INTEGRATED ANNUAL REPORT 2018

2018

Letshego

INTEGRATED ANNUAL REPORT 2018

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ABOUT THIS REPORT

EVOLVING THE INTEGRATION OF OUR ANNUAL REPORTS

This Integrated Annual Report for the year ended 31 December 2018, is the third report since Letshego Holdings Limited's ("Letshego Group" or "Letshego") commitment to gradually evolve our Annual Report to achieve closer alignment with ever-improving global standards in integrated reporting. Standards in reporting reflect key risks and opportunities, and how these factors impact our strategy, and our financial and non-financial performance.

We have endeavored to provide a concise, balanced and transparent commentary on our strategy, performance, operations, governance and reporting progress.

In the preparation of this Report, the Letshego Group followed the principles of the International Integrated Reporting Framework (IIRC) and the King Code of Governance Principles for South Africa (King IV). Further to this, we strive to adhere to the Global Reporting Initiative (GRI) Standards, with this Report being produced in accordance with the 'core' level of the GRI. This Report has been developed in accordance with Botswana Stock Exchange (BSE) Listing Requirements.

This Report should prove of interest to all our stakeholders, including our Letshego people, customers, strategic partners, shareholders, governments and regulators, as well as the members of the communities in which we operate.

The Group Risk Committee and the Group Audit Committee which are responsible for ensuring corporate accountability and the management of associated risks, combined assurance and integrated reporting, have overseen the production of this Report, and are satisfied with the level of accuracy, completeness and integrity of this Report, and that it reflects our use of different forms of capital. This Report was approved by the Letshego Holdings Limited Board of Directors.

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

This Report is also available on our website **www.letshego.com**

SCOPE

The 2018 Integrated Annual Report covers the 12-month period from 1 January to 31 December 2018, and includes our business operations across our 11-country footprint: Botswana, Eswatini, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Tanzania, and Uganda.

The central theme of the Report is the utilisation of forms of capital to create sustainable value, the trade-offs we manage, the most material issues raised by our stakeholders, and our response to them. We consider as material, those issues, opportunities and challenges that are likely to impact the delivery of our strategic intent and ability to create value in the short, medium and long term.

We apply the principles of stakeholder inclusiveness, sustainability context, materiality and completeness when assessing which information to include in our Integrated Annual Report.

We apply the principles of accuracy, balance, clarity, comparability, reliability and timeliness when assessing the quality of information included in this Report.

MATERIALITY

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

The material issues presented in the Report were identified through a stakeholder review process. The specific areas reviewed with the potential to impact value creation include strategic, financial, environmental, social, competitive and legislative issues. These issues are prioritised based on relevance and impact on our ability to achieve our strategic objectives. This process is managed by the Group's leadership team and supported by Letshego Group's Board of Directors.

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

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

There are no material changes to the content of this Report compared with the 2017 Integrated Annual Report.

A NOTE ON DISCLOSURES

We are not prepared to disclose confidential data such as granular data on remuneration, yields and margins, as we deem this to be competitively sensitive information.

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

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

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

Letshego Holdings Limited was incorporated in the Republic of Botswana on March 1998, and publicly listed on the Botswana Stock Exchange in 2002.

Letshego is a commercial entity whose liability is limited by shares.

OUR VALUES

These define the way we think, work and act and our performance management approach places equal emphasis on our objectives and behaviours. Our code of conduct outlines the behaviours which govern our interactions with stakeholders across the business.

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

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OUR BUSINESS

LETTER FROM OUR CHAIRPERSON

Enos Banda
Chairman

OUR ROLE IN SHAPING SOCIETY

At Letshego, our objective as a focused, pan-African financial services provider, remains consistent in increasing access to simple and appropriate financial solutions to underbanked and emerging consumers across sub-Saharan Africa.

We aim to be the first choice for customers seeking swift access to capital, leveraging our strengths and experience in Deduction at Source lending and unlocking value by optimising our delivery channels and core capabilities.

With only approximately 34%* of adults having a bank account in Sub-Saharan Africa, Letshego's mandate remains relevant. One of our key priorities is to ensure our financial inclusion strategy remains sustainable, both in social and commercial terms, so we may continue to deliver value for all our stakeholders – our people, customers, regulators, investors, as well as commercial partners.

Unemployment remains a challenge in emerging economies the world over. Letshego contributes to job creation on the continent through direct and locally empowered employment across the 11 countries where we operate, as well as via the provision of financial solutions to Micro and Small Enterprises (MSEs). These MSEs in turn, employ more members of the community as their businesses benefit from the increased access to Letshego's productive capital.

Letshego has always acknowledged the benefits of knowing and understanding our customers. The data gained from our annual social impact survey, launched 3 years ago, not only provides us with insights into lifestyle and behavioural trends, but will also start to support our portfolio risk management strategy as we commence correlating demographic data with financial behaviour. Education, home renovation and small sideline businesses continue to be the leading factors spurring our loan applications. This is in line with Letshego's commitment to foster and promote productive use of loan capital with all our customers.

MODEST GROWTH IN CORE MARKETS

We have delivered modest growth numbers during tough economic times, with 2018 growth in Sub-Saharan Africa estimated by the World Bank at only 2.7%. Low global growth also impacted our continent. Botswana, Namibia and Mozambique continue to generate the bulk of Letshego's income for our Deduction at Source model. Our remaining Deduction at Source markets have yet to reach scale, an ongoing priority for our leadership teams. Efforts to diversify the MSE portion of our loan portfolio continue, with a focus on Housing, Education and Agriculture segments.

During 2018, we piloted short term mobile loans in Ghana. While this was successful in gaining large customer numbers, the commercial viability of the structure continues to be reviewed in line with our due diligence process for all new projects.

Regulatory policy across Africa's financial sectors continues to progress in line with evolving global standards and trends, with a particular focus on customer protection and corporate conduct. As a responsible lender, we welcome interventions to improve standards in risk management and regulation in protecting customers. Complying with updated regulatory policy comes at a cost in implementation and monitoring, but Letshego recognises the collective gain such policies provide in sector and economic stability for Africa's growing markets.

In 2018 Letshego applied for a Banking Licence in Botswana, but subsequently chose to put the application on hold – a decision fully supported by the Group's Board. Letshego has ventured on an aggressive growth strategy in the last 5 years, and any multinational with acquisition experience understands the attention and time an inorganic growth strategy demands in achieving sustainable and productive alignment in culture, operations and strategy.

Our business in Ghana will transition to the Letshego brand in 2019, while final hurdles in information systems and technology alignment continue on a concurrent basis.

BUILDING AN INCLUSIVE AND DIVERSE CULTURE

Our culture engenders values-based decision-making and shows how our policies and practices align with our strategy. In addition to our own defined ethics and culture, our laws, regulations and codes further define expectations of how we conduct our business. These cover a wide array of aspects within our business, from Know-Your-Customer requirements, to the protection and processing of information, to how we design and sell our products and services. Regulations driving consumer protection and ethical behaviour in the financial services industry continue to evolve, and will be proactively supported by the Group.

CHANGES IN MANAGEMENT

Chris Low stepped down as the Group Managing Director following almost five years with the Group. The Board, following a due process, appointed Smit Crouse as the Group

*A. Demirgüç-Kunt et.al. The World Bank Group, The Global Findex Database 2017. Measuring Financial Inclusion and the Fintech Revolution.

LETTER FROM OUR CHAIRPERSON

Chief Executive Officer on a long term contract. Regrettably, Smit was only able to serve until the end of March 2019, when he tendered his resignation. This was unexpected. However, the Board accepted and respected his decision.

To maintain business continuity, the Board has appointed Dumisani Ndebele as the Interim Group Chief Executive Officer. Dumisani has a rich history with Letshego, having joined the Group in 1999 and served in various senior management positions until 2016. He returned to the Group in January 2019 as the Company Secretary. The Board is confident that Dumisani and the management team have the necessary experience to continue the Group's positive trajectory.

Colm Patterson, our Group Chief Financial Officer, is also leaving Letshego to pursue personal interests, having been with the Group for more than 11 years. A former Board member, Josias De Kock has been appointed Acting Chief Financial Officer while a successor for Colm is sought.

On behalf of the Board, I wish to extend my appreciation to Chris Low, Smit Crouse, and Colm Patterson for their commitment and contribution to the Group during their tenures. We wish them every success in their future ventures.

LOOKING TO THE FUTURE

Despite ongoing economic challenges, micro-lending and traditional banking remain sectors set for long term growth, supported by increased public and private sector recognition of how inclusive finance can play a role in supporting broader economic development.

Providing capital to micro and small businesses can lead to fledgling entrepreneurs moving up the supply chain, both in volumes and output quality. This ultimately enables small business owners to increase their own social capital. In simple terms, as Letshego invests and improves our own social capital, we in turn wish to help the growth of social capital for others.

OUR THANKS

To my fellow Board Members, I wish to thank you for your ongoing support in overseeing governance responsibilities on behalf of our stakeholders, and guiding us through both challenges and successful milestones. I wish to thank Robert Thornton, Josias De Kock and Christian van Schalkwyk for their tangible contribution, leadership and expertise dedicated to the Letshego Board over the years. Robert Thornton, Josias De Kock and Christian van Schalkwyk have resigned from the Group Board since our last Group Integrated Annual Report. Josias De Kock will continue to add value to the Group in his role as Acting Chief Financial Officer.

I am also saddened, but honoured, to pay tribute to another great and historic member of the Board, John Alexander Burbidge. It is with great regret that we mark his passing in 2018. John was a selfless man who gave so much of himself and left a shining legacy as Independent Non-Executive Director and Chairman.

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

Thank you to our people, customers, regulators, investors as well as our public and private partners for your ongoing support.

E. N. Banda
Group Chairman

INTERIM GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

MAINTAINING OUR POSITION AS A LEADING MICROFINANCE BUSINESS IN AFRICA

On returning to Letshego in January this year, I have been inspired by the expansion and progress made in enhancing our solutions, internal systems, risk frameworks and operational alignment across the Group. Following recent senior leadership changes, I am honoured to assume the role of Interim Group Chief Executive Officer, and remain committed to continuing Letshego's legacy.

Despite the change in leadership, our business fundamentals remain strong, and the commercial opportunities in our footprint, positive. With the support of our Group and Country Leadership teams, we look forward to seizing current and future growth opportunities, supported by open and transparent governance frameworks.

FINANCIAL HIGHLIGHTS

Our 2018 Group Financial Results demonstrate positive developments, including an increase in net advances of 12%, and net disbursements of 58%. Total revenue grew by 19% to P3.0 billion. There are, however, areas that demand more focus for improvement. These include our cost base, credit quality and effective tax rate. Profit after tax decreased by 25% to P510 million, and total assets have increased 19% to P10.7 billion.

Investments in our people and systems have increased our cost to income ratio by 2%, bringing it to 42%. We continue to operate in a tough economic environment, and market indicators, including our share price, return on assets and return on equity, reflect these challenges. However, Letshego remains in a strong capital and liquidity position, with a capital adequacy ratio of above 35%. Moody's Investor Services affirmed a Ba3 (stable) rating for the Letshego Group, providing credible, third party perspective on our financial position for the next 12 to 18 month period.

Strategically, our core strength and primary source of income remains our Deduction at Source lending portfolio, constituting 86% of our loan portfolio and contributing 95% to Group Profit. As noted by our Chairman, we continue to take steps to consolidate our position in our core markets of Botswana, Namibia and Mozambique and bring peer Deduction at Source markets up to material scale and profitability.

Our MSE portfolios continue with upward growth, and now account for approximately 9% of our total portfolio. Shorter, informal loans make up the balance of the portfolio. Our focused efforts on Savings Mobilisation in our 6 licenced markets, have resulted in deposit values doubling in 2018, although off a low base. Savings deposits grew 118% to P498 million compared to the prior year.

INTERIM GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

EXPANDING OUR COMMITMENT TO FINANCIAL INCLUSION

The micro-lending space is changing rapidly. New players are appearing and continue to take on traditional banks in an historically monopolised arena. In the tidal wave of fintech development, Letshego needs to remain up to speed on developments and be strategic in identifying technology advances that specifically benefit our strategic area of focus. Technology remains a key enabler in service, speed and efficiency, but how one implements that technology to maintain regulatory compliance and customer security is paramount, all while keeping a hold on underlying operational costs.

Letshego aims to deepen and leverage the inroads we have achieved across our markets, in prioritising one key factor: Access. In this past year, Letshego Namibia has been first in the Group to trial Letshego's 'LetsGo Mastercard', opening up almost unlimited access and payment opportunities for customers' loans and savings. On the back of Namibia's roll-out in 2018, other footprint markets stand to benefit from card functionality, and with it, reward benefits associated with digital transactions.

Ghana's pilot in mobile lending has now attracted 1.6 million new customers, as we continue to review the commercial and sustainable opportunities this digital platform provides. Mozambique is also progressing with their own financially inclusive pilot, a unique platform that facilitates micro payments between consumers and vendors in rural areas, at minimal cost. With network testing concluded, this second pilot will now move to commercial assessment before we consider launch and expansion.

In addition to digital channels, our Direct Sales Agents (DSAs) provide a valuable, personalised channel for new business and service access for customers. In 2018, our DSAs were responsible for bringing in 50% of new loans disbursed across the region. DSAs remain valuable enablers in extending Letshego's impact, with Letshego Mozambique now reaching an extended population of government employees who are based in remote areas.

INTEGRATING GOVERNANCE WITH OPERATIONS

Our marketing and brand strategy remains focused to reinforce our positioning, links directly with relevant stakeholders and growing our brand equity in priority markets. Improving transparency in risk and governance also allows us to instil confidence in respective stakeholders.

We are progressing with the integration of our Social and Environmental Management System (SEMS), and Environmental and Social Governance (ESG) policies guide our actions and relationships with customers and suppliers to mitigate environmental and social risks. These living documents provide guidance on the requirements and controls to identify potential environmental and social risks, reiterate where risk frameworks should be applied, and assist with providing relevant referrals to the credit risk management team. Our lending documentation and contracts also benefit from financial inclusion clauses, derived from respective ESG policies.

Letshego embraces efforts towards a well-regulated and stable financial services sector, where systemic risk is minimised. A recent example is Letshego Uganda, a subsidiary that is now regulated by the Uganda Micro Finance Regulatory Authority following recent regulatory amendments in the local financial sector. We expect the evolution in financial regulations, with specific reference to microfinance, to continue. Although implementation will attract a cost, improved sector stability and transparency remains our collective interest.

THE WAY FORWARD

We have four key priorities over the coming year which will underpin our focus and momentum. As a management team, we will leverage on our strategic strengths gained in Deduction at Source, execute a targeted brand strategy in priority markets, continue to review our pricing in line with market dynamics, and enhance customer experience by optimising our channel strategy. Decision-making capabilities will be improved through ongoing investment in data, analytics, research and market insights. Cost optimisation and effective management of core business functions that include risk, governance, treasury, funding and stakeholder engagement, continue to underpin our commitment to delivering long term shareholder value.

D. Ndebele
Interim Group Chief Executive Officer

OUR JOURNEY

2017

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

2015

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

2012

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

2011

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

2008

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

2006

Eswatini and Tanzania operations launched

2005

Uganda operations launched

2002

Listing on the Botswana Stock Exchange

1998

Letshego is founded in Botswana

2018 MILESTONES

2018 MILESTONES

- **58% increase in loan disbursements**
- **118% increase in deposits**
- **Nigeria secures Federal Deduction Code**
- **Ghana pilots mobile, short term loans**
- **P600m new funding sourced from Development Funding Institutions (DFI)**

ACCESS:

- **Doubled USSD registrations from 2017**
- **Over 6 000 new cards issued**
- **More than doubled our number of registered agents**
- **8 329 customers registered at agency access points compared to 2 144 in 2017, with agency specific transactions increasing by 215%**
- **Increased the volume of transactions through our agents from P768,462 in 2017 to P13m by end of 2018**

OUR GROUP STRUCTURE

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

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

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

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

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

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

- Letshego Kenya Limited
- Letshego Tanzania Limited (Trading as Faidika) (Regulation pending)

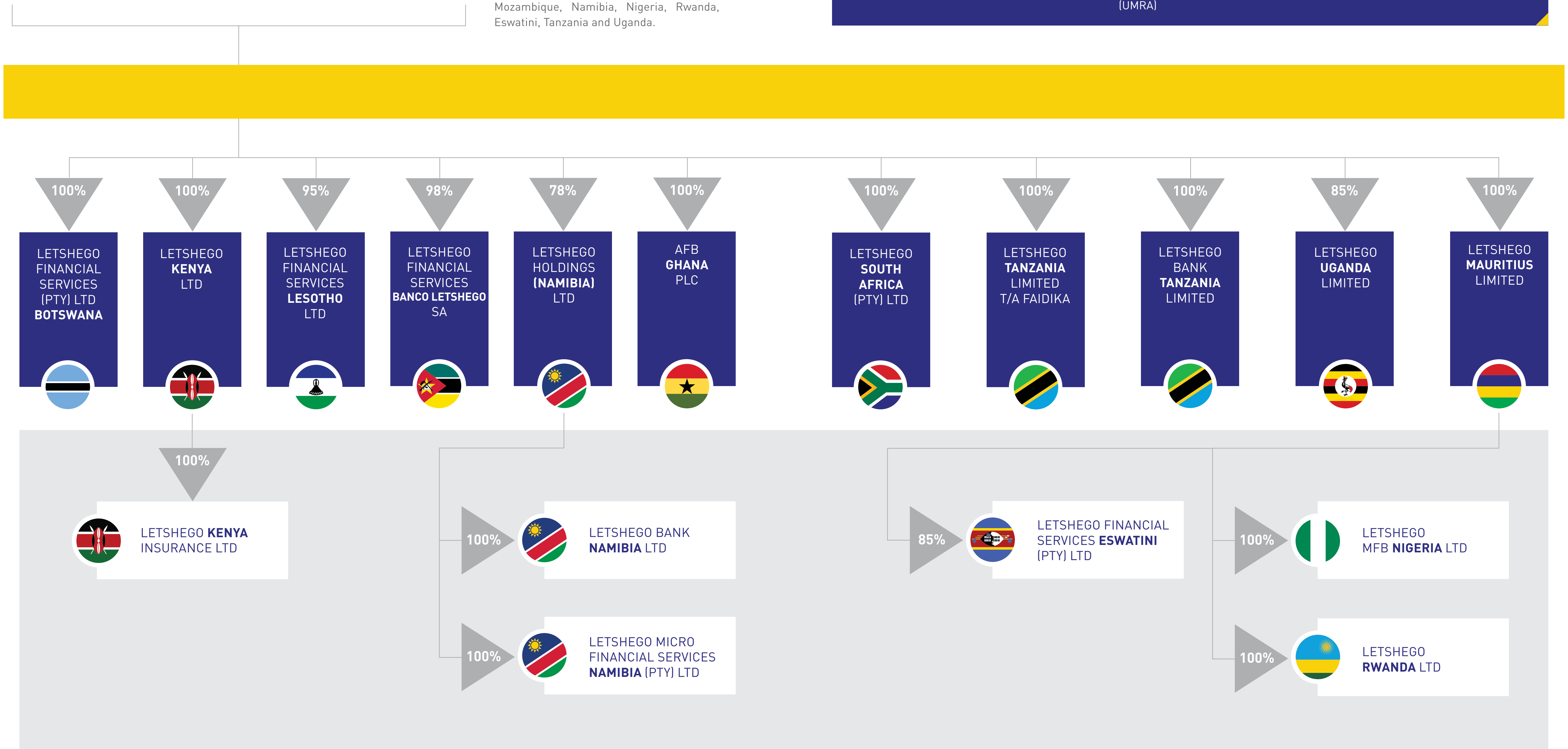


Figure 1: Letshego Holdings Limited Group Structure as at 31 December 2018

OUR SOLUTIONS

Letshego is a financial services provider offering financial solutions to customers in the retail and MSE (Micro and Small Entrepreneur) sectors. The primary purpose of our solutions is to provide customers with a safe place to save, to provide access to credit finance and to assist MSEs with financial support. Our principal financial solutions are unsecured short-term and long-term loans ranging from P5 - P500 000. While the bulk of our customer base are Government employees, our financial solutions are marketed to individuals, MSEs, and corporates.

Borrowing:

- Our loans are tailored to suit customers' needs with competitive interest risk-adjusted rates and value-added services such as funeral and life insurance cover.

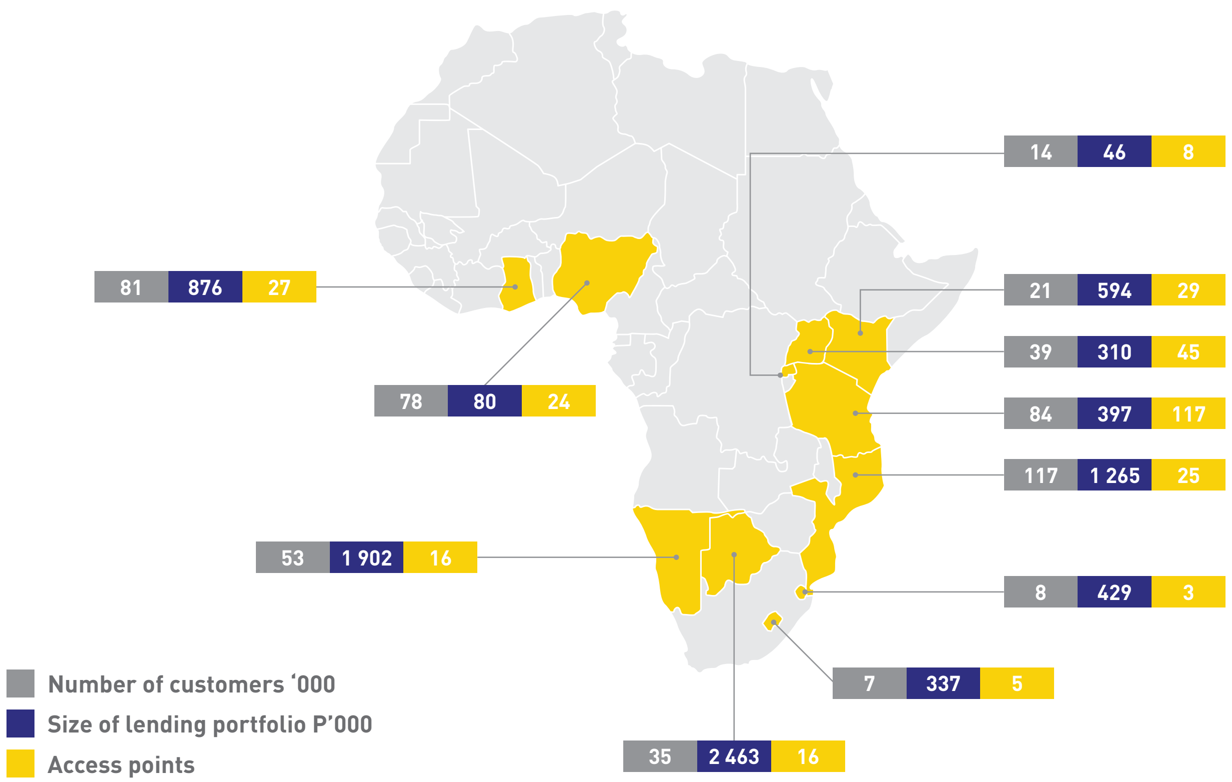
Deposit taking and transactional accounts:

- We continue to develop and offer transaction facilities enabling customers to make payments to suppliers, pay bills or receive payments from other bank accounts. These facilities are delivered through card services in Namibia, Tanzania and Nigeria; agency banking in Mozambique and Tanzania; as well as USSD and mobile banking across our deposit taking markets.
- We have developed the LetsGo savings accounts that help our customers to have access to a safe place to save money, whilst earning interest on all deposits. This is part of our drive to motivate communities to save.
- Our transaction and savings capabilities have seen growth in the total value of transactions recorded in our LetsGo current and savings accounts from P12m in 2017 (5% of total deposits) to P51m that now represents 10% of all deposits received in 2018.
- The Group total deposits grew from P228m in 2017 to P498m by the end of 2018.

All 11 markets where Letshego operates offer borrowing facilities.

We have six markets with deposit taking licences namely: Ghana, Mozambique, Namibia, Nigeria, Rwanda, Tanzania.

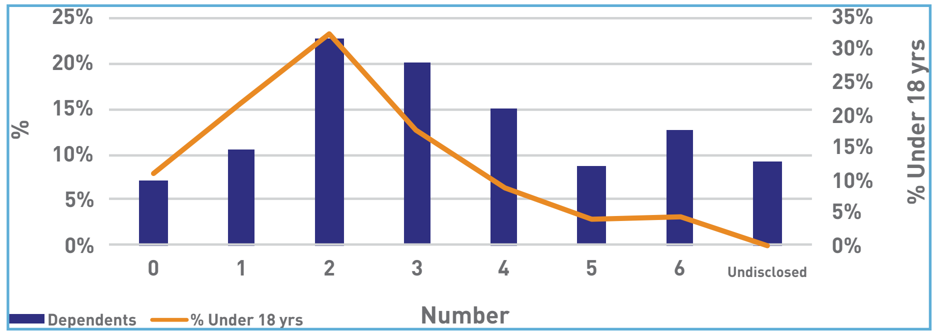
These markets also provide accounts with transactional services.



Letshego

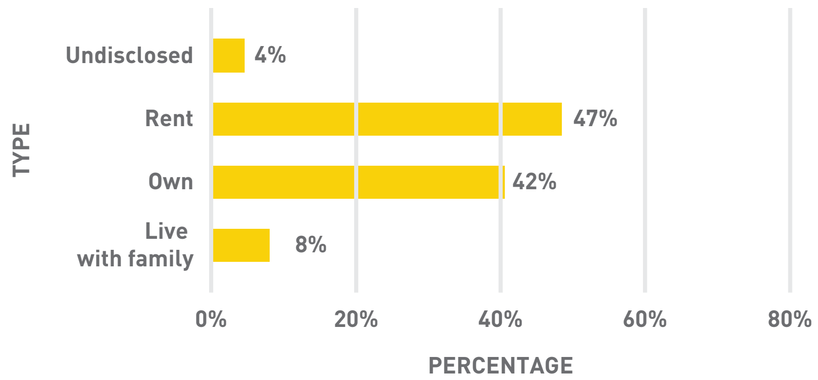
GROUP CUSTOMER DEMOGRAPHIC*

NO. OF DEPENDENTS



GENDER SPLIT

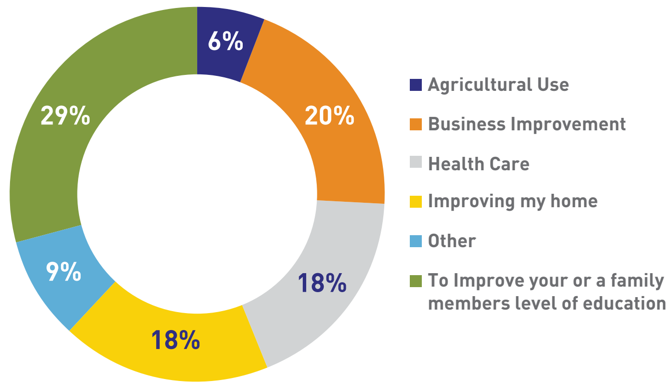
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	10%	50-100 km	6%
1-5 km	21%	→100 km	3%
5-10 km	19%	Undisclosed	29%
10-50 km	12%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	85%
Land	9%
Livestock (not for sale)	2%
Undisclosed	2%
Valuables (jewelery, fully paid off home, fully paid off vehicle etc.)	2%

REASON FOR SAVING

Education	16%	Personal	4%
Emergency	15%	Rainy day	19%
New Business	13%	Retirement	15%
New house	17%	Undisclosed	1%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	9%
No	77%
Undisclosed	14%

Letshego

*Data is aggregated from customer surveys that are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

OUR FOOTPRINT

11 UGANDA
est. 2005

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

231+ STAFF | 39,000+ CUSTOMERS | 45 BRANCHES

10 KENYA
est. 2000

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

191+ STAFF | 21,000+ CUSTOMERS | 29 BRANCHES

9 RWANDA
est. 2004

Opened doors in 2004 as part of MicroAfrica Group.Acquired by Letshego Group in 2012.

82+ STAFF | 14,000+ CUSTOMERS | 8 BRANCHES

8 TANZANIA
est. 2006

Faidika opened doors in 2006. Letshego Group acquired Advans Bank in 2015 and rebranded to Letshego Bank Tanzania.

239+ STAFF | 84,000+ CUSTOMERS | 117 BRANCHES

7 MOZAMBIQUE
est. 2011

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

178+ STAFF | 117,000+ CUSTOMERS | 25 BRANCHES

6 ESWATINI
est. 2006

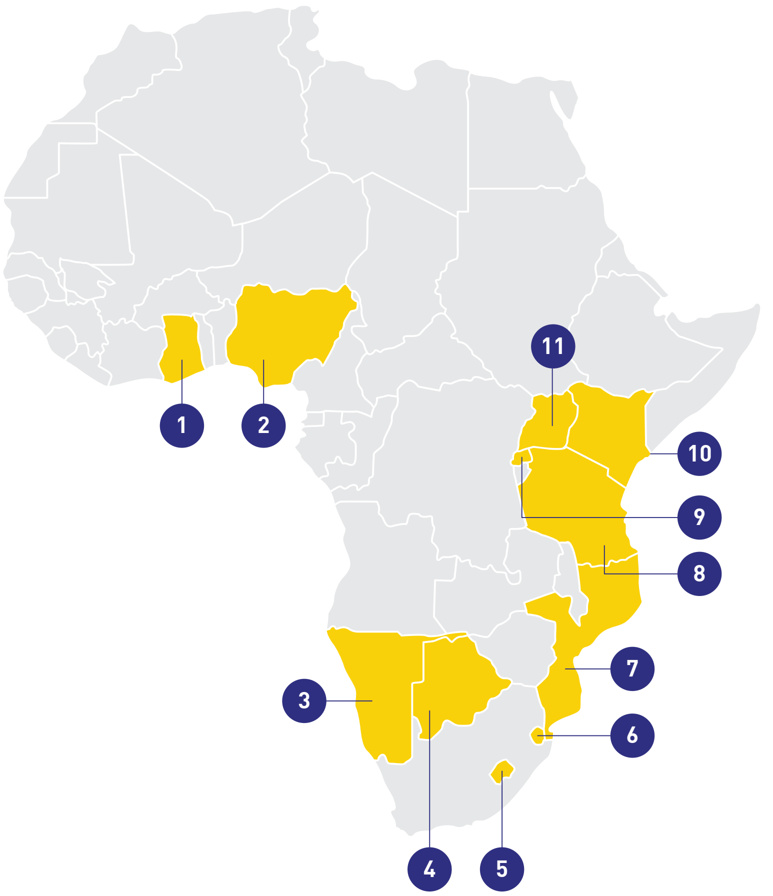
Opened doors in 2006 as Micro Provident Eswatini and rebranded in 2010.

25+ STAFF | 8,000+ CUSTOMERS | 3 BRANCHES

5 LESOTHO
est. 2012

Opened doors in 2012.

40+ STAFF | 7,000+ CUSTOMERS | 5 BRANCHES



1 GHANA
est. 2010

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

218+ STAFF | 81,000+ CUSTOMERS | 27 BRANCHES

2 NIGERIA
est. 2008

Opened doors as FBN microfinance bank in March 2008. Acquired by Letshego Group in 2015 and rebranded to Letshego MFB.

273+ STAFF | 78,000+ CUSTOMERS | 24 BRANCHES

3 NAMIBIA
est. 2002

Opened doors in 2002 as Edu Loan Namibia. Acquired by Letshego Group in 2008. Awarded banking licence in 2016. Listed on NSE on 28 Sept 2017.

117+ STAFF | 53,000+ CUSTOMERS | 16 BRANCHES

4 BOTSWANA
est. 1998

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

129+ STAFF | 35,000+ CUSTOMERS | 16 BRANCHES

HOW WE CREATE VALUE

The forms of capital used by Letshego to create value include the following:

Form of Capital	Description of Capital	Trade-off to be managed
Financial	To grow the franchise and make strategic investments, we source capital from various debt and equity investors. Our ability to source financial capital at affordable rates is a significant component of our ability to provide and develop solutions for our customers, adhere to regulatory requirements and provide a conducive working environment for our people.	The use of our financial capital allows us to invest in our other forms of capital, such as human, intellectual, manufactured and social. However, its use also diminishes the levels of available financial capital.
Human	Our people are our greatest asset, ambassadors of our brand, and the source of our competitive advantage. It is their commitment, experience, skills and engagement that allow us to provide solutions to our customers in a responsible manner, which in turn ensures customer satisfaction, brand reputation, regulatory compliance and sustainable profit. Our people are supported by our strong leadership team who stimulate a high-performance culture. We are committed to investing in our people to both attract and retain this high-performing and value-aligned team.	Our investments in human capital, have negative impacts on our available financial capital, in the short-term, but a positive impact over the medium to long-term. Investment in human capital also has a positive effect on our social, intellectual and manufactured capital, as the use of human capital improves operational efficiencies and customer service.
Intellectual	Our investments in our systems and processes are vital to ensure that we can increase access to Letshego solutions, expand our footprint, maintain our market presence, and improve the customer experience of our brand, while remaining compliant with applicable legislation.	Our investment into intellectual capital, may reduce our available financial capital in the short-term, but creates a positive impact over the medium to long-term. Investment in intellectual capital also has a positive effect on our social, human and manufactured capital. Intellectual capital improves operational efficiencies and customer service, by improving accessibility and responsiveness.
Manufactured	Enabling and innovating access to our financial solutions remains the cornerstone of our strategic agenda to increase financial inclusion in the markets where we operate.	Our investment into manufactured capital, may reduce our available financial capital, in the short-term, but achieves a positive impact over the medium to long-term. Investment in manufactured capital also has a positive effect on our social, human and intellectual capital. Manufactured capital improves operational efficiencies and customer service.
Social	We cannot succeed if our communities fail. We therefore recognise the importance of strengthening our communities and our interactions therein. Our levels of social capital are a key indicator of our long-term sustainability. We are proud to support our communities through strategic investments and sponsorships, leveraging our network and insight gained as a trusted financial partner.	Our investment into social capital, may reduce our available financial capital, in the short-term, but achieves a positive impact over the medium to long-term. Investment in social capital has a positive effect on intellectual and financial capital, as it can improve the allocation of capital in crease overall stakeholder value.

We do not use significant amounts of natural capital in our operations, and it has therefore been excluded from our assessment of forms of capital used.

FINANCIAL HIGHLIGHTS - 2018

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

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

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

Summary of overall performance on group level when compared to the 2017 Financial year:

NET ADVANCES TO CUSTOMERS	↑	12%
OPERATING INCOME	↑	15%
OPERATING PROFITS	↑	2%
EARNINGS PER SHARE	↓	31%
TOTAL REVENUE	↑	19%
DEBT EQUITY RATIO	↑	38%
RETURN ON EQUITY	↓	5%

[1] Profit before management-fees and tax

[2] Loan Loss Ratio

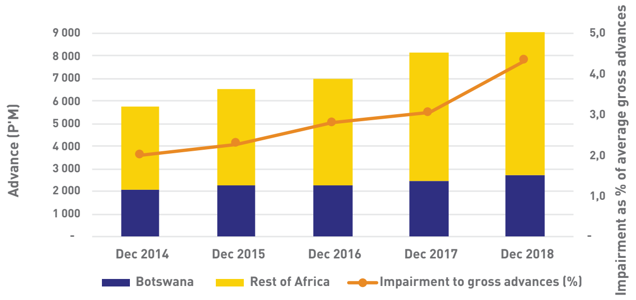
[3] Tanzania - include both entities Faidika and Letshego Bank (T)

Table 1: 2018 financial performance highlights

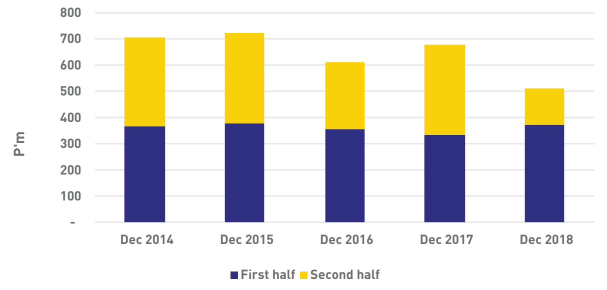
Subsidiary	PBMT[1] (P'm)			Net disbursements (P'm)			Net advances (P'm)			LLRs[2] to average advances (%)		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Group	948	1,004	1,021	2,503	2,713	4,297	6,690	7,769	8,699	2.8%	3.1%	4.1%
Southern Africa												
Botswana	467	461	458	370	302	483	2,242	2319	2,463	3.4%	1.0%	2.8%
Lesotho	55	69	57	158	59	28	409	403	337	1.6%	1.0%	3.2%
Mozambique	107	75	109	151	361	416	735	1013	1,265	2.4%	2.2%	1.1%
Namibia	351	436	450	572	647	559	1,668	1930	1,902	0.1%	0.0%	0,7%
Eswatini	22	31	33	101	191	162	226	370	429	0.0%	0.0%	0.7%
East Africa												
Kenya	3	21	(22)	285	309	284	409	516	594	5.6%	2.8%	15.3%
Rwanda	1	(42)	(1)	144	(12)	30	165	43	46	10.2%	42.8%	4.0%
Tanzania[3]	90	48	96	314	312	184	488	473	397	4.7%	13.2%	4.9%
Uganda	39	28	37	237	178	196	307	302	310	3.1%	8.1%	5.0%
West Africa												
Ghana	N/A	36	43	N/A	223	1,809	N/A	346	876	N/A	1.7%	15.5%
Nigeria	(8)	3	14	173	142	146	51	54	80	8.5%	20.3%	8.6%

FINANCIAL HIGHLIGHTS - 2018 (CONTINUED)

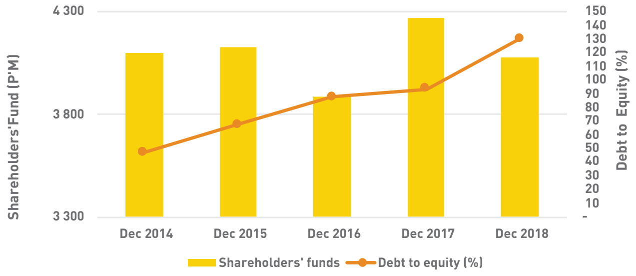
Gross Advances and Impairment



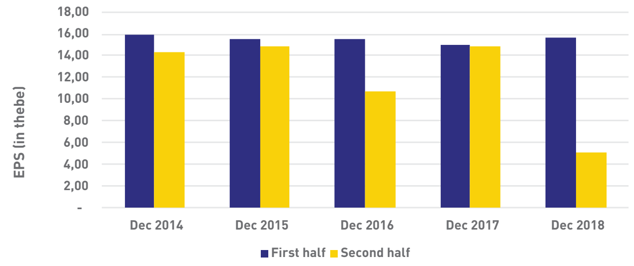
Profit after tax (P'm)



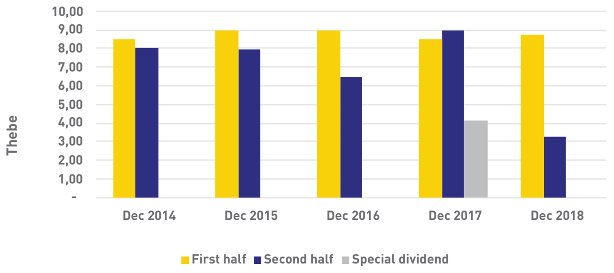
Shareholders' Fund:Debt to Equity



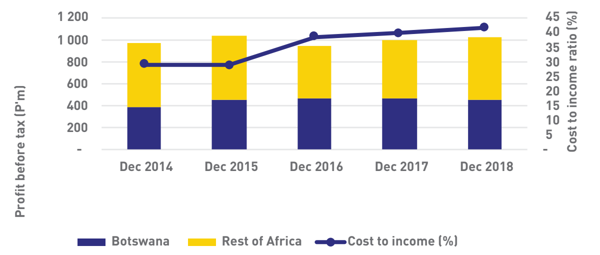
Basic Earning per Share



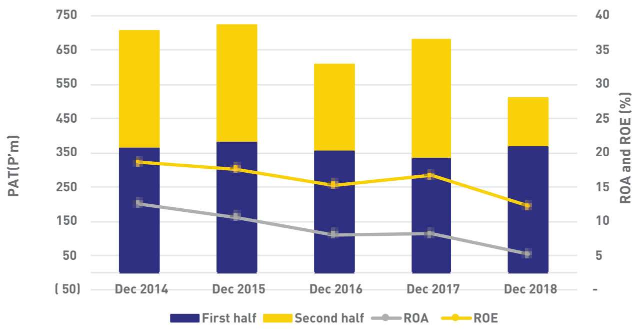
Dividend per Share (thebe)



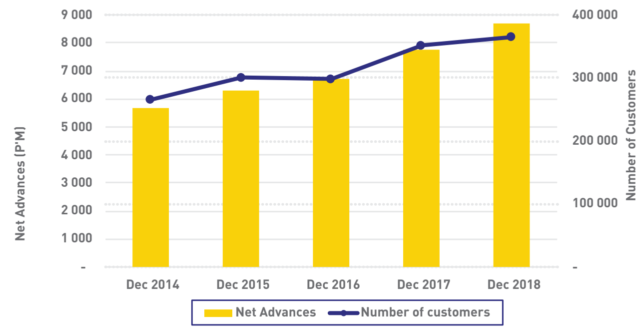
Geographic Diversification and PBT to Cost to Income ratio



ROA vs ROE vs PAT



Net Advances and Number of Customers



*The above excludes Ghana mobile customers

December 2014 was an 11 month period following the change in year end

SHAREHOLDERS ANALYSIS

We have 2,144m shares in issue and as at 31 December 2018, our market capitalisation was P3.5 bn, representing 8% of the domestic Botswana Stock Exchange (BSE) index.

Top ten shareholders

	31 December 2018 Shares held ('000)		31 December 2017 Shares held ('000)	
	Number	%	Number	%
• Botswana Life Insurance Ltd	561 036	26.2	561 036	26.2
• First National Bank of Botswana Nominees (Pty) Ltd - AA BPOPF	260 669	12.2	260 669	12,2
• ADP I HOLDING 2	180 484	8.4	180 484	8.4
• First National Bank of Botswana Nominees (Pty) Ltd- BIFM BPOPF EQUITY	122 340	5.7	108 587	5.1
• BMO Investment : Former Lloyd George Investment Company	116 510	5.4	52 096	2.4
• Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Limited	65 895	3.1	62 114	2.9
• First National Bank Nominees (Pty) Ltd - BPOPF Allan Gray	60 288	2.8	61 682	2.9
• HSBC: Substainable Capital Africa Alpa Fund	59 405	2.8	33 491	1.6
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd -NTGSLUX 010/03	52 854	2.5	53 471	2.5
• First National Bank of Botswana Nominees (Pty) Ltd- IAM BPOPFP	43 721	2.0	48 320	2.3
	1 523 202	71.1	1 421 950	66.5
Other corporate entities, nominees and trusts and individuals	601 785	28.0	697 695	32.4
Treasury shares	19 058	0.9	24 400	1.1
Total	**2 144 045**	**100.0**	**2 144 045**	**100.0**

Letshego has a diverse shareholder base that includes domestic, international institutional and retail investors. Letshego's shareholders include Emerging Market (EM) and Frontier Market (FM) investors who have a specific emerging market risk and return profile, with an interest in the financial services sector.

Letshego's stock is tightly held by local institutional shareholders. Asset managers tend to buy and hold shares, with foreign investors generally being net buyers and sellers in between cycles.

NON-FINANCIAL HIGHLIGHTS - 2018

Table 2: Tracked non-financial performance indicators			
Indicators	**2016**	**2017**	**2018**
Access points	278	314	315
Full-time employees (FTEs)	1,620	1,905	1,882
Commission-based direct sales agents (DSAs)	1,162	1,287	1,321
Borrowers	300,000	413,000	364,000
Savers	100,000	154,000	173,000
Value of customer savings (P 'm)	108	228	498
Training spend			
• Training spend (P 'm)	6.85	6.61	4.91
• Training spend as % of staff costs	2%	2%	1%

PORTFOLIO REVIEW

Our portfolio comprises the following Financial solutions: Deduction at Source (DAS) lending, MSE Business lending, Informal lending or mobile lending and Retail Institutional deposits. We continue to grow our non-government portfolio to diversify our income streams.

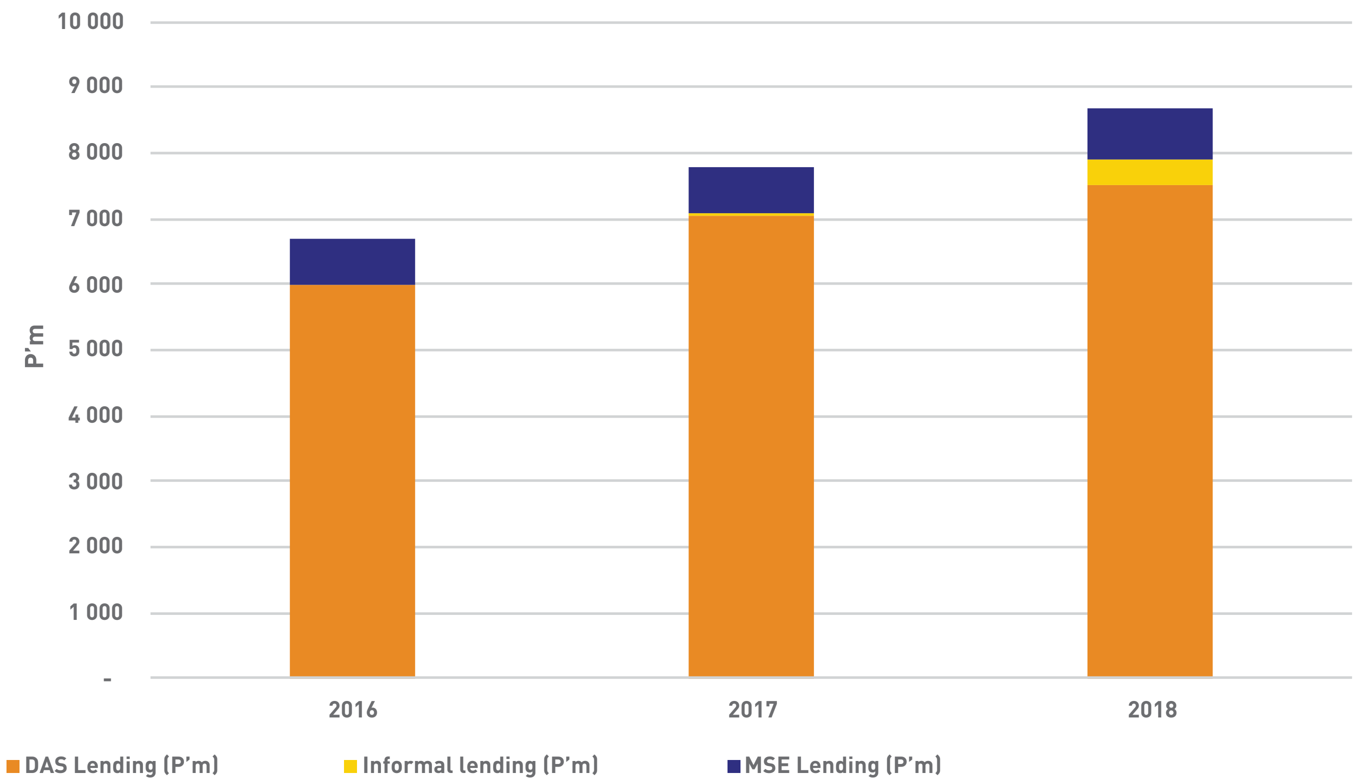
DEDUCTION AT SOURCE (DAS)

Net advances within our (DAS) portfolio grew 7% in 2018 when compared to the previous year. The DAS portfolio continues to be the main driver of business growth, accounting for 95% of Group Profit in 2018. Nigeria acquired a Federal Government deduction code enabling Letshego to support more than 750,000 Federal Government employees over time.

Letshego will continue to leverage its strengths and experience in DAS, deepening impact in Government sectors across our portfolio, and extending the same value to non-Government sectors, using payroll lending and similar DAS structures. The DAS portfolio includes a robust credit evaluation process to ensure customer affordability remains a priority. Government employees are only offered loans once qualifying criteria are met. Letshego reviews its Government employee base on a regular basis to ensure loan qualification criteria, and affordability levels are maintained. Currently, Letshego Group's average non-performing loans within the DAS portfolio is less than 3%, lower than banking industry averages.

The Group's Government DSA portfolio increased by 11% in 2018. The non-government portfolio reduced by 0,5%. The non-Government portfolio now constitutes 11% of the total DAS portfolio, reduced from the prior year as a result of stronger growth in the government segment. Direct Sales Agents continue to provide a valued channel for growing the DAS portfolio, contributing close to 50% of all new business in 2018.

Growth in Letshego Portfolio (2016-2018)



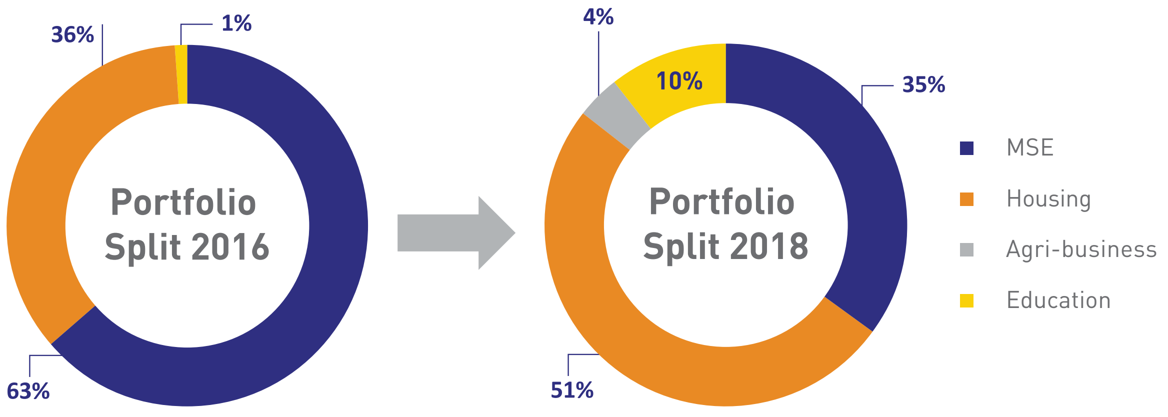
PORTFOLIO REVIEW (CONTINUED)

MSE BUSINESS

The net Micro and Small Entrepreneurs (MSE) portfolio grew by 15% year-on-year. Our MSE business portfolio accounts for approximately 10% of Letshego's total loans to customers, and covers agriculture, education and housing financial solutions, in addition to general small businesses and traders who constitute 35% of the portfolio. MSE loans focus on financing incremental improvements to address housing and business needs, as well as support human development through education.

51% (P407m) of the MSE portfolio is used for housing improvements, with the majority of the loans issued in Kenya.

Our Education Solution's net book value of P83m at the end of 2018 was double the size compared to values achieved in the prior year. Letshego's micro agri-business grew 55% off a low base, having only recently launched in Uganda, Kenya and Nigeria. Micro agri-business lending remains a minority portion of the MSE portfolio at 4%, with a net value of P25m. Agri-business lending is focused on agri-inputs, and not the entire supply chain.



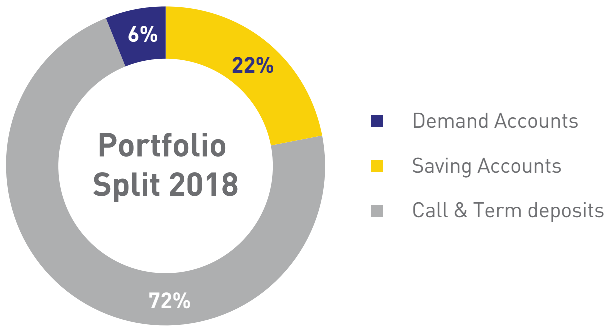
INFORMAL OR MOBILE LENDING

Net advances increased from P42m to P388m in 2018. Ghana commenced the Group's pilot in mobile lending towards the end of 2017, with a virtual infrastructure platform connecting customers via a partnership with a local MNO (Mobile Network Operator). By using behaviour data and predictive technology, customers are able to apply for a loan on their mobile, and, if approved, receive their funds on a real time basis directly into their MNO wallet. Letshego's mobile loans are short term, small scale loans, available via the MNO's mobile money platform. The pilot supports Letshego's commitment to increasing financial inclusion by enabling customers to develop their own credit profile by managing their micro loans in a responsible manner. Customers who demonstrate responsible loan repayments, unlock access to more financial services, ultimately enabling Ghanaians to fund more productive and sustainable ventures. In 2018, our customers reached 1.63 million through this initiative.

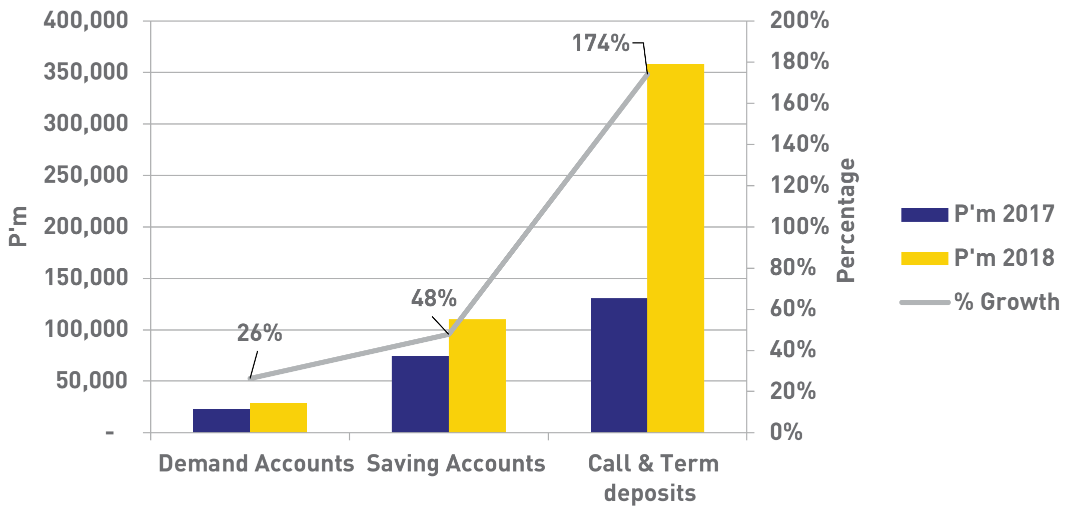
Letshego continues to review the commercial viability of the mobile lending pilot, to ensure sustainable business potential. From initial social impact surveys, 14% of loans are used for emergencies relating to health care needs, 27% were utilised for micro business needs, 31% for school fees, 19% for home improvements and 9% for undisclosed reasons.

RETAIL INSTITUTIONAL DEPOSITS

The overall deposit portfolio more than doubled from P228m in 2017 to P498m in 2018. Term deposits contributed 72% to the total book in 2018 and represented the significant growth area. Savings accounts contributed 22% and demand deposits remain ancillary business at 6%. Mozambique, Letshego's first market to launch LetsGo in 2016, was the biggest contributor in savings growth, constituting 41% of Letshego's total deposit base, followed by Ghana at 21%. Agency and Direct Sales Agent channels are key to mobilising savings and deposits. Namibia's card launch in November 2018 is expected to contribute to future deposit portfolio growth.



Retail Deposits



DUMISANI JOHNSON NGCAMPHALALA

Dumisani Johnson Ngcamphalala is a driven, technical entrepreneur and valued customer of Letshego in Eswatini. Originally from Lavumisa, in Eswatini's Matsenjeni area, Dumisani now lives with his wife and four children in Mbekelweni, 30 minutes drive from Mbabane, Eswatini's Capital.

3 years ago, Dumisani started his own business, Lukisa Investment, a company that provides businesses with IT support for electronic equipment, internal networks and systems.

Following the IT experience, skills and sound reputation Dumisani gained from his many years working at a leading Eswatini wire manufacturer, Dumisani recently secured a strategic partnership with a large IT systems company headquartered in Namibia.

Thanks to this strategic partnership, Dumisani's daily schedule is now full, providing IT services to a leading, multinational retailer, supporting 17 stores in Eswatini, and more than 200 stores over the border into neighbouring South Africa.

"Letshego's financial support has allowed me to meet the growing IT and system demands of a major retailer and client, delivering IT support to stores across two countries. Customer service is important in keeping my customers happy – and Letshego has made me a very happy customer by providing a bright future for my business, my 8 employees and the numerous family members that we support. Thank you Letshego!

Dumisani Johnson Ngcamphalala
Letshego Customer and Entrepreneur – Eswatini"

Letshego

2

OUR LEADERSHIP

BOARD OF DIRECTORS

BOARD OF DIRECTORS

At Letshego we are committed to our people. We are proud of our diversity which embraces over 21 nationalities across our Group - a valuable differentiator that we believe enhances our ability to execute and deliver on our Strategy. The combination of our skills, capacity, culture and experience enables us to grow our business and individuals.

ENOS BANDA (53)

Nationality: South Africa
D.Jur, BA Financial Accounting

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

Appointed 2016

- A lawyer by training and ex- investment banker, Enos has practiced law in both South Africa and the USA
- Enos has served in national regulatory and government agencies, including the South African (SA) National Electricity Regulator, 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, a LSE listed resources company
- Founder member of Freetel Fund Management, a South African based fund

Shareholding: None
Residence: UK

STEPHEN PRICE (66)

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

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

Appointed 2013

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

Shareholding: None
Residence: UAE

DR. GLORIA SOMOLEKAE (60)

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

Independent Non-Executive Director
Chairperson of the Group Remuneration Committee
Member of the Group Audit Committee

Appointed 2016

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

Shareholding: None
Residence: Botswana

BOARD OF DIRECTORS (CONTINUED)

RUNA ALAM (59)

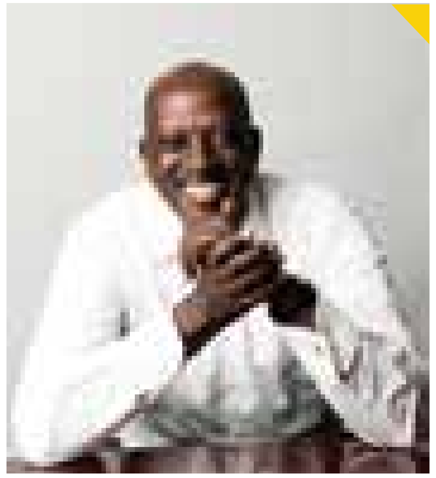
Nationality: USA
BA International and Development Economics (Princeton), MBA (Harvard)

Non-Executive Director
Member of the Group Risk Committee, Group Investment Committee, Group Governance, Nominations and Social Ethics Committee, and Group Remuneration Committee

Appointed 2018

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

Shareholding: None
Residence: United Kingdom



HANNINGTON R. KARUHANGA (59)

Nationality: Uganda
BA (Hons), MBA

Independent Non-Executive Director
Member of the Group Audit Committee, Group Remuneration Committee, and Group Investment Committee

Appointed 2013

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

Shareholding: 28,987
Residence: Uganda

GERRIT LODEWYK VAN HEERDE (51)

Nationality: South Africa
B. Com (Hons), Fellow of the Institute and Faculty of Actuaries

Non-Executive Director
Member of the Group Risk Committee and Group Investment Committee

Appointed 2014

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

Shareholding: None
Residence: South Africa

CATHERINE LESETEDI (51)

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

Non-Executive Director
Member of Group Governance, Nominations and Social Ethics Committee, Member of the Group Remuneration Committee

Appointed 2017

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

Shareholding: None
Residence: Botswana

DUMISANI NDEBELE (52)

Nationality: Botswana
BAcc Hons, MBA (University of Derby UK), CIMA (UK) FCPA (Botswana); Member of the Institute of Directors (IoD – Southern Africa); Information Systems Audit and Control Association (ISACA)

Previous tenure with Letshego
1999-2016 - latest Letshego role
Group Head Governance & Compliance

Appointed 2019

- Dumisani returned to Letshego in January 2019 as Group Company Secretary
- Last role held in Letshego was Group Head of Governance and Compliance - a position Dumisani held from 2013 until his departure in 2016.
- Participated in championing the listing of Letshego on the BSE in 2002
- Participated in accreditation of Letshego as an IFSC Entity and championing of pan-African expansion and diversification in 2006
- First joined the Group in 1999, during its formative phase, as Finance and Administrative Executive.
- During his previous tenure at Letshego, Dumisani shared his expertise in several leadership roles, namely Finance Director, Group Risk and Compliance Director
- Prior to joining the Letshego Group in 1999, Dumisani was Finance Manager at De Beers, supporting the diamond trading and prospecting division in Botswana.

Shareholding: None
Residence: Botswana

GROUP EXECUTIVE COMMITTEE*

DUMISANI NDEBELE
Interim Group Chief Executive Officer

JOSIAS DE KOCK
Acting Chief Financial Officer

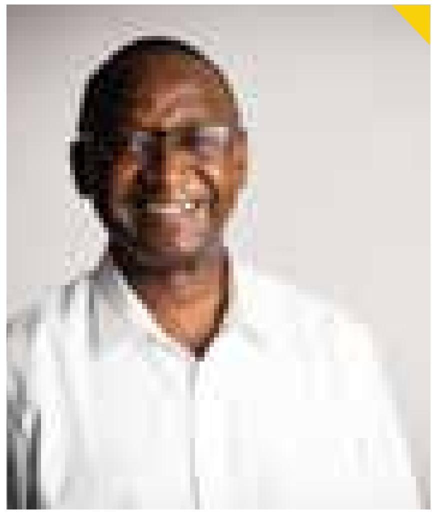
- Asset & Liability Management & Treasury
- Tax
- Financial Reporting
- Investor Relations
- Finance Operations

MYTHRI SAMBASIVAN-GEORGE
Commercial Sustainability & Strategy Officer

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

FRED MMELESI
Head of Deduction at Source and Consumer Solutions

- Deduction at Source
- Consumer Solutions
- Customer Sales
- Countries:
  Botswana; Ghana; Lesotho; Mozambique; Namibia; Swaziland; Tanzania; Faidika



GEOFFREY KITAKULE
Head of MSE, Secured Lending and Savings Mobilisation

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

CANDICE GLOSSOTI
Acting Chief Risk Officer

- Credit Risk
- Operational Risk
- Legal Risk
- Financial & Capital Management Risk

NEVILLE PERRY
Head of Technology & Operations

- IT Business Support
- Operations
- IT Projects
- IT Applications, Enterprise Architecture and Tech Services

KAMOGELO CHIUSIWA
Head of Human Capital

- HR Shared Service Centre
- Learning & Development
- Organisational Development
- Employee Relations

CHIPILIRO KATUNDU
Head of Marketing and Customer Experience

- Marketing
- Communications
- Channels
- Customer Experience

SIMON KIOKO
Acting Head of Compliance and Governance.

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

*Pending Regulatory Approval

COUNTRY CEOS

BOTSWANA
FERGUS FERGUSON
Nationality: Botswana
Residence: Botswana

GHANA
ARNOLD PARKER
Nationality: Ghana
Residence: Ghana

KENYA
ADAM KASAINE
Nationality: Kenya
Residence: Kenya

NIGERIA
TOLULOPE OPAYINKA
Nationality: Nigeria
Residence: Nigeria

RWANDA
DRU JAYARATNE
Nationality: Australia
Residence: Rwanda

ACTING CEO UGANDA
GILES AIJUKWE
Nationality: Uganda
Residence: Uganda

LESOTHO
LEBAKENG TIGELI
Nationality: Lesotho
Residence: Lesotho

MOZAMBIQUE
CARLOS JORGE NHAMAHANGO
Nationality: Mozambique
Residence: Mozambique

NAMIBIA
ESTER KALI
Nationality: Namibia
Residence: Namibia

SWAZILAND
MONGI DLAMINI
Nationality: Swaziland
Residence: Swaziland

TANZANIA
LETSHEGO BANK (T) LTD
THABIT NDILAHOMBA
Nationality: Tanzania
Residence:Tanzania

LETSHEGO TANZANIA LTD, TRADING AS FAIDIKA
BARAKA MUNISI
Nationality: Tanzania
Residence: Tanzania

SUSAN KANDIWAPA
IIHUHWA

Susan Kandiwapa Iihuhwa is a part-time entrepreneur who has a passion for supporting fellow entrepreneurs. Employed by the Ondangwa Town Council on a full time basis, Susan noticed how small business owners struggle to afford and maintain premises in locations that leverage foot traffic and business growth. Having secured a loan from Letshego, Susan chose to use her capital to support income generation for herself and others, by setting up a one-stop SME HUT in Ondangwa.

In establishing the SME HUT, Susan has created a zone where local entrepreneurs can rent safe and secure spaces. Small business owners gain from the collective foot traffic achieved by the market-like environment, as well as benefit from the social support structure a centralised SME network provides.

Today, Susan's SME HUT has grown to renting space to 36 small businesses, and is now a self-sustaining business model. Collective rentals cover Susan's fixed costs as well as providing a profit to support her personal needs. Small businesses thriving in the SME HUT include hair salons, clothing boutiques, craft shops and restaurants.

I am grateful to Letshego for providing the finance, that not only supports my business, but also the businesses of so many other entrepreneurs like myself. Together, we can support each other, and help each other grow.

Susan Kandiwapa Iihuhwa,
Letshego Customer and Entrepreneur – Namibia

3

THE BOARD

Letshego

THE BOARD

Our Board is the governance forum in the Group. The leadership provided by the Board is intended to create value for our Shareholders and benefits for all stakeholders.

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

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

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

The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence. In particular, the Board have skills and experience in the areas of banking, risk and capital management, general commercial, financial, auditing, accounting, large-scale industrial, counterparty negotiation, legal, human resource and reward, as well as pan-African strategic engagement. However, the Board acknowledge that technology is an area that new skills are needed at Board level. The Non-Executive Directors are individuals who objectively contribute a wide range of industry skills, knowledge and experience to the Board and are not involved in the daily operations of the Group. All Non-Executive Directors have unrestricted access to executive management and leadership at any time.

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

We are confident that our financial performance closely mirrors our levels of Board diversity, and recognise that diversity is a strength to the business, and differing perspectives are key in ensuring appropriate levels of oversight and achievement of objectives. As at 31 December 2018, the representation of women on all of our subsidiary boards is 24%; and on our country management teams is 36%. We will be looking at the development of a Board Diversity policy in order to strengthen our commitment to Board diversity.

THE BOARD

COMPOSITION & STRUCTURE

Letshego Holdings Limited Board membership comprised eleven Directors as at 31 December 2018 - being six Independent Non-Executive Directors (INEDs), three Non-Executive Directors (NEDs) and two Executive Directors (EXDs). There were several changes to the Board during 2018 and subsequent to the year-end as follows:

- R Alam was appointed to the Board on 19th January 2018;
- R Thorton resigned from the Board on 2nd August 2018;
- C Low resigned as the Group Managing Director on 2nd August 2018;
- S Crouse was appointed as the Group Chief Executive Officer on 24th September 2018 and resigned on 27th March 2019;
- C Patterson resigned as the Group Chief Financial Officer on 2nd March 2019;
- J De Kock resigned from the Board on 5th March 2019 to take up the role of Acting Group Chief Financial Officer;
- D Ndebele was appointed as the Interim Group Chief Executive Officer on 27th March 2019 following S Crouse's resignation, subject to regulatory approval, and
- C van Schalkwyk resigned from the Board on 2 May 2019.

Board and Committee composition as at 31 December 2018:

Director	Status	Number of Committees served by Board Member	Main Board	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Group Investment Committee	Group Governance, Nominations, Social & Ethics Committee
E Banda	INED	1	✓ C					✓ C
S Price	INED	2	✓	✓ C				
H Karuhanga	INED	3	✓	✓		✓	✓	
J De Kock	INED	4	✓	✓			✓ C	✓
G Somolekae	INED	2	✓	✓		✓ C		
C van Schalkwyk	INED	3	✓	✓	✓ C	✓		
R Alam	NED	4	✓		✓	✓	✓	✓
C Lesetedi	NED	2	✓			✓		✓
G van Heerde	NED	2	✓		✓		✓	
P J S Crouse (GCEO)	EXD	-	✓					
C Patterson (CFO)	EXD	-	✓					

Board and Committee Composition as at 31 March 2019: After the resignations of (i) Mr Smit Crouse as Group CEO (ii) Resignation of Mr Colm Patterson as Group CFO (iii) Mr J De Kock resigning as an INED to become the Acting Group CFO, and (iii) appointment of Mr D Ndebele as Interim Group CEO

Director	Status	Number of Committees served by Board Member	Main Board	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Group Investment Committee	Group Governance, Nominations, Social & Ethics Committee
E Banda	INED	1	✓ CC					✓ CC
S Price	INED	2 ▶ 4	✓	✓ CC	✓		✔	✔
H Karuhanga	INED	3 ▶ 4	✓	✓	✔	✓	✔ NC	
G Somolekae	INED	2 ▶ 3	✓	✓		✓ CC		✔
C van Schalkwyk	INED	3 ▶ 4	✓	✓	✓ CC	✓	✔	
R Alam	NED	4	✓		✓	✓	✓	✓
C Lesetedi	NED	2	✓			✓		✓
G van Heerde	NED	2	✓		✓		✓	
D Ndebele (Interim Group CEO)	EXEC	-	✓					
Summary			Total: 9	Total: 4	Total: 5	Total: 5	Total: 5	Total: 5
No. of board members - EXEC			1					
No. of board members - INED			5	4	3	3	3	3
No. of board members - NED			3		2	2	2	2

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

Compliant with King IV

✓ Current Committee Membership

✔ New Committee Membership

As part of Committee re-balancing, the revised number of Committees that each Board Member serves is shown under the '**Number of Committees served by Board Member**' column.

Following the resignation of C van Schalkwyk, further amendments to the Committee Memberships will be made in due course.

BOARD PROCESS AND OUTCOMES

BOARD EVALUATION

A Board evaluation was performed in 2018. The Board Committees also conducted their self–assessment in 2018 and during the first quarter of 2019. Going forward, and in line with King IV requirements, the evaluation and self-assessments of the Board, its Committees and the individual Directors will be performed every year. The 2018 Board evaluation 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 enables the collective establishment of acceptable levels of performance across various principle governance areas.

Key takeaway from the 2018 Board appraisal:
Additional IT skills are required to enhance the effectiveness of the Board and to better serve the objectives of Letshego. One of the critical required skills that Directors indicated should be sought is Information and Security Governance. This is particularly important given the current FinTech environment that Letshego operates in and the rapid rate of innovation in this field. Other key areas which were identified by the Board as requiring improvement or attention, based on the self-assessment exercise of various Board Committees, are covered on pages 49 to 52 under the relevant Board Committee sections.

BOARD MEETINGS

The Board meets at least quarterly during the year. In addition, there is an annual strategy review meeting and separate Board and Group Audit Committee meetings to review and approve: (i) the interim results and dividend declarations, and (ii) final year-end audited financial statements as well as the Integrated Annual Report. Therefore, six regular Board meetings were held during 2018. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled Board and Committee meetings, to enable effective discharge of their responsibilities.

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

ROLE OF THE BOARD

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

In addition, the Board:

- Ensures the Group has an effective independent Group Audit Committee (GAC), Group Risk Committee (GRC), Group Remuneration Committee (GREMCO), Group Investment Committee (GIC), Group Governance, Nominations, Social and Ethics Committee (GNSEC);
- Oversees the governance of risk by ensuring that appropriate enterprise risk management frameworks are in place and functioning effectively;
- Manages the governance of enterprise information technology;
- Ensures compliance with applicable laws and adherence to non-binding rules, codes, standards and best practice; and
- Ensures that an effective risk-based internal audit function and plan is in place.

BOARD CHARTER

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

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

COMPANY SECRETARY

The Company Secretary plays a critical role in the corporate governance of Letshego Group, acting as an advisor to the Board, guiding individual Directors and Committees in areas such as corporate governance, updates on legal and statutory amendments and the effective execution of Directors' responsibilities and fiduciary duties. The Company Secretary ensures that Board and Committee Charters are kept up to date, and that Board and Committee meeting papers are circulated in good time. Also, he/she assists in eliciting responses, input and feedback for Board and its Committee meetings. The Company Secretary assists the Group Governance, Nominations, Social and Ethics Committee (GNSEC) in ensuring that the correct procedures are followed for the appointment and induction of Directors.

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

On 1 January 2018, Lawrence Khupe became the Company Secretary of Letshego Holdings Limited. He stepped down on 26 February 2019 and was replaced by Dumisani Ndebele. Thereafter, on 27 March 2019, Dumisani Ndebele was appointed as the Interim Group Chief Executive Officer with Matshidiso Kimwaga taking over as the Company Secretary, subject to regulatory approvals.

PERFORMANCE APPRAISAL OF EXECUTIVE LEADERSHIP AND MANAGEMENT

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

BOARD PROCESSES

Appointments to the Board
New Board appointments are proposed by the GNSEC, considering the appropriate balance of skills, experience and diversity required to lead, control and best represent the Group. To this end, GNSEC submits a formal proposal to the Board for its consideration. Background, reference checks and Politically Exposed Person (PEP) screening are performed before the nomination and appointment of Directors. The appointment of Non-Executive Directors is formalised through a letter of appointment and the Board makes full disclosure regarding individual Directors to enable Shareholders to make their own assessment of Directors. All NED Board appointments are put to a Shareholders vote at the next Annual General Meeting.

Succession planning
Letshego Group promotes succession planning for all key positions. Succession plans are reviewed by GREMCO for key Group roles throughout the year and reports back to the Board at subsequent meetings. Board succession is the responsibility of GNSEC. Further, the Group has a programme of identifying and developing a pipeline of talent of future leadership 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 assessment are conducted annually to mitigate identified key risks.

The Group has a comprehensive programme that educates and empowers Group employees in terms of their rights and responsibilities. This 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 includes anti-bribery and anti-corruption, anti-money laundering;
- Develop an awareness of situations of real or perceived conflict of interest and learn how to deal with them when they arise;
- Deal with customers transparently, respectfully and fairly; and
- Are aware of the tools available to them to report any unethical behaviour or suspected fraud, through our whistleblowing programme.

We are subject to enquiries, examinations, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulations, wholesale trading activities and other areas of banking and business activities in which the Group is or has been operating.

Letshego Group is not currently involved in any material legal actions relating to anti-competitive behaviour, anti-trust and monopoly practices.

Our Group governance framework is under review and is to be adopted by our subsidiaries in 2019. The Group recognises that an effective and efficient governance framework provides a solid basis for transparent decision making which reflects the importance that we place on our core values and ethics. The Group strives to operate within a clearly defined governance framework which will provide for appropriate delegations of authority with clear lines of responsibilities while retaining effective control. It will also provide clarity regarding roles and responsibilities.

The Group is committed to complying with all legislation, regulations and listing requirements relevant to our business and in every country where we have a presence. While the Board has shown its support for the corporate governance principles of King IV, due regard and consideration is given to the independent legal and governance responsibilities that might apply to our subsidiary boards as well as the legal requirements on the stock exchanges that we are listed on.

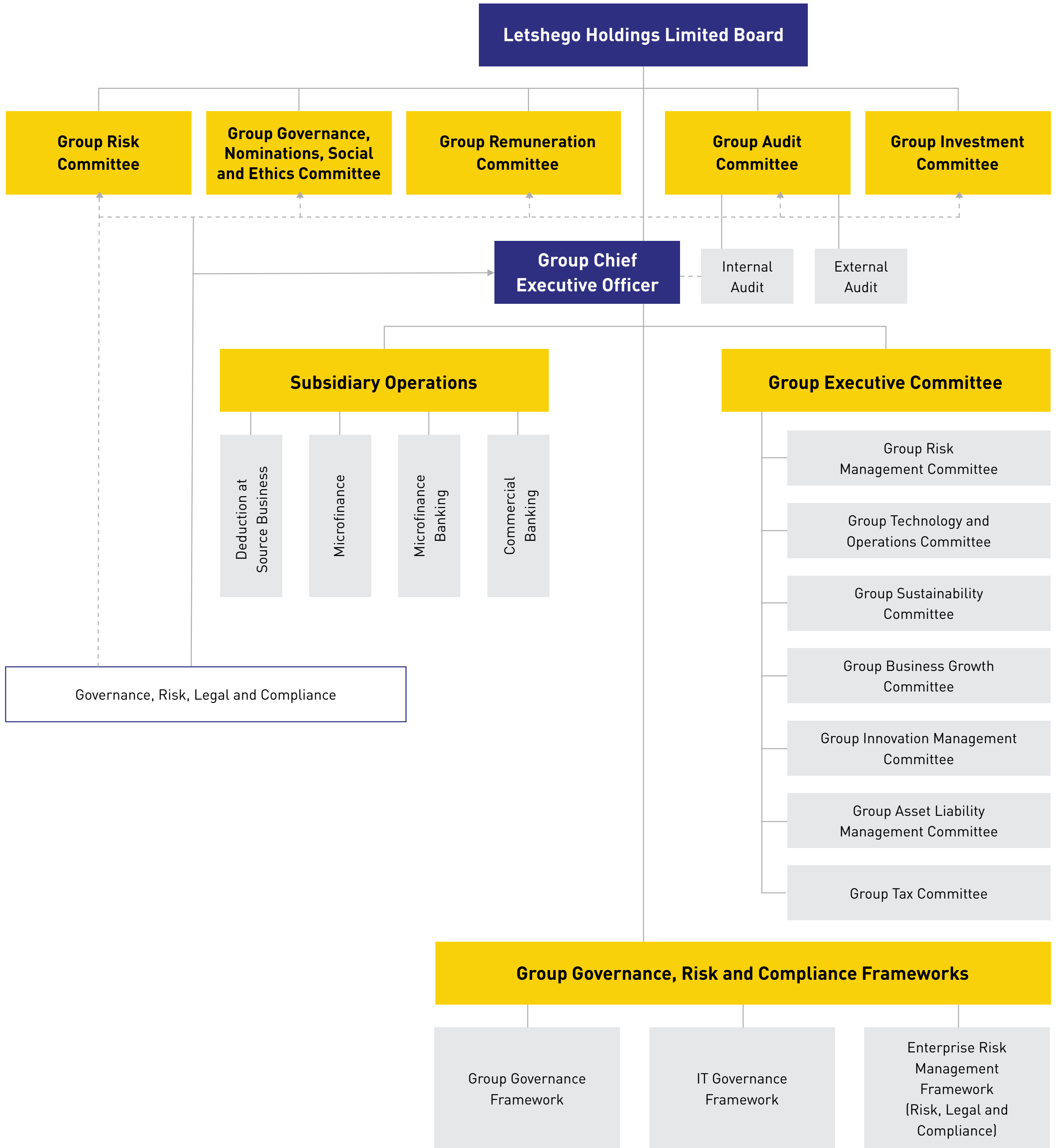
Communication of critical issues
The process for communicating critical issues is conducted by communication to Management Committees both at Group and country levels, who escalate to the appropriate Board Committees, who will communicate to the full Board through meetings and/or reports.

GNSEC monitors the Group Board's activities, having regard to any relevant legislation and codes of best practice on matters relating to governance, social, economic and sustainable development, good corporate citizenship, ethics, labour and employment, consumer relations, stakeholder management, transformation, the environment, health and safety.

BOARD PROCESS AND OUTCOMES (CONTINUED)

GOVERNANCE AND RISK MANAGEMENT TRANSFORMATION

The Letshego Group is transforming and diversifying into a broader financial services entity with Deduction at Source lending, microfinance and deposit-taking businesses. As such, the Governance, Risk, Legal and Compliance function has been consolidated as one to ensure enhanced focus in addressing the changing risk profile of the Group. Financial and Credit risk fall under the Finance Department. Below is the Group Governance Structure that supports the business model:



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COMPOSITION OF THE BOARD COMMITTEES

1

Board Sub-committee	Purpose	Composition	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 to Board for approval • Recommends to the Board for the appointment of external auditors and oversight of the external audit process and the results thereof • Approves annual internal and external audit plans • Monitors the ethical conduct of the Group • Annually assesses the adequacy and skills of the internal audit, group financial management and reporting functions	**Independent Non-Executive Directors** S Price (Chairman) J De Kock (resigned 5 March 2018) H Karuhanga C van Schalkwyk (resigned 2 May 2019) G Somolekae **Independent attendees** Engagement partner of PricewaterhouseCoopers **Management attendees** Group Chief Executive Officer Group Chief Financial Officer **Permanent invitees** Group Head of Internal Audit Group Head of Governance, Risk Legal and Compliance	Minimum of three members and majority required for a quorum	Meets at least four times a year
2018 Highlights	• External Auditors: GAC enhanced the process for appointing external auditors as well as regular monitoring of independence. To this end, the External Auditor Appointment and Independence Policy was implemented. The policy introduces restrictions on the extent of non-audit services provided by External Auditors. Supporting this policy is an independence checklist to be completed and signed by the External Auditors annually. A conflict of interest register was also implemented to monitor continued objectivity of the External Auditors. All these tools were implemented for the 31 December 2018 external audit. • Internal Audit: GAC approved the Internal Audit Quality Assurance Improvement Program that will result in annual internal assessment of the Group Internal Audit Function and external assessments to be conducted every five years.			
Self-assessment	**GAC undertook a self- assessment exercise and the key issues identified included the following areas for improvement:** • Potential GAC members to be identified through sources independent of management • GAC members to participate in continuing training programmes to enhance their understanding of relevant accounting, reporting, regulatory, auditing and industry issues • GAC to monitor compliance with the relevant legislation, King IV Code and other relevant corporate governance regulations and guidelines in various jurisdictions applicable to the Group • GAC in conjunction with GNSEC to create appropriate succession and rotation plans for Group Audit Committee members including the Group Audit Committee Chairman • GAC to consider and monitor significant risks that may directly or indirectly affect financial statements reporting • Sufficient time to be allocated for GAC meetings in order to effectively cover all the significant issues on its agenda • GAC to set clear expectations concerning the competencies of the Group Chief Financial Officer and senior financial managers • GAC in conjunction with GREMCO to ensure that succession planning is in place for the Group Chief Financial Officer • GAC to ensure that meetings are held as frequently as necessary to fulfill the Committee's duties including periodic visits to Group locations with key members of management • GAC to oversee the role of Group Head of Internal Audit from selection to termination (including appointment, evaluation, compensation and retention) and to provide feedback at least annually • GAC to oversee other professional services that relate to financial reporting (e.g. consulting, legal, and tax strategy services) provided by outside consultants			

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COMPOSITION OF THE BOARD COMMITTEES (CONTINUED)

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
2	**Group Risk Committee (GRC)**	• Formulate the risk profile and risk appetite across the Group, for approval by the Board • Establish a risk management framework and review the process developed by management to identify principal risks, evaluate their potential impact, and implement appropriate systems • Monitor different risks against an agreed risk appetite statement inclusive of 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 ensures that the risk policies and strategies are effectively managed • Monitor and review external developments relating to the practice of corporate accountability and the reporting of specifically associated risks, including emerging and prospective impacts	**Independent Non-Executive Directors** C van Schalkwyk (Chairman) (resigned 2 May 2019) J De Kock (resigned on 5 March 2019) S Price H Karuhanga (appointed on 6 March 2019) **Non-Executive Directors** R Alam G van Heerde Management attendees Group Chief Executive Officer Group Chief Financial Officer **Permanent invitee** Group Head of Internal Audit Group Head of Governance, Risk Legal and Compliance Group Chief Information Officer Group Head of Credit Group Head of Human Resource	Minimum of three members and majority required for a quorum	Meets at least three times a year
	2018 Highlights	• GRC approved key policies that address significant risks faced by the Group. This includes the foreign currency policy that seeks to reduce the impact of foreign exchange losses that are inherent in a multinational entity. The Group does not trade in foreign currencies nor take currency positions. • To mitigate compliance risk, GRC approved the Anti Money Laundering (AML) automation project. This project will result in the Group standardising AML screening processes across its subsidiaries in Africa using an integrated system once completed. • GRC reviewed and approved enhanced policies and procedures to reduce operational risk, including business continuity and disaster recovery plans across its subsidiaries in Africa.			
	Self-assessment	**The Committee undertook a self- assessment exercise and the key issues identified included the following areas for improvement**: • GRC members to participate in continuing education programmes to enhance their understanding of relevant regulatory, compliance and risk issues • GRC in conjunction with GNSEC to ensure that a succession and rotation plan for its members including the GRC Chairman is in place • GRC to consider and compare the Group's performance to that selected peers in a manner that enhances comprehensive risk oversight • GRC to set clear expectations and provides feedback to the full Board concerning the competency of the Group Head of Legal, Risk and Compliance and risk management team • GRC in conjunction with GREMCO to ensure that a succession plan for the Head of GLRC is in place • GRC to ensure that meetings are held as frequency as necessary to fulfill the Committee's duties including periodic visits to Group locations with key members of management			

COMPOSITION OF THE BOARD COMMITTEES (CONTINUED)

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
3	**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 is appropriate • Ensures that directors and staff are fairly rewarded • Ensures that market-related reward strategies are adhered to • Establishes performance targets for the Group's incentive scheme • Responsible for mitigating human resources related risk	**Independent Non-Executive Directors** G Somolekae (Chairperson from 22 May 2018) R Thornton (resigned on 2 August 2018) H Karuhanga C van Schalkwyk (resigned 2 May 2019) **Non-Executive Directors** R Alam C Lesetedi **Management attendees** Group Chief Executive Officer Group Chief Financial Officer Group Head of Human Resource	Minimum of three members and majority required for a quorum	Meets at least twice a year

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
4	**Group Investment Committee (GIC)**	• Reviews and recommends to the Board regarding all new strategic investments and major funding initiatives the Group may enter into including the mechanism for investment (e.g. 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.	**Independent Non-Executive Directors** J De Kock (Chairman) (resigned on 5 March 2019) R Thornton (resigned on 2 August 2018) H Karuhanga (Chairman from 6 March 2019) S Price (appointed on 6 March 2019) C van Schalkwyk (appointed on 6 March 2019, resigned 2 May 2019)) **Non-Executive Directors** R Alam G van Heerde **Management attendees** Group Chief Executive Officer Group Chief Financial Officer	Minimum of three members and majority required for a quorum	Meets as and when necessary
	2018 Highlights	• The Committee reviewed all mergers and acquisitions completed over the past five years and lessons learnt will be included into the due diligence framework of the Group. The Group did not make any new business acquisitions or disinvestments during the year.			
	Self-Assessment	**The Committee undertook a self- assessment exercise and the key issue identified included the following areas for im-provement:** • GIC to provide its members with relevant continuing education to enhance their understanding of relevant financial, investment, reporting, regulatory and industry issues.			

COMPOSITION OF THE BOARD COMMITTEES (CONTINUED)

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
5	**Group Governance, Nominations, Social and Ethics Committee (GNSEC)**	• Recommends to the Board on all new Board appointments and Directors who are retiring by rotation, for re-election • Responsible for the principles of governance, social ethics and codes of best practice • Oversight of and reporting on organizational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships • Responsible for the review of frameworks, policies and guidelines for safety, health, social investment, community development, environmental management and climate change • Monitoring activities with regards to customer relationships, including advertising, public relations and compliance with consumer protection laws • Assisting the Board in building and sustaining an ethical corporate culture in the Group and that the Group's ethical standards are clearly articulated and integrated into the Group's strategies and operations • Responsible for incoming Directors' induction • Responsible for facilitating performance evaluation of the Board and its Committees • Responsible for Directors' development on matters relevant to the business of the Group regarding risks, applicable laws, accounting standards and policies and the environment in which the Group is operating • Conducts annual Directors' independence assessment	**Independent Non-Executive Directors** E Banda (Chairman) J De Kock (Resigned 5 March 2019) S Price (appointed 6 March 2019) G Somolekae **Non-Executive Directors** C Lesetedi R Alam **Management attendee** Group Chief Executive Officer Group Chief Financial Officer	Minimum of three members and majority required for a quorum	Meets at least once a year
	2018 Highlights	• A Board appraisal was conducted in 2018. The appraisal was facilitated by the Institute of Directors in Southern Africa			
	Self-assessment	**The Committee undertook a self-assessment exercise and the key issues identified included the following areas for improvement:** • GNSEC to regularly review the Board structure, size and composition (including the skills sets, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes. It was noted that a Board member with IT skills set in Information and Security Governance, and exposure in FinTech environment be sought • GNSEC to ensure that succession planning for the key positions of Chairman of the Board, Committees and Group CEO are in place • GNSEC to oversee the induction of incoming Directors to acquaint them with the Group's strategy, its business environment, risks management and the sustainability issues relevant to its business are in place • GNSEC to oversee the performance evaluations of individual Board members and to report the results and makes recommendations for Board action • GNSEC to oversee the declaration of Directors' interest annually and assess the independence of Directors and make recommendations to the Board on conflict issues • GNSEC to ensure that sufficient time is allowed between GNSEC meetings and meetings of the full Board to allow any work arising to be carried out and reported to the Board as appropriate			

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EXECUTIVE MANAGEMENT COMMITTEES

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

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
1	**Group Executive Committee (EXCO)**	• Ensures delivery of the Group, country and business strategies against the Group's collective agenda and budget, and reports on such progress to the Board as well as escalating any significant risks or issues on a timely basis • Monitors external developments in the Group's country footprint as well as emerging internal risk issues, to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group as well as to mitigate potential financial losses • Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, 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 Chief Executive Officer (Chairperson) Group Chief Operating Officer Group Head of SME, Secured Lending and Savings Mobilisation Group Head of DAS and Consumer Finance Group Chief Risk Officer Commercial Sustainability and Strategy Officer Group Head -Technology and Operations Group Head - Human Capital Group Head Marketing and Customer Experience Group Head of Compliance and Governance **Permanent invitee** Group Executive Internal Audit	Majority of EXCO members	Monthly
2	**Group Risk Management Committee (GRMC)**	• Promotes a culture of risk management discipline, anticipation and compliance across the Group's footprint • Reviews and recommends to EXCO models and approaches to determining risk appetite at Group and country levels as a basis for obtaining EXCO, GRC and GAC approvals, and to monitor compliance with the same • Proactively manages potential capital, interest rate, foreign exchange, liquidity, credit, operational, and compliance risks and initiates actions to mitigate those risks • Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence • Ensures the adequacy and effectiveness of policies, procedures and tools in all countries for the identification, assessment, monitoring, controlling and reporting of risks by reference to the Group's Enterprise Risk Management framework and that they conform to the minimum requirements laid down by the Group as well as external regulators.	Group Chief Risk Officer (Chairperson) Group Chief Executive Officer Group Chief Operating Officer Group Head - Technology and Operations Head of Operations Group Head of IT Applications (Southern, East and West) Group Head of Governance and Compliance Group Head Business Solutions: SME / Secured Lending Group Head Business Solutions: Savings and Deposit Mobilisation Group Head Business Solutions: DAS and Consumer Finance Commercial, Sustainability and Strategy Officer Group Head - Human Capital Group Head Marketing and Customer Experience **By invitation** Risk Owners and other specialists **Permanent invitee** Group Executive Internal Audit	Majority of GRMC members	Quarterly

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	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
3	**Group Asset and Liability Management Committee (GALMC)**	• Ensure Group's and Subsidiaries' balance sheet management is optimised (liquidity and capital risks) • Define liquidity and other ALM limits, and ensure compliance with all internal and regulatory guidelines • Approve foreign currency risk mitigation and tax planning initiatives	Group Chief Financial Officer (Chairperson) Group Chief Executive Officer Group Chief Operating Officer Commercial, Sustainability and Strategy Officer Head of ESG and Investor Relations Head of Financial Reporting and Compliance Head of Assets and Liability Management **Permanent invitee** Group Internal Audit Executive	Majority of GALMC members	Monthly
4	**Group Sustainability Committee (GSC)**	• Ensures that an effective sustainability framework is in place across the Group • Review and approve all Strategic Social Investment (SSI) proposals above P100 000 • Ensure that appropriate brand and communications policies are in place to secure the Group's reputation.	Group Head of Marketing and Customer Experience (Chairperson) Group Chief Financial Officer Group Chief Operating Officer Group Head of Corporate Affairs Commercial, Sustainability and Strategy Officer Group Head Business Solutions: SME, Secured Lending and Savings Mobilisation Group Head Business Solutions: DAS and Consumer Solutions	Majority of GSC members	Monthly
5	**Group Technical and Operations Committee (GTOC)**	• Ensure delivery of technology platform release updates, fixes and change requests • Ensure delivery of operational patches and process enhancements (automation) without Business as Usual (BAU) disruption • Ensure delivery of Tech and Ops projects on a timely basis, manage resourcing, mitigate risks as well as priorities in line with strategic business projects	Group Chief Operating Officer (Chairperson) Group Chief Executive Officer Group Chief Financial Officer Group Head - Technology and Operations Head Group IT Applications (Southern, East and West) Head of Operations Head of Business Support Commercial, Sustainability and Strategy Officer	Majority of GTOC members	Monthly
6	**Group Innovation Management Committee (GIMC)**	• Approve innovative and digital initiatives, projects and new solutions, as well as related funding • Provide guidance on strategic partner opportunities (focus on ecosystems, access, and technology) and commercial agreements • Provide Group oversight to global trends and developments	Group Chief Executive Officer (Chairperson) Group Chief Financial Officer Group Chief Operating Officer Group Head Business Solutions: SME, Secured Lending and Savings Mobilisation Group Head - Technology and Operations Head Group IT Applications (Southern, East and West) Head of Operations Group Head Marketing and Customer Experience Commercial, Sustainability and Strategy Officer Head of Strategic Innovation	Majority of GIMC members	Monthly

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
7	**Group Business Growth Committee (GBGC)**	• Approve changes to existing solution parameters including tenure, amount limits, interest, fees, insurance and other value-added services • Approve new solutions in terms of product pricing and packaging for replication and scaling across the Group • Approve campaign plans for all country initiatives	Commercial, Sustainability and Strategy Officer (Chairperson) Group Chief Executive Officer Group Chief Financial Officer Group Chief Operating Officer Group Head Business Solutions: DAS and Consumer Finance Group Head Business Solutions: SME, Secured Lending and Savings Mobilisation Head Group IT Applications (Southern, East and West) Head of Commerce	Majority of GBGC members	Bi-Monthly

8	**Group Tax Committee (GTC)**	• Assist 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:
		  • Building a tax-conscious culture and awareness that is embedded across the Group
		  • Promoting an ethos of tax compliance
		  • Early identification, proactive in-country and Group communication and minimisation of tax risks
		  • Tax excellence: aspiring to be a standard-setter across the Group's markets and driving an optimised position by being a trusted advisor and enabler to the business,
		• Effectively managing tax controversy as well as engaging proactively with stakeholders especially local authorities.
		• Manage policy and governance related tasks for the Tax Risk Management process as well as providing oversight into implementation of relevant policies within the Group.
		• Oversee 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 Chief Executive Officer (Chairperson)
			Independent Non-Executive Board member
			Shareholder representative
			Group Chief Finance Officer
			Commercial, Sustainability and Strategy Officer
			Head of Financial Reporting and Compliance
			Group Head of Tax
				Majority of GTC members	Quarterly

EXECUTIVE MANAGEMENT COMMITTEES (CONTINUED)

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
9	**Country Management Committee (CMC)**	• Delivers on the country business strategy against the country's collective agenda and budget, and reports on such progress to GMC as well as escalating any significant risks or issues on a timely basis • Monitors external developments in the country's operations and internal risk issues arising to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group and to mitigate potential financial losses • Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement, underpinned by exemplary governance and effective cost control • Provides unified leadership on key strategic and other business initiatives in the country • Promotes and implements an effective risk management framework that encapsulates setting of risk appetite, management discipline, anticipation and compliance across the country and escalating and significant issues Regional Heads and Head of Risk and Assurance as appropriate • Ensures that the country business is operating according to the highest standards of regulatory compliance and best practice as defined by external regulations and internal policies and procedures respectively, including banking and labour laws as well as anti-money laundering legislation (AML) and Know Your Customer (KYC) and any other regulatory requirement • Approves and recommends to GMC all new products and service offerings	Chief Executive Officer (or her / his deputy in absence of CEO) Country Head of Sales/Marketing/ Business Development Country Chief Operating Officer Country Chief Finance Officer Country Head of Human Resources Country Head of Risk and Compliance Country Project Manager	Majority of members	Monthly

ATTENDANCE AT MEETINGS

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

Director	Status	Main Board	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Group Investment Committee	Group Nominations and Social Ethics Committee
E Banda (Chairman)	INED	5/6			1/1		2/2
S Price	INED	6/6	5/5	4/4			
R Thornton	INED	4/4			2/2	2/2	1/1
H Karuhanga	INED	5/6	5/5		3/3	4/4	
J De Kock	INED	4/6	4/5	4/4		4/4	2/2
G Somolekae	INED	6/6	4/5		4/4		
C van Schalkwyk	INED	5/6	4/5	4/4	3/3		
R Alam	NED	5/6		3/4	2/4	2/4	2/2
C Lesetedi	NED	5/6			4/4		2/2
G van Heerde	NED	6/6		4/4		4/4	
A C M Low (GMD)	EXD	3/3	2/2	2/2	2/2	2/2	1/1
P J S Crouse (GCEO)	EXD	1/1	1/1	1/1	1/1	1/1	1/1
D Ndebele (Interim GCEO)	EXD	-	-	-	-	-	-
C Patterson (GCFO)	EXD	6/6	5/5	4/4	4/4	4/4	2/2

Board fees are as follows:

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

The above Directors fees were approved by Shareholders at the Annual General Meeting held on 23 May 2018. There have been no changes to Directors fees in 2018 and none are proposed for 2019.

REMUNERATION POLICY

The broad terms of reference of the Group Remuneration Committee are outlined on Page 51. A key strategic objective of the Group is to remunerate Board Members and Group employees adequately, fairly and within industry norms and their remuneration for the 2018 financial year is set out below:

Director	Status	Main Board	Annual Retainer	Group Audit Committee	Group Risk Committee	Group Remuneration Committee	Group Investment Committee	Group Nominations and Social Ethics Committee	Total
E Banda (Chairman)	INED	185,000	880,000			15,000		30,000	**1,110,000**
S Price	INED	263,710	360,000	75,000	60,000				**758,710**
R Thornton	INED	109,140	210,000			30,000	30,000	15,000	**394,140**
H Karuhanga	INED	176,425	360,000	75,000		45,000	60,000		**716,425**
J De Kock	INED	149,140	360,000	60,000	60,000		60,000	30,000	**719,140**
G Somolekae	INED	263,710	360,000	60,000		60,000			**743,710**
C van Schalkwyk	INED	176,425	360,000	60,000	60,000	45,000			**701,425**
R Alam *	NED	156,425	360,000		45,000	30,000	30,000	30,000	**651,425**
C Lesetedi *	NED	176,425	360,000			60,000		30,000	**626,425**
G van Heerde *	NED	203,710	360,000		60,000		60,000		**683,710**
A C M Low (GMD)	EXD	-	-	-	-	-	-	-	**-**
P J S Crouse (GCEO)	EXD	-	-	-	-	-	-	-	**-**
D Ndebele (GCEO)	EXD	-	-	-	-	-	-	-	**-**
C Patterson (GCFO)	EXD	-	-	-	-	-	-	-	**-**
Total		**1 941 110**	**3 970 000**	**330 000**	**285 000**	**285 000**	**240 000**	**135 000**	**7,105,110**

All figures in P

* Fees are paid to the organisations they represent.

After conducting research into trends in Non-Executive Director remuneration, Non-Executive Directors' fees are proposed by the GREMCO. Non-Executive Directors' fees are fixed for two years. Generally, Directors of the Group's Board and Subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. NEDs do not receive any fees which are related to the performance of the Group and do not participate in any share-based payments or incentives. The fee structure was approved by Shareholders at the Annual General Meeting held on 23 May 2018. No other changes were made to the remuneration of Non-Executive Directors in 2018 and no changes are being made or proposed for 2019.

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

Executive Directors' remuneration as at 31 December 2018

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 (P).

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

Executive Directors' remuneration as at 31 December 2017

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

* ACM Low resigned as the Group Managing Director on 2 August 2018. The total settlement comprises of a pro-rata guaranteed bonus, notice pay, settlement payment (as compensation for a restraint of trade), compensation for loss of LTIP awards and annual leave totaling P9,890,360. The net settlement is after the release of the accrual for the LTIP that fell away on the settlement.

** PJS Crouse joined on 24 September 2018

*** The Executive Directors have no pension benefits

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

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

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

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

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

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

REMUNERATION POLICY (CONTINUED)

The following incentive scheme is offered by Letshego Group:

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

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

- Calculation of grants – Ranges between 75% to 200% of basic salary for participants
- Grant term – the vesting is at the end of three years
- Grant targets – is based on Earnings per Share and Return on Equity targets set at the start of each three-year period
- These targets can be amended during the course of the three year period and the Remuneration Committee can apply its judgement to recommend to the Board additional vesting over and above the achievement of targets
- No shares vested in 2018. For the 2017 financial year a 25% uplift was granted by the Board

As a further retention tool, a deferred cash bonus scheme is in place for selected members of the extended leadership team that do not participate in the share scheme. The deferred cash bonus is paid over three years (50% at the end of the second year and 50% at the end of the third year). The deferred cash bonus is adjusted upwards for any increase in the Group's share price during the bonus period. There is no corresponding decrease should there be a decline in the share price.

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

GOVERNANCE AND COMPLIANCE IT FRAMEWORK

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

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

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

LEGAL COMPLIANCE

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

ASSETS AND LIABILITIES MANAGEMENT (ALM)

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

GOVERNANCE AND COMPLIANCE

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

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

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

The Group governance and compliance function commenced the preliminary phased rollout of the framework through presentation to the country CEOs in early 2016, focusing on the key compliance areas that the Framework aims to address. These areas include regulatory, legal and governance compliance.

COMPLIANCE WITH KING IV

The Group is moving towards complying with the principles of King IV. The Board is satisfied with the progress made by the Group 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 and 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)	2018	Commentary
Principle 1	The Governing Body should lead ethically and effectively.	Partly 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 for the Board to ensure that Letshego Group is ethically and effectively managed. Whilst the Board's performance with respect to these requirements should be evaluated every other year, the formalisation of this process has been identified as an area requiring improvement.
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Partly Applied	The Board has delegated to GNSEC the responsibility for the monitoring and reporting of 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 across Africa.
Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Applied	The Board has tasked GNSEC with the responsibility to oversee the discharge of its corporate governance agenda. The responsibility of the committee is to monitor the adherence to legislation and accreditation. The Group's Strategic and Social Investment (SSI) policy continues to remain focused towards sustainable development and improvement of lives in the communities within which the Group operates.
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 that the Group operates in. The Board assisted by GRC reviews key risks and opportunities impacting 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 on 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, its critical risks associated with its business model including the mitigating factors.
Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	Applied	The Board is assisted by the GRC and GAC in reviewing and approving 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).
Principle 5 (Continued)			The Board ensures the integrity of the Group's integrated report on an annual basis. The Group's Integrated Annual Report, details both its historical performance and future outlook to the extent required and permitted by regulations. This, together with other communications that is made available by the Group, enables 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 role, responsibilities and procedural conduct of the Board are documented in the Board Charter. The Board Charter 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.	Partly Applied	The Board, assisted by GNSEC considers, on an ongoing basis the balance of skills, experience, diversity, independence and knowledge needed to discharge the Board's role and responsibility. The Board Charter lays out the Directors appointment process. In considering whether the potential candidates are competent and can contribute to the business, judgment calls to be made by the Board, the criteria to be considered is clearly spelt out in the Board Charter. All Non-Executive Directors appointments are voted on by Shareholders at Annual General Meetings by either ratification of appointments made by the Board or by voting on the re-election of Directors who retire by rotation. As regards its subsidiaries across Africa, the Board composition was at various stages of completion.
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 (5) Committees that assist it in discharging its duties and responsibilities being: GAC, GRC, GNSEC, GIC and GREMCO. The Committees operate in accordance with the terms of reference which are reviewed and approved by the Board every other year. Up to August 2018, all of the Committees comprised of a majority of INED. Post the resignation of Robert Thornton on 2 August 2018, GIC and GNSEC did not have a majority of INEDs. Restoration of Committee composition for compliance with King IV was attained on 6 March 2019. 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 2018.
Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Partly Applied	A formal appraisal of the Board was performed in 2018 by the IoDSA. In-house self-assessment assessment for Board Committees were conducted during the period under review save for that of GREMCO. The results were presented to the Board during its first quarter 2019 meeting with all the areas identified as requiring improvement being set out as actionable tasks. Formalisation of Subsidiary Board appraisal processes and self-assessment processes is underway. Both the Group and Subsidiary Boards are yet to formalise and carryout 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 Chief Executive Officer to run the day to day affairs of the Company in line with the Delegation of Authority framework. The Delegation of Authority framework sets out authority thresholds and governs sub-delegation. The framework also prescribes authority levels for each of the territories that the Group operates in. Cascading the Delegation of Authority framework to the subsidiaries is underway.

COMPLIANCE WITH KING IV (CONTINUED)

King IV Reference	King IV Principle(s)	2018	Commentary
Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Partly Applied	The Board supported by GAC is ultimately responsible for the governance of risk. The role of GRC as set out on Page 50 is to ensure that the Group has implemented an effective framework for risk management which enhances the Group's ability to achieve its strategic objectives. The GRC is responsible for the development and implementation of the Enterprise Risk Management Framework (ERMF) including the policies, systems, processes, and training to ensure effective risk governance. To further enhance the ERMF rollout a formal comprehensive Risk Appetite Framework (RAF) will be developed and implemented in 2019/2020. The RAF will have the objective to support the Group's underlying businesses, ensuring that our risk profile is known and assessed against established risk appetite targets and limits. In line with King IV, our Group Internal Audit Function reports directly to the Group Audit Committee. GAC approves a risk based internal audit plan at the beginning of each year and ensures that the Internal Audit function has adequate resources, budget standing and authority to enable it to discharge its functions. The Group Head of Internal Audit has a functional reporting line to the Group Audit Committee, and administratively reports to the Group Chief Executive Officer.
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 is cognisant of the importance of technology and information as it is interrelated to the strategy, performance and sustainability of the Group. The Board Charter requires the Board to assume responsibility for IT governance. The Board has delegated oversight responsibility to GRC. At management level, the Group established a Group Technical and Operations Committee to ensure effective IT governance. The Group IT strategy is integrated with the Group's Business strategy and business processes. It is GRC that has the responsibility for the management of 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 to laws, rules, codes and standards and are an integral part of the Group's risk management. The GRC and GAC Charters require the Committees to ensure that IT risks are adequately addressed, and that assurance is given to confirm that adequate controls are in place. GRC reviews IT risks and controls, adequacy of business continuity management including disaster recovery plans for IT, information security, privacy and authorized access.
Principle 13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	Applied	The Board is assisted by GNSEC, GAC and GRC in order to oversee the governance of compliance. Compliance falls within the risk matrix and forms part of the business risk management process. Through GRC, the Board can address the legal and compliance requirements of the institution. The Legal and Compliance update is a standing agenda item of GRC; in which the Board is appraised on legal and compliance risk and deliberate over the applicable legislations and the Group's approach to the stated laws.

King IV Reference	King IV Principle(s)	2018	Commentary
Principle 13 (Continued)			Applicable laws are reported to the Board, via GRC by the Legal and Compliance function. Any new legislation or rules which impact the Group and its subsidiaries are notified to the Board, advising on the legal requirement applicability and how the same 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, assisted by GREMCO ensures that staff members are remunerated fairly, responsibly, transparently and in line with industry standards to promote the creation of value in a sustainable manner. The implementation of a Group-wide Remuneration Policy and Framework has been identified as an area requiring improvement. All the remuneration related shortcomings are to be addressed during the year ending 31 December 2019 as part of improving this policy and framework. The Group participates in annual remuneration surveys for purposes of benchmarking and also provides performance-based short and long term remuneration incentives to attract, incentivise productivity and to retain good performers; and also as part of overall alignment of shareholders and company objectives. The remuneration of each individual Executive and Non-Executive Director' is included in this Integrated Annual Report under the Remuneration Report or Corporate Governance section.
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 change of external auditor(s), their reappointment and/or removal. Further the Committee evaluates the performance of the external auditor(s) and the engagement partner is rotated at least every 5 years or such other frequency deemed to be appropriate, based on the external audit firm rules to enhance actual and perceived independence.
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 point of contact for institutional investors, other shareholders and all stakeholders. The Board encourages proactive engagement with shareholders, including engagement at the AGM. Directors are present at the AGM to respond to shareholder queries on how the Board has executed its governance duties. The designated partner of the audit firm also attends the AGM.
Principle 17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests	Not Applicable	The principle is not applicable as the Group is not an Institutional Investor

MUHEREZA
BENON

Muhereza Benon lives in Kampala, and has a passion for giving children hope and a future through education. To achieve this, Muhereza had always set his mind on finding the means to build a school.

Initially Muhereza's personal savings helped jump start the entrepreneur's dream by enabling him to build two permanent structures that served as an administration room and a classroom block. With this humble yet tenacious beginning, Muhereza enrolled 40 students, with the support of a few teachers.

As the waiting list grew with more children wanting to enrol in his school, Muhereza applied to Letshego for a loan to expand his dream. His first Letshego loan added two more classrooms to the school, and a subsequent loan delivered a new school hall and another two classrooms.

Today Mehereza educates 200 children at his school, supported by 10 teachers. Teachers are paid on time, and Muhereza manages to generate additional income from 3 rental units on the property to supplement his income.

My next loan will build our library, and add plaster and paint to our existing classrooms. Letshego has helped me build my dream of creating a strong foundation and future for our children – together we can build a future for our children.

Muhereza Benon, Letshego Customer and Entrepreneur - Uganda

4

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

OUR STRATEGIC INTENT

STAKEHOLDER MAPPING PROCESS

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

We have an inclusive approach to working with our stakeholders, and we engage them through a process of ongoing feedback and dialogue with internal and external stakeholders. This process is managed by the executive leadership team and supported by Letshego's Board of Directors at the holding company, as well as across Letshego's subsidiaries.

Letshego's Key Stakeholders

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

OUR KEY STAKEHOLDERS

WE HAVE IDENTIFIED OUR KEY STAKEHOLDERS AS FOLLOWS:

Table 4: Letshego key stakeholders

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2018
Our customers and communities	Our customers are the reason for our existence. Our ability to deliver on our vision depends on our continued ability to offer appropriate solutions to our customers. Our customers provide us with a sustainable funding source from which to provide lending solutions and reduce our costs of funding. In addition, they provide us with insights into the markets in which we operate. Communities represent the broader society and help us to ensure that we are using our financial solutions to the benefit of broader society, to ensure our continued social licence to operate.	To continuously understand what is important to our clients, we engage with them in various forms, including customer satisfaction surveys, our Improving Lives campaigns, our call centres, and face-to-face interactions. It is important that our communities see us as adding value in ways they can see and appreciate, ensuring our ongoing social licence to operate and enhancing our brand. Similarly, we monitor our online presence through our website. We remain committed to sharing our progress and achievements on a regular basis.	• **Social impact survey conducted across 10 markets.** • **Ongoing call centre engagement** • **www.letshego.com** • **Social Media** • **Press releases** • **Media Articles** • **SMS direct marketing across 8 markets**
Our people	Our people are critical to the development and provision of our financial solutions. The combination of their skills, knowledge, motivation and customer-focus contribute to our vision of an inclusive financial society. Our people create the culture of our organisation. A solid and committed culture remains a competitive advantage for any organisation who wishes to succeed in an increasingly competitive market.	We engage with our staff on an ongoing basis at all levels. Regular communication also takes place to provide staff with strategic direction and to keep them informed about Group activities. Feedback and input from our people build our understanding of their needs and concerns, help us to respond and improve their working environment and experience, which contributes to maintaining a dedicated and high-performing team. This in turn improves our performance and the experience of our customers.	• **Monthly calls** • **Quarterly Town Halls** • **Strategy update process** • **Leadership Conferences** • **Website** • **Internet**

OUR KEY STAKEHOLDERS (CONTINUED)

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2018
Our shareholders	Our shareholders provide us with the financial capital to undertake our lending activities and strategic investments, providing essential capital to support the growth and success of our business. They are also valuable ambassadors in supporting and promoting our strategic intent and achievements to the broader market and international communities.	By understanding and addressing our shareholders' concerns, we can grow our business. This in turn provides a return on investment to our investors. We regularly engage with our shareholders, directly through our Annual General Meetings (AGMs) and results presentations. Indirectly through our regulatory compliance notices. We are proactive in speaking at and attending relevant Industry Forums and Conferences – both regionally and internationally – to showcase Letshego's differentiated and innovative strategy.	• AGMs • Results presentations • Website • Press releases • One on one meetings • Attendance and presentations at international conferences
Our governments	Governments hold a mandate to ensure that our activities respond to their national priorities; their feedback ensures that we remain in line with citizen expectations. We consider Governments an important partner in achieving increased financial inclusion and achieving our ambition to be Africa's leading inclusive finance provider. Our relationships with Governments are essential in reaching and supporting government employees as well as underserved members of our communities. Governments support, extended reach and well-established community networking frameworks provide valuable channels to reach underserved populations.	Group Management Committee Members and Country CEO's are mandated to foster and build stakeholder relations with relevant Government partners and Government Employers, especially in those markets where Letshego has been awarded Deduction Codes. Engagement involves regular formal and informal meetings, Group and Country Results Presentations and stakeholder events.	• Results presentations • Annual Reports

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2018
Our regulators	As a responsible corporate citizen, we are committed to ensuring that the outcomes of our activities meet the expectations of those entrusted with safeguarding our society. Our regulators assist us to ensure that we maintain our social licence to operate. Also, our engagements with regulators provide additional insight into how our customers experience their interactions with us. This provides our regulators with improved insight into our business model and how it improves the customer experience.	Over and above official regulatory requirements in meetings and reporting, Letshego Country CEO's remain proactive in communicating and sharing our progress in innovation and financial inclusion opportunities. As a private section member of 'AFI' (Association of Financial Inclusion), Letshego Group Executives have direct access to more than 30 Africa AFI regulator members via public private dialogues, regional platforms and round tables.	• Ongoing membership of the Association of Financial Inclusion / Public Private Dialogues with global regulatory members • Participation in BSE sustainable practices questionnaire
Our strategic partners	Letshego understands the value in forging sustainable and effective strategic partnerships. Given the challenges of emerging market economies, and the scale of need, increasing financial inclusion on a sustainable basis, cannot be achieved by one organisation alone. It's important that not only customers gain benefit from any partnership, but both partners and all shareholders alike, to ensure mutual support, facilitation and progress towards a clearly defined goal.	We engage regularly with our strategic partners to ensure the maintenance of a mutually beneficial relationship. Our engagements are generally linked to the achievement of our joint strategic goals, and therefore vary in their frequency and nature. We have a consistent and methodical approach in identifying and engaging potential strategic partners. Successful partnerships arise from shared values, beliefs and principles between organisations with complimentary skills, and an adaptive, flexible culture.	• Conference calls • Workshops • Onsite visits

OUR MATERIAL ISSUES IDENTIFICATION AND MANAGEMENT PROCESS

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

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

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

MATERIAL STAKEHOLDER ISSUES

STAKEHOLDER	MATERIAL ISSUE RAISED	LETSHEGO RESPONSE AND APPROACH
OUR CUSTOMERS AND COMMUNITIES	CONTINUED CUSTOMER ENGAGEMENT	We strive to achieve a balance between customer needs and financial returns
	SOLUTIONS AFFORDABILITY	We continue to invest in customer research and innovation for value creation
	CUSTOMER PROTECTION	The Group has implemented broader customer protection policies, including cyber security tools, that ensure compliance to regulations.
OUR PEOPLE	COMPETITIVE REMUNERATION	• We conduct regular remuneration benchmarking to remain competitive. • The Group invest in longer term staff rewards and incentives. • We reviewed remuneration structures for our commission based staff to align productivity and rewards.
	TALENT MANAGEMENT	• The Group has clear role descriptions and performance appraisal processes. • Career development objectives supported by tailored training are part of the succession planning program.
	AUTOMATION OF DECISION MAKING	• People processes are being automated to improve operational efficiencies. • We are developing digital platforms for information sharing across the Group.

MATERIAL STAKEHOLDER ISSUES (CONTINUED)

STAKEHOLDER	MATERIAL ISSUE RAISED	LETSHEGO RESPONSE AND APPROACH
OUR SHAREHOLDERS & INVESTORS	OPERATIONAL COST SAVINGS	• We improved process efficiency and response time • We have improved customer satisfaction • We are actively addressing fraud risk • We provide ongoing training • Our focus is on reducing reliance on outsourced consultants • We will continue our evaluation of our effective tax rate
	DETERMINATION OF DIRECTORS REMUNERATION	• We strive for open transparent engagement
	INCREASING BRAND VALUE	• This aspect is covered by our risk framework • We make use of roadshows • We are striving towards GRI compliant integrated reporting • We focus on leveraging our geographic diversity
	BETTER LEVERAGE LETSHEGO'S ESG CREDENTIALS	• We have a Development Impact Report which is to be published • We will continue to collect customer demographic data • Our research undertaken when unpacked is showing commercial linkages to the data collected
	IS GEOGRAPHIC DIVERSIFICATION PAYING OFF	• We strive to leverage off individual market strengths • We focus on continued diversification of our risk profile • We are gaining increased access to varied customer demographics
	CYBER SECURITY	• We focus on speed of deployment and the stability of the system • We ensure we have sufficient controls in place to pick up threats • Our investment into strategic talent is ongoing

STAKEHOLDER	MATERIAL ISSUE RAISED	LETSHEGO RESPONSE AND APPROACH
OUR REGULATORS & GOVERNMENTS	IFRS 9 IMPLEMENTATION	• Full implementation of IFRS done in 2018 • We will continue to develop and improve our model
	MANAGEMENT OF KYC REQUIREMENTS FOR CUSTOMER WITHOUT FORMAL MEANS OF IDENTIFICATION	• We have tailored our approach per market • We undertake ongoing assessment of methods suitable for deployment per market • We strive to balance provision of access to the previously unbanked and the need for meeting KYC requirements • We remain in ongoing close consultation with authorities to ensure compliance
	BANKING LICENSES REQUIREMENTS	• Our audit reports are submitted to the various Central Banks as required • We maintain regular engagement with the Central Banks • As an ongoing measure we are tracking the implementation of process improvement measures • We continue to leverage off of the capabilities of our Group Audit Committee
	PURPOSE OF HOLDING COMPANY	• We remain a proudly Botswana Company • We continue to strive towards optimal tax efficiency

MATERIAL STAKEHOLDER ISSUES (CONTINUED)

OUR PARTNERS

PARTNER SELECTION

- We are undertaking a procurement audit
- We continue to evaluate organisational needs
- We continue to align partnerships to strategic needs
- We evaluate our partners ability to meet our needs on an ongoing basis

LETSHEGO'S PARTNERS CONTRIBUTION

- We focus on value creation
- Our focus is on maximising access to new markets

BETTER UNDERSTANDING OF BUSINESS MODEL

- We acknowledge it is important for partners to understand, learn and grow along with our strategy
- We need partners to share our value proposition
- We foster partnerships across all 11 markets
- We strive for open and contextual communications with the media

21 YEARS AT LETSHEGO
LERUO & GLORIA

Leruo and Gloria have Letshego's blue and yellow running through their veins. They are unique in being able to share a first-hand account of Letshego's exciting growth journey over the last 21 years, simply because they were there from the start. Leruo and Gloria joined Letshego in its humble beginnings in 1998, growing alongside and supporting the Group's dynamic two decade legacy.

LERUO TAU

GLORIA KGOSIMORE

LERUO TAU

Leruo Tau is a Senior Business Support Analyst in Group Operations, he was one of the very first members of staff to join Letshego, and the third member of staff to join the payroll.

"I love working with the people at Letshego. I also appreciate the opportunities for growth that are available here."

Since joining Letshego, Leruo has embarked on a kaleidoscope of roles, including Sales consultant, Accounts Clerk, Senior Sales Consultant and Branch Manager. Memorable highlights that stand out for Leruo include Letshego's milestone listing on the Botswana Stock Exchange in 2002 and becoming a shareholder. Leruo's role in supporting the implementation of the Group's banking system across regional markets remains a standout memory that emphasises Letshego's unique culture and diversity.

I was part of the team that travelled across our African footprint to support the region-wide integration of our core banking system. I thoroughly enjoyed getting to meet colleagues of different cultures and traditions – I even managed to pick up a few basic phrases in Portuguese, Swahili and Afrikaans!

GLORIA KGOSIMORE

Gloria Kgosimore joined a few months after Leruo, and was the 5th member of staff to join this fledgling 'financial start-up' at the time. Today, Gloria is the Collections Manager for the Letshego Botswana business.

Over the last 21 years Gloria has fulfilled various roles, including Sales Consultant, Branch Administrator, Approval Supervisor and Credit Supervisor. A highlight included being seconded to work in Letshego Eswatini (then Swaziland) where she trained staff on Letshego's policy and processes.

We have come a long way since the early days. I was here when Letshego's premises consisted of just one small office in the Debswana House Building's West Wing - no country branches or other markets. Today we stretch across eleven countries in Africa – it's an inspiring story of growth and development. I am glad to have been part of the journey and look forward to being a part of Letshego's future.

Letshego

5

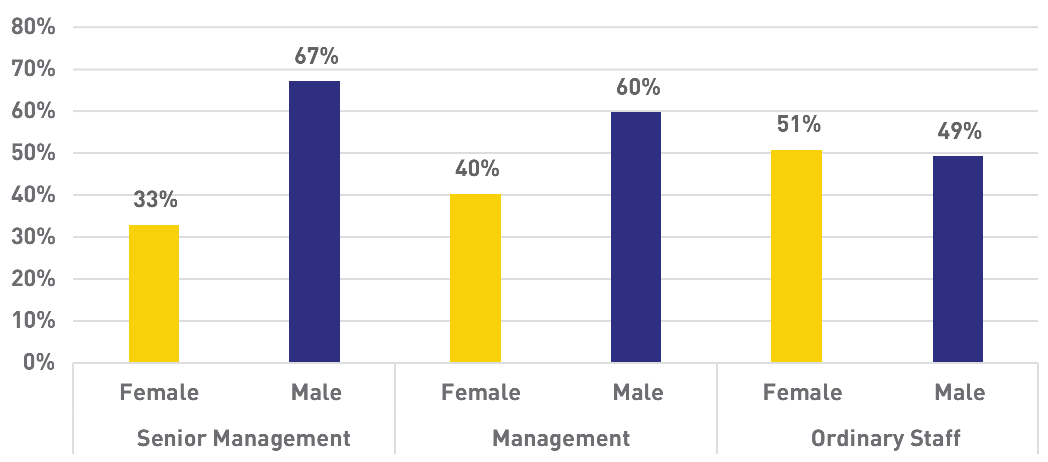
OUR PEOPLE

OUR PEOPLE

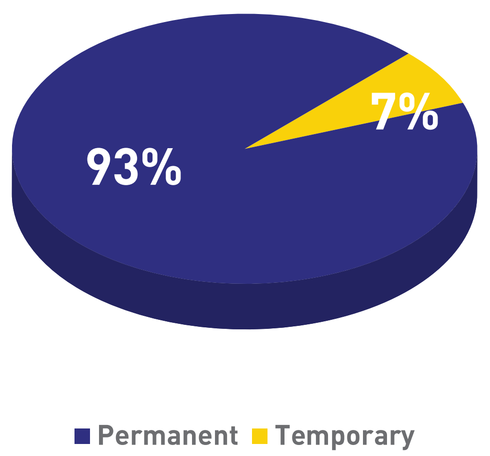
Our people are our greatest asset, ambassadors of our brand and the source of our competitive advantage. It is their commitment, experience, skills and engagement that allow us to provide solutions to our customers in a responsible manner, which in turn ensures customer satisfaction, brand reputation, regulatory compliance and sustainable profit. Our people are supported in this by a leadership team that promotes an inclusive performance orientated culture. We are committed to investing in our people to both attract and retain a performing, value-aligned team. Research shows that gender-diverse executive teams are up to 21% more likely to experience above-average profitability than those that are less diverse* .

We also know that financial services as an industry, have far to go to reach these levels of representation. At Letshego, diversity is a key enabler of financial success, and we have aligned our policies and processes to support increasing levels of diversity within the Group. In total, Letshego employs 1,871 people across its regional footprint. The Employment Status graph below shows 93% are permanent employees. 16% of Letshego's staff compliment represent management and 15% senior management. A total of 46% of all employees across the region are female, 40% of management and 33% of the Group's top or senior management team are women. Within our Direct Sales Agents (DSAs), 59% are female.

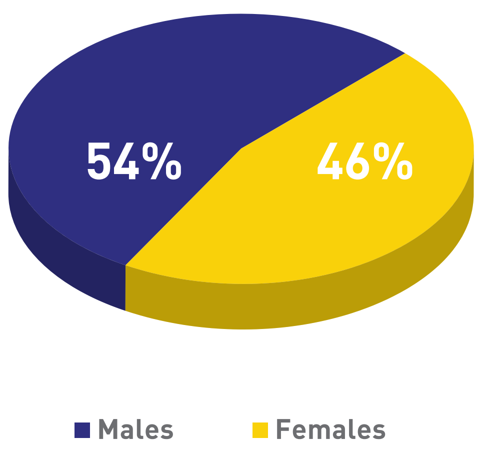
Gender Split by Level of Seniority



Employment Status

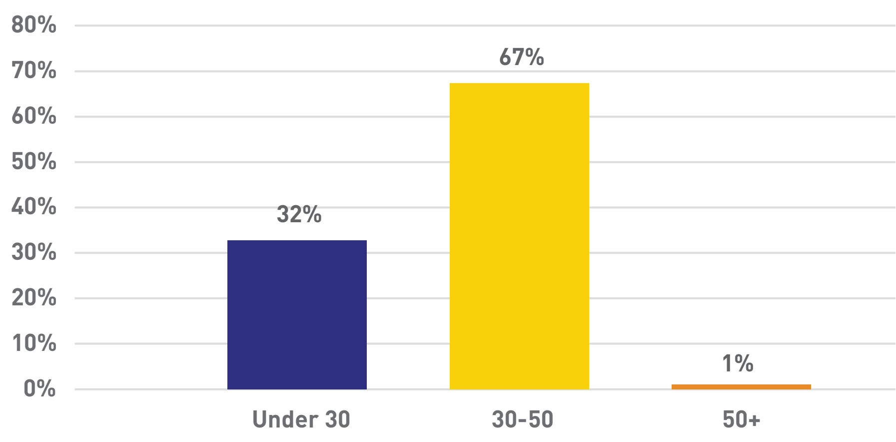


Overall Employee Gender Profile



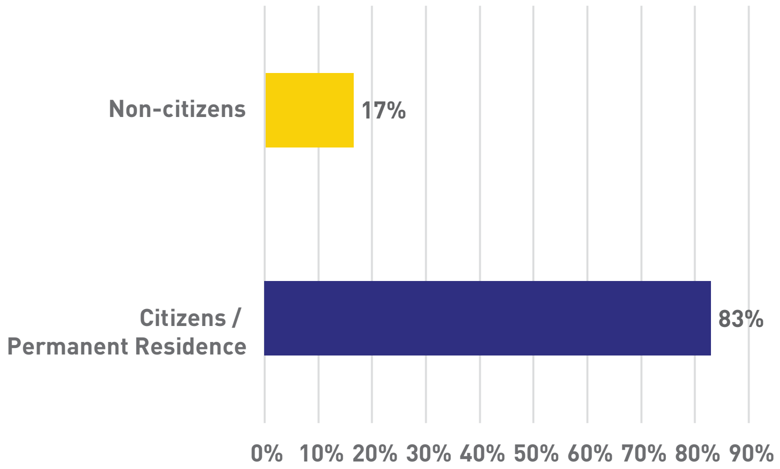
We believe that by hiring people locally, we can connect more fully to our customer base. Youth unemployment also remains a serious challenge to economic growth and prevents the continent from reaping the benefits of the demographic dividend. Letshego continuously looks to balance its employee compliment by attracting young talent, and mentoring these skills to assist in fostering personal development potential as well as gaining from the fresh focus and innovative approach that youthful mindsets are valued for. 32% of Letshego's employees are under the age of 30 years.

Employee Age Profile



Letshego's recruitment strategy is the result of a partnership between country and Group human resource representatives, with a dedicated central team focused on recruitment and separately, talent development. We are progressing on our collective objectives to automate our recruitment process, and increase efficiencies in appointing new talent. During 2018, tapping into Africa's local talent pools and attracting local talent has been one of Letshego's key achievements, supporting the growth and sustainability of a pan-African business for the future. We now source recruits from 12 countries on the continent, and our turnaround time has also improved when finding replacement staff. Previously it took 1-2 months to fill a position, this has now been halved thanks to more digital record and talent tracking mechanisms available to recruiters in Africa today. Of the total workforce employed, 5% are unionised or belong to collective bargaining councils.

Senior Management Citizenship Status



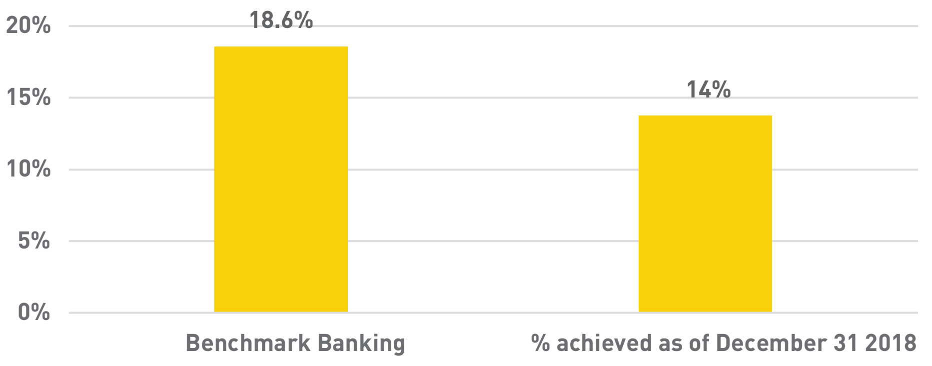
*[Hunt, V and Yae, L et al (2017) Delivering through Diversity. McKinsey [online] accessed 29/04/2019]

COUNTRY HEAD COUNT ANALYSIS	BOTSWANA	NAMIBIA	LESOTHO	ESWATINI	MOZ	KENYA	RWANDA	UGANDA	NIGERIA	TANZANIA	GHANA	LHL	TOTAL
Number of full-time employees as at 1 January 2018	119	98	40	25	162	220	97	235	268	262	233	146	**1 905**
Employees hired during the year	15	30	11	0	27	18	17	30	43	9	4	26	**230**
Employees left during the year (voluntarily or due to dismissal, retirement, or death in service)	5	11	11	0	11	47	32	34	38	32	19	13	**253**
Number of full-time employees as at 31 December 2018	**129**	**117**	**40**	**25**	**178**	**191**	**82**	**231**	**273**	**239**	**218**	**159**	**1882**

During 2018, we increased our staff complement by 230 people, with the majority of new skills being sourced from risk management, human capital, innovation and finance. For the year 2019, we will be focused on adding further capacity in the areas of Credit Risk, Compliance, and Data Analytics.

According to a Compdata survey, the Banking and Finance industry has an 18.6% turnover rate, which is one of the highest among all industries. During 2018 we noted a 14% turnover rate for the reporting period. Although this is below general industry benchmarks, we would like to reduce this percentage as we continue to enhance and improve our talent management strategies.

Retention Rate Compared Against Industry Benchmark



EMPLOYEE VALUE PROPOSITION

We have continued attracting, developing and retaining the best talent. We continued to revise our internal policies and practices, particularly in the areas of leadership, talent, reward and performance, to support our commitment to making Letshego a values-driven business.

We also respect and promote human rights through our employment policies and practices, through our value chain and through the responsible provision of our products and services.

In 2018 all eleven Letshego subsidiaries participated in an external and independent compensation review process to benchmark Letshego's current compensation structures with peer market trends. The review assists the Group to articulate and agree areas of priority, as well as finalise a short to medium term strategy to address current compensation gaps and ultimately deliver on our objective to be an employer of choice in our markets.

Even as we are diversifying and increasing our capital expenditure, we have continued to invest in staff rewards and incentives, with overall staff costs increasing by approximately 12%.

During the 2018 financial year, Letshego revised the compensation structure for Direct Sales Agents (DSAs) to ensure that the DSA structure remains a sustainable and viable commercial model, rewarding and incentivising DSAs who demonstrate consistent and good performance.

Our DSA's commission structure is an incentive-based model, where potential revenue is determined by individual monthly sales outputs. We have increased the percentage remuneration that comes from their basic salary to increase stability in base pay, but also to improve each DSAs individual credit profile. Currently we have 10 markets with DSAs, with each market offering a varied mix of financial solutions.

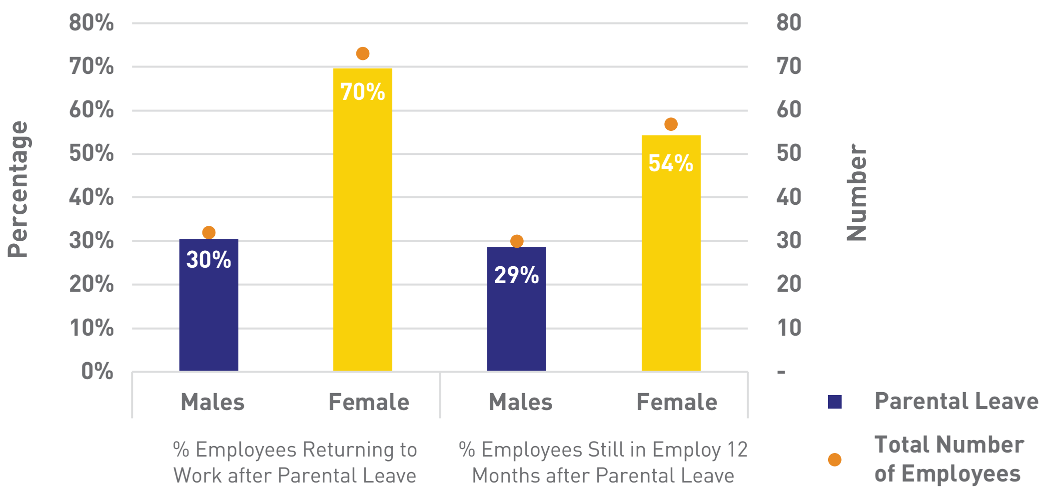
Letshego is working to standardise and enhance engagement and proactive sharing of best practice with our DSAs Team, building on our current success and leveraging the unique market insights this personalised channel provides for our customers. Letshego has rolled out a digital platform to proactively track and share sales data within our DSA channel. With this focus, we have seen a year on year increase in productivity by 40%. Improvements in agent selection is also leading to an increase in the number of DSAs being onboarded more efficiently and retained.

Our employment policies provide for parental leave, and while temporary employees do not receive paid maternity/paternity leave, they are entitled to four months of unpaid leave. Paternity leave of five days per annum can also be taken as part of family responsibility leave. During 2018, employees used a collective 5,065 days of parental leave. Of those employees who returned from parental leave, almost all were still in employ 12 months after returning to work.

At Letshego, our people are our family. Their values and personal interests remain our priority. In Botswana and Kenya we have introduced breast feeding rooms for use by new mothers. On a more general approach, new mothers with young children are provided more flexible working hours, reiterating our focus on tangible delivery and productivity.

Letshego provides notice of termination in line with contractual notice periods stipulated. However, we strive to be fair and responsible in our approach. We have an occupational health and safety policy supported by standards in place to articulate the minimum mandatory controls and actions that business areas and functions must implement in addition to any relevant national and local legislation, to ensure that health and safety risks are adequately controlled. To provide a healthy and safe environment, all workers and employees on site are empowered to assist in the collective management of health and safety. The bulk of our employees are office bound and have a low risk for work-related diseases. In an instance of a claim, we follow the directives provided in the applicable legislation.

Parental leave



EMPLOYEE TRAINING AND DEVELOPMENT

Our approach to learning is 70/20/10 – This equates to 70% of an employees development will be 'learning' achieved through daily role responsibilities and hands on experience, 20% of development will be achieved via 'line manager training', and 10% of skills are acquired through 'classroom' style tutorials and formal training curricula. Various programs, partnerships and internal conferences are also used to supplement this learning provided, especially in support of high potential talent within the organisation. These initiatives include Letshego's Change Leadership program, coaching partnerships and the Group's Leadership Conference held in three cities in early 2018 and benefiting over 300 future leaders.

Of our people during 2018, 95% of employees had discussions about their performance and development. While some employees did not have performance discussions with their managers, this was due to reasons including the newness of the employee, or the fact that the employees were due to retire, or were on an extended leave of absence.

We have improved the interaction between Human Capital Managers and Executive Management by hosting monthly meetings focused on performance management, with specific focus on tools to improve performance outputs and the fostering a productive and positive approach to doing business. Letshego remains committed to improving and fostering a performance culture. In 2018, Letshego's Human Resource (HR) function gained focused responsibilities in areas such as Learning and Development, Talent Management and People Operational Efficiency.

Line Managers were also engaged in formal coaching to provide support and guidance in setting effective and measureable staff targets, allowing leaders to identify and address performance gaps.

Our people are taking more responsibility for their own training needs, and there has also been an uptake of requests from staff for training and development. This is being driven by a recognition that staff must continue to assume responsibility for articulating their individual ambitions, and utilise available tools and skills that will enable their future achievements. In partnering and encouraging our people to progress their personal development, we aim to achieve a more driven and progressive learning and performance culture where all partners gain in the longer term.

A new career development framework is being finalised, which will provide staff members with information on how to progress to the next level, this will also inform management on the need to plan and create the opportunities required. This is an ongoing process, monitored through internal audits.

Our employee value proposition includes the opportunity for development and career growth. During 2018, we invested P4.9 m in training and developing the technical, commercial and leadership capabilities of our employees.

During 2019, we will be focusing on training to improve the collection of Environmental Social and Governance data, this will further facilitate the improvement in our measurement of social impact.

CHANGE LEADERSHIP PROGRAM

- 50 High Potential Talent from across the Group selected to attend
- Preparing them to assist with the execution of the new corporate strategy
- Sessions held in Johannesburg
- Staff were identified from the pool of talent to execute key developmental areas in the organisation
- Staff were developed to hone there transformational leadership capabilities

COACHING PARTNERSHIP

- Focus on leadership developments
- Included 240 staff in the program
- Each employee attended four coaching sessions, one scheduled during each quarter of the year
- Focus was on desired corporate culture, and how to mobilise and execute the new corporate strategy.
- Additional input provided to attendees on how to create the correct state of mind to communicate needs adequately, especially in a pan-African company like Letshego.
- These coaching sessions were supplemented by webinars during the year.

LEADERSHIP CONFERENCE

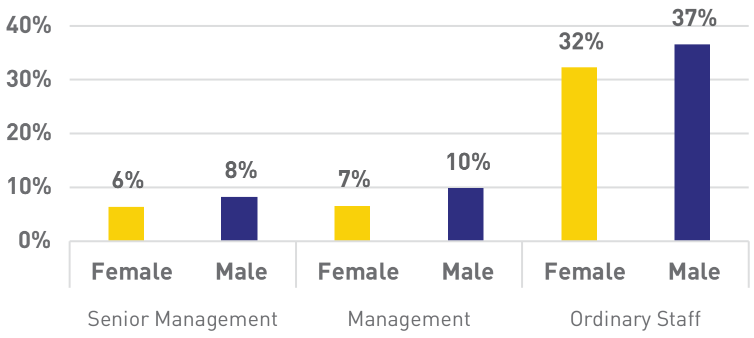
- 300 employees attended
- 100 in Maputo, Nairobi and Gaborone respectively

E-LEARNING PLATFORM

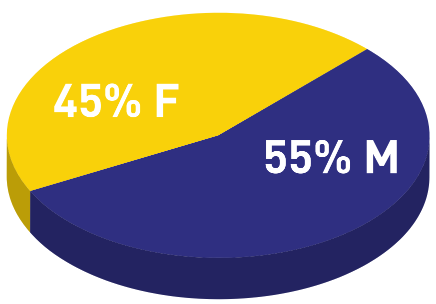
- Mandatory courses developed for all staff
- Minimum Score required to register a pass is 80%

EMPLOYEE TRAINING AND DEVELOPMENT
(CONTINUED)

Split of Training Spend by Level of Seniority



Training Spend by Gender



EMPLOYEE WELLNESS

Pilot Staff Wellness Program launched in Quarter 2 of 2018 in Botswana

Wellness Programs provide employees with incentives, tools, social support, privacy, and strategies to adopt and maintain healthy behaviours, while fostering a culture where employees know they are valued, and as such need to reciprocate the value to others.

THE LETSHEGO PROGRAM

PROMOTION OF HEALTHY LIVING	PROMOTION OF PHYSICAL WELLBEING	PROMOTION OF FINANCIAL WELLBEING
• Gym Club • Water Dispensers • Branded Water Bottles	• Flu Injections • Cancer Association awareness drives • Sharing Reproductive Health Leaflets • Weekly Supply of Contraceptives	• Financial Wellness Talks • How to Budget • Financial Rehabilitation Talks

The core of every good wellness program is behavior change. With the right education, skills, motivation, skills/tools, and social support, people change behaviours. Wellness programs are good at helping people adopt and maintain healthy behaviours. This is perhaps the biggest benefit of having a wellness program.

Healthy behaviors lead to lower health risks, and lower health risks lead to less chronic disease. With less chronic disease employees have fewer health care costs.

ON AVERAGE EMPLOYEE WELLNESS PROGRAMS RESULT IN:

- **28% REDUCTION IN SICK LEAVE**
- **36% REDUCTION IN MEDICAL COSTS**
- **8% INCREASE IN PRODUCTIVITY**
- **FOR EVERY $1 SPENT YOUR AVERAGE ROI IS $ 2.73**

GALALETSANG MORE

GETTING TO KNOW OUR DIRECT SALES AGENTS

Galaletsang More is 28 years old, and comes from Moshupa, a small town 66 kilometers, or an hour's drive, from Botswana's capital city, Gaborone. Before joining Letshego Botswana as a Direct Sales Agent, Galaletsang worked as an Assistant Manager at a well-known liquor chain-store, and thereafter an Assistant Manager at a leading outlet for a global shoe brand. Galaletsang took a leap of faith from formal salaried employment to a commission-based Direct Sales Agent role 4 years ago, and is now one of Letshego Botswana's top sales agents.

"At first, it was not easy to make the transition from formal employment to a Direct Sales Agent, relying on a commission-based pay structure. As I was finding my feet in the first month, I did not earn any commission - however, after the second month in the role, I have never looked back.

With some hard work and determination, I have consistently produced good results as a sales agent. I now understand that I have to set my own goals, and work hard at achieving those goals. It is easy for people to celebrate too early and become complacent once they achieve good results. Once I reach my target, I press on to achieve the next hurdle."

Sharing how Letshego has helped improve lives, Galaletsang explained, "Customers apply for loans to address real life situations, so they love the fact that at Letshego, once they have qualified for a loan, we disburse the full value of the loan they applied for. Also, customers love the fact that their loans have the potential to be approved and paid within 48 hours.

I have also completed my Certificate of Proficiency (CoP) in insurance, training that will help me grow in my role. Being a Direct Sales Agent also gives me a good 'work-life balance' – I can work well, without compromising the needs of my family. This is what keeps me driven."

> *Letshego has truly helped me to progress in life. I have bought myself a car, I can now afford to put my child through an English Medium School and I am in the process of buying my own house. I really love the fact that my work keeps me on my toes. I am always learning new things and I find that every day presents a new challenge to overcome.*
>
> ***Galaletsang More,***
> ***Letshego Direct Sales Agent (DSA) – Botswana***

6

REALISING FINANCIAL INCLUSION WHILE ENHANCING FINANCIAL PERFORMANCE

Letshego

REALISING FINANCIAL INCLUSION WHILE ENHANCING FINANCIAL PERFORMANCE

Our ability to provide financial solutions to our customers is strongly-linked to the delivery channels that we utilise and the level of convenience that they provide to our customers. So, we are focused on ensuring that we provide a range of channels to suit our customer needs.

IMPROVED ACCESS

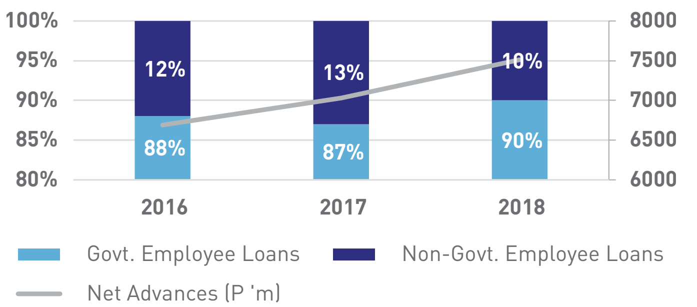
Access remains our key area of focus in increasing customer experience and contributing to increasing financial inclusion in our markets. USSD, SMS or text channels remain most effective in deepening market penetration and reach into broader communities. As growth in our civil-servant lending portfolio stabilises in a competitive pricing environment, diversification into non-government lending enables Letshego to extend the benefits of its financial solutions to broader communities.

Direct Sales Agents (DSA's) are supporting Letshego's priority in access creation by bringing Letshego solutions directly to the customer, and avoiding the need to travel to branches. Branches can then evolve to more complex service offerings, while day to day transactions are handled in the field, supported by secure, digital technology. We have increased the number of DSAs in our network from 1,162 to 1,340 over the past three years.

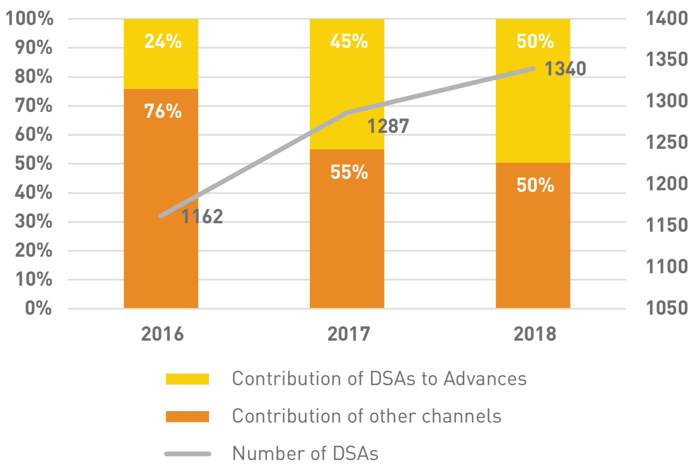
The efficiency of our DSAs continues to improve with the recent internal research and development of Letshego's pilot of a 'Direct Sales App' (mobile application used on smart phones). This pilot was initiated in Botswana during 2018, to streamline and digitise, secure and fast track the loan applications process via DSAs.

Access is further enhanced through Letshego's personalised channel, that being third party agents. 'Third party agents' are local entrepreneurs who run their own small businesses, while providing additional services to other brands on a non-exclusive basis. Letshego loans is one such example of a non-exclusive ancillary service such entrepreneurs provide to the broader community, with the dual benefit of increasing income for the entrepreneur and extended market access for Letshego. Third party agents have grown from a mere 12 entrepreneurs piloted with Letshego loan services in 2016, to over 190 active agents offering Letshego financial solutions across diverse and rural communities today.

Growth and Diversification of DAS Portfolio



Contribution of DSAs to Advances



Cards is another obvious and interestingly high demand tool to access fund in today's increasingly mobile and digitally synchronised financial sector. Through internal market research and customer polls, Letshego has seen a growing interest in cards, complimenting the services mobile and digital channels provide. LetsGo Cards have been piloted successfully in Namibia, with a clear view to extend similar access services to other network markets.

During the last two months of 2018, just under 2,000 cards were generated for existing Namibian customers, and by April 2019, this number had grown to more than 4,000 actively used cards on the market. The launch of LetsGo Cards provide the dual benefit of increasing access to both savings and borrowing solutions.

COST OF SERVICES

Reducing the cost of services to our customers has been a keen focus for us over the last year. This has been facilitated through the improved structuring of loan facilities and communication of cost structures to customers. This has consequently resulted in an upswing in our customer numbers. Establishing a better understanding of the affordability envelope for set customer groups, also allowed us to pitch our products accordingly. We are aware that as larger commercial banks start moving more and more into the microfinance space, they are able to push down prices which we will need to keep track of.

COST OF BORROWING

We are not seeing a reduction in the cost of borrowings, however we have been able to widen our funding universe. Most loans to customers are contractually in the 5-6 year timespan, and our funding secured ranged from 1-3 years. We have managed this exposure, by continuously improving the matching of our assets and liabilities. Thus, the focus of new debt funding was to secure longer tenure funding to better match our assets. We are not there yet, but the ratio is improving. This also helps current funders reduce their risks.

During 2018, we successfully attracted and secured an additional P600m of new funding, mainly from specialist international investors. These new funders include specialist and impact investors who focus on micro and inclusive finance ventures.

ASSESSING AND MANAGING OUR SOCIAL IMPACT

Letshego continuously strives to seek a better understanding of the evolving needs of our customers. We have undertaken annual indepth social surveys over the last three years, with over 8,000 customers interviewed during the latter part of 2018.

As we improve the demographic statistics sought, improve our survey methods and correlate data with relevant financial behaviour, Letshego gains invaluable insight into emerging demographic trends, risk indicators as well as opportunities where we can enhance our solutions, channel or delivery strategy.

Making use of this data as a risk management tool further enables us to review and support customers who may find themselves in a higher defaulting risk bracket. This remains a developing area within our risk model, but will ultimately enable our risk and credit teams to promote customer affordability and facilitate our commitment to maintaining sustainable lending practices.

Letshego's 2018 customer survey was undertaken across 10 of our 11 subsidiaries, with an aggregated 58% of customers being classified as male and 40% as female. The majority of customers surveyed were married (61%), with 75% reporting to have less than 4 dependants.

To assist us in extending access for our customer base, a quarter of those customers interviewed are based in rural areas. Furthermore, looking at the diversification of our customer base away from DAS, a large proportion – 39% - of the customers surveyed, were self employed MSE's (Micro & Small Entrepreneurs). These metrics are all useful in allowing Letshego's research and analytics teams to gain a better understanding of the non-government segment within the customer base, as we continue to evolve our MSE lending solutions.

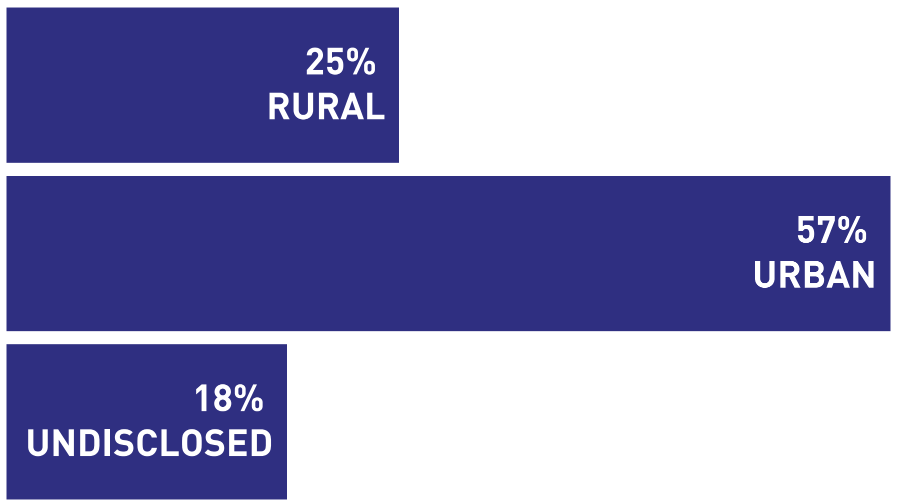
To inculcate these insights, Letshego has developed an ESG (Environmental, Social and Governance) Manual for the Group. This manual assigns roles and responsibilities to key departments to proactively identify, track and monitor ESG data, as well as customer vetting and tracking of loan behaviour.

FINAL ROLL OUT OF TRAINING & IMPLEMENTATION OF OUR ESG MANUAL IS EXPECTED TO BE CONCLUDED BY THE END OF 2019.

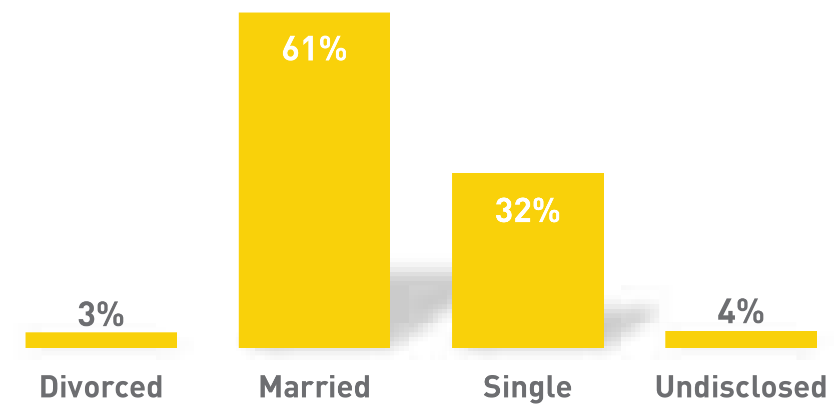
Type of Employment

Total	8040
Full Time	52%
Informal Employment	1%
Other	1%
Part Time	2%
Self Employed	39%
Student	0%
Undisclosed	5%

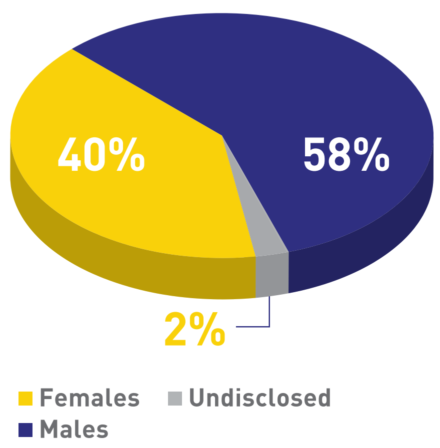
Urban vs. Rural Split



Marital Status



Gender Split of Respondents



Letshego

Letshego

NON-COMMUNICABLE DISEASE (NCD) CARE

2018 UPDATE ON HEALTHCARE INNOVATION PROGRAMME (HIP) PROJECTS FOR LETSHEGO (APRIL 2019)

PROVIDING A WHOLE SYSTEM FOR NON-COMMUNICABLE DISEASE (NCD) CARE

UGANDA

HIP Partner: LifeNet, Uganda
From community awareness, screening and diagnosis through to treatment and continued care, LifeNet and the HIP are developing a complete NCD system to assess uptake and affordability. The project has registered a 77% overall increase in the caseload across the 3 pilot facilities, indicating an increasing awareness of, and access to, NCD care. Monitoring of this caseload of patients continues to assess whether those diagnosed with NCDs continue to access care and treatment during 2019.

3 YR FUNDING AMOUNT: P840,000

DECENTRALISATION OF NCD CARE

MOZAMBIQUE

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

3 YR FUNDING AMOUNT: P1M

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

NAMIBIA

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

3 YR FUNDING AMOUNT: P1,1M

LINKING NCD CARE TO VILLAGE AND LOANS SAVINGS GROUPS

KENYA

HIP Partner: AMPATH Kenya
Patients with diabetes or heart disease attended regular microfinance meetings and received health education and mobile health services including check-ups, testing and medication. The project succeeded in retaining around 50% of the patients, which is considerably higher than the usual retention rate for standard facility-based care in Kenya. This project has been extended to allow for the consolidation of this model of care, to monitor its effectiveness and to develop a practical toolkit drawing on the success of one clinic for setting up other family medicine clinics.

3 YR FUNDING AMOUNT: P1,7M

STRENGTHENING THE QUALITY OF CLINIC MANAGEMENT IN PRIMARY CARE HEALTH CENTRES

RWANDA

HIP Partner: Health Builders, Rwanda
This project concluded in 2018. Health Builders and the HIP worked with health centres to improve their quality of clinical management for NCD diagnosis and care through the development and piloting of a clinical management tool and mentoring guidelines. This is aligned with the Ministry of Health's strategy to decentralise NCD care from hospital level to health centre level. Results showed a 22% improvement from the baseline with measurable improvements in triage, follow up and incident reporting. The project has created a model for scale-up nationwide.

3 YR FUNDING AMOUNT: P812,000

STANDARDISED NCD CARE THROUGH GUIDELINES AND TRAINING

BOTSWANA

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

3 YR FUNDING AMOUNT: P750,000

LESOTHO

LESOTHO

Partner: Lesotho Boston Health Alliance (LeBoHa)
This project is training eleven Family Medicine Registrars, who together serve a population of over 200,000 (nearly a tenth of Lesotho's population). Equipped with clinical and leadership skills, these registrars are using this material for village health centre supervision, for training nurses and to influence the Ministry of Health to implement nation-wide improvements to NCD care at primary care level.

3 YR FUNDING AMOUNT: P180,000

Primary Care International
Strengthening family medicine worldwide

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

DEFENDING OUR GAINS

Letshego

DEFENDING OUR GAINS

STRATEGIC PARTNERSHIPS

Letshego's supply chain includes a range of entities from small and medium-sized enterprises to more formal corporates. Our suppliers provide services including retail operations, facilities management, technological services and infrastructure, as well as a broad range of professional services. We consider some of our supplier relationships to be strategic in nature, as these relationships provide us with key capabilities required to execute our strategy, and we refer to those relationships as strategic partnerships.

Our **STRATEGIC PARTNERS** fall into three main categories, access partners; innovation partners; and facilitation partners. Our strategic access partners are those that assist us to increase our reach and extension of financial solutions to broader communities. These can include mobile network operators and USSD aggregators, that assist in reducing the cost of extending our reach to new and existing customers.

Our **INNOVATION PARTNERS** are those that assist us in the development and enhancement of our financial solutions, assisting us to achieve impact and relevance in our markets. These include entities who provide funding for pilots – an example is the rollout of a mobile solution that can be used by our third-party agents.

Lastly, we have our **FACILITATION PARTNERS**, who provide technical and implementation expertise. These partners provide our people and customers with training, they further provide Letshego with insight on matters including the use of new and innovative digital solutions, cyber security protocols, fraud protection and ever-evolving KYC (Know Your Customer) requirements, as well as social and environmental risks and opportunity identification.

Letshego provides its strategic partners with extended access to markets via a trusted and credible partner, while our strategic partners can leverage Letshego's deep market understanding and on the ground experience. We have adopted a consistent and methodical approach in identifying and engaging potential strategic partners, and we believe that successful partnerships arise from shared values, beliefs and principles between organisations with complimentary skills, and an adaptive, flexible culture. A successful strategic partnership is one where customers, partners and Letshego benefit from the provision of support, facilitation and progress towards a clearly defined goal. A procurement audit is currently underway, to be completed in 2019, which will help us to further improve our approach in identification and selection of strategic partners, ultimately optimising the value partnerships offer to the Group for the longer term.

Strategic partners who enter into agreements with Letshego or its subsidiaries are subject to our anti-bribery and anti-corruption policies. Our contracts reiterate Letshego's zero tolerance for money laundering, bribery and corruption.

ICT INVESTMENTS

Our ICT infrastructure enables us to deliver a consistent level of service quality to our customers, facilitates the digitisation of customer solutions, delivers operational efficiency and builds internal capacity, as well as providing a critical first line of defence against cyber crime. These capabilities are strategically important to the ongoing health of the business.

From a technology perspective we are focusing on speed of deployment and ensuring our systems remain stable. When we first designed our systems and infrastructure our digital journey (i.e. get the solutions out into the market as quickly as possible) was in its infancy, the focus has now changed to placing a greater emphasis on ensuring customer centricity. This means our systems are being re-purposed. We are currently focusing on implementing base frameworks that will include a strategic omni-channel capability.

To ensure the systems remain stable during the implementation of these upgrades, the existing environment in which we operate needs to be maintained. We thus have set up back to back support systems using service level agreements to mange stability and accessibility of service to our customers. We are currently monitoring the effectiveness of this approach, to identify potential elements of failure and ensure we are able to respond quickly within defined service levels. These new systems are still in the developmental phase. We plan to roll out the new system in the first country in October 2019, with the remainder of the countries rolling over to mid 2020.

During 2018 we have also focused on delivery of a number of key capabilities and automated solutions that improve the ease and efficiency in the way services are delivered to our customers. These capabilities provides end to end benefits across core customer processes, providing the customer with greater access to services and internally by improving turn around times, improving controls, derisking processes, creating operational efficiency and building internal capacity.

It is also important to note that as we transform to a digital platform our internal business processes become externalised. This is a risk from a cyber security point of view. We are developing sufficient controls to identify these threats before they can do damage. We are also increasing capacity through the onboarding of additional staff with skills and capabilities to identify and manage these risks enabling us to respond adequately to them.

Customer data protection is important to Letshego, we understand the need to focus on the various aspects associated with customer information and data protection, including ensuring that our systems protect against the misuse of customer data, customer data is handled with confidentiality; that we test and prepare for threats to data security; and that we prevent and detect potential fraud. During 2018, we strengthened our cyber security protocols, following our engagement of a strategic partner to assess our existing cyber-security protocols. There will be a follow up audit in 2019 to validate the efficacy of these changes.

As Letshego's business grows, expanding their digital channels of access, and increasing their customer base, it is essential that the IT systems have the ability to quickly scale to meet these new demands. In addition to this ability to scale, it is vitally important that Letshego has credible Service contracts in place to ensure that the ICT environment remains "always on". To this extent Letshego invested in refreshing their aging Data Centre infrastructure ensuring that the latest technology combined with expanded support agreements will meet the future growth demands of the business without impacting on increasing uptime demands.

We launched a new version of our intranet during Q4 of 2018, to improve Group alignment and staff end user experience. We will be tracking staff feedback to identify and assess the need for further improvements.

NEW REGULATIONS AND GLOBAL RISK TRENDS

The regulatory environment across the Group is continually evolving, as regulators seek to address new and emerging risks to protect financial services, customers and their assets. Letshego aims to be proactive in its approach to these regulatory changes and risk trends through legislative impact analysis, which in turn informs our risk assessments and policy development. We actively engage with our regulators across various jurisdictions to provide input and comment on draft legislation.

We have seen the introduction of Micro-Finance Legislation across a number of our jurisdictions and welcome the formalisation of regulation across this segment of our market. Not only does it level the playing fields for all micro-finance participants but it also introduces increased protection and transparency for our customers and demonstrates regulatory priority for financial inclusion.

Another regulatory trend that was prevalent in 2018 is the on-going and increased focus on anti- money laundering (AML) regulation. The Group has responded by starting a project to automate all of its AML processes and will introduce globally recognised AML software onto its core banking platform; design a Group-wide AML framework that is not only appropriate for our business but will also provide us with increased data to properly risk rate and screen our customer transactions. This commenced in late 2018 and is expected to be completed for most of our operating markets during 2019.

Cyber security risks are also on the rise globally and the Group continuously strives to improve its IT systems and platforms to counteract these threats.

The Board annually reviews the Group's insurance position and recommended an increase in its Directors and Officers (D&O) cover in the past year. The relationship between regulation and improving technology such as cloud computing, Artificial Intelligence (AI) and robotics is complex and often confusing. While digitisation and automation strengthens regulatory control by increasing transparency in online audit trails and reduces manual errors, there is often a period of regulatory ambiguity while the regulators opine on the correct balance between client protection and system control. Our risk and audit teams focus on managing this complexity by proactively enhancing the control environment across the Group.

A comprehensive review of IFRIS 9 was undertaken with our external auditors and consultants. The outcome is covered elsewhere in this Report.

DEFENDING OUR GAINS (CONTINUED)

RESPONSIBLE LENDING

We follow a detailed process when providing financial solutions to customers. This involves ensuring that the products we offer to customers and their delivery mechanisms are appropriate in their design and functionality. Our policies and processes for credit facilities involve affordability assessments and the use of credit reporting information in making decisions. We also monitor our customer base and larger market for signs of increasing risk in the micro-lending and banking sector. Our codes of conduct, overseen by senior management in the Group, enforce the fair and respectful treatment of customers at all times, and prohibit discrimination relating to ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion.

Our people are trained and incentivised to understand the credit process, how financial solutions are priced, how to offer appropriate financial solutions, and treat customers throughout their financial journey with Letshego. We invest significantly in capacitating our people in this regard. We communicate in a clear and transparent manner with our customers, through appropriate channels and at appropriate times. We support them in decision-making through our marketing materials, call-centres, websites, and branch staff. We also provide support to financial literacy initiatives, which reduce the likelihood of customer defaults and empower customers to manage their financial wealth.

Our customers' data is kept securely and confidentially, and customer consent is sought in relation to use of that data. We take customer complaints seriously, and we have a systematic process for resolution of complaints, which customers are also informed of through various channels, and we use this feedback to improve our solution offering.

We mitigate social and environmental risks, by adherence to our social and environmental management system, which details the requirements and controls for identifying transactions with potential social and/or environmental risks. Also, we maintain a strategic relationship with an independent ESG advisory firm, who assists us in keeping abreast of risks and opportunities to improve our social performance. We see these actions as key to improving our own sustainability. We are continuously improving our understanding of social and environmental risks, through continued investment in ESG data collection and analysis. This includes the development of our social impact scorecard and enhancement of our social and environmental management systems. In addition, though our participation in AFI (Association of Financial Inclusion), we have direct access to more than 30 African AFI regulatory members via public private dialogues, regional platforms and round tables.

We do our best to ensure that our pricing policies are in line with our customers' interests, which also assists with maintaining our portfolio quality. We have noted events in the micro-lending and banking sectors, where reports have been issued that question the financial sustainability and practices of lenders. We have reviewed our own practices and how we performed against these issues raised and are comfortable that we are able to defend our policies and practices. Through being proactive in collections, we can better understand the reasons for customer defaults. We have various collection programs in place and during 2018 collected P 146m (2017: P 139m) from previously written off or provided for loans.

8

DEVELOPING THE ECOSYSTEM

PRODUCT ECOSYSTEM

The Letshego All-in-1 account integrates our financial solutions to increase access and experience for new and existing customers. It combines our four main solution offerings into a single product.

We have continued to innovate and pilot several solutions and delivery channels in selected markets ahead of rolling out across the Group. These initiatives aim to support our financial inclusion agenda.

TAP & LETSGO

The Tap & LetsGo solution is a micro payment and deposit taking solution that cuts down on the cost and infrastructure, facilitating payment infrastructure for broader communities. The Tap & LetsGo facility allows for transactions to take place between community members, facilitating the transfer of small value transactions often disposed of due to lack of physical cash in these denominations when finalising a sales purchase. This change is converted into digital money to be collected and redeemed later for use by the customer.

This pilot aims to facilitate a savings culture and creates a virtual fully networked and digital payment ecosystem within broader community, in line with Letshego's commitment to increasing financial inclusion. This pilot uses Letshego's existing agency banking channels in Mozambique, and has more than doubled customer numbers from November 2018 to date. Following Letshego's success in network testing, the Group is now progressing financial modeling assessments to ensure the future sustainability of the model.

MOBILE LOANS

Ghana has piloted mobile micro loans, which is Ghana's first entry into micro, short term loans that appeal to the broader informal sector. The innovative mobile loan solution is in partnership with a reputable mobile network operator (MNO). The offering increases access to appropriate financial solutions by enabling customers to apply for loans on their mobile phones, as well as develop and improve their personal credit profile by managing their small loans responsibly. Customers who demonstrate responsible loan repayments of small loans, unlock access to more capital, ultimately enabling Ghanaians to fund more productive and sustainable ventures. This pilot progressed well in 2018 and is now reaching more than 1.6 million customers on our partner platform.

Again, despite climbing customer numbers, it's imperative that Letshego completes its full due diligence and evaluation process in commercial viability and business sustainability before moving to regional roll-out or expansion into other markets. In the interest of mitigating future risk, moving from pilot to full production is an extensive process of testing and tests in financial modeling. The Ghana mobile loan project remains in test phase, with conclusions on model viability expected in 2019.

TIMIZA AKIBA (MOBILE SAVINGS)

In Tanzania we launched Timiza Akiba, a mobile money savings solution, which is now available to all Airtel Mobile Money customers. This is an easily accessible, fee-free savings solution that offers customers a monthly sum as a reward for saving towards a financial buffer, or goal, instead of spending their hard-earned cash. The reward is calculated as a percentage of total savings on a balance of any size, ultimately encouraging and supporting the growth and development of healthy savings.

Letshego is rolling out further targeted customer education initiatives to increase understanding and engagement around the solutions benefits and ease of access. In order to attract incentivised interest rates, funds need to be left in the account. Current trends indicate the facility is still seen as a temporary holding account used to pay bills, with the full benefits of savings yet to be realised.

EDUCATION SOLUTION

Letshego's existing Education solution in Ghana, Tanzania and Kenya aims to support the educational ecosystems, that includes the institution, learners, teachers, suppliers and teachers. This facility can range from asset financing, project financing to personal loans. Ghana was the most recent market to launch Letshego's Education EcoSystem Solution. A collaboration was formed with the Ghana National Association of Private schools (GNAPS), and promoted during education week celebrations in Accra, Ghana.

A total of 936 Schools across 3 countries are currently benefitting from Letshego's Education EcoSystem Solution, with the biggest uptake recorded in Tanzania. All schools involved undergo a stringent due diligence exercise, that has demonstrated effective returns in lowering default rates.

HEALTH CARE SOLUTION

Tanzania was our first market to piloting a Health initiative that is customised to support the owners of private clinics. This enables private sector health entities to access capital to grow their businesses, with most targeted health care business owners located in more rural areas.

This is a segment previously underserved by financial institutions, being perceived as a higher risk sector. Growth is gradual within this sector specific solution, but long term sustainability models remain positive. Through this pilot Letshego has supported 93 health care business owners in and around Tanzania's capital city. Letshego will allow further growth before exporting the solution to other countries.

HOUSING SOLUTION

Our Housing solution has grown by 40% from the previous year. Home improvements facilitated by this targeted loan is predominantly used for the addition of rooms to homes for commercial use, or for the purchase of new homes or land. Letshego aims to grow the population of current construction partners and suppliers to achieve further cost benefits and returns for all stakeholders concerned.

In Africa housing remains one of the continents biggest challenges. We strive to assist customers achieve their goals of owning their own homes or improving the ones they have. Future objectives are to expand this existing offering to new markets in which we operate.

AGRI-BUSINESS SOLUTION

In Uganda, Kenya and Nigeria, we offer agricultural loans. These loans target input-financing. We help develop partnerships in the value chain, which facilitates connections between farmers and input producers, or people who can provide technical know how to improve the quality of the product being produced. The partnerships are mutually beneficial, with the improved outcomes of the farmer resulting in benefits to the partner either in the form of additional inputs required in future, or improved quality of product available to be purchased at the market. The Agri-Business gross loans grew 27% in 2018, still off a low base as the portfolio develops to meet the needs of targeted customers.

MSE BUSINESS SOLUTION

In Botswana we diversified our product offering by piloting an MSE Purchase Order Finance solution to aid long term sustainable growth of businesses. The product is available to everyone who meets the qualifying criteria but also provides our core DAS customers with the opportunity to grow the businesses they have built through our loans, therefore making cross-selling easier for our business.

In 2018, the limit for the Purchase Order Finance solution under MSEs was increased from P200,000 to P1,000,000 to address our customer needs. The adjustment has given us a competitive advantage and grown our customer base in the MSE segment in Botswana from less than P2m in 2017 to P13m in 2018.

COMMUNITY ECOSYSTEM

We have an important contribution to make in facilitation of both economic and social development. Through support to our customers and communities, and through the integration in our business model, we can support socio-economic development and play an active role in increasing financial inclusion.

We recognise that the community brings customers to us. So, we partner strategically and engage communities to ensure we understand what services they are looking for. Every community has a unique ecosystem, determined by the culture and trends of the local population. This unique and dynamic social network is what drives the trends and business opportunity in every markets where we operate. Letshego recognises our customer's call for increased access to financial solutions and our network. In response, Letshego launched the Direct Sales Agent channel, a personal network that not only extends the reach of Letshego's solutions, but also enables us to gain a deeper understanding and respect for the local culture, trends and needs of the respective community. We are in the process of determining how much we are saving our customers in both time and money in quantifiable credits, but reports from our customers indicate that there are savings.

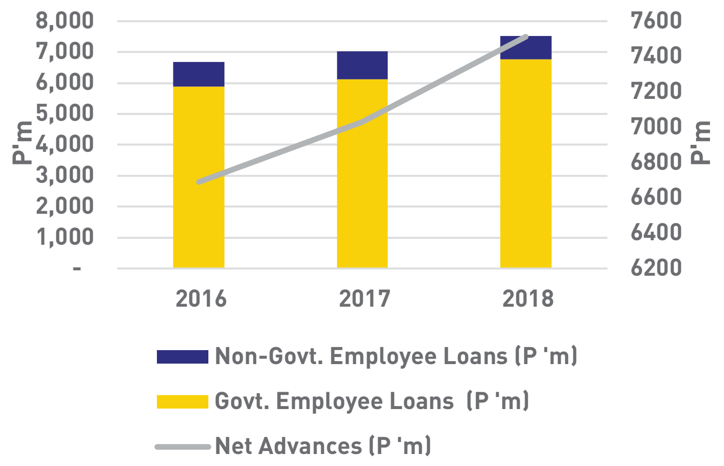
Letshego now leverages the benefits of USSD codes and is piloting our own DSA App on mobile phone to onboard customers and to facilitate transactions. These innovations not only enhances access to our solutions, but reduces the turnaround time in processing loan applications and facilitating payments.

There is always an opportunity to improve, and Letshego remains committed to enhancing our engagement, training and sharing of best practice across our DSA networks to enhance benefits for all stakeholders.

Over the last three years we have seen an increase in both the number and value of sales coming through our DSA channel. A portion of an agent's remuneration is commission based, and as the sales of Letshego solutions grows, so does their income, and their living standards. This approach allows us to reduce our use of manufactured capital that can impact negatively on the environment, while increasing both our financial capital and our social capital.

Additionally, the insights fed back to us from our DSA network increases our levels of intellectual capital, given the local network and insights we gain from working with individuals who live in the communities that we support. Our agents are known and trusted in their communities, a valuable asset for any financial institution who aims to partner and provide sustainable services and solutions in any community.

Growth and Diversification of DAS Portfolio



COMMUNITY ECOSYSTEM (CONTINUED)

DELFINA BENVIDA MANJATE
DSA Mozambique Maputo

I love the interaction with our customers, and seeing how the loans provided by Letshego enable them to achieve their goals in life. Satisfied customers make me happy.

I really enjoy the work environment, we are a young and dynamic team. The work we do does come with challenges, but this work uplifts me. I have learnt a lot about how to work with customers, and how to make sales, this means I need to understand the needs of the customer first.

My most memorable customer experience in 2018 was helping a customer make her wedding day special. The loan facility provided, enabled here to pay for her special day.

Letshego has changed my life, I have been able to afford a piece of land, this was always my dream, and provide my children with their basic needs, which was difficult to do before joining the Letshego team. I also went back to school to improve myself, this is another dream fulfilled.

Over the last three years, Letshego has made several enhancements to our DSA model, including revising the recruitment and onboarding processes, which has resulted in better selection of agents. While the time to onboard an agent has increased, we have found that the agents are far more productive once the training programme has been completed, providing improved skills and knowledge essential in delivering our desired customer experience.

Our third-party agents, who run their own micro and small businesses, utilise our Agency BlueBox solution to offer Letshego customers a more accessible option than traveling to a formal Letshego branch or office. This partnership not only enables Letshego to extend its reach and services into more rural communities, but also provides the third-party agent with increased foot traffic, and potentially more income. It is through approaches such as this that we integrate our communities into our supply chain and business model.

9

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

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

Independent External Auditors
PricewaterhouseCoopers
Plot 50371
Fairground Office Park
Gaborone, Botswana

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

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

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 2018.

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

Stated capital
Stated Capital of the Group at 31 December 2018 amounted to P862, 621,720 (31 December 2017: P849, 845,234).

On 28 March 2018, 5,345,810 ordinary shares were issued in terms of the Group`s Long Term Incentive Plan. These were issued from shares currently held as treasury shares and the remaining treasury shares at the end of the year were 19,054,190 (2017: 24,400,000). This resulted in an increase in stated capital by P12, 776,486.

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

Dividends
An interim dividend of 8.7 thebe per share (prior year: 8.5 thebe per share) was declared on 29 August 2018.

A second and final dividend of 3.3 thebe per share (prior year: 9.0 thebe per share and an additional special dividend of 4.1 thebe per share as distribution of proceeds from the Namibia IPO) was declared on 1 March 2019 and paid on 2 April 2019.

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

Non-executive		
E.N Banda	Chairman	South Africa
S. Price		UK
R. Thornton	Resigned 2 August 2018	USA
H. Karuhanga		Uganda
J.de Kock	Resigned and appointed as Acting Group Chief Financial Officer on 5 March 2019	South Africa
Dr G.Somolekae		Botswana
C. G. Van Schalkwyk	Resigned 2 May 2019	South Africa
R. N. Alam	Appointed 19 January 2018	USA
C. Lesetedi		Botswana
G. Van Heerde		South Africa

Executive		
A.C.M. Low	Group Chief Executive Officer - resigned 2 August 2018	UK
P.J.S Crouse	Group Chief Executive Officer - appointed 24 September 2018 and resigned 27 March 2019	South Africa
C. W. Patterson	Group Chief Financial Officer – resigned 2 March 2019	Ireland
D. Ndebele	Interim Chief Executive Officer - appointed 27 March 2019	Botswana

Directors' shareholdings

The aggregate number of shares held directly by Directors at 31 December 2018 were at 6, 276, 026 (31December 2017: 6,568,775). 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.

Companies act

All disclosures required by the Botswana Companies Act are included in these Consolidated Annual Financial Statements.

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Letshego Holdings Limited the "Group", comprising the consolidated statement of financial position at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

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

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

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

Approval of the consolidated annual financial statements:

The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 16 April 2019 and is signed on its behalf by:

E. N. Banda
Chairman

S. Price
Director

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letshego Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited
Letshego Holdings Limited's consolidated financial statements set out on pages 122 to 187 comprise:
- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the significant accounting policies; and
- the notes to the consolidated financial statements.

BASIS FOR OPINION

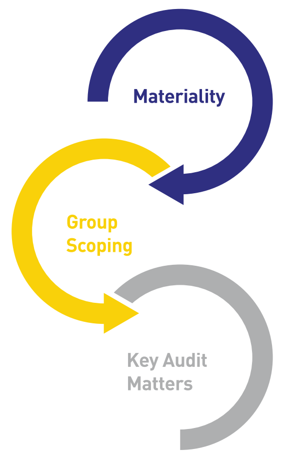
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

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

OUR AUDIT APPROACH

Overview



Overall group materiality
Overall group materiality: P45,900,000, which represents 4.5% of profit before taxation

Group audit scope
Group audit scope has been determined based on indicators such as the contribution to consolidated profit before tax and consolidated revenue from each component. The Group consists of 17 components. We performed full scope audits on three financially significant components and the holding company, and audit procedures on one or more account balances and transactions at seven other components.

Key Audit Matters
- Impairment of advances to customers
- Recognition of deferred tax asset on tax losses
- Provision for income tax

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

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

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

Overall group materiality	P45,900,000
How we determined it	4.5% of the profit before taxation
Rationale for the materiality benchmark applied	We chose profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 4.5%, which is lower than the quantitative materiality thresholds used for profit-oriented companies in this sector, because the Group has significant exposure to listed bond liabilities, with related debt covenant requirements.

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

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

How we tailored our group audit scope (continued)
In establishing the overall approach to the Group audit, we determined the extent of the work that needed to be performed by us, as the Group engagement team, or by component auditors from other PwC network firms operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Detailed Group audit instructions were communicated to all component auditors at in-scope components, and the Group engagement team has been involved in determining the component audit approaches. Throughout the audit, various planning, execution and completion calls and discussions were held with the component auditors.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of advances to customers The Group has adopted IFRS 9 - Financial Instruments (IFRS 9) for the first time in the 2018 reporting period (previously IAS 39 - Financial Instruments: Recognition and Measurement was applied). As a result, the accounting policies applicable to financial instruments have been amended accordingly. The introduction of the impairment requirements of IFRS 9 requires the impairment allowance to be considered on an expected credit loss basis and as a result has a material impact on the Group's financial position. With the adoption of IFRS 9, the Group developed its own impairment model to calculate Expected Credit Losses (ECLs). In determining the ECLs on the advances to customers using this model, the following has been considered by the Group: *Forward looking information* Forward looking information inherently involves management judgement in determining key inputs such as economic variables that affect Probabilities of Default (PD), Loss Given Default (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. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECLs at subsidiary level. These economic variables are approved by the credit committee.	Our audit addressed the impairment of advances to customers by performing the following: We assessed the accounting policies relating to the impairment of advances to customers and found these to be in accordance with the requirements of IFRS 9. We obtained an understanding of and tested the relevant controls relating to advances to customers which included: • the processes over credit approval for advances to customers; and • the monitoring of credit. We utilised our valuation expertise to assess the appropriateness of the model used by the Group, including IFRS 9 compliance, and ensured that the model was consistently applied across the group. We noted that the models were appropriate and there were no inconsistencies across the Group. We evaluated the reasonableness of key judgemental inputs used in the model, including comparison of forward looking information to relevant data sources. We are satisfied that the judgements applied and forward looking information used are in line with our understanding. We tested the inputs into the model by performing the following procedures on sample basis: • we assessed whether the system is calculating the past due days correctly, as this is the key driver in identifying the stage of impairment, noting no exceptions; • we evaluated the categorisation between the impairment stages against the Group policy, and found that categorisations are consistent with the Group policy;

Key audit matter	How our audit addressed the key audit matter
Significant increase in credit risk (SICR) The Group considers either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. 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; and • significant adverse changes in business, financial and/or economic conditions in which the client operates, including for example retrenchment of the customer and closure of a sponsoring employer. *ECL measurement basis* The ECLs are measured using a 3 stage model which determines how the loss allowance for ECLs is measured and how the effective interest income on the financial asset is calculated. The impairment of advances to customers was considered to be of most significance to the current year audit due to the following: • The first time adoption of IFRS 9 by the Group, • The degree of judgement applied by management in determining the SICR thresholds, • The degree of judgement applied in the classification of exposures between Stage 1 and Stage 2, and • The degree of judgement applied by management in determining the forward looking information that is an input into the ECL calculations. *Refer to the significant accounting policies on page 127, use of estimates and judgements on page 165, credit risk note on page 142 and loans and advances note on page 168.*	• we compared the inputs used in the model, such as the type of product (e.g. employer category) and the effective interest rate with the information in the underlying accounting records and found no inconsistencies; • we have independently derived a macroeconomic model based on the correlation observed between historical default rates and economic variables used. We have also used independent forecasted values of economic variables to predict future PDs for a range of scenarios. Our testing did not identify material differences; • we recalculated the Exposure at Default and compared against the Group's data. We did not identify any significant variations. • we compared the observable data underpinning the PD and LGD calculation to relevant data sources and found no material exceptions. We assessed the reasonableness of the judgement applied by management in determining the SICR attribution by discussing with management to obtain an understanding, and by comparing this understanding with financial information available and other publicly available information. We also examined correspondence between the Group and the relevant sponsoring employers, legal advice obtained by the Group and specific actions taken by the Group to mitigate against potential losses. We found management's assessment of SICR to be appropriate.
Recognition of deferred tax asset on tax losses The Group recognised a deferred tax asset of P212 million in its statement of financial position. Deferred tax assets arise from the recoverable tax losses and temporary differences such as staff cost provisions and credit impairment provisions, and vary based on requirements of the specific tax jurisdictions in which these losses and differences arise.	

Key audit matter	How our audit addressed the key audit matter
The ultimate realisation of such deferred tax assets depend largely on the ability of the Group to generate taxable income in each relevant jurisdiction in order to utilise these losses and differences. Out of the total deferred tax asset, P50 million relates to the tax losses of the Group holding company, Letshego Holdings Limited. The Group holding company did not recognise deferred tax assets on tax losses amounting to P31 million as it was uncertain whether there were opportunities to generate sufficient taxable profits before these losses expire. Historically, the Group holding company did not generate sufficient taxable income as its most significant revenue source (dividend income) does not form part of taxable income, nor does the existing operating model for the Group holding company indicate that sufficient taxable income will be generated in the immediate future. Accordingly, the Group assesses the recoverability of the deferred tax asset arising at Letshego Holdings Limited based on available tax planning opportunities, which will allow the Group holding company to increase taxable income before the expiry of tax losses (being five years from the originating tax year). The discretionary nature of implementation of such tax planning opportunities increases the risk that the recognised deferred tax asset may not be fully realised before it expires. The quantum of the deferred tax asset on tax losses at the group holding company, combined with the significant uncertainties in the measurement of the asset, resulted in this being a matter of most significance to the audit. *The disclosures associated with deferred taxes are set out in the consolidated financial statements in note 2.3 – Use of Estimates and Judgements, Recognition of deferred tax assets (page 166), and note 23.1 – Deferred Tax Assets (page 179).*	With respect to the deferred tax asset recognised at Letshego Holdings Limited, management provided us with a written summary of tax planning opportunities which the Group intends to implement in order to utilise available income tax losses before these expire. These tax planning opportunities relate mainly to the raising of charges by the Group holding company on the operating entities. With the assistance of our local tax specialists, we evaluated the reasonableness of the tax planning opportunities outlined in this summary with reference to income tax advice which had been received by the Group in the previous years, and which formed the basis from which the Group's proposed transfer pricing strategies had been developed, and concurred with management's assertion. We also: • obtained confirmation from the Board of Directors that it has approved implementation of the proposed tax planning opportunities, commencing from the financial year ending 31 December 2019; • btained written representation from the Group Executive Management that the Group will start implementation of the proposed tax planning opportunities during the financial year ending 31 December 2019 and that the Group has the necessary capacity and managerial ability to complete implementation of these plans to allow for the utilisation of income tax losses before these expire; and • compared management's past intention to recover the recognised deferred tax asset on tax losses against the plans implemented during the year and noted that all planned actions had been either implemented or where not implemented, have been explained with proposed actions to implement them going forward. The results of our procedures supported management's assertion that the Group demonstrably had the intent and ability to implement the proposed tax planning strategies to recover the deferred tax asset recognised.
Provision for income tax The Group is subject to taxes in various jurisdictions. Significant judgement is required in determining the 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 be recognised in the period in which such determination is made.	With respect to the current tax liability provisions made in an East African subsidiary for liabilities arising from prior years, we reviewed correspondence between the Group and the relevant local revenue authority to understand the nature of the issues that give rise to the under provision of prior year tax liabilities.

Key audit matter	How our audit addressed the key audit matter
Provision for income tax (continued) The Group is subject to taxes in various jurisdictions. Significant judgement is required in determining the 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 known 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 be recognised in the period in which such determination is made. As at 31 December 2018, the Group has a provision of P45.3 million in an East African subsidiary for potential current income tax liabilities arising from prior years. This was in response to ongoing revenue authority audits that were not finalized at the time of the authorisation of the financial statements. The Group has reviewed the matters raised by the revenue authority and carried out its own assessment of the potential liabilities based on currently enacted tax legislation and believe the provision made is adequate to cover any possible exposures. The significant judgement exercised by management in determining the provision for prior year under provision of income tax in the East African subsidiary, and the quantum of the provision resulted in this being a matter of most significance to the audit. *The disclosures associated with current income taxes are set out in the consolidated financial statements in note 2.4 – Use of Estimates and Judgements, Income tax expense (page 167)*	Based on this understanding, and with the assistance of our local tax specialists, we examined the calculation done by the Group which included: • testing of rationale for instances where the Group believes that they do not need to provide for additional taxes by applying our knowledge and interpretation of the relevant law and practice; and • independently recomputing the probable tax liability based on currently enacted legislation. Our testing did not identify any material differences.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Letshego Holdings Limited Consolidated Annual Financial Statements for the year ended 31 December 2018, which we obtained prior to the date of this auditor's report, and the other sections of the Letshego 2018 Integrated 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 and will 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 that we 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.

pwc

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Practicing Member: Lalithkumar Mahesan
Membership number: 20030046

Gaborone
30 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	31 December 2018 P'000	31 December 2017 P'000
ASSETS			
Cash and cash equivalents	3	1 188 402	492 367
Advances to customers	4	8 698 831	7 768 904
Other receivables	5	252 491	201 605
Available-for-sale financial asset	8	53 591	53 591
Income tax receivable		19 074	17 967
Property, plant and equipment	6	80 532	92 061
Intangible assets	7	45 488	55 340
Goodwill	9	106 229	122 280
Deferred tax assets	23.1	211 651	156 655
Total assets		**10 656 289**	**8 960 770**
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits	11	497 718	228 432
Cash collateral	13	27 028	27 319
Trade and other payables	12	492 225	261 751
Income tax payable		232 132	182 879
Deferred tax liabilities		3 205	5 290
Borrowings	14	5 329 319	3 984 607
Total liabilities		**6 581 627**	**4 690 278**
Shareholders' equity			
Stated capital	15	862 621	849 845
Foreign currency translation reserve		(696 276)	(680 417)
Legal reserve	16	73 519	39 607
Share based payment reserve		18 089	38 840
Retained earnings		3 500 317	3 709 308
Total equity attributable to equity holders of the parent company		**3 758 270**	**3 957 183**
Non - controlling interests		316 392	313 309
Total shareholders' equity		**4 074 662**	**4 270 492**
Total liabilities and equity		**10 656 289**	**8 960 770**

Letshego

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 P'000	31 December 2017 P'000
Interest income	18	2 718 257	2 252 636
Interest expense	19	(654 079)	(470 630)
Net interest income		**2 064 178**	**1 782 006**
Fee and commission income	20	30 735	38 596
Other operating income	20.1	267 421	234 169
Operating income		**2 362 334**	**2 054 771**
Employee benefits	21	(390 177)	(367 057)
Other operating expenses	22	(590 158)	(446 952)
Net income before impairment and taxation		**1 381 999**	**1 240 762**
Impairment of advances	4	(361 491)	(237 149)
Profit before taxation		**1 020 508**	**1 003 613**
Taxation	23	(510 026)	(322 367)
Profit for the year		**510 482**	**681 246**
Attributable to :			
Equity holders of the parent company		438 639	637 663
Non - controlling interest		71 843	43 583
Profit for the year		**510 482**	**681 246**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		(48 688)	(39 163)
Total comprehensive income for the year		**461 794**	**642 083**
Attributable to :			
Equity holders of the parent company		422 780	591 539
Non - controlling interest		39 014	50 544
Total comprehensive income for the year		**461 794**	**642 083**
Earnings per share			
Basic earnings per share – (thebe)	24	20.7	29.8
Diluted earnings per share – (thebe)	24	20.3	29.2

Letshego

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Stated capital P'000	Retained earnings P'000	Share based payments reserve P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non - controlling interests P'000	Total P'000
Balance at 1 January 2018		**849 845**	**3 709 308**	**38 840**	**(680 417)**	**39 607**	**313 309**	**4 270 492**
Impact of adopting IFRS 9	4	-	(178 951)	-	-	-	(12 923)	(191 874)
Recognition of deferred tax on IFRS 9 adjustment	23.1	-	38 133	-	-	-	1 880	40 013
Adjusted balance 1 January 2018		**849 845**	**3 568 490**	**38 840**	**(680 417)**	**39 607**	**302 266**	**4 118 631**
Total comprehensive income for the year								
Profit for the year		-	438 639	-	-	-	71 843	510 482
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(15 859)	-	(32 829)	(48 688)
Transactions with owners, recorded directly in equity								
Acquisition of non-controlling interest - Tanzania Bank	31.1	-	(9 611)	-	-	-	(5 936)	(15 547)
Allocation to legal reserve	16	-	(33 912)	-	-	33 912	-	-
Allocation to share based payment reserve	21	-	-	(7 975)	-	-	-	(7 975)
New shares issued from long term incentive scheme	15	12 776	-	(12 776)	-	-	-	-
Dividends paid by subsidiary to minority interests		-	-	-	-	-	(18 952)	(18 952)
Dividends paid to equity holders	25	-	(463 289)	-	-	-	-	(463 289)
Balance at 31 December 2018		**862 621**	**3 500 317**	**18 089**	**(696 276)**	**73 519**	**316 392**	**4 074 662**
Balance at 1 January 2017		**875 639**	**3 383 983**	**35 835**	**(634 293)**	**32 189**	**192 799**	**3 886 152**
Total comprehensive income for the year								
Profit for the year		-	637 663	-	-	-	43 583	681 246
Other comprehensive income, net of income tax								
Foreign currency translation reserve		-	-	-	(46 124)	-	6 961	(39 163)
Transactions with owners, recorded directly in equity								
Sale of interest to non-controlling interest in Letshego Holdings Namibia Limited	31.2	-	16 687	-	-		70 791	87 478
Allocation to legal reserve	16	-	(7 418)	-	-	7 418	-	-
Allocation to share based payment reserve		-	-	25 279	-	-	-	25 279
New shares issued from long term incentive scheme	21	22 274	-	(22 274)	-	-	-	-
Share buy back - held as treasury shares	15	(48 068)	-	-	-	-	-	(48 068)
Dividends paid by subsidiary to minority interests		-	-	-	-	-	(825)	(825)
Dividends paid to equity holders	25	-	(321 607)	-	-	-	-	(321 607)
Balance at 31 December 2017		**849 845**	**3 709 308**	**38 840**	**(680 417)**	**39 607**	**313 309**	**4 270 492**

	Note	31 December 2018 P'000	31 December 2017 P'000
OPERATING ACTIVITIES			
Profit before taxation		1 020 508	1 003 613
Adjustments for :			
- Net interest income		(2 064 178)	(1 782 006)
- Amortisation of intangible assets	7	11 847	9 636
- Depreciation	6	24 444	23 164
- Disposal and write off		15 214	-
- Impairment and write off charge	4	508 211	376 909
- Impairment of goodwill	2.5	22 000	-
- Long term incentive plan provision		(7 975)	25 279
Changes in working capital:			
Movement in advances to customers		(1 634 519)	(1 259 207)
Movement in other receivables		(138 946)	(31 002)
Movement in trade and other payables		230 474	(36 453)
Movement in customer deposits		269 286	120 736
Movement in cash collateral		(291)	(11 906)
Cash used in operations		**(1 743 925)**	**(1 561 237)**
Interest received		2 718 257	2 252 636
Interest paid		(654 079)	(470 630)
Income tax paid		(478 948)	(290 590)
Net cash flows utilised in operating activities		**(158 695)**	**(69 821)**
INVESTING ACTIVITIES			
Payment for acquisition subsidiaries	10	-	(90 719)
Cash acquired from acquisitions	10	-	25 864
Proceeds from sale of property, plant and equipment		-	2 340
Purchase of property, plant and equipment and intangible assets		(29 891)	(42 725)
Net cash flows used in investing activities		**(29 891)**	**(105 240)**
FINANCING ACTIVITIES			
Dividends paid to equity holders	25	(463 289)	(321 607)
Dividends paid to subsidiary non-controlling interest		(18 952)	(825)
Share buy back	15	-	(48 068)
Payment for acquisition of interest in a subsidiary	31.1	(15 547)	-
Proceeds from sale of interest in a subsidiary	31.2	-	87 478
Finance obtained from third parties	14	1 938 071	1 039 889
Repayment of borrowings	14	(638 687)	(607 853)
Net cash generated from financing activities		**801 596**	**149 014**
Net movement in cash and cash equivalents		**613 010**	**(26 047)**
Movement in cash and cash equivalents			
At the beginning of the year		492 367	529 476
Movement during the year		613 010	(26 047)
Effect of exchange rate changes on cash and cash equivalents		(5 035)	(11 062)
At the end of the year	3	**1 100 342**	**492 367**

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 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").The Group embarked on a focused transformation process in 2014, with a key focus on sustainable inclusive financial services and diversification from its unsecured lending model to civil servants, combined with African expansion. This new focus has so far resulted in the Group expanding its footprint to 11 African countries with representation in East, West and Southern Africa. Also, 6 out of the 11 subsidiaries now operate with deposit taking licences which is a key priority in achieving the Group's ambition to become Africa's leading inclusive finance provider.

The consolidated financial statements for the year ended 31 December 2018 have been approved for issue by the Board of Directors on 16 April 2019.

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

Statement of compliance
The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards.

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

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

Adoption of new accounting standards
The Group has adopted IFRS 9 – Financial instruments ('IFRS 9") for the first time in 2018 reporting period (previously IAS 39 – Financial instruments: recognition and measurement was applied). As a results, accounting policies applicable to financial instruments have been amended accordingly. The other standards that became effective during the current year did not have any material impact.

Use of judgements and estimates
The preparation of consolidated annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Significant judgements made by management in the application of International Financial Reporting Standards consist mainly on loans and advances, impairments and share based payment calculations. Judgement is also applied to the valuation of goodwill recognised and probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 2).

BASIS OF CONSOLIDATION

Investments in subsidiaries

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

Business combinations

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

Goodwill

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

Transactions eliminated on consolidation

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

Non – controlling interest

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

Loss of control

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

Change in the group's interest in subsidiaries

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment / losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the plant and equipment. The estimated useful lives for current and prior periods are as follows:

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Computer equipment	3 years
Office furniture & equipment	4 - 5 years
Motor vehicles	4 years
Land and building	30 - 50 years

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

The residual value and useful life of each part of plant and equipment, if not insignificant, is reassessed annually. Depreciation costs are recognised on a prorate basis from the date the asset is available for use.

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

Gains and losses on disposal of property and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

WORK IN PROGRESS

Work in progress comprises of:

- Costs incurred in the system development currently on-going in respect of the customised lending and financial reporting module of the Group. The costs associated with this development process is recognised as work in progress until a time the systems are available for use at which point the respective element will be transferred to appropriate category of equipment and/or intangible assets and depreciated over the useful life of the asset.
- Costs incurred in acquisition and development of property until the property is available for use, at which point the respective property will be transferred to an appropriate property category and depreciated over the estimated life of the property.

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATIONS' FINANCIAL STATEMENTS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Botswana Pula using the closing exchange rate at the financial period end. The income and expenses of foreign operations are translated to Botswana Pula at rates approximating those exchange rates at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, either in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

OPERATING LEASES

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

INTANGIBLE ASSETS – COMPUTER SOFTWARE

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

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

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

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

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

INTANGIBLE ASSETS – BRAND VALUE AND CORE DEPOSITS

Brand value and core deposits acquired in a business combination are recognised at fair value at the acquisition date. Brand value is the right to use the trade name and associated brands of the acquired entity and core deposits relates to the customer relationships attributable to customer deposits of the acquired entity. These are carried at cost less accumulated amortisation at each reporting period. Amortisation is recognised in profit or loss using the straight-line method over their estimated useful lives.

PROVISIONS

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

INCOME TAX

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

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

DEFERRED TAX

Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

DEFERRED TAX (CONTINUED)

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

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

INTEREST EXPENSE

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

INTEREST FROM BANK DEPOSITS

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

OTHER INCOME

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

DIVIDEND INCOME

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

LEGAL RESERVE

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

STATED CAPITAL

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

Treasury shares is where the Group purchases its own equity share capital. The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are re-issued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders equity.

DIVIDENDS PAID

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

EMPLOYEE BENEFITS

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 non-market conditions.

SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

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

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

Determination of fair value of equity instruments granted.

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

SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments. Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit for the period attributable to ordinary shareholders 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.

CONTINGENT LIABILITIES

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

FINANCIAL ASSETS AND LIABILITIES

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

FINANCIAL ASSETS AT AMORTISED COST

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

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

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

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

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

FINANCIAL LIABILITIES AT AMORTISED COST

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

RECOGNITION

The Group initially recognises financial assets and liabilities on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

DERECOGNITION

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

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

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

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.

FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

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

IDENTIFICATION AND MEASUREMENT OF IMPAIRMENT

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

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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

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

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

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

DESIGNATION AT FAIR VALUE THROUGH PROFIT OR LOSS

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise

INSURANCE ARRANGEMENTS

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

CELL CAPTIVE ACCOUNTING

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

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position and are included in 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 other assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined if no impairment loss had been recognised.

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

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail on page139 and note 1.3.1.

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

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for revenue recognition. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 was effective from 1 January 2018 and the overall impact to Group was immaterial.

Other than the above there were no new standards or amendments that had a material impact on the operations of the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE AT YEAR END

A number of new standards and amendments to standards are issued but not yet effective for period ended 31 December 2018. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

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

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

- Presentation of financial statements Amendments to IAS 1 – effective 1 January 2020.
- Employee benefits Amendments to IAS 19 – effective 1 January 2019
- Uncertainty over income tax treatments IFRIC 23 – effective 1 January 2019
- Amendments to IFRS 3 – Business combinations – effective 1 January 2020
- Amendments to IFRS 9 – Financial instruments – effective 1 January 2019

ADOPTION OF IFRS 9 FINANCIAL INSTRUMENTS: IMPAIRMENT TRANSITION

As permitted by the transitional provisions of IFRS 9, Letshego Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition have been recognised in the opening retained earnings and other reserves at 1 January 2018. The following table illustrates the impact on opening reserves on transition to IFRS 9.

Impact of opening reserves on transition to IFRS 9

P'000	Balance at 31 December 2017	IFRS 9 transitional adjustments	Adjusted balance at 1 January 2018
Shareholder's equity			
Stated Capital	849 845	-	849 845
Foreign currency translation reserve	(680 417)	-	(680 417)
Legal reserve	39 607	-	39 607
Share based payment reserve	38 840	-	38 840
Retained earnings	3 709 308	(140 818)	3 568 490
Total equity attributable to equity holders of the parent company	**3 957 183**	**(140 818)**	**3 816 365**
Non-controlling interests	313 309	(11 043)	302 266
Total equity	**4 270 492**	**(151 861)**	**4 118 631**

Segment wise reconciliation of the closing IAS 39 Impairment Provision to the opening IFRS 9 Provision is given below.

Operating Segments 31 December 2018 P'000	IAS 39 Impairment Provisions at 31 December 2017			IFRS 9 ECL Provisions at 1 January 2018				
	Portfolio impairment	Specific impairment	Total IAS 39 provision	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 1 January 2018	ECL impact
Financial assets								
Botswana	14 992	132 883	147 875	26 982	18 945	179 047	224 974	(77 099)
Namibia	2 351	8 049	10 400	2 943	549	3 761	7 253	3 147
Mozambique	3 122	10 449	13 571	3 755	678	11 066	15 499	(1 928)
Other Southern Africa	1 675	7 238	8 914	5 876	924	12 369	19 169	(10 255)
Tanzania	31 670	68 137	99 807	33 395	21 239	106 435	161 069	(61 262)
Other East Africa	54 383	33 177	87 560	19 808	14 380	87 441	121 629	(34 069)
West Africa	28 793	5 480	34 273	13 390	3 598	27 693	44 681	(10 408)
Total	**136 986**	**265 414**	**402 400**	**106 149**	**60 313**	**427 812**	**594 274**	**(191 874)**

ADOPTION OF IFRS 9 FINANCIAL INSTRUMENTS: IMPAIRMENT TRANSITION (CONTINUED)

Maximum Exposure to Credit Risk

	At 31st December 2018 (IFRS 9)	At 1st January 2018 (IFRS 9)
	P'000	P'000
Gross advances to customers	**9 541 966**	**8 171 304**
Of which stage 1 and 2	8 808 593	7 617 262
Of which stage 3	733 373	554 042
Expected credit loss provisions	**(843 135)**	**(594 274)**
Of which stage 1 and 2	(268 641)	(166 462)
Of which stage 3	(574 494)	(427 812)
Net advances to customers	**8 698 831**	**7 577 030**
Of which stage 1 and 2	8 539 952	7 450 800
Of which stage 3	158 879	126 230
Impairment (ECL) coverage ratio	**9%**	**7%**
NPL (Stage 3) coverage ratio	**115%**	**107%**

1. FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

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

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

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

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

- Group Management Committee / Executive Committee (Exco)
- Group Risk Management Committee
- Group Innovation Management Committee
- Group Business Growth Committee
- Group Asset and Liability Management Committee
- Group Technical and Operations Committee
- Group Sustainability Committee

The Group Risk and Assurance Function and the Legal and Compliance Function were restructured during 2017 to report under the Group Governance, Risk, Legal and Compliance Function. This function remains independent of the business nctions with the Group Internal Audit function reporting directly to the Group Audit Committee. The Group Head of Governance, Risk, Legal and Compliance assumed the responsibility for the implementation of the Group ERM framework (that includes the Legal and Compliance Framework) and the Group Governance Framework approved by the Board. Group Internal Audit is responsible for providing independent assurance that the overall Governance, ERM and IT Governance frameworks are adequately designed, implemented and monitored. Within the regular audit activity, Group Internal Audit is also responsible for providing assurance that the systems of internal control are operating effectively.

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

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

1.2 Strategic risk

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

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.2 Strategic risk (continued)

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

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

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

During 2017, the Group Business Strategy was cascaded throughout the subsidiaries to ensure that their strategies are fully aligned to the group strategy and risk appetite. The Group is undergoing a significant change process through the focus on customer centric change culture to ensure that we are adequately equipped to deliver our strategic agenda.

1.3 Financial risk

In line with the Group's ERM framework, financial risk includes credit risk, liquidity risk, interest rate risk and foreign currency rate risk.

1.3.1 Credit risk
Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Group is exposed to credit risk from a number of financial instruments such as loans and inter-bank transactions from its subsidiaries.

Key metrics	YoY Trend	2018	2017
Growth in gross advances to customers (%)	→	17%	17%
Loan Loss Rate (LLR) (%)	↑	4.1	3.1%
Non-performing loans as a percentage (%) of gross advances	↑	7.1	6.8%
Non-performing loans coverage ratio (%)	↑	115%	70%

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Impairment
Full year 2018 impairment charge is P361m, an increase from 2017: P237million with the loan loss rate increasing from 3.1% to 4.1%. The increase has been driven by transition to IFRS 9 with an impact of P192 million. There has been a charge in geographic and business risk with weaker credit risk quality evident in the East and West Africa region . Overall non-performing loan Impairment coverage increased from 70% to 115% from 2017 to 2018, with non-performing loans as a percentage of the total loan book increasing year on year from 6.8% in 2017 to 7.1% in 2018.

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 write offs an account when in Contractual deliquency 12 (CD12) i.e. 12 payments in arrears and the policy hasnt been changed with the implementation of IFRS 9.

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

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

- Group writes off loans which are have remained in the loss category for four consecutive quarters.
- Group will restructure loans (modify contractually agreed terms) to increase the chances of full repayment of credit exposure in certain instances.
- Restructuring is expected to minimise future risk of default. Examples are where clients are in financial difficulty, either caused by external or internal factors such as disability/death/theft/accidents/changes in Government policies.
- Restructured loans are treated as non-performing, for provision purposes only, until six consecutive full payments have been received.
- No loan may be restructured more than twice (system controlled). Loans restructured a second time are classified as "loss" and provisions raised accordingly.
- There are no additional charges applied to restructured loans.
- No special treatment is given to renegotiated loans in terms of provisioning. These will however be catered for in IFRS9.
- Customers cannot take a 'top up' loan if they are in arrears

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Credit risk mitigation (continued)
Letshego 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.

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

Credit risk stress testing
The Group recognizes possible events or future changes that could have a negative impact on the credit portfolios and affect the Group's ability to generate more business. Stress testing is a requirement for all our deposit taking subsidiaries and now forms an integral part of our overall governance and risk culture in the Group. This feeds into the decision making process at management and Board level.

Impairment : IFRS 9 Financial Instruments
The introduction of the impairment requirements of IFRS 9 Financial Instruments, implemented on 1 January 2018, requires impairment loss allowances to be considered on an expected credit loss basis and on a broader scope of financial instruments than is the case under IAS 39 and as a result has a material impact on the Group's financial condition. Measurement involves increased complex judgement and risk review.

The overlay approach followed by Group is outlined below:

General steps considered by Group in applying IFRS 9 Impairment
The following steps illustrates the general steps that Letshego are considering when implementing IFRS 9 Impairment.

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

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)

1.3.1 Credit risk (continued)

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

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.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

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

Diagram 1.

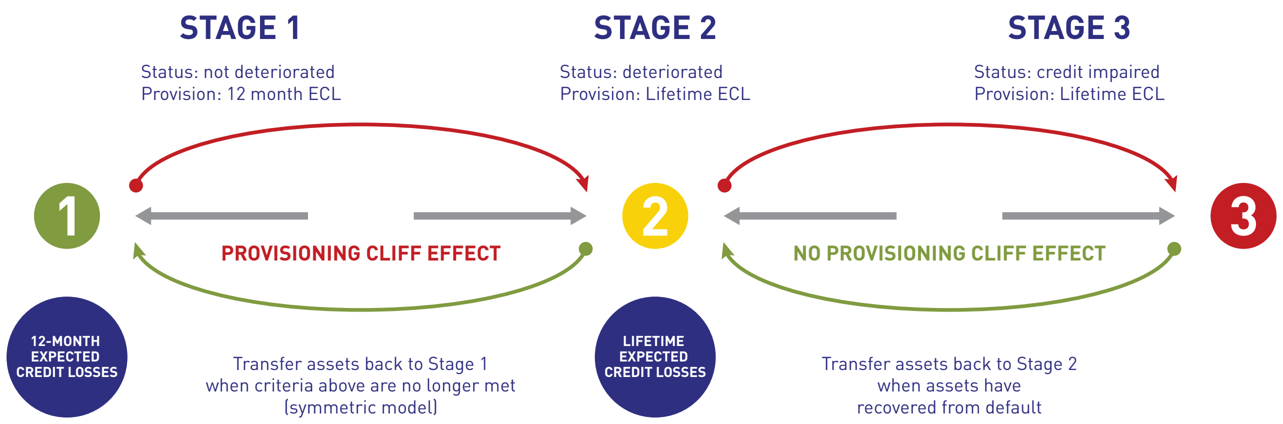


Diagram 2.

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

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 economic variables 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).

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Forward-looking information (continued)
The Group has performed historical analysis and identified key economic variables impacting credit risk and ECLs at subsidiary level. These economic variables are approved by the credit committee.

Definition of default, credit impaired assets, write-offs, and interest income recognition
Default is not defined under IFRS 9.The Group is responsible for defining this for themselves and it should be based upon its own definition used in the Group's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.

The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g., breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.

Indications of inability to pay include:
- the credit obligation is placed on non-accrued status;
- the Group makes a specific provision or charge-off due to a determination the obligor's credit quality has declined (subsequent to taking on the exposure);
- the Group sells the credit obligation or receivable at a material credit related economic loss;
- the Group agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
- the Group has filed for the obligor's bankruptcy in connection with the credit obligation and
- the obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation's repayment.

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

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

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

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

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk

(a) Advances to customers 31 December 2018	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000	Security Held P'000
Southern Africa	6 706 990	(279 222)	(32 301)	6 395 467	-
East and West Africa	2 834 976	(274 850)	(256 762)	2 303 364	(27 028)
	9 541 966	**(554 072)**	**(289 063)**	**8 698 831**	**(27 028)**

31 December 2017	Gross advances P'000	Specific provision P'000	Portfolio provision P'000	Net advances P'000	Security held P'000
Southern Africa	6 215 928	(158 620)	(22 140)	6 035 167	-
East and West Africa	1 955 376	(106 794)	(114 846)	1 733 737	(27 319)
	8 171 304	**(265 414)**	**(136 986)**	**7 768 904**	**(27 319)**

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 13).

(b) Others	31 December 2018 P'000	31 December 2017 P'000
Cash and cash equivalents	1 188 402	492 367
Other receivable accounts	212 701	168 344
Available-for-sale financial asset	53 591	53 591
	1 454 694	**714 302**

Credit quality
Group asset quality has deteriorated with non-performing loans (NPLs) rising to 7.1% (FY 2018) compared to 6.8% (FY 2017). While there is a rise in NPLs across the Group, the increase is more pronounced in East and West Africawhich have higher risk products in the microfinance and informal portfolios. NPL impairment coverage ratios have increased to 115% (FY 2018) in comparison to 70% (FY 2017) at the back of full implementation of IFRS 9.

Key risks:
East and West Africa's higher NPLs is also a result of slower economic activity in these markets which has put pressure on disposable income. These economic constraints are evident in East and West Africa where we are seeing continued deterioration in portfolio quality despite significant efforts in portfolio management as well as collections and recoveries.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Credit Quality (continued)
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 2018

	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	6 688 697	18 293	-	6 706 990
East and West Africa	1 397 507	930 497	506 972	2 834 976
Gross advances	**8 086 204**	**948 790**	**506 972**	**9 541 966**
Impairment provision	(573 989)	(149 865)	(119 281)	(843 135)
Net advances	**7 512 215**	**798 925**	**387 691**	**8 698 831**

Analysis of exposure by segment as at 31 December 2017

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

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. This requirement did not exist under IAS 39 and has resulted in higher impairment provisions as an ECL has been recognised on all performing financial assets.

Stage 2 : Underperforming
- when a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised. This concept did not exist under IAS 39 and therefore it will result in an increased impairment provision as a result of recognising a lifetime ECL for financial assets that are not considered to be credit impaired.

Stage 3: Non-Performing / Impaired
- when objective evidence exists that an asset is credit impaired, a lifetime ECL is recognised. This is similar to the incurred loss approach under IAS 39; the group definition of default is 90 days past due ("DPD") same as the rebuttable presumption under IFRS 9.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1,3 Financial risk (continued)

1.3.1 Credit risk (continued)

The table below presents an analysis by geographic location of the expected credit loss (ECL):

31 December 2018	Expected Credit Loss			
Southern Africa	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
Formal	33 094	26 975	247 299	307 368
Micro finance	579	607	2 969	4 155
	33 673	**27 583**	**250 268**	**311 523**
East and West Africa				
Formal	33 964	17 065	215 592	266 621
Micro finance	30 303	34 151	81 255	145 709
Informal	70 055	21 847	27 379	119 281
	134 322	**73 063**	**324 226**	**531 611**
Total Portfolio				
Formal	67 057	44 040	462 891	573 988
Micro finance	30 882	34 759	84 223	149 864
Informal	70 055	21 847	27 379	119 281
	167 994	**100 646**	**574 493**	**843 133**

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

1 January 2018	Expected Credit Loss			
Southern Africa	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
Formal	39 551	20 967	204 809	265 327
Micro finance	5	129	1 434	1 567
	39 556	**21 096**	**206 243**	**266 894**
East and West Africa				
Formal	30 507	27 606	129 789	187 902
Micro finance	34 002	10 954	91 780	136 736
Informal	2 083	657	-	2 740
	66 592	**39 217**	**221 569**	**327 378**
Total Portfolio				
Formal	70 058	48 573	334 598	453 229
Micro finance	34 008	11 083	93 214	138 305
Informal	2 083	657	-	2 740
	106 149	**60 313**	**427 812**	**594 274**

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

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

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

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

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

LGD represents an estimate of the percentage of EAD that will not be recovered, should the obligor default occur and below is an analysis by segments. However for Southern Africa, Namibia and Mozambique have credit insurance in place and for the year ended 31 December 2018 this was included as part of recoveries in the calculation of LGD's.

Segments	2018 LGD	2017 LGD
Southern Africa	54%	45%
East and West Africa	79%	90%

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).

		12 month PD		
31 December 2018	PD 0	PD 1	PD 2	PD 3
Southern Africa	2%	5%	16%	27%
East and West Africa	7%	21%	36%	45%

		12 month PD		
31 December 2017	PD 0	PD 1	PD 2	PD 3
Southern Africa	1%	4%	21%	39%
East and West Africa	3%	15%	39%	55%

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

		Lifetime PD		
31 December 2017	PD 0	PD 1	PD 2	PD 3
Southern Africa	1%	4%	21%	39%
East and West Africa	3%	15%	39%	55%

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

Financial assets renegotiated
Restructuring

Restructuring activities include extended payment arrangements, modification and deferral of payments . Following restructuring a previously overdue/delinquent loan is reset to current/normal status and managed together with other similar accounts .There are Group restructuring policies in place and these are kept under continuous review. As at 31 December 2017, there were no restructured loans . Note below position as at 31 December 2018. Restructured facilities are treated differently under IFRS 9 .

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.1 Credit risk (continued)

Restructuring (continued)

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

Rephasing

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

Rephased loans analysis

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

31 December 2017	Total gross advances P'000	Rephased loans P'000	Expected Credit Loss held on Rephased loans %	Rephased %
Southern Africa	6 215 928	637 632	31 882	10.3%
East and West Africa	1 955 376	91 698	91 698	4.7%
	8 171 304	**729 330**	**123 579**	**8.9%**

1.3.2 Liquidity risk

Liquidity risk is the risk of financial loss to the Group arising from its inability to fund increases in assets and/or meet obligations as they fall due. The formality and sophistication of the Group's liquidity risk management processes reflect the nature, size and complexity of its activities. The Group has a thorough understanding of the factors that could give rise to liquidity risk and has put in place mitigating controls.

Liquidity risk framework and governance

The framework for managing liquidity risk is anchored on an effective board and senior management oversight, formulation of a liquidity strategy, adequate policies and procedures, effective internal controls and independent reviews, as well as a sound process for identifying, measuring, monitoring and controlling liquidity risk.

The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors through the subsidiaries boards is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Head of Group ALM and Country Heads of Finance respectively with independent day to day monitoring being provided by Group Governance, Risk, Legal and Compliance functions.

Cash flow and maturity profile analysis

The table below analyses Group's financial liabilities into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.2 Liquidity Risk (continued)

31 December 2018

Contractual maturities of financial liabilities	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Customer deposits	497 718	-	-	497 718
Cash collateral	27 028	-	-	27 028
Trade and other payables	398 759	-	-	398 759
Borrowings	1 881 408	3 606 120	1 325 176	6 812 704
	2 804 913	**3 606 120**	**1 325 176**	**7 736 209**

31 December 2017

Contractual maturities of financial liabilities	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Customer deposits	228 432	-	-	228 432
Cash collateral	27 319	-	-	27 319
Trade and other payables	189 379	-	-	189 379
Borrowings	2 279 069	1 745 272	976 302	5 000 643
	2 724 199	**1 745 272**	**976 302**	**5 445 773**

Liquidity contingency plans

The Group's Liquidity Risk Management Policy which was enhanced during the year is supported by a robust Liquidity Contingency Plan. This is to ensure the Group's safety, soundness and compliance with regulatory requirements in countries in which it operates. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises relative to the size of the entity.

Liquidity stress testing

The Group's subsidiaries with deposit taking licenses are required to conduct stress testing on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. This is done in line with the local regulatory requirements in the countries in which the Group operates.

1.3.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk exists wherever the Letshego Holdings Limited (the Group) or its 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, interest rate risk and from its investments.

Foreign exchange rate risk

Foreign exchange rate risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The potential for loss arises from the process of revaluing foreign currency positions on both on- and off- balance sheet items, in Botswana Pula terms. This risk is largely concentrated at Group Level.

Foreign exchange gains for the year ended 31 December 2018 were P7.8m (December 2017 P4.2m).This gain resulted mainly from appreciation of the currencies that the group operates against the Botswana Pula and this was mainly driven by the South African Rand on the net liablity position held by the Group at year end.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.3 Market risk

Foreign exchange rate risk (continued)

As at 31 December 2018 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 P1.2 million (2017: P8.6 million) higher / lower, mainly as a result of foreign exchange gains and losses on translation of foreign currency denominated assets and liabilities.

Interest rate risk

Interest rate risk analysis is based on time to pricing and time to maturity. Interest rate risk arising from the Group's assets and liabilities remained within the Group's risk appetite during the year. The table below shows the Group's repricing gap as at 31 December 2018.

31 December 2018

Buckets	< 1 month	1 - 12 months	1 - 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	277 445	-	-	-	277 445
Loans and advances to customers	387 691	596 423	1 325 181	6 389 537	8 698 832
	665 136	596 423	1 325 181	6 389 537	8 976 277
Rate sensitive financial liabilities					
Customer deposits	56 297	441 421	-	-	497 718
Borrowings	2 072 900	1 819 891	961 076	475 452	5 329 319
	2 129 197	2 261 312	961 076	475 452	5 827 037
Gap	**(1 464 061)**	**(1 664 889)**	**364 105**	**5 914 085**	**3 149 240**
Cumulative Gap	**(1 464 061)**	**(3 128 950)**	**(2 764 845)**	**3 149 240**	

31 December 2017

Buckets	< 1 month	1 - 12 months	1 - 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	10 967	14 437	-	-	25 404
Loans and advances to customers	1 254	308 469	1 187 029	6 272 152	7 768 904
	12 221	322 906	1 187 029	6 272 152	7 794 308
Rate sensitive financial liabilities					
Customer deposits	65 043	162 485	904	-	228 432
Borrowings	1 387 850	1 623 883	423 522	549 352	3 984 607
	1 452 893	1 786 368	424 426	549 352	4 213 039
Gap	**(1 440 672)**	**(1 463 462)**	**762 603**	**5 722 800**	**3 581 269**
Cumulative Gap	**(1 440 672)**	**(2 904 135)**	**(2 141 531)**	**3 581 269**	

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.3 Market risk (continued)

Market risk framework and governance

The market risk framework outlines or discloses the methodology by which the Group identifies, measures, monitors, controls and reports on its market risk profile for every operation overseen by the Group. Effective board oversight of the Group's exposure to Market Risk is the cornerstone of an effective market risk management process. The Board and Senior Management understands the nature and level of market risk assumed by the Group and its subsidiaries and how this risk profile fits within the overall business strategies. The Group's Foreign Exchange Risk Policy was reviewed and approved by the Board during 2017.

The Board of Directors is ultimately accountable and approves the market risk appetite for all types of market risk. The Board delegated the effective management of market risk to the Group Risk Committee and Group Asset and Liability Management Committee. On a day-to-day basis, market risk exposures are managed by the Head of Group ALM and appropriate management reports are generated. Group Governance, Risk, Legal and Compliance function provides independent oversight.

Market risk measurement

Generally, measurement tools in use at any point in time are commensurate with the scale, complexity, and nature of business activities and positions held by the Group or its subsidiaries. The tools and techniques used to measure and control market risk include the repricing gap, scenario analysis on net interest income, stop loss limits and stress testing. In addition, the Group also performs ratio analysis on the key ratios of the Group and each subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.3.3 Market Risk (continued) The following table shows the assets and liabilities of the Group in the respective currencies Pula equivalent) at the reporting date.

31 December 2018	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
Cash and cash equivalents	9 220	22 702	559 239	12 596	68 880	11 244	142 264	138 088	50 761	36 742	68 911	189	48 766	18 752	48	1 188 402
Advances to customers	-	429 188	1 901 926	337 063	397 432	309 951	1 264 707	594 219	45 526	79 742	876 494	-	-	2 462 583	-	8 698 831
Available-for-sale financial asset	-	-	-	-	-	-	-	-	-	-	-	-	-	53 591	-	53 591
Other receivables	337	17 707	102 149	852	11 433	4 230	2 650	9 785	2 770	3 867	26 532	-	-	70 179	-	252 491
Total assets	**9 557**	**469 597**	**2 563 314**	**350 511**	**477 745**	**325 425**	**1 409 621**	**742 092**	**99 057**	**120 351**	**971 937**	**189**	**48 766**	**2 605 105**	**48**	**10 193 315**
Customer deposits	-	-	55 532	-	55 753	-	205 139	-	51 919	24 243	105 132	-	-	-	-	497 718
Cash collateral	-	-	-	-	-	4 185	-	22 843	-	-	-	-	-	-	-	27 028
Borrowings	573 645	95 146	254 081	77 808	32 213	174 798	273 379	449 674	7 365	-	543 751	-	190 432	2 567 105	89 922	5 329 319
Trade and other payables	1 596	8 064	42 287	4 407	5 483	11 196	16 822	20 839	5 218	14 567	196 180	-	-	165 566	-	492 225
Total liabilities	575 241	103 210	351 900	82 215	93 449	190 179	495 340	493 356	64 502	38 810	845 063	-	190 432	2 732 671	89 922	6 346 290
Net exposure	**(565 684)**	**366 387**	**2 211 414**	**268 296**	**384 296**	**135 246**	**914 281**	**248 736**	**34 555**	**81 541**	**126 874**	**189**	**(141 666)**	**(127 566)**	**(89 874)**	**3 847 025**
Exchange rates at 31 December 2018 - mid: BWP 1.00 =	**1.34**	**1.34**	**1.34**	**1.34**	**214.30**	**346.48**	**5.72**	**9.50**	**82.36**	**33.97**	**2.21**	**0.07**	**0.09**	**1.00**	**0.08**	
31 December 2017																
Cash and cash equivalents	34 933	3 817	257 722	3 689	63 051	18 857	41 266	10 904	15 129	32 503	8 301	1 025	42 940	(41 816)	46	492 367
Advances to customers	-	370 227	1 929 665	403 344	473 445	301 682	1 013 373	515 807	42 835	53 603	346 365	-	-	2 318 558	-	7 768 904
Available-for-sale financial asset	-	-	-	-	-	-	-	-	-	-	-	-	-	53 591	-	53 591
Other receivables	-	12 578	97 502	346	6 882	10 126	13 458	5 972	2 810	2 867	3 397	-	-	45 667	-	201 605
Total assets	**34 933**	**386 622**	**2 284 889**	**407 379**	**543 378**	**330 665**	**1 068 097**	**532 683**	**60 774**	**88 973**	**358 063**	**1 025**	**42 940**	**2 376 000**	**46**	**8 516 467**
Customer deposits	-	-	71 843	-	68 987	-	11 949	-	28 351	24 110	23 192	-	-	-	-	228 432
Cash collateral	-	-	-	-	-	3 610	-	23 168	541	-	-	-	-	-	-	27 319
Borrowings	640 757	24 413	50 598	-	30 793	135 359	273 984	218 503	18 367	-	215 710	-	-	2 376 123	-	3 984 607
Trade and other payables	548	5 358	31 157	4 959	10 533	4 886	10 168	15 416	5 936	11 094	33 906	-	-	127 790	-	261 751
Total liabilities	641 305	29 771	153 598	4 959	110 313	143 855	296 101	257 087	53 195	35 204	272 808	-	-	2 503 913	-	4 502 109
Net exposure	(606 372)	356 851	2 131 291	402 420	433 065	186 810	771 996	275 596	7 579	53 769	85 255	1 025	42 940	(127 913)	46	4 014 358
Exchange rates at 31 December 2017 - mid: BWP 1.00 =	**1.26**	**1.26**	**1.26**	**1.26**	**227.53**	**369.19**	**5.99**	**10.48**	**85.78**	**36.56**	**2.17**	**0.08**	**0.10**	**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 Boards and Senior Management oversight at both Group and country level;
- Sound risk management practices that are in line with best practice and local regulations in the countries in which the Group operates;
- Effective segregation of duties across the footprint;
- Established processes in risk identification, assessment, controls and monitoring; and
- Fostering a better risk awareness culture.

Group's approach to managing operational risk
The Group's approach to managing operational risk is to implement simple and appropriate fit for purpose operational risk practices that assist the originators of risk events to understand their inherent risk and reduce their risk profile, in line with the Group's risk appetite, while maximizing the shareholders' value.

Operational risk framework and governance
The operational risk management framework provides the mechanism for the overall operational risk strategic direction and ensures that an effective operational risk management and measurement process is adopted throughout the Group.

The ultimate responsibility for operational risk management rests with the Board of Directors. To discharge this responsibility, the Group Risk Committee (GRC) understands the major aspects of the Group's operational risk as a distinct category of risk that should be managed and approves the operational risk strategy as part of a comprehensive risk management strategy for the Group. GRC meets on a quarterly basis to review all other major risks including operational risks. At Management level, the Group Risk Management Committee reviews and monitors significant operational risk events and ensure that the control environment is adequate to prevent recurrence.

The management and measurement of operational risk
The operational risk management framework includes qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures.

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new solutions (products), activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the Group Innovation Management Committee.

The Group conducts risk assessments in line with the Group's risk appetite based on core processes. The Group Operational Risk Manual has been designed to cover the operational risk processes in detail and it seeks to embed a process by which key operational risk events, key causes and key controls are identified, assessed and reported in a consistent and structured manner within the Group.

The Group's Operational Risk Management framework comprises several elements of which the Risk and Control Self Assessments (RCSAs), Key Risk Indicators (KRI) and Incident Management (IM) are the primary components.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.4 Operational risks (continued)

Risk and Control Self Assessments (RCSAs)
The purpose of the RCSA process is to identify and effectively manage operational risks that could jeopardise the achievement of business objectives. The RCSA process identifies the appropriate controls to mitigate risk, and allows the Group Support functions and subsidiaries to rate the level of inherent as well as residual risk taking consideration of the adequacy and effectiveness of controls.

Each year, an annual RCSA plan is approved for implementation. All key group and subsidiary functions are required to conduct RCSAs and all the risks identified logged in the risk registers for effective tracking and resolution.

Key Risk Indicators (KRIs)
Key Risk Indicators (KRI's) are defined by the Group as indicators that provide early warning of a change in risk exposure and highlight control weaknesses or potential failures. All Group Support functions and subsidiaries are required to establish relevant measures (qualitative and quantitative) which will enable them to regularly monitor their exposure to operational risk.

Incident management
The Group continues to implement operational risk incident reporting in all its subsidiaries during the year. Operational risk incidents are collected, analysed, monitored and reported in accordance with the Group Incident Management Policy.

Business continuity management and crisis management
The Group continues to embed the Business Continuity Management (BCM) framework during the year to ensure that essential functions of the Group are able to continue in the event of an attack or adverse circumstances. BCM training covering all staff was conducted during the year via e-learning modules. The responsibility for testing business continuity plans and simulating crisis management plans at subsidiary level resides with the Country Management Committees.

Operational risk and Basel II implementation
The Group continues to enhance its risk management systems and processes as part of Basel II implementation in some of the deposit taking subsidiaries. In line with the nature of business and level of complexity of the Group's operations, some structures, processes and systems continue to be aligned to Basel II requirements.

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

31 December 2018	Carrying amount					Fair value			
	Available-for-sale financial asset	Fair value -through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets measured at fair value									
Available-for-sale-financial asset	53 591	-	-	-	53 591	-	-	53 591	53 591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	1 188 402	-	1 188 402				
Advances to customers	-	-	8 698 831	-	8 698 831				
Other receivables	-	-	212 701	-	212 701				
	-	-	10 099 934	-	10 099 934				
Financial liabilities measured at fair value									
Borrowings - interest rate swap	-	13 240	-	-	13 240	-	13 240	-	13 240
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	398 759	398 759				
Customer deposits	-	-	-	497 718	497 718				
Cash collateral	-	-	-	27 028	27 028				
Borrowings	-	-	-	5 316 079	5 316 079				
	-	-	-	6 239 584	6 239 584				

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

31 December 2018	Carrying amount					Fair value			
31 December 2017	Available-for-sale financial asset	Fair value -through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Financial assets measured at fair value									
Available-for-sale-financial asset	53 591	-	-	-	53 591	-	-	53 591	53 591
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	492 367	-	492 367				
Advances to customers	-	-	7 768 904	-	7 768 904				
Other receivables	-	-	168 344	-	168 344				
	-	-	8 429 615	-	8 429 615				
Financial liabilities measured at fair value									
Borrowings - interest rate swap	-	4 113	-	-	4 113	-	4 113	-	4 113
Financial liabilities not measured at fair value									
Trade and other payables	-	-	-	189 379	189 379				
Customer deposits	-	-	-	228 432	228 432				
Cash collateral	-	-	-	27 319	27 319				
Borrowings	-	-	-	3 980 494	3 980 494				
	-	-	-	4 425 623	4 425 623				

The carrying amount of loans and receivables and items measured at amortised cost approximate their fair values.

1. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.5 Financial assets and liabilities measured at fair value

Measurement of fair values

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

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

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

Financial instruments measured at fair value

Type	Valuation technique		Significant unobservable inputs
Interest rate swap	Fair value cash flow	Level 2	Discount factor used to derive present value of cash flow (12.5%)
Currency swap	Fair value cash flow	Level 2	Based on Pula, Euro and USD risk free rates
Available-for-sale financial asset	Since market values are not available from an observable market, as this is in private equity, the recent transaction price has been considered as an approximate to fair value	Level 3	Based on recent price per share

Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

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 2018 P'000	31 December 2017 P'000
Interest rate risk		
Average cost of borrowings	12.1%	11.8%
Effect of increase in average borrowing cost by 1%		
- increase in interest expense	55 905	40 101
Effect on profit before tax	5.5%	4.0%
Currency risk		
Effect of BWP appreciation by 1%		
- Effective movement in foreign exchange rates	1 164	8 640
Effect on profit before tax	0.1%	0.9%

Summary

Impact of all above risks on profit before tax:
The impact of changes in variables in the opposing direction would be equal and opposite to the values shown above. The Group constantly evaluates these key risks through the process of governance, devises responses to risks as they arise, that are approved by the Group Management Committee and Board of Directors.

2. USE OF ESTIMATES AND JUDGMENTS

2.1 Impairment of advances to customers

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group regularly reviews its loan portfolio (note 4) and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

The below summarises the sensitivity analysis on impairment losses as at 31 December 2018 for changes in LGD and PD:

P'000	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1: 12-month ECL allowance	167 995	175 164	153 676	363 063	73 812
Stage 2: Lifetime ECL allowance – not credit-impaired	100 646	105 891	68 452	115 170	62 713
Stage 3: Lifetime ECL allowance – credit-impaired	574 493	619 566	530 444	574 493	574 493
Total	**843 134**	**900 621**	**752 572**	**1 052 726**	**711 018**

Therefore based on the above an increase in LGD or PD would have an adverse impact to Group profits.

2. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

2.2 Share-based payment transactions

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

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 60% vesting probability.

	31 December 2018 P'000	31 December 2017 P'000
Impact of a 10% deviation	3 014	6 474
Impact of a 25% deviation	7 535	16 185
Impact of a 50% deviation	15 069	32 369

In the event that more than 60% of the shares vest the impact would be adverse to profit. In the event that less than 60% of the shares vest, the impact would be favourable to profit.

2.3 Recognition of deferred tax asset

The Group recognised a deferred tax asset of P212 million (2017: P157 million) in its statement of financiial position. Deferred tax assets arise from the recoverable tax losses and temporary differences such as staff cost provisions and credit impairment provisions and vary based on requirements of the specific tax jurisdictions in which these losses and differences arise.The ultimate realisation of such deferred tax assets depend largely on the ability of the Group to generate taxable income in each relevant jurisdiction in order to utilise these losses and differences.

Of the total deferred tax asset, P50 million (2017: P95 million) relates to tax losses in respect of the Group holding company, Letshego Holdings Limited (LHL). Tax losses in Botswana have to be utilised within five years from the year of origination and during the current financial year P18 million deferred tax fell away as the Company did not generate suffiicient taxable income. In addition the Group holding company did not recognise deferred tax assets on tax losses amounting to P31 million as it was uncertain whether there were opportunities to generate sufficient taxable profits before these losses expire.

The newly formed Group Tax Committee (GTC) has come up with robust strategies which will ensure that LHL generates substantial income in order to utlise the losses going forward. They will also be driving the review of the Transfer Pricing Policies to ensure that value is assigned where activities are performed in line with the Organisation for Economic Co-operation and Development (OECD) best practice. With the Group Tax Committee at the helm of driving tax compliance and tax excellence in the Group, the current strategies should see LHL generating adequate taxable income before the tax losses fall away. Refer to analysis below for Letshego Holdings Limited:

Movement in deferred tax asset on tax losses	31 December 2018 P'000	31 December 2017 P'000
Opening balance	95 079	61 564
Recognised during the year	5 300	41 044
Utilised during the year	(1 414)	(7 529)
Tax losses not recognised	(30 636)	-
Tax losses fallen away	(18 403)	-
Balance at the end of year	**49 926**	**95 079**

2. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

2.4 Income tax expense

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for known 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 be recognised in the period in which such determination is made.

As at 31 December 2018, the Group has a provision of P45.3 million in an East African subsidiary for potential current income tax liabilities arising from prior years. This was in response to on-going revenue authority audit that were not finalised at the time of authorisation of the financial statements.

The Group has reviewed the matters raised by the revenue authority and carried out its own assessment of the potential liabilities based on currently enacted tax legislation and believe the provisions made is adequate to cover any possible exposures.

2.5 Goodwill

As required by IAS 36 Impairment of assets, the goodwill was assessed for impairment at year end. This goodwill arose from acquisition of Letshego Holdings Namibia Limited, Letshego Tanzania Limited, Letshego Kenya Limited, Letshego Bank (T) Limited, Letshego Microfinance Bank Nigeria Limited and AFB Ghana Plc. For the purpose of assessing goodwill for impairment, the relevant entities are considered to be cash generating units. Such impairment assessment was done using a discounted cash flow model incorporating budgets approved by those charged with governance. Cash flows beyond the period covered by approved budgets were forecasted based on projected growth rates for the relevant cash generating unit. The evaluation was based on a five year forecast and terminal value.

The Group assessed the recoverable amount of goodwill, and determined that there was sufficient headroom in respect of all cash generating units with the exception of Letshego Microfinance Bank Nigeria Limited where a P22 million impairment provision was made during the year.

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

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

	31 December 2018	
Entity	**Discount rates**	**Long term growth rates**
Letshego Holdings Namibia Limited	25%	8%
Letshego Tanzania Limited	18%	6%
Letshego Kenya Limited	18%	7%
Letshego Bank (T) Limited	16%	6%
Letshego Microfinance Bank Nigeria Limited	24%	8%
AFB Ghana Plc	24%	6%

3. CASH AND CASH EQUIVALENTS

	31 December 2018 P'000	31 December 2017 P'000
Cash at bank and in hand	822 897	454 378
Statutory cash reserve	88 060	12 585
Short term investments	277 445	25 404
	1 188 402	**492 367**

Short term bank deposits constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 1.0% - 5.0% per annum (31 December 2017: 1% - 5.0%). Cash at bank is held with reputable financial institutions with good credit standing. Statutory reserve relates to cash held by the Central Bank for the respective subsidiaries based on average customer deposits, and not available for day to day operations.

Cash and cash equivalents for the purpose of cashflow statements	**1 100 342**	**492 367**

4. ADVANCES TO CUSTOMERS

Gross advances to customers	9 541 966	8 171 304
Less : impairment provisions - specific	(554 072)	(265 414)
: impairment provisions - portfolio	(289 063)	(136 986)
Net advances to customers	**8 698 831**	**7 768 904**
Maturity analysis		
Maturing within one year	1 216 284	659 045
Maturing after one year within five years	5 169 353	5 045 433
Maturing after five years	3 156 329	2 466 826
Total gross advances to customers	**9 541 966**	**8 171 304**

Certain advances to customers are pledged as security to borrowings as set out in note 14.

Impairment of advances		
Balance at the beginning of the year	402 400	273 216
Impairment charge for the year	209 914	102 240
Impairment on informal loans	38 947	-
Impact of adoption IFRS 9	191 874	-
Impairment acquired through business combinations	-	26 944
Balance at the end of the year	**843 135**	**402 400**

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	298 297	274 669
Recoveries during the year	(146 720)	(139 760)
Impairment adjustment	209 914	102 240
	361 491	**237 149**

5. OTHER RECEIVABLES

	31 December 2018 P'000	31 December 2017 P'000
Deposits and prepayments	38 909	33 073
Receivable from insurance arrangements	147 331	141 722
Withholding tax and value added tax receivable	881	188
Other receivables	65 370	26 622
	252 491	**201 605**

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2017	5 937	48 928	64 845	19 718	4 852	144 280
Additions	2 080	15 678	10 771	-	7 268	35 797
Business combination - acquisition	4 073	2 035	7 202	-	-	13 310
Disposals	(125)	(1 132)	(2 231)	-	(255)	(3 743)
Forex translation	(3 520)	(3 615)	(11 708)	(1 293)	5 403	(14 733)
Balance at 31 December 2017	**8 445**	**61 894**	**68 879**	**18 425**	**17 268**	**174 911**
Accumulated depreciation						
Balance at 1 January 2017	4 176	34 636	28 274	1 160	-	68 246
Business combination - acquisition	1 411	1 184	2 504	-	-	5 099
Charge for the year	1 435	10 484	11 236	9	-	23 164
Disposals	27	(780)	(650)	-	-	(1 403)
Forex translation	(2 081)	(2 910)	(6 145)	(1 120)	-	(12 256)
Balance at 31 December 2017	**4 968**	**42 614**	**35 219**	**49**	**-**	**82 850**
Net book value at 31 December 2017	**3 477**	**19 280**	**33 660**	**18 376**	**17 268**	**92 061**

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

7. INTANGIBLE ASSETS

Cost	Computer Software P'000	Brand value P'000	Core deposit P'000	Total P'000
Balance at 1 January 2017	74 837	1 186	10 472	86 495
Additions	6 928	-	-	6 928
Business combination - acquisition	5 315	3 749	-	9 064
Forex translation	(8 172)	(430)	(1 374)	(9 976)
Balance at 31 December 2017	**78 908**	**4 505**	**9 098**	**92 511**
Accumulated amortisation				
Balance at 1 January 2017	28 075	1 186	4 625	33 886
Charge for the year	8 565	489	582	9 636
Business combination - acquisition	1 711	-	-	1 711
Forex translation	(8 062)	-	-	(8 062)
Balance at 31 December 2017	**30 289**	**1 675**	**5 207**	**37 171**
Net book value at 31 December 2017	**48 619**	**2 830**	**3 891**	**55 340**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

7. INTANGIBLE ASSETS (CONTINUED)

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

Brand value relates to Ghana which was acquired in 2017 and is being amortised over an expected useful life of 7 years. Core deposit is amortised over its useful life of 8 years.

8. AVAILABLE-FOR-SALE FINANCIAL ASSET

	31 December 2018 P'000	31 December 2017 P'000
Investment	53 591	53 591

The Group acquired 3.1% shareholding in a financial services organisation.The fair value of this investment at year end does not materially vary to its carrying value, hence no fair value gains or losses were recognised in the year.

9. GOODWILL

Goodwill on the acquisition of:	31 December 2018 P'000	31 December 2017 P'000
Letshego Holdings Namibia Limited	22 774	24 336
Letshego Tanzania Limited	1 891	1 781
Letshego Kenya Limited	33 367	30 245
Letshego Bank (T) Limited	15 130	14 250
Letshego Microfinance Bank Nigeria Limited	23 942	42 684
AFB Ghana Plc	9 125	8 984
	106 229	**122 280**

Movement in goodwill:		
Balance at the beginning of the year	122 280	129 408
Goodwill on acquisition of AFB Ghana Plc	-	10 204
Impairment on goodwill	(22 000)	-
Effect of exchange rate changes	5 949	(17 332)
Balance at the end of the year	**106 229**	**122 280**

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 the current year an impairment provision of P22 million was recognised for goodwill arising from acquisition of Letshego Microfinance Bank Nigeria Limited.

10. BUSINESS COMBINATIONS

Acquisition of AFB (Ghana) Plc

During the prior year, 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 were incorporated in the Group results for the year ended 31 December 2017 financial year for the first time. The purchase consideration was P91m. AFB Ghana has over 42,000 customers, 233 members of staff and 25 customer access points. It contributed P119m to Group revenues, P36 million to the pre-tax profits, and its loans to customer's portfolio was P346 million.

	AFB Ghana Plc P'000
Purchase consideration	
Cash paid	**90 719**
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	25 864
Advances to customers (note 10.1)	226 274
Prepayment and other assets	3 886
Property, plant and equipment	8 211
Intangible assets - software	3 604
Deferred tax asset	1 025
Brand value	3 749
Trade and other payables	(3 787)
Income tax payable	(6 821)
Borrowings	(181 490)
Net identifiable assets acquired	**80 515**
Add: Goodwill	10 204
Total	**90 719**

The goodwill is attributable to acquired customer base, economies of scale and synergies expected from combining operations. This will not be deductible for income tax purposes. However the above Goodwill of P10.2 million has been revalued to reflect the impact of changes in foreign currencies using the reporting date exchanges rate and the translated amount is as reflected in (note 9) and the forex impact was P1.2 million.

10.1 Advances to customers

The fair value of acquired advances to customer is P226 million. The gross contractual receivable amount is P249 million of which P23 million is expected to be impaired.

11 CUSTOMER DEPOSITS

	31 December 2018 P'000	31 December 2017 P'000
Demand accounts	29 143	23 069
Savings accounts	110 343	74 674
Call and term deposits	358 232	130 689
	497 718	**228 432**

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

12 TRADE AND OTHER PAYABLES

	31 December 2018 P'000	31 December 2017 P'000
Trade and other payables	426 678	210 809
Staff incentive accrual (note 12.1)	65 547	50 942
	492 225	**261 751**

Due to the short-term nature of the trade payables, their carrying amount is considered to be the same as their fair value.

12.1 Movement in staff incentive accrual

Balance at the beginning of the year	50 942	37 868
Current period charge (note 21)	54 466	51 174
Paid during the year	(39 861)	(38 100)
Balance at the end of the year	**65 547**	**50 942**

13 CASH COLLATERAL

Balance at the beginning of the year	27 319	39 225
Utilised / received during the year	(291)	(11 906)
Closing balance	**27 028**	**27 319**

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.

14. BORROWINGS

	31 December 2018 P'000	31 December 2017 P'000
Commercial banks	2 504 294	1 684 654
Note programmes	1 787 303	1 910 428
Development Financial Institutions	887 655	253 703
Pension funds	150 067	135 822
Total borrowings	**5 329 319**	**3 984 607**
Maturity analysis		
Maturing within one year	1 328 235	1 840 416
Maturing after one year within five years	3 729 288	1 807 837
Maturing after five years	271 796	336 354
Total borrowings	**5 329 319**	**3 984 607**
Movement in borrowings		
Balance at the beginning of the year	3 984 607	3 394 116
Finance obtained from third parties	1 938 071	1 039 889
Repayment of borrowings	(638 687)	(607 853)
Borrowing acquired through business acquisition	-	181 490
Effect of exchange rate changes on cash and cash equivalents	45 328	(23 035)
Balance at the end of the year	**5 329 319**	**3 984 607**

Note programmes
The Group has issued medium term note programmes of P1.8 billion (2017 1.9 billion) of which P550 million (2017 P630 million) are listed on the Johannesburg Stock Exchange, P300 million (2017 P300 million) on the Botswana Stock Exchange and P524 million (2017 P201 million) on the Ghana Stock exchange at the reporting date .

Security
Pula 2.4 billion (31 December 2017 P2.14 billion) of the borrowings is secured by the advances to customers of:
- Letshego Micro Financial Services (Namibia) (Pty) Limited
- Letshego Financial Services (Pty) Limited (Botswana)
- Letshego Financial Services Swaziland (Pty) Limited

The aggregated net advances to customers of the above is P4.7 billion (31 December 2017: P4.36 billion) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:
- Bad debts ratio
- Cash collection ratio
- Capitilisation ratio and,
- Secured property ratio.

The Group has complied with all the above debt covenants for both current and prior period.

Pula 2.6 billion (31 December 2017 P282 million) relates to loans that are secured by a corporate guarantee from Letshego Holdings Limited. During the current year a number of subsidiaries sources in-country and foreign funding which was guarnteed by Letshego Holdings Limited.

Interest rate
Pula 2.0 billion (31 December 2017: 2.3 billion) of the borrowings are at fixed interest rates. Pula 3.3 billion (31 December 2017: 1.3 billion) are loans issued at variable interest rates, linked to each country's prime lending rate.

14. BORROWINGS (CONTINUED)

Interest rate swap
The company entered into an interest rate swap agreement with a Botswana financial institution under which it makes periodic payments on its behalf at an agreed period of time based on a nominal amount of ZAR 335 million. This swap allows for conversion of ZAR floating rate liability into a ZAR fixed rate liability. The interest rate swap hedges the variable factor of the interest coupons payable on the medium term note programme listed on the Johannesburg Stock Exchange.

Letshego Holdings Limited pays the coupon interest on these bonds every quarter and the counter party for the swap will settle the difference on the fixed rate per swap and the variable coupon payment. Management evaluate the effective cash flow and applicable payments on the bond coupon and discounts these to calculate the fair value of the interest rate swap. The fair value at 31 December 2018 is P1.654 million unfavourable (2017: P4.113 million) and any movements are recognised through profit or loss.

In October 2018, Letshego Holdings Limited and Letshego Financial Services (Proprietary) Limited entered into currency swap agreements with a local 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	USD	9 167

The fair value at 31 December 2018 is P11,586 million unfavourable and this movement was recognised through profit or loss.

15. STATED CAPITAL

	31 December 2018 P'000	31 December 2017 P'000
Issued:		
2,144,045,175 ordinary shares of no par value (2017: 2,144,045,175) of which 19,054,190 shares (2017: 24,400,000) are held as treasury shares	**862 621**	**849 845**

31 December 2018	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2 119 645	24 400	2 144 045
Shares issued during the year ('000)	5 346	(5 346)	-
Number of shares at the end of the year ('000)	**2 124 991**	**19 054**	**2 144 045**

31 December 2017	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2 134 764	-	2 134 764
Share buy back ('000)	(24 400)	24 400	-
Shares issued during the year ('000)	9 281	-	9 281
Number of shares at the end of the year ('000)	**2 119 645**	**24 400**	**2 144 045**

15. STATED CAPITAL (CONTINUED)

In terms of the Group LTIP (note 17), shares with a value of P12.78 million (2017: P22.27 million) vested at Group level. The 5.35 million shares were issued from shares held as treasury shares and these reduced from 24.40 million to 19.05 million at the end of the year. In the prior year 9.28 million shares had been issued and these increased the number of shares in issue.

During the current year, there was no share back done. Whereas in the prior year 24.40 million ordinary shares were repurchased by the company at an average price of P1.97 per share amounting to P48.07 million and these are being held as treasury shares and therefore included in the number of shares above.

Every shareholder shall have one vote for every share held subject to the rights of the holders of any shares entitled to any priority, preference or special privileges. All dividends shall be declared and paid to the members in proportion to the shares held by them respectively.

CAPITAL MANAGEMENT

The group monitors its debt to equity ratio and return on equity as key metrics of capital management.

The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position, are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group's capital consists of shareholders' funds (stated capital and reserves) and long term borrowings. The Group monitors the adequacy of its capital using internally measured benchmarks such as capital adequacy, return on equity, debt to equity and forecasts of asset and profitability performance. These measures are broadly in line with, or more stringent than, industry norm. A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

	31 December 2018	31 December 2017
Capital adequacy ratio	33%	43%
Return on equity	12%	17%
Debt to equity	131%	93%

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.

16. LEGAL RESERVE

	31 December 2018 P'000	31 December 2017 P'000
Balance at the beginning of the year	39 607	32 189
Movement for the period – allocated from retained earnings	33 912	7 418
Balance at the end of the year	**73 519**	**39 607**

Legal reserve relates to Letshego Financial Services Mozambique and AFB Ghana Plc. Central Bank regulation in Mozambique is that the company is required to transfer 15% whereas Ghana is required to transfer 50% of its annual profit to the legal reserve until the reserve is equal to its share capital. This is a non-distributable reserve but may be used to increase capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17. 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 2018, 41 956 100 total awards were outstanding (31 December 2017: 46 347 400) at grant date share prices of P2.50 , P2.13 and P1.88 for 2016, 2017 and 2018 awards respectively (31 December 2017: P2.39, P2.50 and P2.13 for 2015, 2016 and 2017 awards respectively).

	31 December 2018		31 December 2017	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	**Fair values**	**No. of awards**
Outstanding at the beginning of the period	P2.39/P2.50/P2.13	46 347 400	P2.40/P2.39/P2.50	40 433 300
Granted during the year	P1.88	19 991 000	P2.13	22 290 000
Exercised during the year	P2.39	(5 345 810)	P2.40	(9 281 250)
Forfeited due to not meeting performance	P2.39	(5 694 690)	P2.40	(1 968 750)
Forfeited due to resignations	P2.50/P2.13/P1.88	(13 341 800)	P2.39/P2.50/P2.13	(5 125 900)
Outstanding at the end of the year	**P2.50/P2.13/P1.88**	**41 956 100**	**P2.39/P2.50/P2.13**	**46 347 400**

The amounts outstanding at 31 December 2018 and 31 December 2017 have average vesting periods of 3,15 and 27 months. The expense recognised during the period is disclosed in note 22.

The vesting conditions for the Group's Long Term Incentive Plan is premised on non-market performance conditions. No specific market conditions are applied. Accordingly the share price of Letshego Holdings Limited shares (as quoted on the Botswana Stock Exchange) is used as the fair value of the share options granted.

The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using the Botswana Stock Exchange closing price of the Groups shares at the grant date.

18. INTEREST INCOME

	31 December 2018 P'000	31 December 2017 P'000
Advances to customers	2 690 423	2 235 902
Other - deposits with banks	27 834	16 734
	2 718 257	**2 252 636**

19. INTEREST EXPENSE

Overdraft facilities and term loans	650 332	474 798
Market to market adjustment on currency and interest rate swap contracts	11 586	-
Foreign exchange gain	(7 839)	(4 168)
	654 079	**470 630**

20 FEE AND COMMISSION INCOME

Administration fees - lending	24 769	31 328
Credit life insurance commission	5 966	7 268
	30 735	**38 596**

20 FEE AND COMMISSION INCOME (CONTINUED)

	31 December 2018 P'000	31 December 2017 P'000
20.1 OTHER OPERATING INCOME		
Early settlement fees	41 241	34 390
Income from insurance arrangements	213 483	182 379
Sundry income	12 697	17 400
	267 421	**234 169**

21. EMPLOYEE BENEFITS

Salaries and wages	316 048	268 326
Staff incentive (note 12.1)	54 466	51 174
Staff pension fund contribution	17 913	13 961
Directors' remuneration – for management services (executive)	9 725	8 317
Long term incentive plan	(7 975)	25 279
	390 177	**367 057**

22. OTHER OPERATING EXPENSES

	31 December 2018 P'000	31 December 2017 P'000
Accounting and secretarial fees	1 084	2 197
Advertising	17 421	18 755
Audit fees - audit services	4 675	4 148
Bank charges	7 305	7 599
Computer expenses	18 599	19 948
Consultancy fees	46 116	40 747
Corporate social responsibility	4 138	5 895
Collection commission	82 517	58 909
Data centre decommissioning	5 000	-
Depreciation and amortisation	36 291	32 800
Directors' fees – non executive	7 105	6 887
Direct cost	27 561	10 795
Government levies	22 876	14 693
Insurance	10 136	11 919
Impairment of goodwill	22 000	-
Office expenses	24 301	19 649
Operating lease rentals - property	48 115	48 864
Other operating expenses	96 377	59 736
- Claim expenses - cell captive	5 726	-
- Directors fees - Subsidiary boards	4 892	3 823
- Entertainment	1 057	944
- IT costs	15 325	10 680
- Loss on disposal of fixed assets	6 351	104
- Motor vehicle expenses	6 192	5 464
- Printing and Stationery	7 673	7 278
- Repairs and Maintenance	3 806	4 417
- Storage costs	1 496	1 292
- Subscriptions and licenses	3 953	2 469
- Other expenses	39 906	23 265
Payroll administration costs	2 066	2 161
Professional fees	42 643	23 980
Telephone and postage	26 471	22 253
Travel	37 361	35 018
	590 158	**446 953**

22. OTHER OPERATING EXPENSES (CONTINUED)

23 TAXATION

	31 December 2018 P'000	31 December 2017 P'000
Amounts recognised in profit or loss		
Current taxation	**527 094**	**366 554**
- Basic taxation	368 684	302 405
- WHT tax credits adjustments	107 110	64 149
- *Under / over provision in respect of prior years	51 300	-
Deferred tax	**(17 068)**	**(44 187)**
- Origination and reversal of temporary differences	(41 778)	(44 187)
- Under provision in respect of prior years	24 710	-
	510 026	**322 367**

* This includes a provision of P45.3 million made in respect of a potential tax exposure of an East African subsidiary.

23.1 Deferred taxation		
Balance at the beginning of the year	151 365	106 153
Business combination - acquisition (note 10)	-	1 025
IFRS 9 day 1 adjustment	40 013	-
Current year movement	17 068	44 187
Balance at the end of the year	**208 446**	**151 365**
Deferred tax assets	211 651	156 655
Deferred tax liabilities	(3 205)	(5 290)
	208 446	**151 365**

The Group expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management judgement on future business prospects.

Deferred taxation arises from temporary differences on the following items:

Property and equipment	(8 344)	1 333
Share based payment provision	3 991	8 002
Staff incentive provision	15 501	9 158
General impairment provision	137 239	35 165
Taxation losses	59 136	101 325
Deferred rent provision	515	(63)
Leave pay provision	754	1 780
Severance pay	80	91
Deferred income / (expenditure)	(251)	(6 810)
Prepayments	(728)	(1 176)
Unrealised exchange gains	553	2 560
	208 446	**151 365**

23 TAXATION (CONTINUED)

		31 December 2018 P'000	31 December 2017 P'000
23.2	**Reconciliation of current taxation**		
	Profit before taxation	1 020 508	1 003 613
	Tax calculated at Botswana statutory rate of 22%	224 512	220 795
	Foreign income taxed at 15%	12 795	11 092
	Effect of tax rates in foreign jurisdictions	59 727	55 615
	Expenses and revenues not deductible for tax purposes	(19 167)	(39 136)
	WHT tax credits adjustments	107 110	64 149
	Tax losses not recognised and fallen away	49 039	-
	Under / over provision in respect of prior years	76 010	9 852
		510 026	**322 367**

24 EARNINGS PER SHARE

The calculation of basic earnings per share is based on after taxation earnings attributable to equity holders of the parent and the weighted average number of shares in issue during the period as follows:

	31 December 2018 P'000	31 December 2017 P'000
Earnings attributable to ordinary equity holders	**438 639**	**637 663**
Number of shares:		
At beginning of period	2 119 645 175	2 134 763 925
Effect of share buy back (31 December 2018 - Nil ; 31 December 2017 - 24 400 000)	-	(5 548 493)
Effect of shares issued (31 December 2018 - 5 345 810 shares 31 December 2017 - 9 281 250 shares);	4 071 603	7 780 993
Weighted number of shares for the year	**2 123 716 778**	**2 136 996 425**
Basic earnings per share (thebe)	**20.7**	**29.8**

The calculation of diluted earnings per share is based on after taxation earnings attributable to equity holders and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:

Number of share:		
Weighted number of shares	2 123 716 778	2 136 996 424
Dilution effect - number of shares (note 17)	41 956 100	46 347 400
	2 165 672 878	2 183 343 824
Diluted earnings per share (thebe)	**20.3**	**29.2**

25 DIVIDEND PAID

	31 December 2018 P'000	31 December 2017 P'000
Previous year final dividend paid during the year	278 373	139 363
Interim dividend paid	184 916	182 244
Total dividend paid to equity holders	**463 289**	**321 607**

Dividends per share:	Interim (thebe)	**- paid**	8.7	8.5
:	Final (thebe)	**- proposed**	3.3	9.0
:	*Special dividend (thebe)	**- paid**	-	4.1

*In the prior year the Board declared and paid a special dividend of 4.1 thebe per share as distribution of the proceeds from the Namibia IPO to its Shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

26. SEGMENT INFORMATION

Following the introduction of the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Managing Director ("CODM" - the Chief Operating Decision Maker), who is responsible for allocating resources to the reportable segments and assessing performance. Operating segments are reviewed and reported geographically to the CODM. All reported segments used by the Group meet the definition of a reportable segment.The Group operates in eleven countries, namely Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda.

The activities of individual country segments that are not individually quantitatively significant, but have similar economic characteristics (nature of services rendered, class of customers, distribution methodology and similarity in regulatory requirements) have been aggregated into:

- Other Southern Africa includes : Lesotho and Swaziland
- Other East Africa includes: Kenya, Rwanda and Uganda
- West Africa includes: Nigeria and Ghana

Accordingly, the Group's reportable segments are as follows:
Botswana, Namibia, Mozambique, Other Southern Africa, Tanzania, Other East Africa, West Africa and Holding company.

Reportable Segments

31 December 2018	Botswana	Namibia	Mozambique	Other Southern Africa	Tanzania	Other East Africa	West Africa	Holding company	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	**655 835**	**577 985**	**226 515**	**154 663**	**203 902**	**285 255**	**297 695**	**(39 516)**	**2 362 334**
Profit before taxation	**457 854**	**447 740**	**109 225**	**89 583**	**95 358**	**14 404**	**57 468**	**(251 124)**	**1 020 508**
Taxation - consolidated									(510 026)
Profit - consolidated									**510 482**
Gross Advances to customers	2 702 359	1 920 415	1 291 433	792 784	552 020	1 136 362	1 146 593	-	9 541 966
Impairment provisions	(239 776)	(18 489)	(26 726)	(26 533)	(154 588)	(186 666)	(190 357)	-	(843 135)
Net Advances	**2 462 583**	**1 901 926**	**1 264 707**	**766 251**	**397 432**	**949 696**	**956 236**	**-**	**8 698 831**
Borrowings	**1 010 044**	**362 793**	**370 122**	**532 462**	**43 597**	**765 279**	**563 109**	**1 681 913**	**5 329 319**

31 December 2017	Botswana	Namibia	Mozambique	Other Southern Africa	Tanzania	Other East Africa	West Africa	Holding company	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Operating income	**598 626**	**526 329**	**166 536**	**141 547**	**214 443**	**257 255**	**154 648**	**(4 613)**	**2 054 771**
Profit before taxation	**461 435**	**435 894**	**74 963**	**99 584**	**48 382**	**12 259**	**38 494**	**(167 398)**	**1 003 613**
Taxation - consolidated									(322 367)
Profit - consolidated									**681 246**
Gross Advances to customers	2 466 433	1 940 065	1 026 944	782 485	573 252	947 884	434 241	-	8 171 304
Impairment provisions	(147 875)	(10 400)	(13 571)	(8 914)	(99 807)	(87 560)	(34 273)	-	(402 400)
Net Advances	**2 318 558**	**1 929 665**	**1 013 373**	**773 571**	**473 445**	**860 324**	**399 968**	**-**	**7 768 904**
Borrowings	**546 878**	**791 365**	**338 074**	**512 109**	**33 781**	**509 158**	**218 779**	**1 034 463**	**3 984 607**

27. RELATED PARTY TRANSACTIONS

Relationships:

Letshego Holdings Limited	Parent Company
Subsidiaries	Refer to note 31

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.

27.1 **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.

Letshego Holdings Company entered into a strategic partnership with a financial services company and acquired 3.1% of its shareholding which is classified as anavailable for sale financial asset (note 8). During the year certain subsidiaries of the Group entered into a number of transactions with the Company all of which were on an arm's length basis and in the normal course of business.

	31 December 2018 P'000	31 December 2017 P'000
Compensation paid to key management personnel (executive directors)		
Paid during the period		
- Short-term employee benefits	9 725	8 317
	9 725	**8 317**

In terms of the Long Term Incentive Scheme there were no awards that vested relating to the 31 December 2018 financial year. In the prior period, 1,202,511 and 614,692 ordinary shares vested to ACM Low and C Patterson respectively during March 2018 that related to the 31 December 2017 financial period.

28. OPERATING LEASE COMMITMENTS

The group operates a number of branches and office premises under operating lease. Lease payments are generally increased annually to reflect the market rentals. The future minimum lease payments under non-cancellable building operating leases are as follows:

	31 December 2018 P'000	31 December 2017 P'000
No later than 1 year	14 852	18 720
Later than 1 year and no later than 5 years	23 710	22 291
	38 562	**41 011**

29. CAPITAL COMMITMENTS

Authorised by the directors:		
- Not contracted for	**41 909**	**106 181**

The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Group's internal resources.

30. SUBSEQUENT EVENTS

On the 27 March 2019 the Group Chief Executive Officer P.J.S Crouse resigned and D. Ndebele was appointed as the Interim Group Chief Executive Officer.

Dividend declaration
A second and final dividend of 3.3 thebe per share was declared on 1 March 2019.

There were no other material changes in the affairs of the Group between the 31 December 2018 year end and the date of the approval of these financial statements.

31. 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 2018 % holding	31 December 2017 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
AFB 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	75
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Unsecured consumer lending and deposit licensed	100	100

31. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

31.1 Acquisition of non-controlling interest - Tanzania Bank

In September 2018, the Group acquired the remaining 25% of the issued shares of Letshego Bank Tanzania Limited for a purchase consideration of P15.4 million.The Group now holds 100% of the equity share capital of the entity and it derecognised non-controlling interest and recorded a decrease in equity. The effect of changes in the ownership are summarised as follows:

	31 December 2018 P '000
Consideration paid to non-controlling interest	15 547
Carrying amount of non-controlling interests acquired	(5 936)
Excess of consideration paid recognised in Group's equity	**9 611**

31.2 Sales of interest in Letshego Holdings Namibia Limited

On 28 September 2017 Letshego Holdings Namibia Limited (LHN) was successfully listed on the Namibia Stock exchange (NSX) and Group disposed of 7% interest out of the 85% interest held in LHN for a net consideration of P87 million. The effect of changes in the interest of LHN on the equity attributable to owners of Group during the year is summarised as follows:

	31 December 2017 P'000
Consideration received from the sale of interest	87 478
Carrying amount of non-controlling interests disposed	(70 791)
Excess of consideration received recognised in Group's equity	**16 687**

31.3 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Holdings Namibia Limited, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination.

Summarised balance sheet	31 December 2018 P'000	31 December 2017 P'000
Assets	2 589 142	2 305 740
Liabilities	1 303 245	1 085 179
Net assets	**1 285 897**	**1 220 561**
Accumulated non-controlling interest	**278 267**	**262 937**
Summarised statement of comprehensive income		
Revenue	581 384	527 312
Profit for the year	295 065	307 386
Profit allocated to non-controlling interest	**64 914**	**51 468**
Summarised cash flows		
Cash flows from operating activities	267 687	178 822
Cash flows used in investing activities	(140 266)	(93 786)
Cash flows from financing activities	190 826	45 562
	318 247	**130 598**

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets to settle liabilities.

32. 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	Total net assets P'000
Comprehensive insurance through cell captive arrangement ("cell captive")	To mitigate against the Group's credit risk in Mozambique and Namibia	The cell captive declare dividends to Group	83 596

The cell captive is not consolidated as the Group does not have control over these entities. The net assets of the cell captive are included in other receivables and payables (note 5 and note 12). There are no significant risks, nor expected changes therein, associated with the Group's interest in the cell captive.

FIVE YEAR FINANCIAL HISTORY

STATEMENTS OF FINANCIAL POSITION

	2018 December P'000	2017 December P'000	2016 December P'000	2015 December P'000	2014 December P'000
Assets					
Cash and cash equivalents	1 188 402	492 367	529 476	526 290	320 544
Advances to customers	8 698 831	7 768 904	6 689 740	6 311 678	5 686 796
Other receivables	252 491	201 605	166 717	177 585	135 582
Income tax receivable	19 074	17 967	17 250	27 570	11 178
Available-for-sale financial asset	53 591	53 591	53 591	-	-
Property, plant and equipment	80 532	92 061	76 034	76 030	51 762
Intangible assets	45 488	55 340	52 609	61 312	45 592
Goodwill	106 229	122 280	129 408	170 868	55 250
Deferred tax assets	211 651	156 655	106 961	68 000	25 866
Total assets	**10 656 289**	**8 960 770**	**7 821 786**	**7 419 333**	**6 332 570**
Liabilities					
Customers deposits	497 718	228 432	107 696	154 495	3 995
Deposits from banks	-	-	-	77 364	-
Cash collateral	27 028	27 319	39 225	44 667	41 692
Trade and other payables	492 225	261 751	294 416	175 493	209 521
Income tax payable	232 132	182 879	99 373	73 494	60 406
Deferred tax liabilities	3 205	5 290	808	2 006	-
Borrowings	5 329 319	3 984 607	3 394 116	2 768 412	1 937 844
Total liabilities	**6 581 627**	**4 690 278**	**3 935 634**	**3 295 931**	**2 253 458**
Shareholders' equity					
Stated capital	862 621	849 845	875 639	989 487	975 510
Foreign currency translation reserve	(696 276)	(680 417)	(634 293)	(254 293)	(2 189)
Legal reserve	73 519	39 607	32 189	22 178	5 108
Share based payment reserve	18 089	38 840	35 835	19 705	21 246
Retained earnings	3 500 317	3 709 308	3 383 983	3 197 534	2 925 000
Total equity attributable to equity holders of the company	3 758 270	3 957 183	3 693 353	3 974 611	3 924 675
Non-controlling interests	316 392	313 309	192 799	148 791	154 437
Total equity and liabilities	**10 656 289**	**8 960 770**	**7 821 786**	**7 419 333**	**6 332 570**

Letshego

FIVE YEAR FINANCIAL HISTORY

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Interest income	2 718 257	2 252 636	1 963 129	1 753 556	1 454 907
Interest expense	(654 079)	(470 630)	(352 362)	(326 694)	(167 582)
Net interest income	**2 064 178**	**1 782 006**	**1 610 767**	**1 426 862**	**1 287 325**
Fee and commission income	30 735	38 596	24 617	28 699	23 137
Other operating income	267 421	234 169	209 724	229 390	183 684
Total income	**2 362 334**	**2 054 771**	**1 845 108**	**1 684 951**	**1 494 146**
Employee benefits	(390 177)	(367 057)	(309 016)	(212 487)	(207 034)
Other operating costs	(590 158)	(446 952)	(407 873)	(297 106)	(225 500)
Operating income before impairment	1 381 999	1 240 762	1 128 219	1 175 358	1 061 612
Impairment loss	(361 491)	(237 149)	(180 649)	(138 864)	(91 480)
Operating income before taxation	**1 020 508**	**1 003 613**	**947 570**	**1 036 494**	**970 132**
Taxation	(510 026)	(322 367)	(337 500)	(311 891)	(263 801)
Profit for the year	**510 482**	**681 246**	**610 070**	**724 603**	**706 331**
Appropriations					
Dividends	(321 607)	(371 685)	(371 685)	(370 450)	(254 648)
Retained income	**188 875**	**309 561**	**238 385**	**354 153**	**451 683**
Attributable to:					
Equity holders of the parent company	438 639	637 663	568 145	665 179	659 394
Non-controlling interests	71 843	43 583	41 925	59 424	46 937
	510 482	**681 246**	**610 070**	**724 603**	**706 331**

The supplementary information presented does not form part of the annual financial statements of the group, and is unaudited.

Letshego

GROUP VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 P'000	31 December 2017 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	2 718 257	2 252 636
Cost of services	(654 079)	(470 630)
Value added services	2 064 178	1 782 006
Fee and commission income	30 735	38 596
Other operating income	267 421	234 169
Other operating costs	(553 867)	(414 152)
Impairment of advances	(361 491)	(237 149)
	1 446 976	**1 403 470**
Value allocated		
To employees		
Staff costs	390 177	367 057
To expansion and growth		
Retained income	47 193	359 639
Depreciation	24 444	23 164
Amortisation	11 847	9 636
Deferred tax	(57 081)	(44 187)
	26 403	348 252
To Government		
Taxation	515 807	366 554
To providers of capital		
Dividends to shareholders	463 289	321 607
	1 395 676	**1 403 470**

Summary	%	%
Employees	28.0	26.2
Expansion and growth	1.9	24.8
Government	37.0	26.1
Providers of capital	33.2	22.9
	100.0	**100.0**

ANALYSIS OF SHAREHOLDING

FOR THE YEAR ENDED 31 DECEMBER 2018

Top ten shareholders

	31 December 2018 Shares held ('000)		31 December 2017 Shares held ('000)	
	Number	%	Number	%
• Botswana Life Insurance Ltd	561 036	26.2	561 036	26.2
• First National Bank of Botswana Nominees (Pty) Ltd- AA BPOPF	260 669	12.2	260 669	12,2
• ADP I HOLDING 2	180 484	8.4	180 484	8.4
• First National Bank of Botswana Nominees (Pty) Ltd- BIFM BPOPF EQUITY	122 340	5.7	108 587	5.1
• BMO Investment : Former Lloyd George Investment Company	116 510	5.4	52 096	2.4
• Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Limited	65 895	3.1	62 114	2.9
• First National Bank Nominees (Pty) Ltd - BPOPF Allan Gray	60 288	2.8	61 682	2.9
• HSBC : Substainable Capital Africa Alpa Fund	59 405	2.8	33 491	1.6
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd -NTGSLUX 010/03	52 854	2.5	53 471	2.5
• First National Bank of Botswana Nominees (Pty) Ltd- IAM BPOPFP	43 721	2.0	48 320	2.3
	1 523 202	71.1	1 421 950	66.5
Other corporate entities, nominees and trusts and individuals	601 785	28.0	697 695	32.4
Treasury shares	19 058	0.9	24 400	1.1
Total	**2 144 045**	**100.0**	**2 144 045**	**100.0**
Public Shareholders	567 312	26.5	567 605	26.5
Non-public Shareholders	1 576 733	73.5	1 576 440	73.5
Total	**2 144 045**	**100.0**	**2 144 045**	**100.0**

Directors' shareholdings	31 December 2018 Shares held ('000)		31 December 2017 Shares held ('000)	
	Number	%	Number	%
*Christopher Low	2 261	0.1	3 169	0.1
**Colm Patterson	3 986	0.2	3 371	0.2
Harrington Karuhanga	29	0.0	29	0.0
	6 276	**0,0**	**6 569**	**0.3**

*Christopher Low the Group Chief Executive Officer resigned from the Board on 02 August 2018.
**Colm Patterson the Group Chief Financial Officer resigned from the Board on 2 March 2019.

ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Letshego Holdings Limited will be held at the Masa Hotel, Gaborone on Monday 24 June 2019 at 09h30 (registration commences at 09h00).

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 2018 together with the Directors' and Auditors' reports thereon.

2. Resolution 2

To ratify the dividends declared and paid during the period being an interim dividend of 8.7 thebe per share paid to Shareholders on or around 28 September 2018 and a final dividend of 3.3 thebe per share paid to Shareholders on or around 2 April 2019.

3. Resolution 3

Directors

3a. To confirm the re-election of G van Heerde who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.
3b. To confirm the re-election of S Price 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 E Banda who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.
3d. To ratify and confirm the appointment of P J S Crouse who was appointed as the Group Chief Executive Officer on 13 September 2018 in accordance with Article 19.4 of the Constitution.
3e. To ratify and confirm the appointment of D Ndebele who was appointed as the Interim Group Chief Executive Officer on 27 March 2019 subject to all necessary regulatory approvals being obtained.
3f. To confirm the resignation of R Thornton from the Board with effect from 2 August 2018.
3g. To confirm the resignation of A C M Low from the Board with effect from 2 August 2018.
3h. To confirm the resignation of C Patterson from the Board with effect from 2 March 2019.
3i. To confirm the resignation of J De Kock from the Board with effect from 5 March 2019.
3j. To confirm the resignation of P J S Crouse from the Board and as Group Chief Executive Officer with effect from 27 March 2019.
3k.To confirm the resignation of C. van Schalkwyk from the Board with effect from 2 May 2019.

4. Resolution 4

4a. To approve the remuneration of the Directors for the financial year ending 31 December 2018 as disclosed in Note 22 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 2019. The Board fees and the retainer structure is set out in the Corporate Governance Section of the Annual Report.

5. Resolution 5

To approve the remuneration of the Auditors for the financial year ending 31 December 2018 as disclosed in Note 22 to the Annual Financial Statements in the Annual Report.

6. Resolution 6

6a. To ratify and confirm the appointment of Ernst & Young as external auditors for the ensuing year who are proposed to replace PricewaterhouseCoopers.
6b. To approve the remuneration of the Auditors for the next financial year ending 31 December 2019 estimated at P5,500,000.

7. Resolution 7

That, subject to the Company's compliance with all rules, regulations, orders and guidelines made pursuant to the Companies Act, Cap 42:01 as amended from time to time, the provisions of the Company's Constitution and the Equity Listing Requirements of the BSE, the Company be and is hereby authorised to the fullest extent permitted by law, to buy back at any time such amount of ordinary shares of no par value in the Company as may be determined by the Directors of the Company from time to time through the BSE, upon the terms and conditions that may be deemed fit and expedient in the interest of the Company ("Proposed Share Buy-back") provided that:

a) the maximum number of shares in aggregate which may be purchased and then cancelled by the Company at any point of time pursuant to the Proposed Share Buy-Back, shall not exceed ten per cent (10%) of the total stated share capital of the Company for the time being quoted on the BSE; and
b) the maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back shall not exceed the sum of retained earnings of the Company based on its latest financial statements available up to date of a transaction pursuant to the Proposed Share Buy-Back.

The shares purchased by the Company pursuant to the Proposed Share Buy-Back may be retained as Treasury Shares up to five per cent (5%) of the stated share capital of the Company and the rest will be cancelled;

That such authority shall commence upon the passing of this resolution, until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required by law to be held ("the Expiry Date"), unless revoked or varied by ordinary resolution of the Shareholders of the Company in a general meeting, but so as not to prejudice the completion of a purchase made before the Expiry Date;

And that the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or give effect to the Proposed Share Buy-Back, with full powers to amend and/or assert to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant Governmental/ Regulatory Authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, Cap 42:01 as amended from time to time, the provisions of the Company's Constitution and the requirements of the BSE Equity Listing Requirements and all other relevant Governmental/Regulatory Authorities.

SPECIAL BUSINESS

1. To transact other business which may be transacted at an Annual General Meeting.

2. To renew and amend the proposed reduction of the stated share capital of the Company, pursuant to the Proposed Share Buy Back mandate on the basis that the Company may, to the fullest extent of the law, buy back at any time such amount of ordinary shares as may be determined by the Directors, the maximum number of shares so repurchased shall not exceed 10% of the stated share capital of the Company and that the shares repurchased may be retained as treasury shares subject to a maximum of 5% of the stated share capital of the Company.

SPECIAL RESOLUTION

To consider and pass the following special resolution:

1. Special Resolution 1

That, subject to the Shareholders of Letshego Holdings Limited approving the proposed Share Buy-Back Mandate and it being implemented, the Company be and is hereby authorised in terms of Section 59 of the Companies Act to reduce its stated share capital as may be determined by the Directors of the Company from time to time, upon the terms and conditions that may be deemed fit and expedient in the interest of the Company ("Reduction of Capital") provided that:

a) only a limit of 107,202,257 shares shall be reduced from a stated share capital of 2,144,045,143 shares, such that post reduction the stated share capital would be 2,036,842,886 shares;
b) alternatively 214,404,514 shares shall be reduced from a stated share capital of 2,144,045,143 shares, such that post reduction the stated share capital would be 1,929,640,629 shares in the event that the Board decides not to retain any Treasury Shares and cancel all the shares subject to the Share Buy-Back; and
c) the reduction of capital will not result in the Company failing the solvency test as prescribed in terms of the Companies Act.

That such authority shall commence upon the passing of this resolution, until the conclusion of the next annual general meeting of the Company or the expiry of the period within which the next annual general meeting is required by law to be held "the Expiry Date"), unless revoked or varied by special resolution of the Shareholders of the Company in a general meeting or extraordinary general meeting, but so as not to prejudice the completion of the Reduction of Capital made before the Expiry Date;

And that the Directors of the Company be and are hereby authorized to take all steps as are necessary or expedient to implement or give effect to the Reduction of Capital with full powers to amend and/or assert to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, Cap 42:01 as amended from time to time, the provisions of the Company's constitution and the requirements of the BSE and all other relevant governmental/regulatory authorities.

PROXIES

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a shareholder. Proxy forms should be deposited at Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P.O. Box 381, Gaborone, no less than 48 hours before the meeting.

M Kimwaga
Company Secretary

24 May 2019

FORM OF PROXY

ORDINARY BUSINESS

For completion by holders of ordinary shares
(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at Masa Hotel, Gaborone on Monday 24 June 2019 at 09h30. Registration commences at 09h00.

I/We____ (name/s in block letters)
of (address) ____________________________________ being a member of
Letshego Holdings Limited hereby appoint (see note 2)
Appoint (see note 2):____________________________________
1. ____________________________________ or failing him/her,
2.____________________________________ or failing him/her,
3. The Chairman of the meeting,
as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	For	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2			
Ordinary resolution number 3a			
Ordinary resolution number 3b			
Ordinary resolution number 3c			
Ordinary resolution number 3d			
Ordinary resolution number 3e			
Ordinary resolution number 3f			
Ordinary resolution number 3g			
Ordinary resolution number 3h			
Ordinary resolution number 3i			
Ordinary resolution number 3j			
Ordinary resolution number 3k			
Ordinary resolution number 4a			
Ordinary resolution number 4b			
Ordinary resolution number 5			
Ordinary resolution number 6a			
Ordinary resolution number 6b			
Ordinary resolution number 7			
Special resolution number 1			

Signed at____________________ on this day of__________________ 2019
Signature

____

Assisted by (where applicable

FORM OF PROXY

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
Please read the notes hereof.

NOTES

1. A Shareholder may insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting ". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to The Secretary, Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P O Box 381, Gaborone to be received not less than 48 hours before the Annual General Meeting (i.e. no later than 09:00 GMT+2 on Thursday 20 June 2019).

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.

Letshego

LIST OF ABBREVIATIONS

ADP	African Development Partners
AFI	Alliance for Financial Inclusion
AGM	Annual General Meeting
ALM	Assets and Liabilities Management
AML	Anti-money Laundering
BIHL	Botswana Insurance Holdings Limited
BoN	Bank of Namibia
BSE	Botswana Stock Exchange
CRMPS	Compliance Risk Management Plans
DSA	Direct Sales Agent
ECL	Expedited Credit Losses
EAD	Exposure at Default
ERM	Enterprise Risk Management
ERMF	Enterprise-wide Risk Management Framework
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
FCPA	Foreign Corrupt Practices Act
FLI	Financial Literacy Initiative
FTE	Full-Time Employees
GAC	Group Audit Committee
GREMCO	Group Remuneration Committee
GNSEC	Group Nominations and Social Ethics Committee
GRC	Group Risk Committee
GRI	Global Reporting Initiative
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Framework
ILO	International Labour Organisation
KING III	King Code of Governance Principles for SA
KYC	Know Your Client
LGD	Loss given default
LHLDC	Lesotho Housing Land Development Corporation
LLR	Loan Loss Ratio
LSFB	Letshego Financial Services Botswana
MoH	Ministry of Health
MNO	Mobile Network Operator
MSE	Micro and Small Entrepreneurs
NCD	Non-Communicable disease
NPL	Non-Performing Loan
NSX	Namibian Stock Exchange
P	Botswana Pula
PBMT	Profit before management-fees and tax
PD	Probability of default
PWC	PriceWaterhouseCoopers
RCSA	Risk Controls Self-Assessment
RPF	Rural Prosperity Fund
SEDD	Social and Environmental Due Diligence
SSI	Strategic Social Investment
WEF	World Economic Forum

Letshego

ADDENDUM 1
OUR FOOTPRINT

BOTSWANA

This year we focused on strengthening our position as a preferred financial services provider, to both current and prospective customers. This has resulted in 10% year-on-year growth in Loans and Advances, and 9% growth in operating income. We have also strengthened our Risk and Compliance environment both in terms of people and process - New appointments within the Risk team include a Chief Risk Officer, Regulatory Compliance Manager and KYC/Anti-Money Laundering Analyst. Adopting best practice in governance and adhering to our regulatory obligations remains a top priority.

FERGUS FERGUSON
Botswana CEO

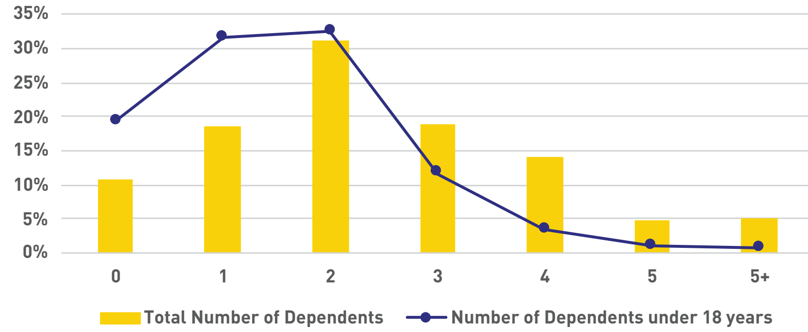
Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	116	119	129
Number of direct sales agents (DSAs)	126	144	127
	242	**263**	**256**
Access anytime anywhere			
Number of branches	5	5	5
Number of satellite offices	11	11	11
	14	**16**	**16**
Asset quality			
LLR to average gross advances	3.4%	1.0%	2.8%
NPL's provision coverage	85%	70%	100%
Performance			
Profit before tax and group charges	467	461	458
Net disbursements to customers	370	302	483
Advances			
Loanbook split	**2 242**	**2 319**	**2 463**
- Formal Loans	2 242	2 317	2 449
- MSE loans	-	2	13
Customer split	**36 554**	**35 824**	**35 088**
- Formal Loans	36 554	35 795	34 964
- MSE loans	-	29	124

KEY HIGHLIGHTS

- Letshego Botswana achieved a 60% increase in net payouts in 2018 year-on-year
- Launched Micro and Small Business (MSE) proposition. More than 300 small businesses are now providing services to Government and Large Corporates
- Operating Income up by 9% in 2018 year-on-year, from BWP598 million to BWP657 million
- Gross Loans and Advances also increased by 10% year-on-year

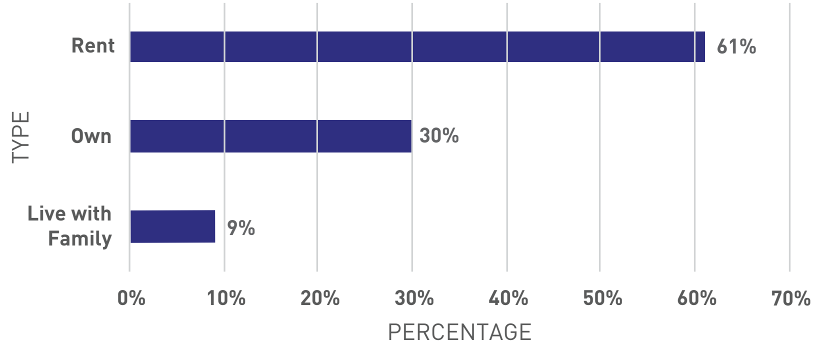
BOTSWANA CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

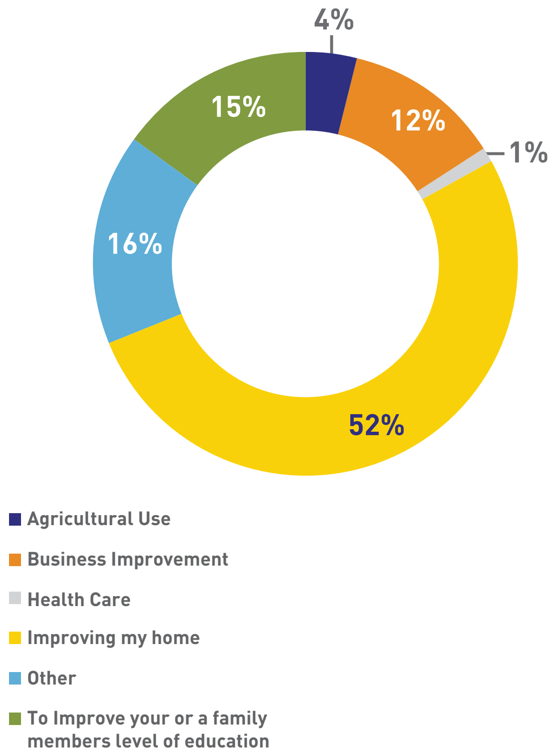
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	2%	50-100 km	4%
1-5 km	34%	→100 km	2%
5-10 km	28%	Undisclosed	16%
10-50 km	14%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	37%
Land	1%
Livestock (not for sale)	1%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	1%
None	60%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	9%
No	88%
Undisclosed	3%

*Data is aggregated from customer surveys that are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

Eswatini

Increasing access to our financial solutions remains Letshego Eswatini's priority in delivering tangible value for our customers. The introduction of mobile money disbursements and our SME solution exemplifies this commitment. System enhancements have also assisted us in increasing operational efficiencies in collections, while reducing portfolio risk - all valuable criteria as we build a sustainable business fit for growth.

MONGI DLAMINI
Eswatini CEO

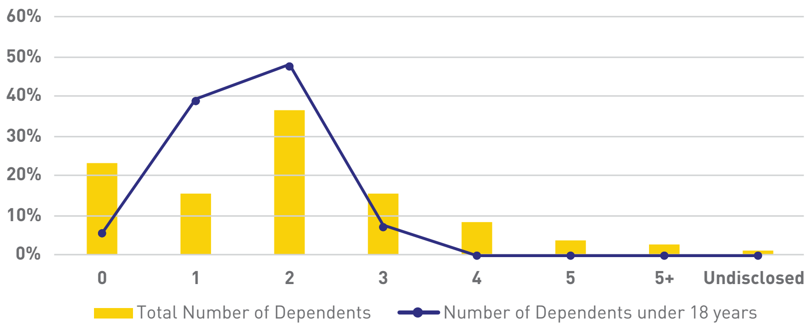
Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	23	25	25
Number of direct sales agents	10	11	15
	33	36	40
Access anytime anywhere			
Number of branches	3	3	3
Number of satellite offices	-	-	-
	3	3	3
Asset quality			
LLR to average gross advances	0.0%	0.0%	0.7%
NPL's provision coverage	47%	18%	121%
Performance			
Profit before tax and group charges	22	31	33
Net disbursements to customers	101	191	162
Advances			
Loanbook split	**226**	**370**	**429**
- Formal Loans	226	370	427
- MSE loans	-	-	2
Customer split	**6 014**	**7 693**	**8 366**
- Formal Loans	6 014	7 693	8 358
- MSE loans	-	-	8

KEY HIGHLIGHTS

- Launched purchase order financing solution customised for SMEs
- Gross Loan Book growth of 24% year-on-year
- Launched mobile money disbursements in partnership with local mobile network operator
- Strong progress in diversifying portfolio into non-government sector
- Letshego's Pulse System installed to automate recoveries

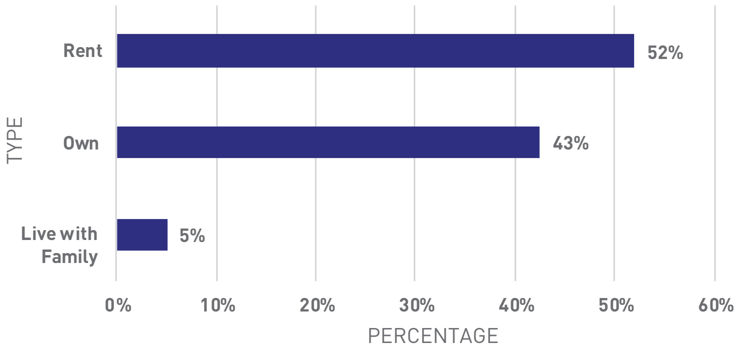
Eswatini CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

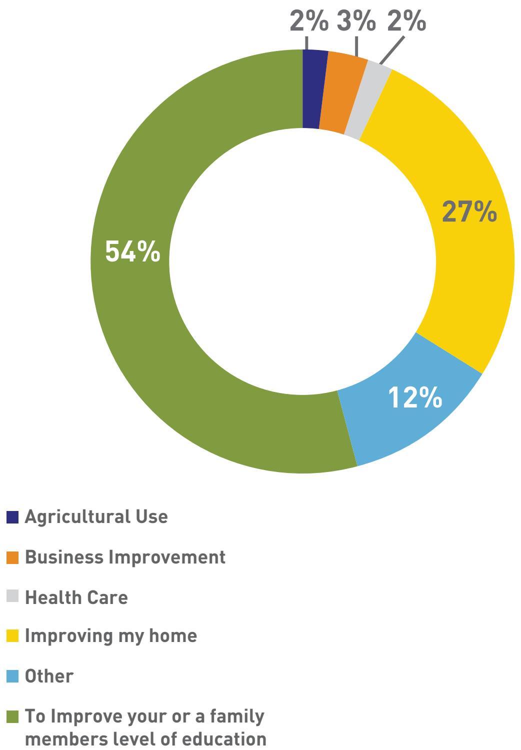
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	0%	50-100 km	14%
1-5 km	6%	→100 km	1%
5-10 km	35%	Undisclosed	28%
10-50 km	16%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	98%
Land	1%
Livestock (not for sale)	-
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	-
Undisclosed	1%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	2%
No	98%
Undisclosed	0%

*Data is aggregated from customer surveys that are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

GHANA

Country Stats	Dec-17	Dec-18
People		
Number of FTE	233	218
Number of direct sales agents	294	306
	527	**524**
Access anytime anywhere		
Number of branches	8	5
Number of satellite offices	17	22
	25	**27**
Asset quality		
LLR to average gross advances	1.7%	15.5%
NPL's provision coverage	98%	201%
Performance		
Profit before tax and group charges	36	43
Net disbursements to customers	223	1809
Advances		
Loanbook split	**346**	**876**
- Formal Loans	298	488
- MSE loans	6	4
- Informal loans	42	384
Customer split	**108 644**	**1 632 502**
- Formal Loans	43 145	65 450
- MSE loans	3 304	181
- Informal loans	62 195	1 566 871
Customer savings		
Customer savings split	**23.2**	**105.1**
- Retail	0.3	1.9
- Corporate	22.9	103.2
Customer split	**1 475**	**16 008**
- Retail	1 472	15 997
- Corporate	3	11

afb Ghana is pleased with our positive set of results, and the initial response to our mobile loan launch last year. In 2019 we will continue to review our mobile loan offering to build a sustainable commercial offering for the longer term, while maintaining focus on our Deduction at Source solutions supporting public sector employees. This year we will also conclude the transition of our afb brand to Letshego's blue and yellow, a brand that represents 21 years of financial inclusion in Africa.

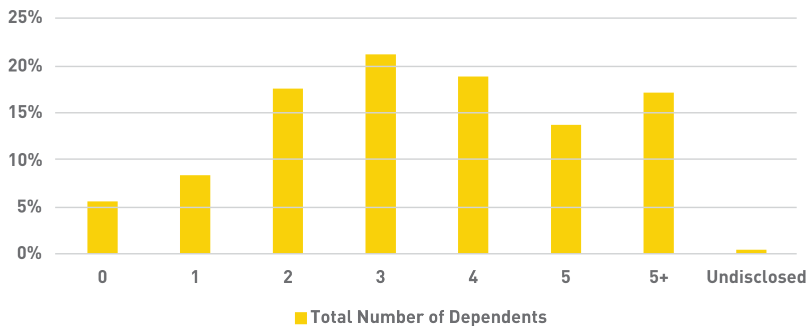
ARNOLD PARKER
afb Ghana CEO

KEY HIGHLIGHTS

- Deposit from customers grew by 349%
- Profit after tax increased 17% year-on-year
- Net Interest Income increased by 194%
- Gross Loan Book grew by 168%
- Surpassed the millionth customer mark for mobile loans offering

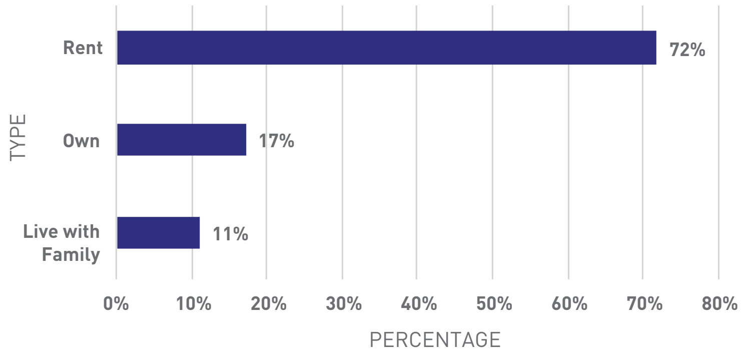
GHANA CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

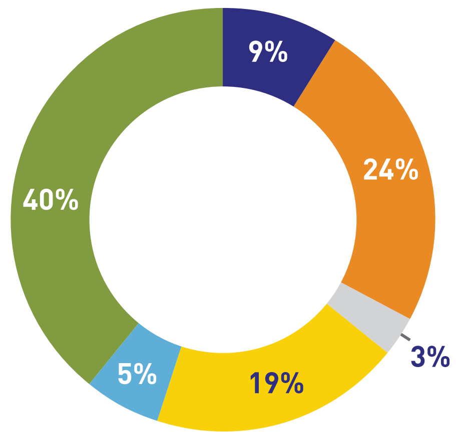
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	7%	50-100 km	8%
1-5 km	3%	→100 km	24%
5-10 km	19%	Undisclosed	24%
10-50 km	15%		

PURPOSE OF LOAN



- Agricultural Use
- Business Improvement
- Health Care
- Improving my home
- Other
- To Improve your or a family members level of education

NATURE OF PERSONAL SAVINGS

Formal Savings Account	77%
Land	2%
Livestock (not for sale)	1%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	-
Undisclosed	20%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	9%
No	91%
Undisclosed	0%

*Data is aggregated from customer surveys that are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

KENYA

Letshego Kenya enjoyed improved performance for 2018, following targeted marketing and sales activities to support our enhanced solutions offering. Our drive towards fostering a performance orientated culture is also reaping rewards, with increased people engagement and customer satisfaction.

ADAM KASAINE
Kenya CEO

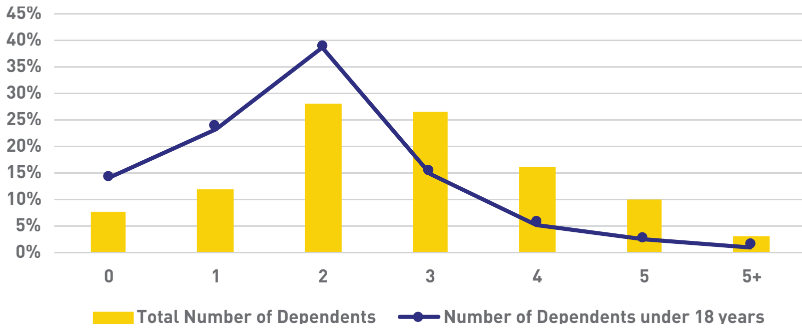
KEY HIGHLIGHTS

- MSE business grew 20% year-on-year – Diversifying portfolio with expansion into Education and Agriculture sectors
- Strong Deduction at Source growth of 33% year-on-year, diversification into non-government sector
- Capacity building in Leadership Team with new appointments: Chief Risk Officer, Head of Internal Audit and Head of People Experience
- Enhanced brand awareness with targeted marketing immersions in Education and Agriculture Sectors
- 140 sales people trained in sales effectiveness and credit analysis

Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	222	220	191
Number of direct sales agents	107	101	85
	329	**321**	**276**
Access anytime anywhere			
Number of branches	20	25	25
Number of satellite offices	5	4	4
	25	**29**	**29**
Asset quality			
LLR to average gross advances	5.6%	2.8%	15.3%
NPL's provision coverage	172%	135%	294%
Performance			
Profit before tax and group charges	3	21	(22)
Net disbursements to customers	285	309	284
Advances			
Loanbook split	**409**	**516**	**594**
- Formal Loans	139	173	75
- MSE loans	270	342	520
Customer split	**28 029**	**25 888**	**22 931**
- Formal Loans	5 688	9 352	8 368
- MSE loans	22 341	16 536	14 563

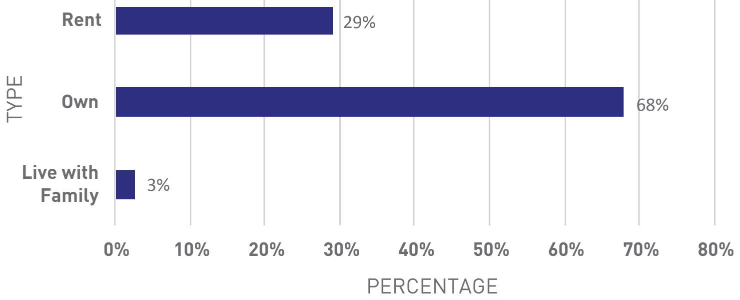
KENYA CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

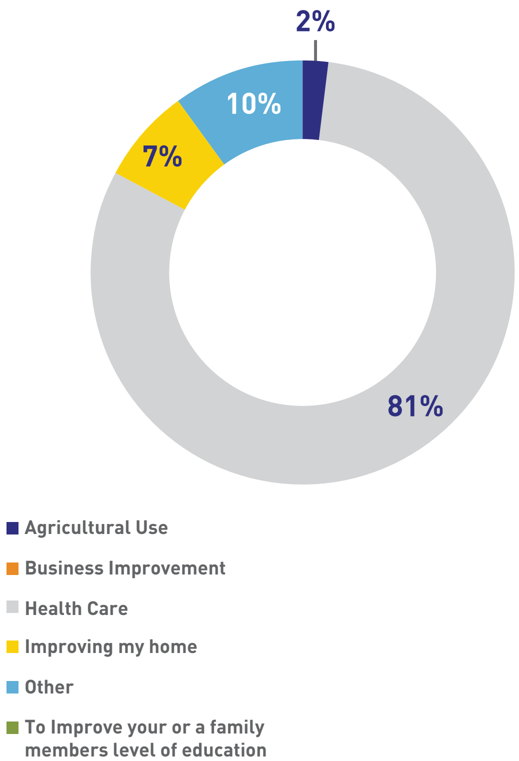
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	24%	50-100 km	8%
1-5 km	22%	→100 km	2%
5-10 km	23%	Undisclosed	0%
10-50 km	21%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	44%
Land	35%
Livestock (not for sale)	4%
Undisclosed	14%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	3%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	43%
No	57%
Undisclosed	0%

*Data is aggregated from customer surveys that are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

LESOTHO

2018 was a tough trading year for Letshego Lesotho but the team has stood fast in their resolve to reposition the Letshego Brand as a leading inclusive finance service provider in the Mountain Kingdom. This resolve has begun to demonstrate greenshoots as we successfully turn the tide in our net advances, maintain our market share of 15% in supporting government employees, and build a stronger management team to drive the business forward.

LEBAKENG TIGELI
Lesotho CEO

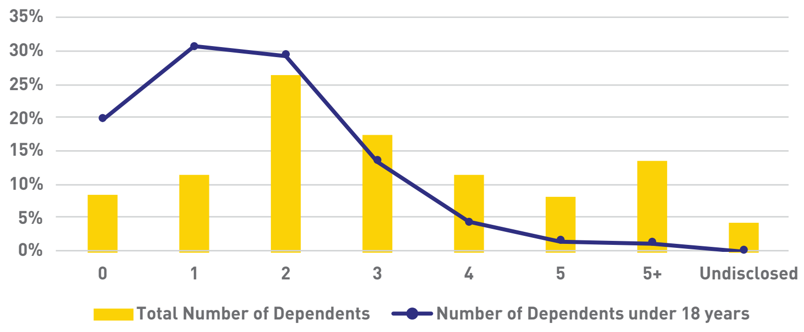
Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	37	40	40
Number of direct sales agents	-	10	5
	37	50	45
Access anytime anywhere			
Number of branches	1	1	1
Number of satellite offices	4	4	4
	5	5	5
Asset quality			
LLR to average gross advances	1.6%	1.0%	3.2%
NPL's provision coverage	9%	56%	72%
Performance			
Profit before tax and group charges	55	69	57
Net disbursements to customers	158	59	28
Advances			
Loanbook split	**409**	**405**	**337**
- Formal Loans	409	405	337
Customer split	**7 675**	**7 640**	**7 032**
- Formal Loans	7 675	7 640	7 032

KEY HIGHLIGHTS

- Enhanced leadership capacity with the appointment of Lebakeng Tigeli, Letshego's new Lesotho CEO as of Sept2018, with additional appointments in Audit, Finance and Operations
- Enhanced internal policy and procedures to expand offering and diversify customer base to non-government sector
- Forged partnership with peer financial institutions, mobile network operators and the Central Bank of Lesotho during Lesotho's Money Month Campaign. Letshego is the only microfinance institution to join this prestigious partnership that seeks to promote financial inclusion, responsible borrowing and sound financial management
- Letshego lead sponsor of local Government's Public Service Day event, reiterating our role as a strategic partner for government employees

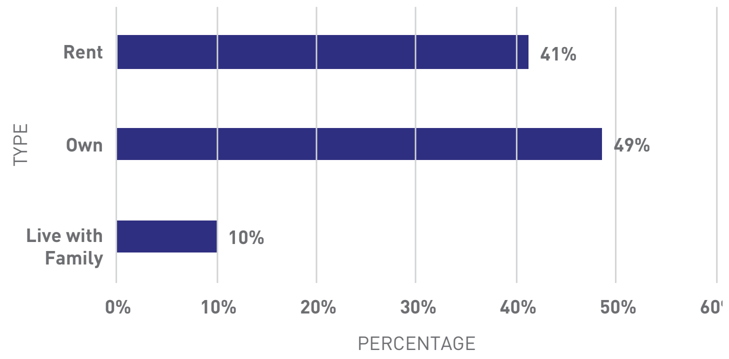
LESOTHO CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

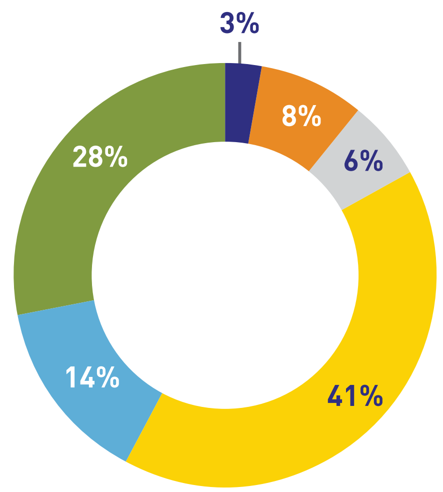
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	3%	50-100 km	5%
1-5 km	17%	→100 km	4%
5-10 km	25%	Undisclosed	28%
10-50 km	18%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	79%
Land	13%
Livestock (not for sale)	6%
Undisclosed	1%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	1%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	0%
No	23%
Undisclosed	77%

*Data is aggregated from customer surveys that are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

MOZAMBIQUE

Banco Letshego is recognised as a valued member of the Commercial Banking sector in Mozambique, having ranked 6th out of the 19 commercial banks in KPMG and Mozambique Bank Association's Survey 2017. After 8 years of operation, we support 20% of Mozambique's government employees and continue to be a leading location for new and pilot inclusive finance solutions for the Letshego Group at large.

CARLOS NHAMAHANGO
Mozambique CEO

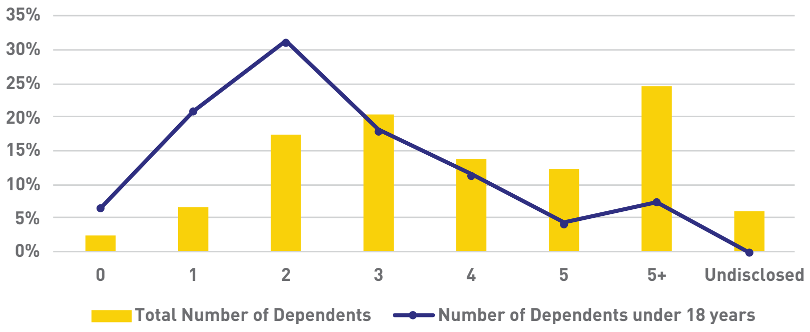
Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	158	162	178
Number of direct sales agents	101	160	173
	259	**322**	**351**
Access anytime anywhere			
Number of branches	12	13	13
Number of satellite offices	4	12	12
3rd Party agencies	-	119	397
	16	**144**	**422**
Asset quality			
LLR to average gross advances	2.4%	2.2%	1.1%
NPL's provision coverage	36%	29%	46%
Performance			
Profit before tax and group charges	107	75	109
Net disbursements to customers	**151**	**361**	**416**
Advances			
Loanbook split	**735**	**1 013**	**1 265**
- Formal Loans	735	1 013	1 265
Customer split	**67 100**	**79 129**	**84 755**
- Formal Loans	67 100	79 129	84 755
Customer savings			
Customer savings split	**5**	**12**	**205**
- Retail	3	4	70
- Corporate	2	8	135
Customer split	**3 483**	**17 943**	**32 772**
- Retail	3 526	17 886	32 667
- Corporate	2	57	105

KEY HIGHLIGHTS

- Successful mobilisation of savings, securing deposits valued at BWP205 million in 2018
- Direct Sales Agent strategy contributed 60% to overall sales for the year
- Launched 3 new solutions : Pilot vendor payment model; MSE with focus on Education Loan and Non-Government Loans
- Enhanced customer access and experience via USSD code enhancements

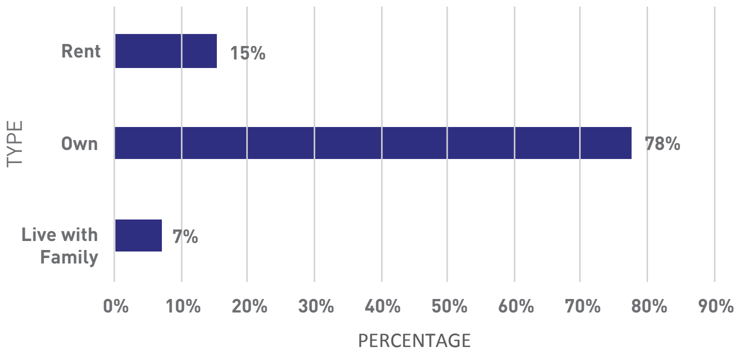
MOZAMBIQUE CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

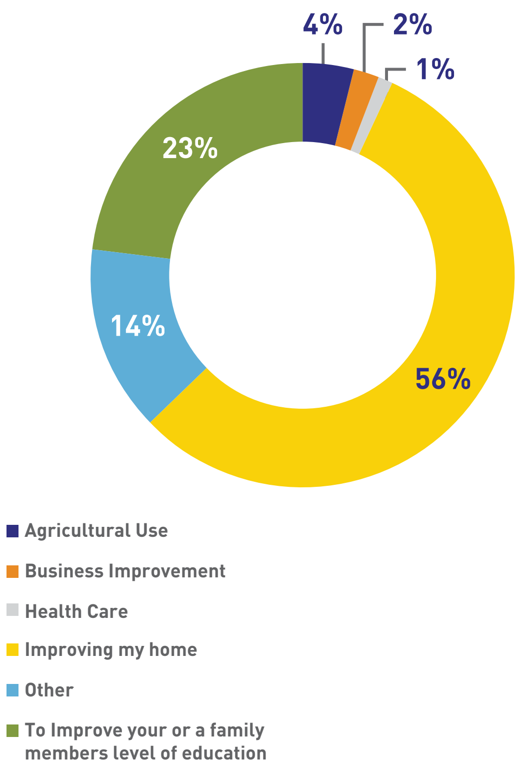
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	0%	50-100 km	0%
1-5 km	1%	→100 km	0%
5-10 km	0%	Undisclosed	99%
10-50 km	0%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	87%
Land	9%
Livestock (not for sale)	1%
Undisclosed	3%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	-

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	3%
No	88%
Undisclosed	9%

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NAMIBIA

The financial services industry doesn't reward the status quo, but rather respects innovation. This is the belief that my team and I strive to deliver for our customers.

ESTER KALI
Namibia CEO

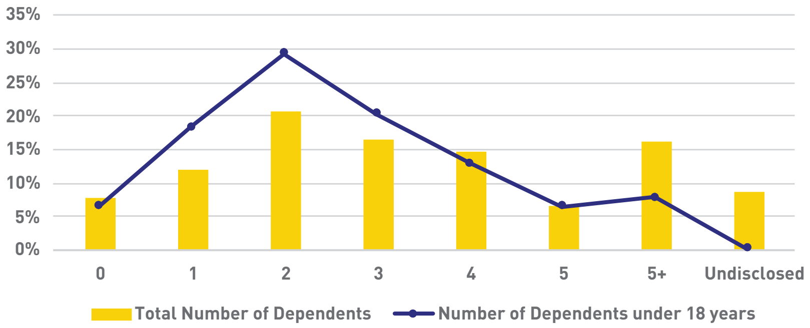
Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	86	98	117
Number of direct sales agents	11	11	51
	97	**109**	**168**
Access anytime anywhere			
Number of branches	1	2	2
Number of satellite offices	16	14	14
3rd Party agencies	-	2	1
	17	**18**	**17**
Asset quality			
LLR to average gross advances	0.1%	0.0%	0.7%
NPL's provision coverage	45%	19%	26%
Performance			
Profit before tax and group charges	351	436	450
Net disbursements to customers	572	647	559
Advances			
Loanbook split	**1 668**	**1 930**	**1 902**
- Formal Loans	1 668	1 930	1 902
Customer split	**50 648**	**52 356**	**51 586**
- Formal Loans	50 648	52 356	51 586
Customer savings			
Customer savings split	**-**	**72**	**56**
- Retail	-	0,1	2,4
- Corporate	-	72	53
Customer split	**-**	**109**	**2 135**
- Retail	-	107	2 127
- Corporate	-	2	8

KEY HIGHLIGHTS

- Opened two new full service branches in Windhoek and Swakopmund
- Close to 2,000 LetsGo accounts opened with over 34,000 card transactions in 2018
- 18 front-line staff appointed to enhance our customer experience
- PMR Diamond Arrow award for Best Micro-Lending Institution in Namibia
- Enhanced collections strategy

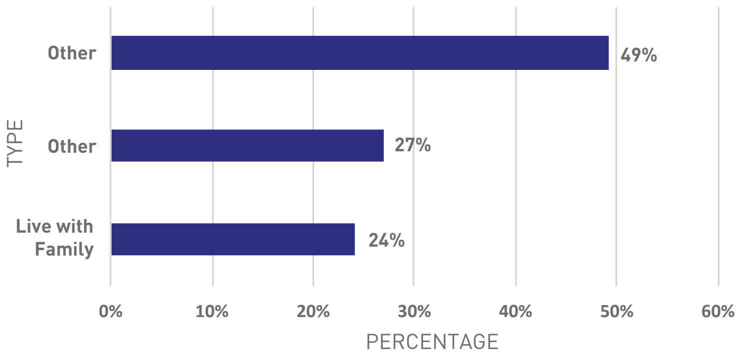
NAMIBIA CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

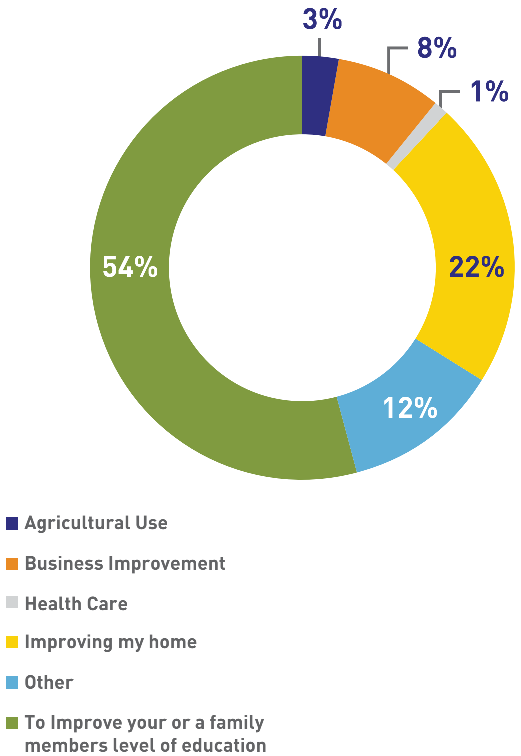
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	13%	50-100 km	6%
1-5 km	19%	→100 km	9%
5-10 km	14%	Undisclosed	28%
10-50 km	11%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	86%
Land	3%
Livestock (not for sale)	6%
Undisclosed	3%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	2%
None	-

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	13%
No	73%
Undisclosed	14%

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NIGERIA

2018 was a defining year for our business, being our first year to report a profit post Letshego Group's acquisition of the MFB business in 2015. The acquisition of Nigeria's Federal Government Deduction Code is a strategic milestone in our journey as we cement a sound base on which to build Letshego's Deduction at Source business going forward.

TOLU OPAYINKA
Nigeria CEO

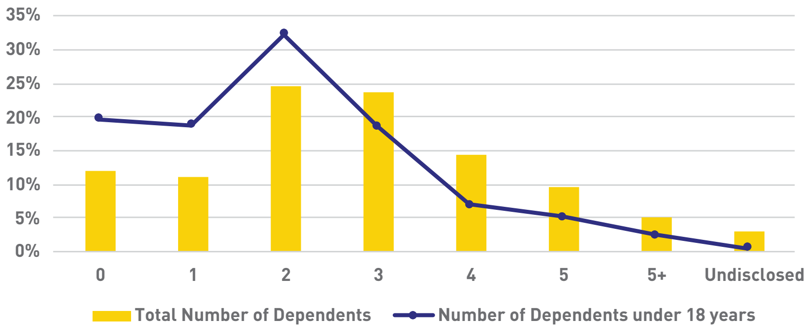
Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	237	268	273
Number of direct sales agents	-	-	66
	237	**268**	**339**
Access anytime anywhere			
Number of branches	26	23	24
	26	**23**	**24**
Asset quality			
LLR to average gross advances	8.5%	20.3%	8.6%
NPL's provision coverage	287%	218%	243%
Performance			
Profit before tax and group charges	(8)	3	14
Net disbursements to customers	173	142	146
Advanaes			
Loanbook split	**51**	**54**	**80**
- Formal Loans	-	1	23
- MSE loans	51	53	57
Customer split	**5 338**	**5 426**	**12 844**
- Formal Loans	-	55	5 139
- MSE loans	5 338	5 371	7 705
Customer savings			
Customer savings split	40	24	24
- Retail	39	23.7	22,0
- Corporate	1	0,5	2,2
Customer split	56 010	84 087	66 019
- Retail	54 225	83 226	65 669
- Corporate	1 785	861	350

KEY HIGHLIGHTS

- Letshego MFB Nigeria returned to profitibility in 2018
- Embedded Deduction at Source strategy, and acquired Deduction Code for Nigeria's Federal Government employees
- Significant partnerships secured with development organisations like EFInA, that will facilitate initiatives for financial inclusion in Northern Nigeria

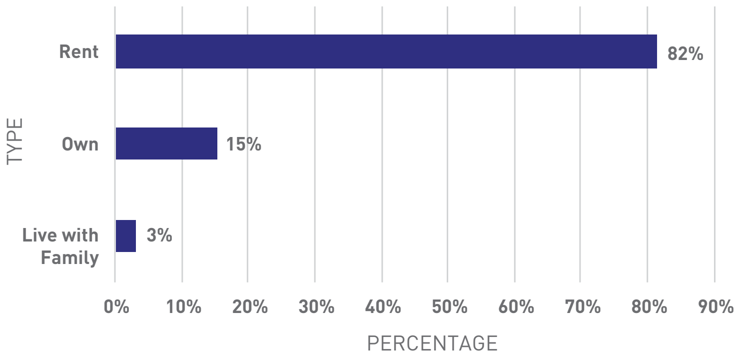
NIGERIA CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

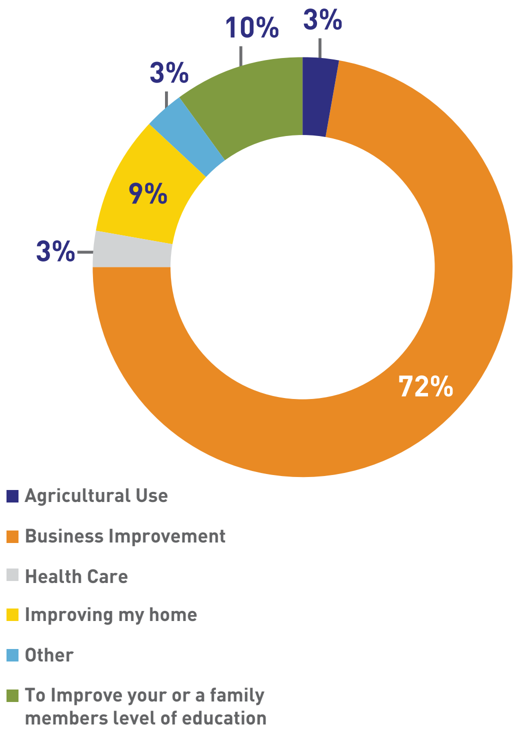
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	12%	50-100 km	11%
1-5 km	26%	→100 km	3%
5-10 km	20%	Undisclosed	12%
10-50 km	16%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	89%
Land	7%
Livestock (not for sale)	1%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	1%
Undisclosed	2%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	1%
No	95%
Undisclosed	4%

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RWANDA

Rwanda is making gradual progress in its long term journey towards profits, taking decisive steps to overcome current challenges and losses. In 2018 positive progress was achieved in recoveries and meeting customer deposit targets set for the year. Letshego remains committed to Rwanda, leveraging market potential and building a sustainable business for future growth.

DRU JAYARATNE
Rwanda CEO

Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	89	97	82
Number of direct sales agents	18	-	-
	107	**97**	**82**
Access anytime anywhere			
Number of branches	8	8	8
	8	**8**	**8**
Asset quality			
LLR to average gross advances	10.2%	42.8%	4.0%
NPL's provision coverage	157%	142%	148%
Performance			
Profit before tax and group charges	1	(42)	(1)
Net disbursements to customers	144	(12)	30
Advances			
Loanbook split	**165**	**43**	**46**
- Formal Loans	7	2	2
- MSE loans	159	41	44
Customer split	**3 666**	**1 038**	**817**
- Formal Loans	1 756	307	178
- MSE loans	1 910	731	639
Customer savings			
Customer savings split	**27**	**58**	**52**
- Retail	8	10	15
- Corporate	19	18	37
Customer split	**9 501**	**11 244**	**14 165**
- Retail	9 313	10 933	13 790
- Corporate	188	311	375

KEY HIGHLIGHTS

- Succesful implementation of an enhanced collections strategy, resulting in a recovery of over BWP13 million
- Increased customer deposits to BWP52 million
- Launched LetsGo All-in-1 solution

LETSHEGO TANZANIA BANK

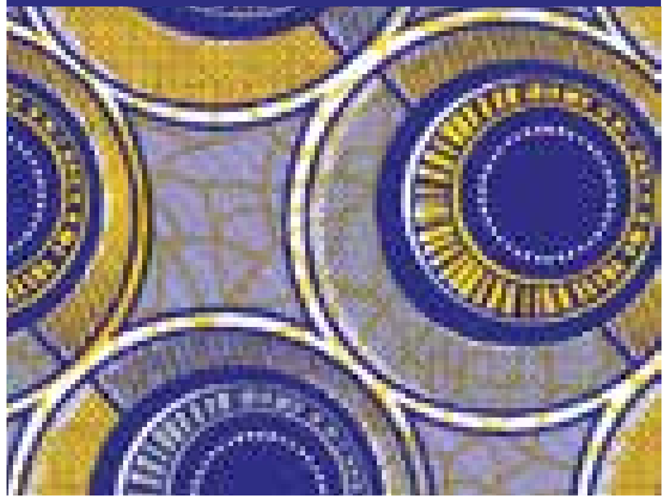
In 2018 we delivered a number of firsts for Tanzania, with our launching a number of new solutions and returning to marginal profit. Economic challenges have the potential to create headwinds, however we remain committed to building a resilient base of solutions that are easily accessible and valuable for local consumers across Tanzania.

THABIT NDILAHOMBA
Tanzania Bank CEO

Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	209	194	170
Number of direct sales agents	103	-	-
	312	**194**	**170**
Access anytime anywhere			
Number of branches	5	5	5
Number of satellite offices	4	4	5
3rd Party agencies	-	186	252
	9	**195**	**262**
Asset quality			
LLR to average gross advances	6,2%	9,7%	-1,2%
NPL's provision coverage	151%	89%	132%
Performance			
Profit before tax and group charges	(10)	(10)	4
Net disbursements to customers	157	186	158
Advances			
Loanbook split	**97**	**130**	**131**
- MSE loans	97	130	131
Customer split	**5 713**	**4 558**	**67 259**
- Formal Loans	-	-	-
- MSE loans	5 713	4 558	3 132
- Informal loans	-	-	64 127
Customer savings			
Customer savings split	**36**	**69**	**56**
- Retail	15	23	28
- Corporate	21	46	28
Customer split	**37 757**	**39 451**	**41 975**
- Retail	37 160	38 936	41 480
- Corporate	597	515	495

KEY HIGHLIGHTS

- Bank returned to profit for the first time since 2011
- Launched Timiza Akiba, a dynamic mobile savings soluton in partnership with mobile network operator
- Second agent banking channel launched via telco platform
- New SME solution disbursed just under P1 million in first year



LETSHEGO TANZANIA FAIDIKA

Faidika's profitability has significantly grown in the course of 2018, with profit after tax up 65% year-on-year. Non-performing loan write-offs and increasing competition did result in a drop in loan book, but refreshed solutions and stratgies to extend our reach are expected to counter this impact in 2019 and beyond. Faidika welcomes recent financial sector developments following the introduction of microfinance regulation by the Tanzanian Central Bank - enhanced regulation is in the interest of our customers, sector participants and our economy as a whole.

BARAKA MUNISI
Faidika CEO

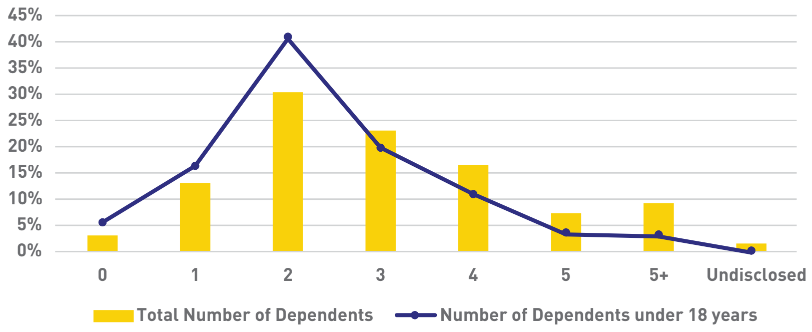
Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	75	68	69
Number of direct sales agents	353	348	298
	428	**416**	**367**
Access anytime anywhere			
Number of branches	16	16	16
Number of satellite offices	94	94	91
	110	110	107
Asset quality			
LLR to average gross advances	3.1%	16.7%	11.0%
NPL's provision coverage	61%	95%	119%
Performance			
Profit before tax and group charges	100	58	92
Net disbursements to customers	157	126	26
Advances			
Loanbook split	391	343	267
- Formal Loans	391	343	267
Customer split	46 776	45 183	39 159
- Formal Loans	46 776	45 183	39 159

KEY HIGHLIGHTS

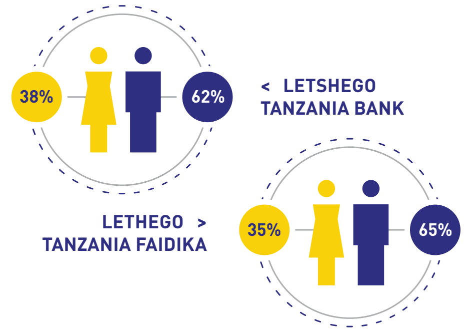
- After tax profit growth of 65% compared to 2017
- Launch of refreshed engagement campaigns to extend reach to more rural communities
- Faidika welcomes introduction of microfinance legislation by Central Bank in the interest of customers and financial sector development

TANZANIA CUSTOMER TRENDS*

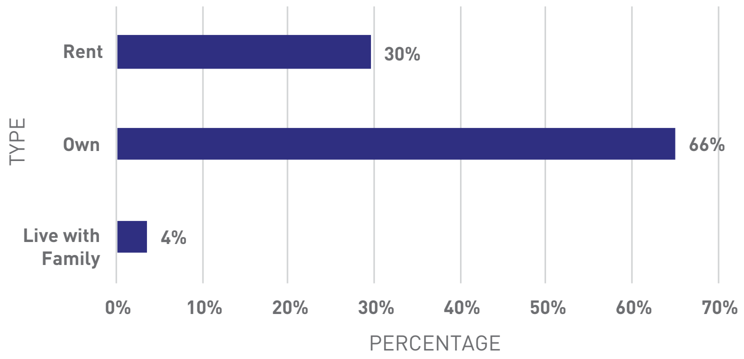
NO. OF DEPENDENTS



GENDER SPLIT



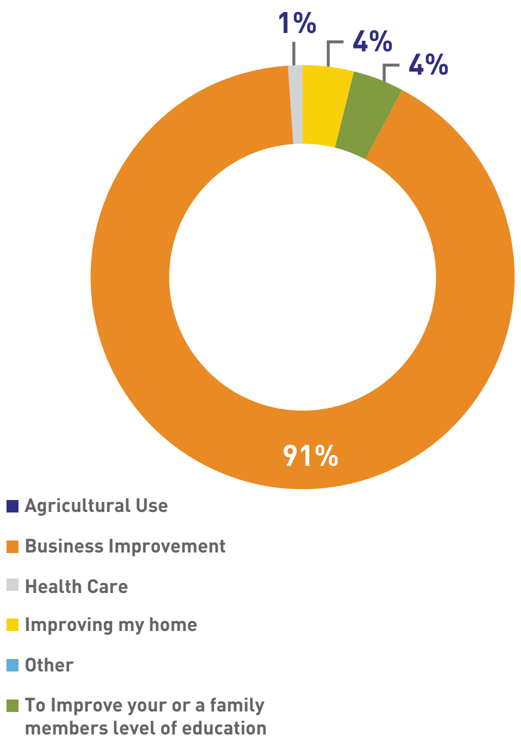
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	25%	50-100 km	1%
1-5 km	35%	→100 km	1%
5-10 km	19%	Undisclosed	14%
10-50 km	5%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	98%
Land	1%
Livestock (not for sale)	1%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	-
Undisclosed	-

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	14%
No	84%
Undisclosed	2%

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UGANDA

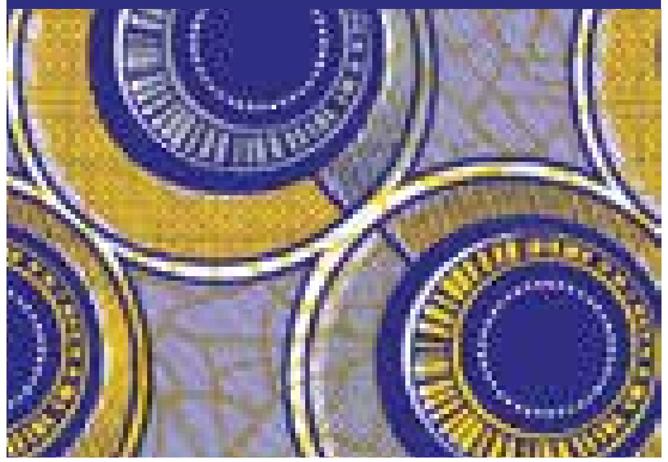
In 2018 we welcomed enhanced sector regulation, with Letshego Uganda now regulated by the Uganda Micro Finance Regulatory Authority. Despite the impact of IFRS 9, Letshego Uganda still achieved over 50% growth in profit after tax. Portfolio quality was also enhanced, with non-performing loans decreasing by 23% compared to the year prior. We look forward to building on these achievements into 2019.

GILES AIJUKWE
Acting CEO Uganda

Country Stats	Dec-16	Dec-17	Dec-18
People			
Number of FTE	246	235	231
Number of direct sales agents	171	208	195
	417	443	426
Access anytime anywhere			
Number of branches	22	22	22
Number of satellite offices	23	23	23
	45	45	45
Asset quality			
LLR to average gross advances	3.1%	8.1%	5.0%
NPL's provision coverage	39%	56%	98%
Performance			
Profit before tax and group charges	39	28	37
Net disbursements to customers	237	178	196
Advances			
Loanbook split	**307**	**302**	**310**
- Formal Loans	172	179	190
- MSE loans	135	123	120
Customer split	**39 872**	**39 900**	**39 343**
- Formal Loans	29 529	31 344	30 539
- MSE loans	10 343	8 556	8 804

KEY HIGHLIGHTS

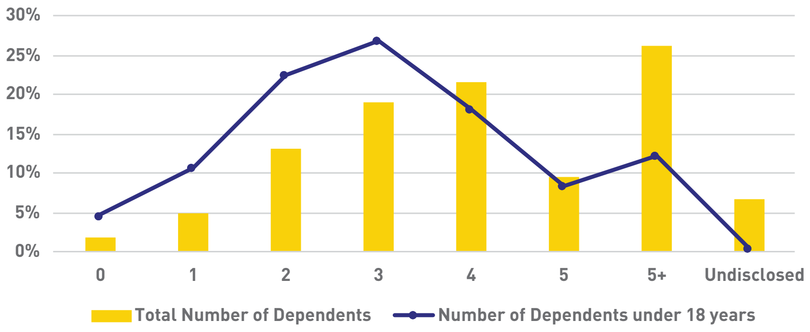
- Sector regulation enhanced - Letshego Uganda now regulated by the Uganda Micro Finance Regulatory Authority
- Growth of the Deduction at Source book with net loan payouts increased 12% year-on-year
- Increased collections resulted in improved portfolio quality - NPLs decreased by 23% year-on-year
- Growth before tax up by 52% year-on-year, despite impact of IFRS 9 implementation



Letshego

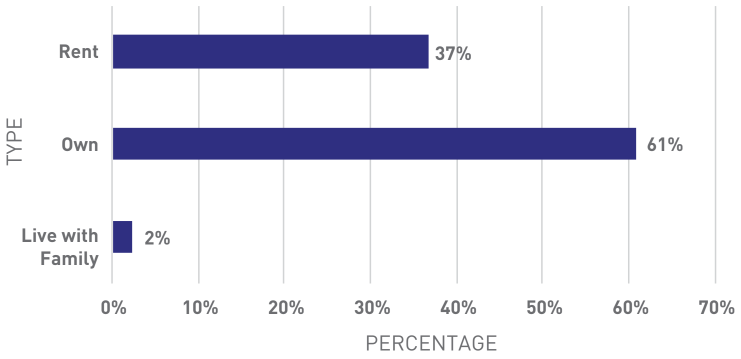
UGANDA CUSTOMER TRENDS*

NO. OF DEPENDENTS



GENDER SPLIT

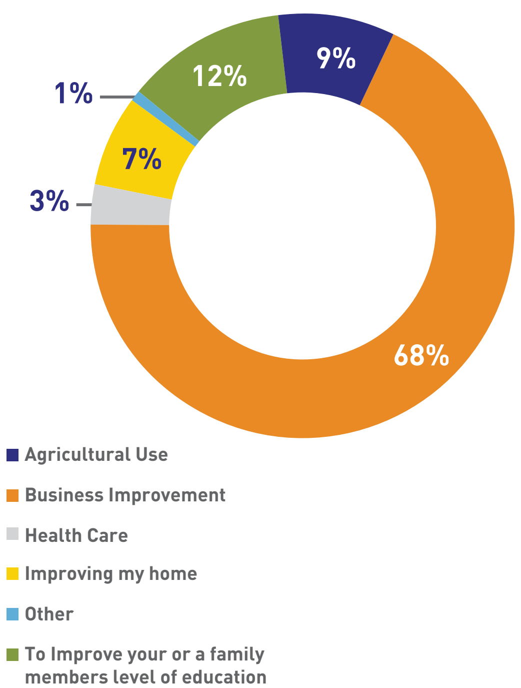
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH

→1 km	15%	50-100 km	1%
1-5 km	35%	→100 km	1%
5-10 km	13%	Undisclosed	29%
10-50 km	6%		

PURPOSE OF LOAN



NATURE OF PERSONAL SAVINGS

Formal Savings Account	79%
Land	14%
Livestock (not for sale)	2%
Valuables (jewellery, fully paid off home, fully paid of vehicle etc.)	3%
Undisclosed	2%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	1%
No	52%
Undisclosed	47%

Letshego

*Data is aggregated from customer surveys that are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

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