LETSHEGO HOLDINGS LIMITED GROUP
FULL YEAR 2020 REVIEWED FINANCIAL RESULTS

Letshego

The Board of Directors of Letshego Holdings Limited (“the Group”) herewith presents an extract of the reviewed consolidated full year financial results for the year ended 31 December 2020.

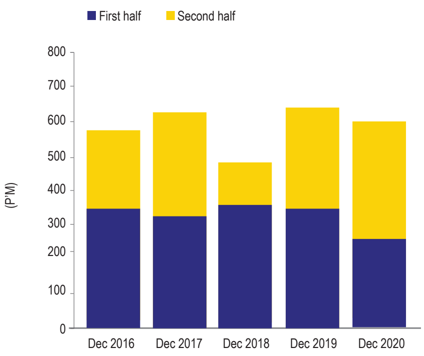
HIGHLIGHTS

Net advances to customers **12%**

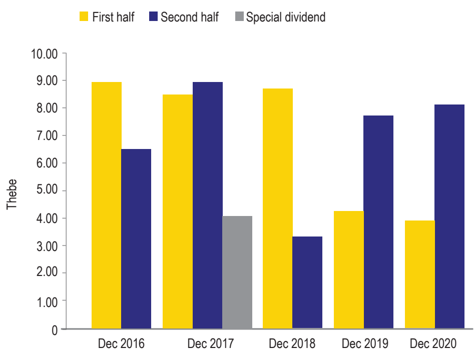
Customer deposits **56%**

Final dividend per share **8.3t**

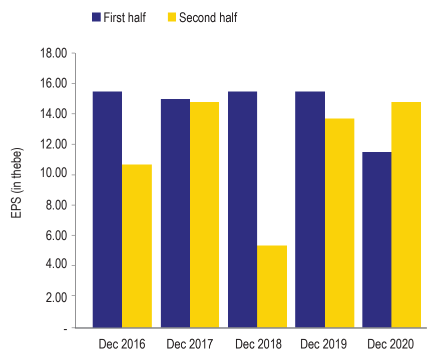
Profit After Tax (P’M)



Dividends per Share (Thebe)



Basic Earnings per Share (Thebe)



OVERVIEW

Against the backdrop of a devastating pandemic, Letshego demonstrated strong business resilience and effective risk management, resulting in robust financial performance for the financial year ended December 2020. After a challenging first half, the second half of the year saw the start of a recovery in many economies across our footprint, albeit constrained again by a second wave that emerged towards the end of the year, and into 2021. While the initial rebound in economies was characterised by a W-shaped trend, going forward, we anticipate a more K-shaped recovery, even as health protocols are embedded and vaccinations become more readily available.

The Group’s focus for the year centred around a return to stability, aimed at strengthening our core business and laying the foundation for a return to growth, through diversification and digitalisation, as envisaged by our 6-2-5 strategic roadmap. In the second half of the year, we launched and progressed the first phase (Plan 6) of the Group’s Transformation Strategy, culminating in the pilot launch of our dynamic LetsGo digital platform in February 2021, a platform positioned to be a cornerstone of our digital strategy. This is a momentous milestone in Letshego’s journey to become a digital-first business.

Despite the challenging economic evironment, Letshego delivered profit before tax in excess of P1 billion, bridging the net year on year decrease from 20% in H1, to a single digit of 9% in H2. Performance was underpinned by 12% growth in net customer advances, and asset quality improved with an overall reduced Loan Loss Ratio (LLR) of 0.3% (FY 2019*: 1.7%). Business resilience was further demonstrated by a reduction in Non Performing Loans to 5.3% (FY 2019*: 6.9%)

By fast tracking the digitalisation of systems and channels, customer access was not only maintained, but enhanced during the financial period under review, improving the Group’s business performance in the second half of the year compared to the first half.

International ratings agency, Moody’s, affirmed Letshego Holdings Limited’s credit rating at Ba3 with Outlook Stable.

Beginning 2021, Letshego commenced the second phase of its 6-2-5 roadmap (Plan 2), the investment phase - building out differentiating product and end-to-end digital capabilities, and keeping the Group on track towards its vision to be a world-class retail financial services organisation.

FINANCIAL HIGHLIGHTS:

1. **PROFIT BEFORE TAX (PBT)** ended the year at P1.030billion (FY 2019*: P1.138billion).
2. **PROFIT AFTER TAX (PAT)** of P631 million was 13 % down year on year (FY 2019*: P726 million).
3. **NET INTEREST INCOME** at P1.861 billion (FY 2019*: P2.051billion).
4. **NET ADVANCES** to customers increased by 12% to P10.2billion (FY 2019*: P9.1billion), while Gross Advances grew by 9% .
5. **TOTAL ASSETS** increased by 12% to P12.2billion (FY 2019*: P10.9billion).
6. **LOAN LOSS RATIO (LLR)** improved to 0.3% (FY 2019*: 1.7%).
7. **CUSTOMER DEPOSITS** increased by 56% year on year, reducing cost of deposits by 31%.
8. **COST TO INCOME RATIO** reflects ongoing investment at 50% (FY 2019*: 45%).
9. **EFFECTIVE TAX RATE (ETR)** was 39% (FY 2019*: 36%).
10. **RETURN ON EQUITY (ROE)** was 4% down to 13% (FY 2019*: 17%) and return on assets 5% (FY 2019*: 6%).
11. **NON PERFORMING LOANS** ratio improved to 5.3% (FY 2019*: 6.9%).
12. **EARLY PERFORMANCE INDICATORS (PAR 30)** ratio has improved to 8.3% (FY 2019*: 10.2%).
13. **CAPITAL ADEQUACY RATIO** remained strong at 35% (FY 2019*: 36%).
14. **DEBT TO EQUITY** increased to 118% (FY 2019*: 107%).
15. **EARNINGS PER SHARE** of 27.1 thebe (FY 2019*: 30.7 thebe), a decrease of 12%.

** Re-stated financials for the year 2019*

LETSHEGO NAMIBIA RESTATEMENT

Included in the financial statements is a prior year adjustment arising from the reversal of a loan conversion to preference shares in our Namibia subsidiary, Letshego Micro Financial Services Namibia Ltd (LMFSN). Letshego Holdings Limited (LHL) is the majority shareholder of Letshego Holdings Namibia Limited (LHN), which in turn has two wholly-owned subsidiaries: Letshego Micro Financial Services Namibia Ltd (LMFSN) and Letshego Bank Namibia (LBN).

In August 2011, Letshego Holdings Limited granted a shareholder loan of N$600 million to LMFSN which was converted into redeemable non-cumulative preference shares on 1 March 2018. It was subsequently determined that this conversion had not been executed in accordance with Stock Exchange regulations and the Companies Act in Namibia. As a result, the original loan transaction was restated in 2018 and 2019 financials for the Subsidiary and Group.

The restatement entails, retrospectively, adjusting for the difference in treatment of the loan versus the preference shares from 1 March 2018. In the 2019 statement of financial position, total assets increased by P43.2 million; affecting mainly taxation, the Foreign Currency Translation Reserve (FCTR), retained earnings and non-controlling interest. Profit after taxation increased by P34.8 million following restatement adjustments to interest expense and taxation (refer to Annual Financial Statement Note 22).

STATEMENT OF PROFIT AND LOSS REVIEW

Net Interest Income was P1.861 billion (FY 2019*: P2.051 billion). The outcome was better than expected with increased payout volumes experienced in the second half, improving on first half volumes that were affected by the pandemic. Second half payouts peaked with the highest net payouts for the year of P647 million recorded in October. The average monthly net payouts increased by 29% between H1 and H2 of 2020. Borrowing costs decreased by 8% year on year, with the Group progressing on its longer term journey to diversify funding.

Non-funded income reduced by 15% year on year, mainly affected by the change in Namibia’s insurance arrangement, which decreased by 21% year on year following the initial revision in October 2019 to meet new statutory requirements. The arrangements were re-negotiated in line with the revised regulations, with credit life insurance re-introduced in April 2020 and short term insurance revised in August 2020 albeit at lower rates. As a result the variance on insurance arrangements income improved from 51% year on year, as at June 2020 to 21% in December 2020.

Total operational expenses of P1.089billion increased by 1% from 2019. Employee costs increased by 9%. These included one-off exit costs as well as the recruitment of senior resources. Other operating expenses decreased by 4%, although increased expenditure was incurred on advertising, COVID-related IT costs and consultancy fees related to building our digital platform. Increased digital expenditure is expected going forward as the Group rolls out its digital transformation strategy.

Effective Tax Rate:

Letshego’s effective tax rate for the period was 39% (H1 2019: 36%).
This is attributable to:

- Lower operating income due to COVID-19
- Increased dividend flows from subsidiaries contributed 4% to ETR (FY 2019: 3%)
- Increased deferred tax assets and withholding tax credits not utilised by the holding company
- Prior year tax adjustments accounted for in the current year, contributed 2% to ETR

The components of ETR are broken down as follows:

Components of the Effective Tax Rate	FY 2020	FY 2019
Baseline tax charge	29%	30%
Dividends from subsidiaries	4%	3%
Intergroup costs	4%	3%
Prior year adjustments	2%	0%
Effective tax rate	**39%**	**36%**

Due to the restatement of the financial statements, the 2019 ETR reduced by 3% to 36%, while the current year ETR stands at 39%. Although much work has been done on tax compliance, we expect it to take another 1 to 2 years to be able to maintain and normalise ETR at target levels of 36%-37%.

Statement of Financial Position Review
Overall Asset Quality

The Group demonstrated strong FY 2020 credit performance despite the COVID-19 pandemic. Expected Credit Losses as a percentage of Gross Advances reduced from 7.7% in December 2019 to 5.4% in December 2020 in line with impaired portfolio (Stage 3). We recorded a low loan loss ratio of 0.3%, down from 1.7% for 2019, attributable to:

- **Release of Mobile provisions of P105.3million**

With ongoing credit scorecard optimisation, mobile loans provisions reduced by P105.3million, with the portfolio enjoying increased stability and continued enhancements in credit risk management. The mobile loan portfolio exposure in Ghana was reduced to mitigate portfolio risk, with portfolio value now at P313million (FY 2019*: P339million; FY 2018: P507million).

- **Reversal of COVID provisions on the back of repayment holidays**

Repayment holidays were granted for loans amounting to P683.6million at 30 June comprising of 7% of the Group’s total loan portfolio, with additional relief provided via loan restructures.
MSE customers made up 90% of payment relief recipients, with the balance being non-government Deduction at Source customers.
COVID-19 provision of P70million taken in the first half of the year was then reversed (P86million at H1’20) as the repayment period came to an end in December 2020.
60% of MSE accounts in repayment holiday continued to pay, even during the relief months.

- **Recovery of single exposure employer partners**

The Group recovered P35million during the financial period, with major contributions from improved employer contributions in Eswatini and general provision reversals post closure of payment holiday support.

- **Improvement in asset quality, collections and recoveries**

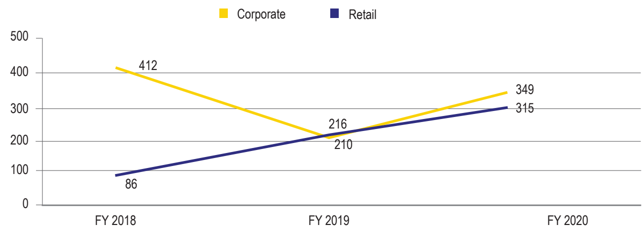
The provisions decrease was driven by an uptick in collections and recoveries from the Group’s delinquent book, and once-off policy write-offs.
In 2020, the Group continued its prioritisation of asset quality as well as initiated a review of historic defaults in write-offs. This resulted in increased collections and recoveries, particularly in the second half of the year.
Non performing loans coverage ratio (provisions against PAR90 loans), was adequate at 98% (FY 2019*: 112%).
Overall, non performing loans improved to 5.3% against a target of 5% (FY 2019*: 6.9%).
Our Deduction at Source (DAS) portfolio has remained resilient with a collection rate of 98%, as governments sought to minimise retrenchments despite the pandemic. MSE collections rate improved to 81%
(FY2019*: 75%), supported by focused collection and recovery strategies as well as customer support mechanisms, including repayment holidays and structured repayment plans.

Table to summarise overall asset quality:

Asset quality	FY 2020	FY2019	FY 2018	FY 2017
Portfolio at risk - 90 days	5.3%	6.9%	7.1%	6.8%
Portfolio at risk - 30 days	8.3%	10.0%	10.4%	9.9%
Non-performing loan coverage ratio	98.0%	112.0%	115.0%	70.0%
Loan loss rate - actual	0.3%	1.7%	4.1%	3.1%
Loan loss rate - excluding once-off items	0.3%	1.7%	2.0%	2.5%

Deposits
Overall, deposits from customers increased by 56% to P664million (FY 2019*: P427million). Deposit growth was the result of retail deposits increasing by 46% to P315million (FY2019*: P216million). Growth in corporate deposits increased 66%, to P349million (FY 2019*: P210milllion).

The aggregated cost of deposits dropped by 31%, down to 11% in 2020 (FY 2019*: 16%) following focused deposit cost reduction and progress in diversifying the deposit base. Corporate deposit growth was spurred by Nambia, Ghana and Nigeria. Countries that led retail, personal deposits growth were Namibia, Ghana and Mozambique driven by enablement of payment channels. Retail MSE deposits grew by 59%, led by cards and USSD in Nigeria and Tanzania. Deposit customer numbers grew by 54% to 619,481 (FY 2019*: 402,298), enabled by all segments, particularly Mass Micro Saving (MMS) customers in Tanzania and Mozambique. The value of deposits from Mass Micro Savings (MMS) grew by 39%, in partnership with mobile network operators and international payment providers



Funding
The Group's total borrowings increased by 14% to P5.7billion (FY 2019*: P4.97billion), as we continue to diversify our funding mix, increasing deposits to mitigate refinancing risk. Commercial Banking lines still remain the Group's main source of funding, contributing 46% of borrowings (FY 2019*: 38%). The Group secured additional longer dated funding from DFIs, now contributing 24% of external funding (FY 2019*: 23%). The balance between extended tenor and cost of borrowing is a delicate mix that remains a key focus area for the Group. Maturing debt obligations were successfully managed through the pandemic. Newer facilities were secured at subsidiary level, leveraging local currency risk mitigants, along with longer tenors of 4 to 7 years, to extend the duration of liabilities.

Liquidity
Liquidity remained stable with year end cash and cash equivalents at P1billion. Sustained interest from international investors and developmental financial institutions continues to support the Group's liquidity and effective management of debt maturities.

PLAN 6: SUCCESSFUL DELIVERY IN FIRST PHASE OF TRANSFORMATION STRATEGY
The first phase of Letshego's 6-2-5 strategy centred on leveraging the Group's legacy, and strengthening the foundation of our core businesses : Deduction at source; MSE ; Deposts and Mass Micro segment offerings.

Strengthening product offering
Deduction at Source ("DAS")
In Plan 6, our focus was to strengthen the DAS business in the middle of the pandemic. We enhanced the offering and enabled easier access to loans by all customers through digital and alternate channels which included Webforms, Whatsapp and USSD. As a result, DAS net advances increased by 12% to P9.1billion (FY 2019*: P8.1billion). The group-wide launch of Letshego's digital platform and the digitalisation of DAS planned for 2021, is expected to broaden ease of access and grow this core product offering.

Micro & Small Entrepreneurs (MSEs)
MSE lending was a segment mostly impacted by the pandemic and the focus was to improve credit decisioning, increase collection and recovery efforts to lower impairments. Serving MSE through digital channels lowered the costs of delivery with a decrease in physical staff engagements. Consequently MSE net advances increased by 6% to P806million (FY 2019*: P761m) delivering a PBT of P53million in 2020 (FY 2019*: P27m).

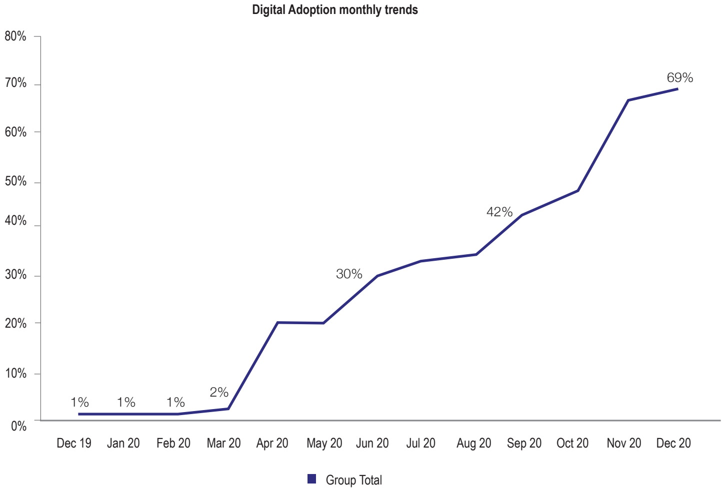
The focus to continue to grow the MSE portfolio, in Plan 2, will include implementing the Group's new Programmatic Approach, which drives access to DFI longer term funding and technical assistance for product development and risk management. The pilots for Green solutions in Ghana, and Education support in Botswana, are under way. This Programmatic Approach will support the product diversification for high social impact programs and assist Letshego to de-risk the business, particularly in MSE lending.

Mass Mobile Loans
In the year under review, management's implementation of the Group's upgraded credit scorecard optimisation platform reduced portfolio impairments, by reducing levels in poor loan performance and enhancing our credit decisioning processes.

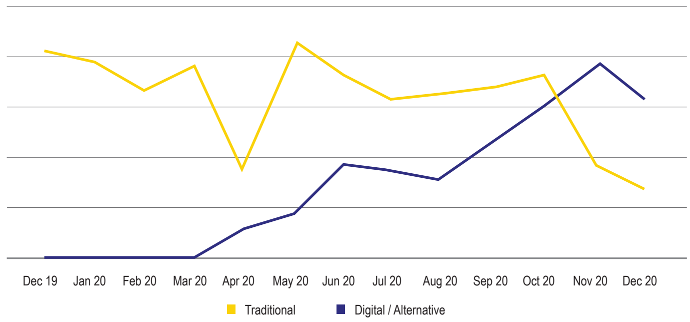
As a result, Net advances for Mass Mobile Loans increased 8% to P231million in 2020 (FY 2019*: P 214m) . PBT for this portfolio increased 453% to P42million in 2020 (FY 2019*: P8million). Credit improvements and impairment charges reduced from negative P96million in 2019 to positive P9.2million write-back by December 2020. These positive trends indicate that mobile lending, with effective credit risk management, is a valued scope for growth for Letshego in 2021 and beyond.

Accelerating Digitalisation
Initiated our digital transformation with increased access to our core business offerings via WhatsApp and Webforms. This was further supported by our call centre and 'Digital Eagles' (front line employees) educating customers on how to transition from traditional channels to digital. Digital Adoption increased from 2% in February 2020 to 69% by year end (FY 2019: Less than 1%). By Quarter 4 2020, the business was processing more loan transcations on digital and alterantive channels than traditional channels, demonstrating the strategy's success.

Digital Adoption monthly trends



Traditional and Digital / Alternative Total Loan Transactions Trends



Geographic Rebalancing
Geographic Rebalancing centres around the Group's strategy to focus strategic support for small to medium subsidiaries and seize local growth opportunities, increasing collective contribution to Group Profits over the medium to long term.
Profit before tax contribution from East and West subsidiaries grew from 18% in 2019, to 26% in 2020. Countries with marked profit before tax growth year on year were Ghana, at over 600%, and Kenya at 10%. Operating income in Nigeria also increased by a noteworthy 16%. Looking forward, Geographic Rebalancing progress is expected to be led by Ghana, Nigeria, and Kenya, recording 4.8%, 2.6% and 4.4% year on year income growth, respectively.

Enterprise Agility
Enterprise Agility is an internationally recognised methodology that the Group is adopting to achieve execution efficiencies and delivery, ultimately improving Letshego's ways of working. Agility methodology supported the effective digitalisation of our access channels in the first half of 2020. The streamlined team collaboration structure is now being used to accelerate Letshego's new digital platforms for implementation in Plan 2 (2021-2022). Letshego adopted experiential learning as part of our Enterprise Agility roll out, facilitating the delivery of key digital deliverables in record time. During the course of the year, 26 employees achieved an international accredition in Enterprise Business Agility, initiating our commitment to cascade best practice across our organisation.

Sustainable Shareholder Value
All countries are well capitalised and work is progressing on our capital optimisation plan, with the Group's capital adequacy ratio at 35%. Letshego's Debt to Equity Ratio increased to 118% (FY 2019*: 108%) – this is in line with the Group's target range. The Group declared a half year dividend at a 35% payout ratio, returning to the targeted 50% ratio for the second half.

PLAN 2 - THE NEW PHASE IN OUR TRANSFORMATION JOURNEY
With phase one of Letshego's 6-2-5 roadmap successfully concluded by the end of December 2020, Letshego now transitions to the next phase of its dynamic transformational journey, 'Plan 2'. This next phase centres around the acceleration of our digital transformation through the launch of our new app-led 'LetsGo' digital platform in key markets. First phase of building the platform was concluded in February and is already in a controlled pilot stage in Botswana and Nigeria where a sample group of existing customers are applying for loan offerings via the new 'LetsGo' digital platform.

The 'LetsGo' platform integrates existing processing and operations end-to-end, galvanising the acquisition of specialist digital skills to embed emerging transformative technologies across multi-geographies, and enables access to new eco-systems with strategic partners, hence broadening Letshego's current and future value propositions.

'LetsGo' is an integral catalyst to Letshego achieving its vision to be a world-class financial services organisation, delivering its purpose to improve more lives, through enabling ease of access to all our solutions.

An additional objective for Plan 2 is to entrench enterprise-wide Agility across our footprint, embedding Agile squad structures to accelerate further releases of our platform, and increase our Enterprise Active Customers (EAC) by 1 million by 2023. This is a significant milestone within Letshego's digital journey, not only in the technology, but the step change this platform represents in Letshego's pivot from the traditional to world-class.

The New LetsGo Digital Platform

OUTLOOK
In the context of geo-political developments, and the ongoing impact of COVID-19, the future business environment remains uncertain globally and across our continent. This is further complicated with the emergence of new variants and hurdles experienced in regional vaccine acquisition. Economies are likely to follow a 'K-shaped recovery'– a scenario where industry sectors, segments and countries recover at different rates. Due to the disparate recoveries, we expect subdued business recovery throughout 2021, but activity should pick up in 2022.

Plan 2 is the investment phase of our strategy execution roadmap, where we intend to focus on building out differentiating product and end-to-end digital capabilities. As a result, it is our expectation that key performance indicators will shift over the period. Our target is to achieve above 70% digital adoption levels, within a wider product mix. We target an ROE (Retun on Equity) of 15-16% for Plan 2, keeping us on track to meet our target ROE above 20% by 2025, in line with our 5 year strategic plan.

Auditors' review
The condensed annual financial statements from which the financial information is set out in this announcement has been reviewed but not audited by Ernst & Young, Letshego Group's external auditors. Their unqualified review report is available for inspection at the Group's registered office.

Dividend notice
Notice is hereby given that the Board has declared a final dividend of 8.3 thebe per share for the year ended 31 December 2020. In terms of the Botswana Income Tax Act (Cap 50:01) as amended, withholding tax at the rate of 7.5% or any other currently enacted tax rate will be deducted from the final gross dividend for the year ended 31 December 2020.

Important dates pertaining to this dividend are:
- Declaration date, 26 February 2021
- Shares go ex-dividend from 28 April 2021
- Last date to register is 30 April 2021
- Dividend payment date on or about, 12 May 2021

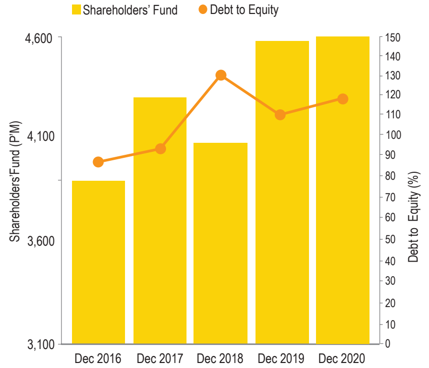
For and on behalf of the Board of Directors:

Enos Banda
Group Chairman
3 March 2021

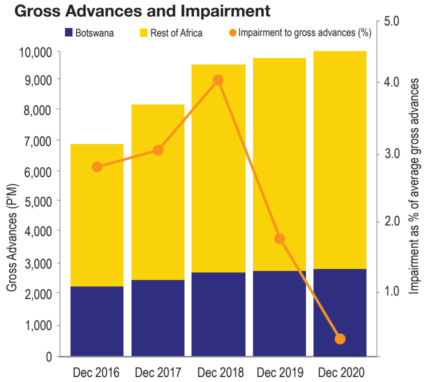
Andrew Fening Okai
Group Chief Executive
3 March 2021

COMMENTARY (continued)

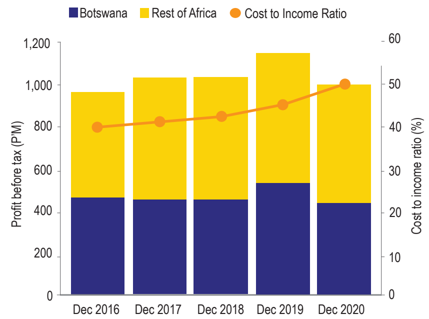
Shareholders' Fund: Debt to Equity



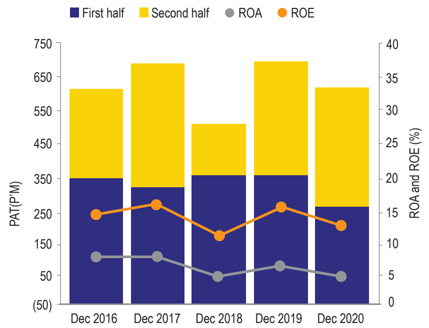
Gross Advances and Impairment



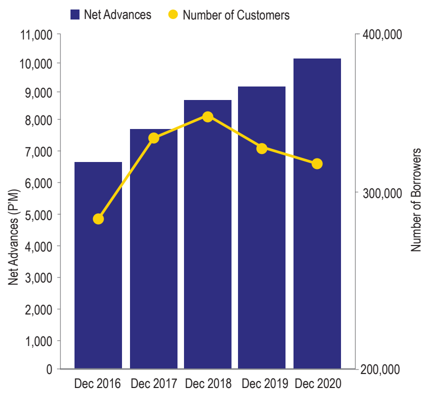
Geographic Diversification and PBT to Cost to Income ratio



ROA vs ROE vs PAT



Net Advances and Number of Customers



RATIOS

	31 Dec 2020 (Reviewed)	31 Dec 2019 (Restated)
Return on average assets (%)	5%	6%
Return on average equity (%)	13%	17%
Cost to income ratio (%)	50%	45%
Debt to equity ratio (%)	118%	107%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 Dec 2020 (Reviewed) P'000	At 31 Dec 2019 (Restated) P'000	Change %	At 31 Dec 2018 (Restated) P'000
ASSETS					
Cash and cash equivalents	1	1,043,864	1,035,513		1,188,402
Advances to customers	2	10,161,534	9,071,484	12	8,698,831
Other receivables	3	263,202	247,996		252,491
Financial assets at fair value through profit or loss	4	140,804	-		-
Financial assets at fair value through OCI		59,408	53,591		53,591
Income tax receivable		102,633	82,741		44,829
Property, plant and equipment	5	94,229	99,671		80,532
Right of use assets	6	131,703	61,436		-
Intangible assets	7	39,091	45,221		45,488
Goodwill	8	65,598	68,233		106,229
Deferred tax assets		124,139	144,699		201,088
Total assets		**12,226,205**	**10,910,585**	**12**	**10,671,481**
LIABILITIES AND EQUITY					
Liabilities					
Financial liabilities at fair value through profit or loss	9	152,855	15,390		13,902
Customer deposits	10	664,393	426,673	56	497,718
Cash collateral	11	18,838	21,721		27,028
Trade and other payables	12	714,548	553,772		492,584
Lease liabilities	13	133,377	64,760		-
Income tax payable		103,057	239,743		232,132
Borrowings	14	5,649,561	4,966,785		5,315,417
Deferred tax liabilities		-	805		3,205
Total liabilities		**7,436,629**	**6,289,649**		**6,581,986**
Shareholders' equity					
Stated capital	15	872,169	862,621		862,621
Foreign currency translation reserve		(885,673)	(675,885)		(653,010)
Legal reserve		214,835	195,793		73,519
Fair value adjustment reserve		5,817	-		-
Share based payment reserve		31,295	24,304		18,089
Retained earnings		4,133,314	3,823,280		3,454,814
Total equity attributable to equity holders of the parent company		**4,371,757**	**4,230,113**		**3,756,033**
Non-controlling interests		417,819	390,823		333,462
Total shareholders' equity		**4,789,576**	**4,620,936**		**4,089,495**
Total liabilities and equity		**12,226,205**	**10,910,585**	**12**	**10,671,481**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	12 months ended 31 Dec 2020 (Reviewed) P'000	12 months ended 31 Dec 2019 (Restated) P'000	Change %
Effective interest income	16	2,712,278	2,974,839	(9)
Effective interest expense	17	(850,964)	(923,814)	(8)
Net interest income		**1,861,314**	**2,051,025**	**(9)**
Fee and commission income		71,033	59,451	19
Other operating income	18	212,536	273,018	(25)
Operating income		**2,144,883**	**2,383,494**	**(10)**
Employee costs	19	(493,497)	(454,023)	9
Other operating expenses	20	(595,308)	(622,737)	(4)
Net income before impairment and taxation		**1,056,078**	**1,306,734**	**(19)**
Expected credit losses	21	(25,771)	(169,101)	(85)
Profit before taxation		**1,030,307**	**1,137,633**	**(9)**
Taxation		(399,434)	(411,295)	
Profit for the year		**630,873**	**726,338**	**(13)**
Attributable to :				
Equity holders of the parent company		575,718	652,239	
Non-controlling interests		55,155	74,099	
Profit for the year		**630,873**	**726,338**	**(13)**
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to profit or loss:				
Fair value adjustment of a financial asset		5,817	-	
Foreign currency translation differences arising from foreign operations		(219,197)	(18,634)	
Total comprehensive income for the year		**417,493**	**707,704**	
Attributable to :				
Equity holders of the parent company		371,747	629,364	
Non-controlling interests		45,746	78,340	
Total comprehensive income for the year		**417,493**	**707,704**	
Weighted average number of shares in issue during the year (millions)		2,128	2,125	
Dilution effect - number of shares (millions)		99	40	
Number of shares in issue at the end of the year (millions)		2,144	2,144	
Basic earnings per share (thebe)		27.1	30.7	(12)
Fully diluted earnings per share (thebe)		25.8	30.1	

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital P'000	Retained earnings P'000	Share based payment reserve P'000	Fair value reserve of financial assets at FVOCI P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interest P'000	Total P'000
Balance at 31 December 2018 - as previously reported	**862,621**	**3,500,317**	**18,089**	**-**	**(696,276)**	**73,519**	**316,392**	**4,074,662**
Prior year adjustment - note 22	-	(45,503)	-	-	43,266	-	17,070	14,833
Balance at 1 January 2019 - (Restated)	**862,621**	**3,454,814**	**18,089**	**-**	**(653,010)**	**73,519**	**333,462**	**4,089,495**
Total comprehensive income for the year								
Profit for the year	-	652,239	-	-	-	-	74,099	726,338
Other comprehensive income, net of income tax								
Foreign currency translation reserve	-	-	-	-	(22,875)	-	4,241	(18,634)
Transactions with owners, recorded directly in equity								
Allocation to legal reserve	-	(122,274)	-	-	-	122,274	-	-
Recognition of share based payment reserve movement	-	-	6,215	-	-	-	-	6,215
Dividends paid by subsidiary to minority interests	-	-	-	-	-	-	(20,979)	(20,979)
Dividends paid to equity holders	-	(161,499)	-	-	-	-	-	(161,499)
Balance at 31 December 2019 - (Restated)	**862,621**	**3,823,280**	**24,304**	**-**	**(675,885)**	**195,793**	**390,823**	**4,620,936**
Total comprehensive income for the year								
Profit for the year	-	575,718	-	-	-	-	55,155	630,873
Other comprehensive income, net of income tax								
Other comprehensive income	-	-	-	5,817	-	-	-	5,817
Foreign currency translation reserve	-	-	-	-	(209,788)	-	(9,409)	(219,197)
Transactions with owners, recorded directly in equity								
Allocation to legal reserve	-	(19,042)	-	-	-	19,042	-	-
Recognition of share based payment reserve movement	-	-	16,539	-	-	-	-	16,539
New shares issued from long term incentive scheme	9,548	-	(9,548)	-	-	-	-	-
Dividends paid by subsidiary to minority interests	-	-	-	-	-	-	(18,750)	(18,750)
Dividends paid to equity holders	-	(246,642)	-	-	-	-	-	(246,642)
Balance at 31 December 2020 - (Reviewed)	**872,169**	**4,133,314**	**31,295**	**5,817**	**(885,673)**	**214,835**	**417,819**	**4,789,576**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 Dec 2020 (Reviewed) P'000	Year ended 31 Dec 2019 (Restated) P'000
Operating activities			
Profit before taxation		1,030,307	1,137,633
Adjustments for:			
: Interest received		(2,712,278)	(2,974,839)
: Interest paid		850,964	923,814
: Amortisation, depreciation and right of use assets		85,673	84,972
: Impairment and write off charge		224,400	352,868
: Impairment of goodwill		-	38,737
Movement in working capital and other changes		(1,146,288)	(770,981)
Cash used in operations		(1,667,222)	(1,207,796)
Interest received		2,712,278	2,974,839
Interest paid		(837,911)	(913,398)
Income tax paid		(536,262)	(387,607)
Net cash flows (used) in / generated from operating activities		(329,117)	466,038
Investing activities			
Proceeds on disposal of plant and equipment		-	54
Purchase of property, plant and equipment and intangible assets		(45,320)	(69,960)
Net cash flows used in investing activities		(45,320)	(69,906)
Financing activities			
Dividends paid to equity holders and non-controlling interest		(265,392)	(182,478)
Conditional subsequent payment relating to the investment in AFB Ghana		-	(2,577)
Lease payments		(49,886)	(42,565)
Finance obtained from third parties		1,273,785	1,135,522
Repayment of borrowings		(526,226)	(1,415,529)
Net cash flows generated from / (used in) financing activities		432,281	(507,627)
Net movement in cash and cash equivalents		57,844	(111,495)
Cash and cash equivalents at the beginning of the year		972,123	1,100,342
Effect of exchange rate changes on cash and cash equivalents		(43,433)	(16,724)
Cash and cash equivalents at the end of the year	1	**986,534**	**972,123**

SEGMENTAL REPORTING

For the year ended 31 December 2020

The Group's geographical operating segments are reported below:

Reportable segments 31 December 2020	Botswana P '000	Namibia P '000	Mozambique P '000	Lesotho P '000	Eswatini P '000	Kenya P '000	Rwanda P '000	Uganda P '000	Tanzania P '000	Nigeria P '000	Ghana P '000	Holding company or eliminations P '000	Total P '000
Operating income	652,661	489,087	314,075	85,240	77,949	159,475	6,112	134,659	145,826	61,892	187,040	(169,133)	2,144,883
Profit / (loss) before taxation	471,412	333,581	197,177	60,845	29,992	60,803	614	21,669	64,682	5,935	115,732	(332,135)	1,030,307
Taxation - consolidated													(399,434)
Profit - consolidated													**630,873**
Gross advances to customers	2,937,130	2,714,213	1,268,176	428,787	514,252	737,442	33,309	418,300	459,312	151,564	1,077,036	-	10,739,521
Impairment provisions	(110,884)	(42,871)	(24,127)	(19,314)	(22,609)	(137,564)	(2,637)	(39,109)	(44,491)	(20,110)	(114,271)	-	(577,987)
Net advances	2,826,246	2,671,342	1,244,049	409,473	491,643	599,878	30,672	379,191	414,821	131,454	962,765	-	10,161,534
Total assets	2,990,027	3,253,380	1,470,446	418,628	524,822	714,571	54,682	445,039	583,025	167,920	1,213,506	390,159	12,226,205
Borrowings	1,257,184	1,076,369	199,468	245,757	319,341	372,997	12,696	291,989	18,234	1,860	683,704	1,169,962	5,649,561
Total liabilities	1,376,416	1,333,001	604,966	258,504	332,572	504,844	34,070	309,802	112,469	62,515	1,048,203	1,459,267	7,436,629
Reportable segments 31 December 2019													
Operating income	669,189	555,601	316,740	88,591	67,452	156,116	9,414	142,348	168,278	53,430	284,979	(128,644)	2,383,494
Profit / loss before taxation	527,892	418,311	198,742	42,078	38,310	55,232	2,678	42,096	90,386	7,162	14,161	(299,415)	1,137,633
Taxation - consolidated													(411,295)
Profit - consolidated													**726,338**
Gross advances to customers	2,768,646	2,226,635	1,361,331	398,937	503,314	714,843	41,452	392,453	446,716	120,264	858,297	-	9,832,888
Impairment provisions	(167,400)	(21,227)	(21,142)	(40,047)	(8,002)	(145,981)	(2,513)	(47,809)	(96,848)	(14,381)	(196,054)	-	(761,404)
Net advances	2,601,246	2,205,408	1,340,189	358,890	495,312	568,862	38,939	344,644	349,868	105,883	662,243	-	9,071,484
Total assets	2,887,109	2,619,349	1,680,227	397,833	547,946	676,075	70,451	379,592	543,901	150,122	807,153	150,827	10,910,585
Borrowings	1,163,526	348,212	404,866	260,410	348,696	319,143	15,281	218,503	20,900	850	503,509	1,362,889	4,966,785
Total liabilities	1,277,310	457,104	761,757	267,792	356,921	457,272	48,989	234,105	121,133	53,623	702,088	1,551,555	6,289,649

	At 31 Dec 2020 (Reviewed) P'000	At 31 Dec 2019 (Restated) P'000
1 Cash and cash equivalents		
Cash at bank and in hand	918,284	944,882
Statutory cash reserve	57,330	63,390
Short term investments	68,250	27,241
	1,043,864	1,035,513
Cash and cash equivalents for the purpose of the statement of cash flows	**986,534**	**972,123**
2 Advances to customers		
Gross advances to customers	10,739,521	9,832,888
Less : Expected credit losses		
- Stage 1	(213,621)	(148,664)
- Stage 2	(73,435)	(92,123)
- Stage 3	(290,931)	(520,617)
Net advances to customers	**10,161,534**	**9,071,484**
3 Other receivables		
Deposits and prepayments	39,601	33,744
Receivable from insurance arrangements	168,029	160,084
Withholding tax and value added tax	755	405
Deferred arrangement fees	16,630	14,593
Clearing and other receivables	38,187	39,170
	263,202	247,996
4 Financial assets at fair value through profit or loss		
Foreign currency swap	140,804	-

This relates to short term foreign currency swap arrangement with a financial institution, where the Group paid a specified amount in one currency and received specified amount in another currency to reduce its exposure on currency risk. These were translated using reporting date exchange rates to reflect the changes in foreign currencies. The related liability at fair value through profit or loss is in note 9.

5 Property plant and equipment

	Carrying amount at 01 Jan 2020	Additions	Transfers	Disposal and written off	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2020
Motor vehicles	5,772	1,938	539	(435)	(2,406)	(315)	5,093
Computer equipment	42,111	19,680	(5,190)	(8)	(21,673)	(2,409)	32,511
Office furniture and equipment	25,949	10,138	4,561	(239)	(11,327)	327	29,409
Land and building	18,739	-	-	-	-	(1,915)	16,824
Work in progress	7,100	9,444	(5,243)	-	-	(909)	10,392
	99,671	41,200	(5,333)	(682)	(35,406)	(5,221)	94,229

6 Right of use asset

	Carrying amount at 01 Jan 2020	Additions	Transfers	Disposal and written off	Depreciation charge	Forex translation	Carrying amount at 31 Dec 2020
Property	61,436	111,863	-	-	(35,183)	(6,413)	131,703
	61,436	111,863	-	-	(35,183)	(6,413)	131,703

7 Intangible assets

	Carrying amount at 01 Jan 2020	Additions	Transfers	Disposal	Amortisation charge	Forex translation	Carrying amount at 31 Dec 2020
Computer software	40,848	4,120	5,333	-	(13,343)	(1,032)	35,926
Brand value	1,618	-	-	-	(470)	49	1,197
Core deposit	2,755	-	-	-	(589)	(198)	1,968
	45,221	4,120	5,333	-	(14,402)	(1,181)	39,091

	At 31 Dec 2020 (Reviewed) P'000	At 31 Dec 2019 (Restated) P'000
8 Goodwill		
Goodwill arose on the acquisition of:		
Letshego Holdings Namibia Limited	22,489	23,111
Letshego Tanzania Limited	1,886	1,874
Letshego Kenya Limited	31,349	33,238
AFB Ghana Plc	9,874	10,010
	65,598	68,233

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 to determine indications of impairment. An assessment was done at year end and there were no indications of impairment for the above cash generating units.

9 Financial liabilities at fair value through profit or loss		
Foreign currency swap (note 4)	152,855	15,390
10 Customer deposits		
Demand accounts	106,384	67,155
Savings accounts	107,669	67,381
Call and term deposits	450,340	292,137
	664,393	426,673
11 Cash collateral		
Cash collateral on loans and advances	18,838	21,721

Cash collateral represents payments made by customers as security for loans taken. The amounts are refundable upon the successful repayment of loans by customers or are utilised to cover loans in the event of default.

12 Trade and other payables		
Insurance premium payable	146,530	36,184
Payroll related accruals	14,204	37,201
Staff incentive accrual	75,968	66,732
Other provisions	58,167	59,573
Guarantee funds	291,961	194,582
Trade and other payables	94,818	119,677
Value added tax / withholding tax payable	32,900	39,823
	714,548	553,772

	12 months ended 31 Dec 2020 (Reviewed) P'000	12 months ended 31 Dec 2019 (Restated) P'000
13 Lease liabilities		
Lease Liability	133,377	64,760
14 Borrowings		
Commercial banks	2,588,765	1,904,695
Note programmes	1,555,891	1,729,542
DFI's	1,339,680	1,118,927
Pension Funds	165,225	213,621
Total borrowings	**5,649,561**	**4,966,785**
15 Stated capital		
Issued: 2,144,045,175 ordinary shares of no par value (2019: 2,144,045,175) of which 14,571,140 shares (2019: 19,054,190) are held as treasury shares	872,169	862,621
16 Effective interest income		
Advances to customers	2,426,509	2,504,158
Interest income on risk informal / mobile loans	78,346	193,786
Interest income on non-risk informal / mobile loans	185,271	250,414
Interest income from deposits with banks	22,152	26,481
	2,712,278	2,974,839
17 Effective interest expense		
Overdraft facilities and term loans	634,053	663,495
Interest expense on non-risk informal / mobile loans	185,271	250,414
Interest expense on leases	13,053	10,416
Market to market loss on foreign currency swaps	-	1,488
Foreign exchange loss / (gain)	18,587	(1,999)
	850,964	923,814
18 Other operating income		
Early settlement fees	42,156	52,627
Income from insurance arrangements	153,925	195,026
Market to market gain on foreign currency swaps	7,184	-
Sundry income	9,271	25,365
	212,536	273,018
19 Employee costs		
Salaries and wages	361,856	364,146
Staff incentive	75,053	40,280
Staff recruitment costs	2,184	8,152
Staff pension fund contribution	28,669	27,106
Directors' remuneration – for management services (executive)	9,270	8,124
Long term incentive plan	16,539	6,215
	493,497	454,023
20 Other operating expenses		
Accounting and secretarial fees	641	687
Advertising	22,078	15,941
Audit fees	5,732	5,565
- Audit services	5,575	5,265
- Covenant compliance fees	157	237
- Tax advisory services	-	63
Bank charges	10,497	7,208
Computer expenses	17,005	12,317
Consultancy fees	59,650	50,308
Corporate social responsibility	4,912	3,266
Collection commission	61,033	50,636
Direct costs	50,305	39,844
Direct costs - informal loans	22,969	44,370
Depreciation and amortisation	49,808	49,463
Depreciation - right of use assets	35,183	35,473
Directors' fees - non executive	8,581	6,474
Directors' fees - subsidiary boards	7,746	5,832
Government levies	27,142	26,789
Insurance	18,688	9,359
Impairment of goodwill	-	38,737
Impairment of cash accounts	-	6,039
Office expenses	23,161	22,043
Rental expense for low value assets	7,325	9,018
Short term leases	2,852	6,891
Other operating expenses	80,668	86,098
- Entertainment	338	576
- IT costs	8,000	5,222
- Loss on disposal of fixed assets	-	36
- Motor vehicle expenses	6,554	6,196
- Printing and Stationery	7,745	8,145
- Repairs and Maintenance	4,292	6,111
- Storage costs	2,271	1,940
- Subscriptions and licenses	5,919	5,282
- Other expenses	45,549	52,590
Payroll administration costs	2,086	2,234
Professional fees	24,972	27,465
Telephone and postage	32,995	29,261
Travel	19,279	31,419
	595,308	622,737
21 Expected credit losses		
Amounts written off	407,817	434,599
Recoveries during the year	(198,629)	(183,767)
Expected credit losses reversed during the year	(183,417)	(81,731)
	25,771	169,101

22 Prior year adjustment

"Letshego Holdings Limited (LHL) is the majority shareholder of Letshego Holdings Namibia Limited (LHN), with a shareholding of 78%. LHN in turn has two wholly- owned subsidiaries, Letshego Micro Financial Services Namibia Ltd (LMFSN) and Letshego Bank Namibia (LBN). In August 2011, Letshego Holdings Limited granted a shareholder loan to Letshego Micro Financial Services Namibia Ltd (LMFSN) of N$600 million, increasing the loan amount over the years. On 1 March 2018, in order to support the growth of the Namibian business, LHL made a decision to convert the outstanding shareholder loan of N$897.1 million into 1000 redeemable non-cumulative preference shares of N$1.00 each, at par value plus a premium.

During 2019, it was determined that the conversion had not been completed in accordance with the Companies Act 2004 and the Listing Requirements of the Namibia Stock Exchange, thereby making the transaction irregular and therefore null and void.

The Group sought external legal counsel to assess the options available and the way forward on this transaction. Two alternatives were given, as follows:

1. regularise and validate the conversion through the court process.
2. maintain the conversion as null and void and therefore reverse the transaction from the date of conversion. This would entail reinstating the shareholder loan retrospectively from 1 March 2018.

Following deliberations and consultation, the LHL Board opted to reverse the transaction and restate the LHN and LHL company financial statements for the years 2018 and 2019. The restatement entails recalculation of interest on the loan from 1 March 2018 and adjusting for the difference between loan interest and coupon on the preference shares, as well as adjusting for the difference in the tax treatment of the two financial instruments. The effect of the restatement on the Letshego Holdings Limited Group financial statements is shown below:"

Statement of financial position - extract	At 31 Dec 2018 Audited - (as previously stated)	Increase / Decrease	At 31 Dec 2018 Restated	At 31 Dec 2019 Audited - (as previously stated)	Increase / Decrease	At 31 Dec 2019 Restated
Balance Sheet	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Income tax receivable	19,074	25,755	44,829	39,499	43,242	82,741
Deferred tax asset	211,651	(10,563)	201,088	144,699	-	144,699
Total assets	10,656,289	15,192	10,671,481	10,867,343	43,242	10,910,585
Trade and other payables	492,225	359	492,584	552,849	923	553,772
Total liabilities	**6,581,627**	**359**	**6,581,986**	**6,288,726**	**923**	**6,289,649**
Foreign currency translation reserve	(696,276)	43,266	(653,010)	(713,418)	37,533	(675,885)
Retained earnings	3,500,317	(45,503)	3,454,814	3,836,578	(13,298)	3,823,280
Total equity attributable to equity holders of the parent company	**3,758,270**	**(2,237)**	**3,756,033**	**4,205,878**	**24,235**	**4,230,113**
Non-controlling interests	316,392	17,070	333,462	372,739	18,084	390,823
Total shareholders' equity	**4,074,662**	**14,833**	**4,089,495**	**4,578,617**	**42,319**	**4,620,936**

Statement of profit or loss and other comprehensive income - extract	At 31 Dec 2019 Audited - (as previously stated)	Increase / Decrease	At 31 Dec 2019 Restated
	P'000	**P'000**	**P'000**
Effective interest expense	(931,164)	7,350	(923,814)
Profit before taxation	**1,130,283**	**7,350**	**1,137,633**
Taxation	(438,781)	27,487	(411,295)
Profit for the year	**691,502**	**34,836**	**726,338**
Basic earnings per share (thebe)	29.2	1.5	30.7
Fully diluted earnings per share (thebe)	28.6	1.5	30.1

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was an increase of 1.5 thebe per share.

NON EXECUTIVE DIRECTORS
E.N. Banda (Chairman) (RSA), R.N. Alam (USA), H. Karuhanga (Uganda), C.Lesetedi (Botswana), S.D. Price (UK), Dr. G. Somolekae (Botswana), G.L. van Heerde (RSA), Ronald Hoekman (Holland), Philip Odera (Kenya), Abiodun Odubola (Nigeria).

EXECUTIVE DIRECTORS
A.F Okai (Group CEO) Ghana; G. Muteiwa (Group CFO) Zimbabwe

ALTERNATE DIRECTORS
T.I Mutasa (Zimbabwe), (Alternate to R.N Alam (USA); M Viljoen (Alternate to G.L. Van Heerde)

COMPANY SECRETARY
M.Kimwaga

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

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

REGISTERED OFFICE
Plot 50371, Fairground Office Park, Gaborone, Botswana
www.letshego.com