjusting for the difference between loan interest and coupon on the preference shares, adjustment for the difference in the tax treatment of the two financial instruments as well as foreign currency effect. The effect of the restatement on the Letshego Holdings Limited Group financial statements is shown below:

	At 31 December 2018		At 31 December 2018	At 31 December 2019		At 31 December 2019
Statement of financial position – extract	**Audited – (as previously stated) P'000**	**Increase/ Decrease P'000**	**Restated P'000**	**Audited – (as previously stated) P'000**	**Increase/ Decrease P'000**	**Restated P'000**
Balance Sheet						
Income tax receivable	19 074	25 755	44 829	39 499	43 242	82 741
Deferred tax asset	211 651	(10 563)	201 088	144 699	–	144 699
Total assets	**10 656 289**	**15 192**	**10 671 481**	**10 867 343**	**43 242**	**10 910 585**
Trade and other payables	492 225	359	492 584	552 849	923	553 772
Total liabilities	**6 581 627**	**359**	**6 581 986**	**6 288 726**	**923**	**6 289 649**
Foreign currency translation reserve	(696 276)	43 266	(653 010)	(713 418)	37 533	(675 885)
Retained earnings	3 500 317	(45 503)	3 454 814	3 836 578	(13 298)	3 823 280
Total equity attributable to equity holders of the parent company	**3 758 270**	**(2 237)**	**3 756 033**	**4 205 878**	**24 235**	**4 230 113**
Non-controlling interests	316 392	17 070	333 462	372 739	18 084	390 823
Total shareholders' equity	**4 074 662**	**14 833**	**4 089 495**	**4 578 617**	**42 319**	**4 620 936**

27 PRIOR YEAR ADJUSTMENT (continued)

Statement of profit or loss and other comprehensive income – extract	At 31 December 2019 Audited – (as previously stated) P'000	At 31 December 2019 Increase/ Decrease P'000	At 31 December 2019 Restated P'000
Effective interest expense	(931 164)	7 350	(923 814)
Profit before taxation	**1 130 283**	**7 350**	**1 137 633**
Taxation	(438 781)	27 486	(411 295)
Profit for the year	**691 502**	**34 836**	**726 338**

	At 31 December 2018 Audited – (as previously stated)	At 31 December 2018 Increase/ Decrease	At 31 December 2018 Restated	At 31 December 2019 Audited – (as previously stated)	At 31 December 2019 Increase/ Decrease	At 31 December 2019 Restated
Basic earnings per share (thebe)	20.7	(2.2)	18.5	29.2	1.5	30.7
Fully diluted earnings per share (thebe)	20.3	(2.2)	18.1	28.6	1.5	30.1

Basic and diluted earnings per share for the prior years have also been restated and noted above.

28 EARNINGS PER SHARE

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

	31 December 2020 P'000	31 December 2019 P'000
Earnings attributable to ordinary equity holders of the parent	**575 718**	**652 239**
Weighted number of shares:		
At beginning of year	2 124 991	2 124 991
Effect of shares issued (31 December 2020 – 4,483 million shares: 31 December 2019 – no shares issued)	3 304	–
Weighted number of shares at end of year	2 128 295	2 124 991
Basic earnings per share (thebe)	**27.1**	**30.7**
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:		
Weighted number of shares:		
Weighted number of shares at end of year	2 128 295	2 124 991
Dilution effect – number of shares (note 20)	108 526	39 619
	2 236 821	2 164 610
Diluted earnings per share (thebe)	**25.7**	**30.1**

28 EARNINGS PER SHARE (continued)

28.1 Headline earnings per share

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

31 December 2020	Gross	Tax	Net
Earnings attributable to ordinary equity holders of the parent	**–**	**–**	**575 718**
Disposal and write off of plant and equipment	683	(205)	478
Headline earnings	**683**	**(205)**	**576 196**
Headline earnings per share (thebe)			**27.1**
Diluted headline earnings per share (thebe)			**25.8**

The was no impact on non-controlling interest on headline earnings for the year ended 31 December 2020.

31 December 2019	Gross	Tax	Net
Earnings attributable to ordinary equity holders of the parent	–	–	652 239
Loss on disposal of plant and equipment	36	(36)	–
Impairment of goodwill	38 737	–	38 737
Specific tax provision	22 000	–	22 000
Specific credit provision – East Africa	6 039	–	6 039
Headline earnings	**66 812**	**(36)**	**719 015**
Headline earnings per share (thebe)			**33.8**
Diluted headline earnings per share (thebe)			**33.2**

The was no impact on non-controlling interest on headline earnings for the year ended 31 December 2019.

29 DIVIDEND PAID

	31 December 2020 P'000	31 December 2019 P'000
Previous year final dividend paid during the year	163 624	70 125
Interim dividend paid	83 018	91 374
Total dividend paid to equity holders	**246 642**	**161 499**
Dividends per share: Interim (thebe) – paid	3.9	4.3
: Final (thebe) – proposed	8.3	7.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 SEGMENT INFORMATION

Following the introduction of the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Chief 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, Namibia, Mozambique,Lesotho, Eswatini, Kenya, Rwanda, Uganda, Tanzania, Nigeria, Ghana and offereing Deduction at source (DAS), MSE and Informal loans to its customers.

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:

Reportable segments

31 December 2020	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Swaziland P'000
Operating income	652 661	489 087	314 075	85 240	77 949
Profit/(loss) before taxation	471 412	333 581	197 177	60 845	29 992
Taxation – consolidated					
Profit – consolidated					
Gross Advances to customers	2 937 130	2 714 213	1 268 176	428 787	514 252
Impairment provisions	(110 884)	(42 871)	(24 127)	(19 314)	(22 609)
Net Advances	2 826 246	2 671 342	1 244 049	409 473	491 643
Total assets	2 990 027	3 253 380	1 470 446	418 628	524 822
Borrowings	1 257 184	1 076 369	199 468	245 757	319 341
Total liabilities	1 376 416	1 333 001	604 966	258 504	332 572

31 December 2019	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Swaziland P'000
Operating income	669 189	555 601	316 740	88 591	67 452
Profit/(loss) before taxation	527 892	418 311	198 742	42 078	38 310
Taxation – consolidated					
Profit – consolidated					
Gross Advances to customers	2 768 646	2 226 635	1 361 331	398 937	503 314
Impairment provisions	(167 400)	(21 227)	(21 142)	(40 047)	(8 002)
Net Advances	2 601 246	2 205 408	1 340 189	358 890	495 312
Total assets	2 887 109	2 619 349	1 680 227	397 833	547 946
Borrowings	1 163 526	348 212	404 866	260 410	348 696
Total liabilities	1 277 310	457 104	761 757	267 792	356 921

	Kenya P'000	Rwanda P'000	Uganda P'000	Tanzania P'000	Nigeria P'000	Ghana P'000	Holding company or eliminations	Total
	159 475	**6 112**	**134 659**	**145 826**	**61 892**	**187 040**	**(169 133)**	**2 144 883**
	60 803	**614**	**21 669**	**64 682**	**5 935**	**115 732**	**(332 135)**	**1 030 307**
								(399 434)
								630 873
	737 442	33 309	418 300	459 312	151 564	1 077 036	–	10 739 521
	(137 564)	(2 637)	(39 109)	(44 491)	(20 110)	(114 271)	–	(577 987)
	599 878	**30 672**	**379 191**	**414 821**	**131 454**	**962 765**	**–**	**10 161 534**
	714 571	**54 682**	**445 039**	**583 025**	**167 920**	**1 213 506**	**390 159**	**12 226 205**
	372 997	**12 696**	**291 989**	**18 234**	**1 860**	**683 704**	**1 169 962**	**5 649 561**
	504 844	**34 070**	**309 802**	**112 469**	**62 515**	**1 048 203**	**1 459 267**	**7 436 629**

	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
	156 116	**9 414**	**142 348**	**168 278**	**53 430**	**284 979**	**(128 644)**	**2 383 494**
	55 232	**2 678**	**42 096**	**90 386**	**7 162**	**14 161**	**(299 415)**	**1 137 633**
								(411 295)
								726 338
	714 843	41 452	392 453	446 716	120 264	858 297	–	9 832 888
	(145 981)	(2 513)	(47 809)	(96 848)	(14 381)	(196 054)	–	(761 404)
	568 862	**38 939**	**344 644**	**349 868**	**105 883**	**662 243**	**–**	**9 071 484**
	676 075	**70 451**	**379 592**	**543 901**	**150 122**	**807 153**	**150 827**	**10 910 585**
	319 143	**15 281**	**218 503**	**20 900**	**850**	**503 509**	**1 362 889**	**4 966 785**
	457 272	**48 989**	**234 105**	**121 133**	**53 623**	**702 088**	**1 551 555**	**6 289 649**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 RELATED PARTY TRANSACTIONS

Relationships:

Letshego Holdings Limited	Parent Company
Subsidiaries	Refer to note 34

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

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

31.1 Related party transactions

The Company 'Letshego Holdings Limited' is listed on the Botswana Stock Exchange. The Group partnered with Sanlam (SEM) to be its preferred insurance provider by offering innovative stand alone and embedded insurance solution. Sanlam owns 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.

	31 December 2020 P'000	31 December 2019 P'000
31.2 Compensation paid to key management personnel (executive directors)		
Paid during the period		
– Short-term employee benefits	9 270	8 124
	9 270	**8 124**

In terms of the Long Term Incentive Scheme there were no awards granted to executive directors relating to the 31 December 2020 and 2019 financial years.

32 CAPITAL COMMITMENTS

	31 December 2020 P'000	31 December 2019 P'000
Authorised by the directors:		
– Not contracted for	**188 988**	**97 740**

The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Group's internal resources.

33 SUBSEQUENT EVENTS

Dividend declaration

A second and final dividend of 8.3 thebe per share (prior year: 7.7 thebe per share) was declared on 26 February 2021 and will be paid on or about 12 May 2021.

Outlook post year-end

The economic impact of the Covid-19 second wave and the new strains identified in various parts of the world for 2021 remains to be seen. With the rollout of vaccines, infection rates are likely to start coming down but of importance will be the rollout of these vaccines across the African continent. What prevailed at the beginning of 2021 was the general preference by African governments for restricted trading hours and daily curfews as opposed to total lockdowns, which could further hurt economies still recovering from the 2020 national lockdowns.

East and West Africa are expected to record improved economic growth in 2021, with West Africa being a key growth driver. Recovery is expected in Ghana, Nigeria, and Kenya. We will continue to monitor earnings performance across all our markets and assess the impact of changes to the competitive landscape, changes in government policy and legislation as well as any changes in customer behavior on the Group's revenues.

34 INVESTMENTS IN SUBSIDIARY COMPANIES

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

Subsidiary company	Country of incorporation	Nature of business	31 December 2020 % holding	31 December 2019 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
Letshego Ghana (Plc)	Ghana	Unsecured consumer lending and deposit licensed	100	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending and deposit licensed	98	98
Letshego Holdings Namibia Limited	Namibia	Unsecured consumer lending and deposit licensed	78	78
ERF 8585 (Pty) Limited	Namibia	Property	100	100
Letshego Microfinance Bank Nigeria (Proprietary) Limited	Nigeria	Unsecured consumer lending and deposit licensed	100	100
Letshego Financial Services Swaziland Limited	Swaziland	Unsecured consumer lending	85	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (T) Limited	Tanzania	Unsecured consumer lending and deposit licensed	100	100
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Unsecured consumer lending and deposit licensed	100	100

Group Structure

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34 INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

34.1 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 2019 P'000
Total tax asset	**5 155**
50% conditional subsequent payment	**2 577**

34.2 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Holdings Namibia Limited, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination and will not tie back to the segment report (note 30) as it includes an investment property in Namibia.

	31 December 2020 P'000	31 December 2019 P'000
Summarised statement of financial position		
Assets	3 182 318	2 590 176
Liabilities	1 558 691	783 250
Net assets	**1 623 627**	**1 806 926**
Accumulated non-controlling interest	**373 881**	**347 783**
Summarised statement of profit or loss and other comprehensive income		
Revenue	497 570	384 583
Profit for the year	233 849	299 491
Profit allocated to non-controlling interest	**52 766**	**65 784**
Dividends paid to non-controlling interest	**16 542**	**19 296**
Summarised statement of cash flows		
Cash flows from operating activities	(60 046)	(4 247)
Cash flows used in investing activities	(2 172)	(12 940)
Cash flows from financing activities	298 131	(438 907)
	235 914	**(456 094)**

34 INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

34.2 Non-controlling interest (NCI) (continued)

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

	31 December 2020 P'000	31 December 2019 P'000
Non-controlling interest		
Letshego Financial Services Lesotho	8 005	6 500
Letshego Financial Services Mozambique, SA	1 512	1 720
Letshego Financial Services Swaziland Limited	28 732	28 430
Letshego Uganda Limited	5 689	6 390
	43 938	**43 040**
Total accumulated non-controlling interest	**417 819**	**390 823**

SIGNIFICANT RESTRICTIONS

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

35 INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

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

TYPE	NATURE AND PURPOSE	INTEREST HELD BY THE GROUP
Comprehensive insurance through cell captive arrangement ("cell captive")	To mitigate against the Group's credit risk in Mozambique and Namibia	The cell captive declares a profit share to Mozambique and Namibia

	31 December 2020 P'000	31 December 2019 P'000
Total assets	145 897	115 594
Total liabilities	56 295	4 188
	89 602	**111 406**

Net assets

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 14. 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

	2020 December P'000	Restated 2019 December P'000	Restated 2018 December P'000	2017 December P'000	2016 December P'000
Assets					
Cash and cash equivalents	1 043 864	1 035 513	1 188 402	492 367	529 476
Advances to customers	10 161 534	9 071 484	8 698 831	7 768 904	6 689 740
Other receivables	263 202	247 996	252 491	201 605	166 717
Income tax receivable	140 804	–	–	17 967	17 250
Financial assets at fair value through profit or loss	59 408	53 591	53 591	–	–
Financial assets at fair value through other comprehensive income	102 633	82 741	44 829	53 591	53 591
Property, plant and equipment	94 229	99 671	80 532	92 061	76 034
Right-of-use assets	131 703	61 436	–	–	–
Intangible assets	39 091	45 221	45 488	55 340	52 609
Goodwill	65 598	68 233	106 229	122 280	129 408
Deferred tax assets	124 139	144 699	201 088	156 655	106 961
Total assets	**12 226 205**	**10 910 585**	**10 671 481**	**8 960 770**	**7 821 786**
Liabilities					
Financial liabilities at fair value through profit or loss	152 855	15 390	13 902	–	–
Customers deposits	664 393	426 673	497 718	228 432	107 696
Cash collateral	18 838	21 721	27 028	27 319	39 225
Trade and other payables	714 548	553 772	492 584	261 751	294 416
Lease liabilities	133 377	64 760	–	–	–
Income tax payable	103 057	239 743	232 132	182 879	99 373
Borrowings	5 649 561	4 966 785	5 315 417	3 984 607	3 394 116
Deferred tax liabilities	–	805	3 205	5 290	808
Total liabilities	**7 436 629**	**6 289 649**	**6 581 986**	**4 690 278**	**3 935 634**
Shareholders' equity					
Stated capital	872 169	862 621	862 621	849 845	875 639
Foreign currency translation reserve	(885 673)	(675 885)	(653 010)	(680 417)	(634 293)
Legal reserve	214 835	195 793	73 519	39 607	32 189
Fair value adjustment reserve	5 817	–	–	–	–
Share based payment reserve	31 295	24 304	18 089	38 840	35 835
Retained earnings	4 133 314	3 823 280	3 454 814	3 709 308	3 383 983
Total equity attributable to equity holders of the company	**4 371 757**	**4 230 113**	**3 756 033**	**3 957 183**	**3 693 353**
Non-controlling interests	417 819	390 823	333 462	313 309	192 799
Total shareholders' equity	**4 789 576**	**4 620 936**	**4 089 495**	**4 270 492**	**3 886 152**
Total equity and liabilities	**12 226 205**	**10 910 585**	**10 671 481**	**8 960 770**	**7 821 786**

FIVE YEAR FINANCIAL HISTORY

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020 December P'000	Restated 2019 December P'000	Restated 2018 December P'000	2017 December P'000	2016 December P'000
Interest income at effective interest rate	2 712 278	2 974 839	2 718 257	2 252 636	1 963 129
Interest expense	(850 964)	(923 814)	(709 558)	(470 630)	(352 362)
Net interest income	**1 861 314**	**2 051 025**	**2 008 699**	**1 782 006**	**1 610 767**
Fee and commission income	71 033	59 451	30 735	38 596	24 617
Other operating income	212 536	273 018	267 421	234 169	209 724
Total income	**2 144 883**	**2 383 494**	**2 306 855**	**2 054 771**	**1 845 108**
Employee benefits	(493 497)	(454 023)	(390 177)	(367 057)	(309 016)
Other operating costs	(595 308)	(622 737)	(589 996)	(446 952)	(407 873)
Operating income before impairment	**1 056 078**	**1 306 734**	**1 326 682**	**1 240 762**	**1 128 219**
Expected credit losses/impairment expense	(25 771)	(169 101)	(361 491)	(237 149)	(180 649)
Operating income before taxation	**1 030 307**	**1 137 633**	**965 191**	**1 003 613**	**947 570**
Taxation	(399 434)	(411 295)	(495 091)	(322 367)	(337 500)
Profit for the year	**630 873**	**726 338**	**470 100**	**681 246**	**610 070**
Appropriations					
Dividends	(246 642)	(161 499)	(463 289)	(321 607)	(371 685)
Retained income	**384 231**	**564 839**	**6 811**	**359 639**	**238 385**
Attributable to:					
Equity holders of the parent company	575 718	652 239	393 335	637 663	568 145
Non-controlling interests	55 155	74 099	76 765	43 583	41 925
	630 873	**726 338**	**470 100**	**681 246**	**610 070**

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

GROUP VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 P'000	31 December 2019 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	**2 712 278**	**2 974 839**
Cost of services	(850 964)	(931 164)
Value added services	1 861 314	2 043 675
Fee and commission income	71 033	59 451
Other operating income	212 536	273 018
Other operating costs	(545 500)	(573 274)
Impairment of advances	(25 771)	(169 101)
	1 573 612	**1 633 769**
Value allocated		
To employees		
Staff costs	493 497	454 023
To expansion and growth		
Retained income	384 231	530 003
Depreciation	35 406	35 170
Amortisation	14 402	14 293
Deferred tax	19 755	64 552
	453 794	**644 018**
To Government		
Taxation	379 679	374 229
To providers of capital		
Dividends to shareholders	246 642	161 499
	1 573 612	**1 633 769**
Summary	%	%
Employees	31.4	27.8
Expansion and growth	28.8	39.4
Government	24.1	22.9
Providers of capital	15.7	9.9
	100.0	**100.0**

ANALYSIS OF SHAREHOLDING

FOR THE YEAR ENDED 31 DECEMBER 2020

Top ten shareholders	31 December 2020 Shares held ('000) Number	%	31 December 2019 Shares held ('000) Number	%	Public/ Non-Public
• Botswana Life Insurance (Pty) Ltd	597 236	27.9	597 236	27.9	Non-Public
• African Alliance	293 820	13.7	284 901	13.3	Public
• Botswana Insurance Fund Management Limited (BIFM)	274 698	12.8	251 357	11.7	Public
• ADP I HOLDING 2	180 484	8.4	180 484	8.4	Public
• Allan Gray	88 763	4.1	108 843	5.1	Public
• Investec	66 163	3.1	74 356	3.5	Public
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd – Kuwait Investment Authority	47 870	2.2	49 440	2.3	Public
• Business Doctor Investment Limited	47 684	2.2	–	–	Public
• The Bank of New York Mellon	44 480	2.1	52 964	2.5	Public
• Anadkat	39 885	1.9	–	–	Public
	1 681 083	78.4	1 599 581	74.6	
Other corporate entities, nominees and trusts and individuals	448 391	20.9	525 410	24.5	Public
Treasury shares	14 571	0.7	19 054	0.9	Public
Total	**2 144 045**	**100.0**	**2 144 045**	**100.0**	

Directors' shareholdings	31 December 2020 Shares held Number ('000)	%	31 December 2019 Shares held Number ('000)	%
*Colm Patterson	–	–	3 986	0.2
Hannington Karuhanga	29	0.0	29	0.0
	29	**0.0**	**4 015**	**0.2**

* Colm Patterson the Group Chief Financial Officer resigned from the Board on 2 March 2019.

Criteria:

PUBLIC

Any shareholding less than 10%; or

(i) A pension fund regulated by NBFIRA
(ii) an entity established under the Collective Investment Undertakings Act or any other listed investment fund regulated by NBFIRA; or
(iii) a registered holder of securities which are the subject of an Exchange Traded Fund or depository receipt programme listed on the Botswana Stock Exchange.

The exemptions above will only be valid provided such entities do no 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 shares; any party acting in concert with the parties set out above.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of the Shareholders of Letshego Holdings Limited will be held via Conference Call on Wednesday 30 June 2021 at 14h30 GMT+2 (Botswana Time).

In compliance with international and national health guidelines and safe social distancing practices Letshego Holdings Limited's 22nd Annual General Meeting (AGM) will be hosted online via video Zoom conferencing facilities. To RSVP or for any enquiries, please email: GroupCompanySecretary@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 2020 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 3.9 thebe per share paid to Shareholders on or around 30 October 2020 and a final dividend of 8.3 thebe per share paid to Shareholders on or around 12 May 2021.

3. Resolution 3

DIRECTORS

3a. To confirm the re-election of Dr Gloria Somolekae, who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers herself for re-election.

3b. To confirm the re-election of Gerrit van Heerde, who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.

3c. To confirm the re-election of Stephen Price, who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.

4. Resolution 4

4a. To approve the remuneration of the Directors for the financial year ending 31 December 2020 as disclosed in Notes 24 and 25 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 2021. 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 2020 as disclosed in Note 20 to the Annual Financial Statements in the Annual Report.

6. Resolution 6

6a. To ratify and confirm the appointment of Ernest 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 2021 estimated at P6,000,000.

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 GroupCompanySecretary@letshego.com not less than 48 hours before the meeting.

By order of the Board

M Kimwaga
Company Secretary
4 June 2021

FORM OF PROXY

ORDINARY BUSINESS

For completion by holders of ordinary shares

(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held via Conference Call on Wednesday 30th June 2021 at 14H30 GMT+2 (Botswana time).

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 4a			
Ordinary resolution number 4b			
Ordinary resolution number 5			
Ordinary resolution number 6a			
Ordinary resolution number 6b			

Signed at on this day of 2021

Signature

Assisted by (where applicable)

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Please read the notes hereof.

FORM OF PROXY (continued)

NOTES

1. A Shareholder may insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting ". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to The Secretary, Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P O Box 381, Gaborone to be received not less than 48 hours before the Annual General Meeting.

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

ALM	Asset Liability Management
AML	Anti-Money Laundering
BEPS	Base Erosion and Profit Sharing
CPI	Consumer Price Index
ECL	Expected Credit Losses
ERP	Enterprise Resource Planning
ESG	Environmental Social and Governance
ECOWAS	Economic Community of West African States
ERMF	Enterprise Risk Management Framework
ETR	Effective Tax Rate
EXCO	Executive Committee
GDP	Gross Domestic Product
GIA	Group Internal Audit
GIBS	Gordon Institute of Business Science
IIRC	International Integrated Reporting Framework
IIA	Institute of Internal Audit
IFSC	International Finance Services Company
IFRS	International Financial Reporting Standards
INED	Independent Non-Executive Directors
IODSA	Institute of Directors South Africa
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicators
KYC	Know Your Customer
LGD	Loss Given Default
LSE	London Stock Exchange
M&A	Merger and Acquisitions
NED	Non-executive Director
NIBSS	Nigeria Interbank Settlement System
OECD	Organisation for Economic Cooperation and Development
PA	Prudential Authority
PAYE	Pay As You Earn
PD	Probability of Default
RPA	Robotic Process Automation
RCSA	Risk and Controls Self-Assessment
RAF	Risk Appetite Statement
SACU	South African Customs Union
SICR	Significant Increase in Credit Risk
SSI	Social Strategic Investment
TRM	Tax Risk Management
UNEP	United Nations Environment Programme
U4E	United for Efficiency
USD or US$ or $	United States Dollar

www.letshego.com