Letshego

INTEGRATED
ANNUAL REPORT 2016

ABOUT THIS REPORT

Letshego Holdings Limited's Directors are pleased to present the Integrated Annual Report for 2016. This describes our strategic intent to be Africa's leading inclusive finance group, as well as our commitment to **sustainable value creation** for all our stakeholders.

Our Integrated Annual Report aims to provide a balanced, concise, and transparent commentary on our strategy, performance, operations, governance, and reporting progress. It has been developed in accordance with Botswana Stock Exchange (BSE) Listing Requirements as well as King III, GRI, and IIRC reporting guidelines.

The requirements of the King IV guidelines are being assessed and we will address our implementation of these in our 2017 Integrated Annual Report.

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

SCOPE

- The 2016 Integrated Annual Report covers the period 1 January 2016 to 31 December 2016, and encompasses our business operations across our 10-country footprint: Botswana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda.
- The 100% acquisition of afb Ghana plc was concluded post year-end. It is not incorporated into any of our 2016 performance evaluation; however, brief facts about the business are highlighted separately in this report.
- The central theme of the report is **sustainable value creation** and we offer an integrated account of our financial and non-financial performance in 2016 towards this goal.
- In line with the central theme of sustainable value creation for all our stakeholders, the report includes a synopsis of the material issues affecting our organisation. We consider as material those issues, opportunities, and challenges that are likely to impact delivery of our strategic intent and ability to create value in the short, medium and long-term.
- The material issues presented in the report were identified through a stakeholder review process. This included formal and informal interviews with investors, sector analysts, Executive and Non-Executive Letshego team members, as well as selected Letshego customers.

A NOTE ON DISCLOSURES

- We are prepared to state what we do not disclose, namely granular data on yields and margins as well as on staff remuneration as we deem this to be competitively sensitive information given the industry in which we operate.
- We use infographics to report on certain metrics while retaining proprietary information.
- We welcome individual conversations for aspects of our competitively sensitive operations that are not publicly disclosed.
- All monetary figures used in this report are in Botswana Pula (BWP), the currency of the Republic of Botswana, the country in which Letshego Holdings Limited is domiciled and the reporting currency for the consolidated results of Letshego Holdings Limited and its subsidiaries.
- Throughout this report we have included selected narratives of how Letshego has contributed to its customers and communities lives. These are part of our ***Improving Life*** series and have been reproduced with permission of our customers and beneficiaries.

THE CENTRAL THEME OF THE REPORT IS **SUSTAINABLE VALUE CREATION** AND WE OFFER AN INTEGRATED ACCOUNT OF OUR FINANCIAL AND NON-FINANCIAL PERFORMANCE IN 2016 TOWARDS THIS GOAL.

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OUR BUSINESS

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


KENYA
HOUSING

Improving my life

Before I was introduced to Letshego, my husband and I did not have sufficient income. We were struggling to make ends meet. I didn't have enough capital or income against which to take a loan. Therefore, I was unable to provide for my family.

However, Letshego discovered that I owned property in a good location and thus could be financially included. Letshego offered me a loan against that property and I became a customer at Letshego Kenya under a group called LOWATA SELF HELP GROUP. All my loans have been advanced through the group model even though my security was land.

At the start of my journey with Letshego, my property was worth KSH3 000 000 (BWP300 000). I took 6 cycles of loans valued between KSH140 000 (BWP14 000) and KSH300 000 (BWP30 000) to renovate my shop, buy a car and construct our home. I then followed this with a loan of KSH2 200 000 (BWP220 000), which I used to build low cost houses that I currently rent out for KSH180 000 (BWP18 000) every month.

Most recently I took a loan of KSH200 000 (BWP20 000) which I am using to construct a sanitary environment system for my family and tenants.

My husband and I now have a reliable income stream that provides for our entire family. Our property is now valued at KSH10 000 000 (BWP1 000 000).

Lucy Wambui Kamau
KENYA

FINANCIAL AND NON FINANCIAL HIGHLIGHTS

We are committed to achieving growth, performance and sustainable returns for our shareholders. Letshego is on a journey of diversification; however, this journey presents risks and challenges, all of which require **longer-term investment for commensurate benefits to be realised.**

1. **Funding risk:** focus here is on local currency-originated debt capital market opportunities, savings and deposit mobilisation and leveraging our social impact (and environmental, social and governance (ESG)) credentials to attract and acquire impact funding. Addressing these aspects successfully will, to a great extent, assist in the management of Letshego's foreign exchange and interest rate risks – therefore this is a critical area for the business.
2. **Sovereign risk:** as a result of our geographic diversification, we become increasingly subject to this.
3. **Transformation risk:** our strategy to build and maintain a broad-based, inclusive finance group is clear. The shift necessitates a high level of quality engagement with Governments and regulators, capacitation of our people, and continuous investment into best-in-class and fit-for-purpose systems.

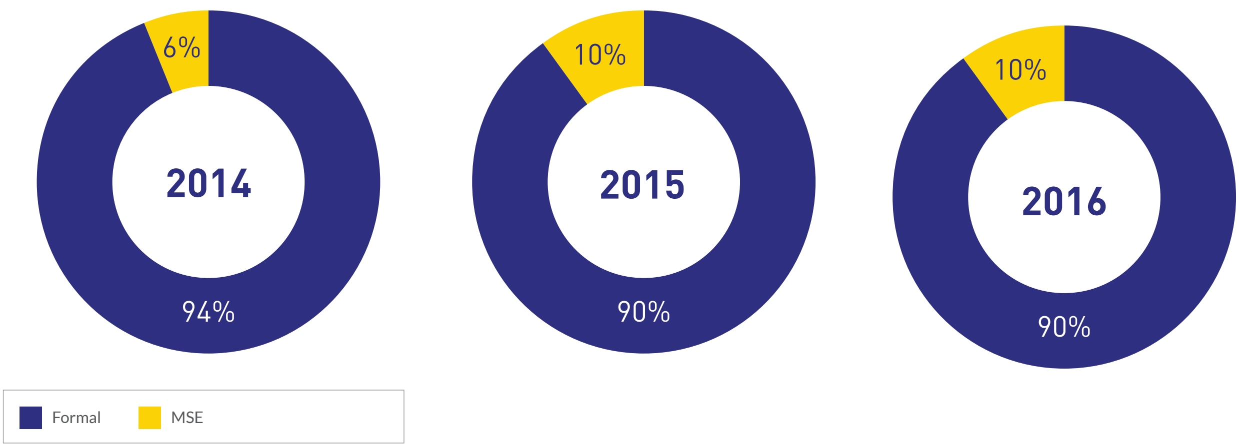
Table 1: 2016 Financial performance highlights

Subsidiary	NPLs to average advances (%) 2014	2015	2016	PBMT[1] (BWP'm) 2014	2015	2016
Group	2%	2%	3%	970	1,036	948
Letshego Holdings Limited						
Southern Africa						
Botswana	2%	4%	3%	391	450	467
Lesotho	1%	1%	2%	19	33	55
Mozambique	0%	0%	0%	130	172	107
Namibia	0%	0%	0%	237	316	351
Swaziland	(1%)	0%	0%	19	27	22
East Africa						
Kenya	2%	3%	6%	(5)	28	3
Rwanda	5%	8%	10%	8	16	1
Tanzania – LBT *	N/a	4%	6%	N/a	(6)	(10)
Tanzania – Faidika	3%	4%	3%	125	95	100
Uganda	2%	6%	3%	50	40	39
West Africa						
Nigeria **	n/a	n/a	8%	n/a	n/a	(8)

[1] *Group PBMT totals disclosed includes losses before tax recorded by the holding company, Letshego Holdings Limited, of BWP 3mn, BWP 135mn and BWP 179mn in 2014, 2015 and 2016 respectively.*

[2] *Group net advances for the period ended December 2014 included BWP 13mn in respect of Micro Africa's South Sudan operations ("Finance South Sudan"), that were divested as a going concern in 2015.*

Our Net Advances Segmented by Formal and MSE



	Net disbursements (BWP'm)			Net advances[2] (BWP'm)		
	2014	2015	2016	2014	2015	2016
	2,411	2,367	2,503	5,687	6,312	6,690
	441	383	370	2,005	2,148	2,242
	109	108	158	190	251	409
	562	262	151	1,114	1,065	735
	641	548	572	1,366	1,392	1,668
	65	44	101	151	143	216
	238	296	285	188	395	409
	118	146	144	104	168	165
	N/a	9	157	N/a	49	97
	71	131	157	307	346	391
	166	202	237	249	285	307
	n/a	238	173	n/a	70	51

** Consolidated from 1 November 2015*
*** Consolidated from 31 December 2015*

FINANCIAL AND NON FINANCIAL HIGHLIGHTS (CONTINUED)

Table 2: 2016 Non-Financial Performance Highlights

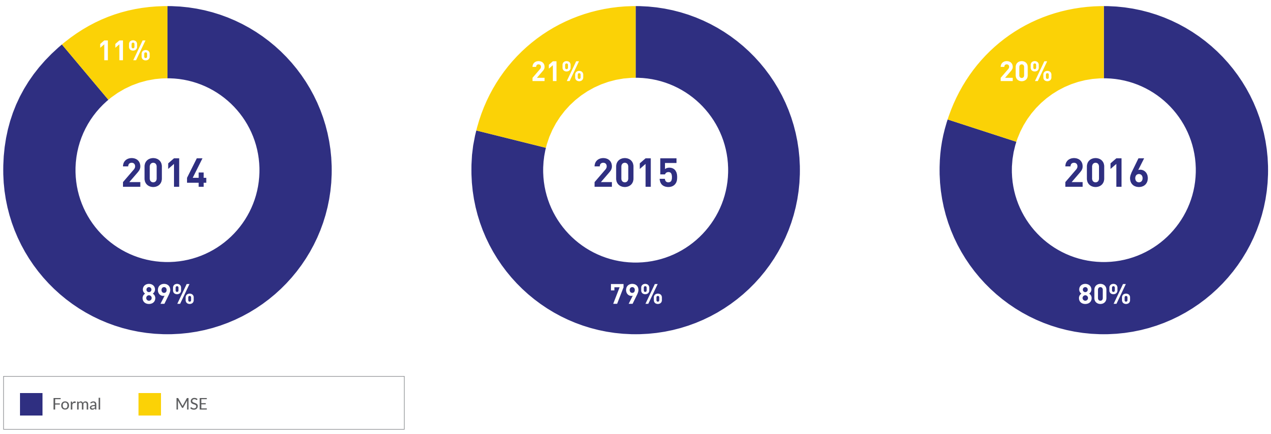
Indicators	2014	2015	2016
Access points	252	268	278
Full time employees (FTEs)	880	1,592	1,620
Commission-based direct sales agents (DSAs)	545	775	1,162
Borrowers	265,000	300,000	300,000
Savers	54,000	100,000	100,000
Training			
▸ *Training spend (BWP) per FTE*	1,750	2,150	6,850
▸ *Training spend as a % of basic salaries*	2%	2%	5%

Table 3: Additional 2016 Tracked Performance Indicators

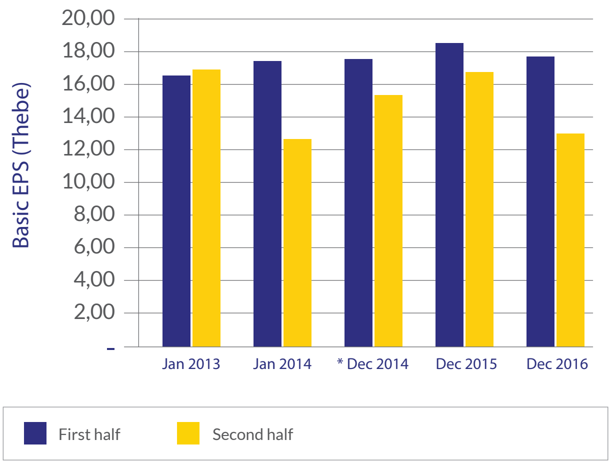
Indicators[3]	2016
% Portfolio issued to Women	36%
Positive Empowerment reported	86%
Customer Base using Mobile Money	64%
Customers with Formal and Informal Savings	72%
Level of Productive Use of Loan	72%
Customers Less than 20km from Accessing Letshego Products	75%

[3]Reviews from 7096 customers surveyed and from Letshego portfolio analysis

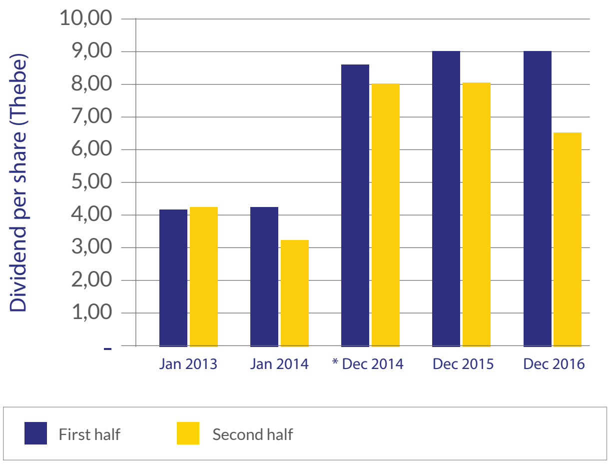
Our Customer Numbers Segmented by Formal and MSE



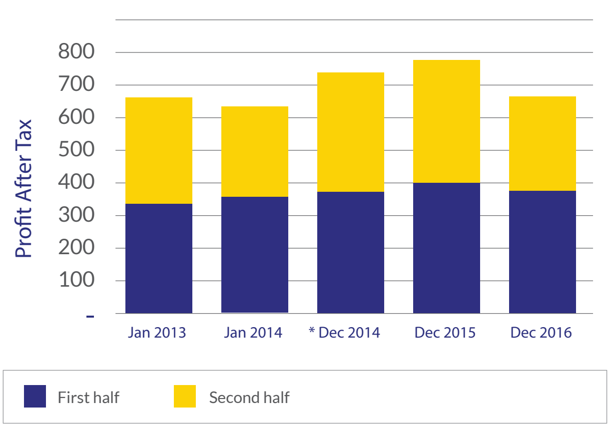
Basic Earnings Per Share (Thebe)



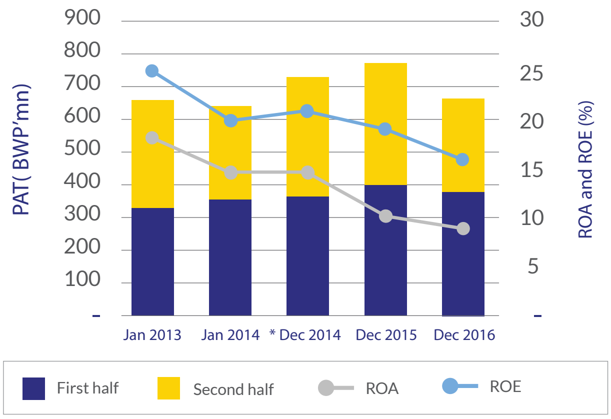
Dividend Per Share (Thebe)



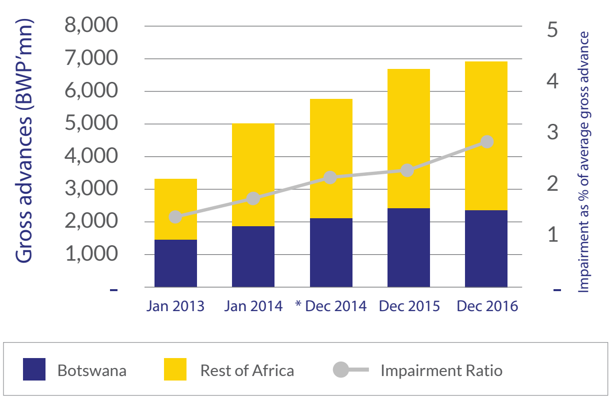
Profit After Tax (BWP'mn)



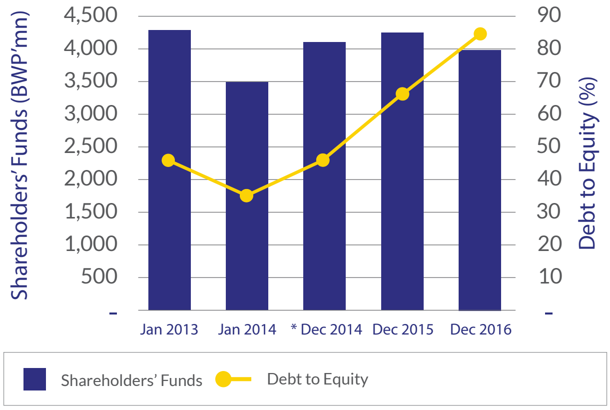
Return on Assets vs. Return on Equity vs. Profit After Tax



Gross Advances and Impairments



Shareholders' Funds Compared to Debt to Equity Ratio



* The period to 31 Dec 2014 was an eleven month period following the change in year end

SOCIAL IMPACT SCORECARD

During 2016, following the conclusion of a Social and Environmental Due Diligence (SEDD), we embarked on a social impact survey with over 7,000 Letshego customers across 5 countries of operation, namely Botswana, Namibia, Mozambique, Kenya, and Tanzania (Faidika and Letshego Bank Tanzania).

This was a key element in our transformational strategy, in that a deep understanding of how our customers' social conditions are affected by Letshego's business model and services will ensure we are equipped with a unique market perception; this would not only afford a competitive advantage, but also ensure sustainability through earning a social licence to operate.

In addition to defining our social and financial impact, we are investing in our environmental, social and governance credentials. For example, our SEDD indicated strong alignment to globally accepted principles such as SMART consumer protection principles, and UN financial institution frameworks, amongst others.

OBJECTIVES

Through this survey we aimed to determine baseline social conditions for our customers, with the intended outcomes of:

- determining measures which could be implemented to improve on the level of financial inclusion achieved,
- informing better risk quantification, and
- innovating new and more appropriate solutions for these markets and customer base.

OUR SOCIAL PERFORMANCE AREAS

Our survey confirmed for us the areas of social performance we wished to measure our social impact on. These are:

- Access – as this is the predominant barrier to inclusion;
- Productive usage specifically through:
  - Affordable housing
  - Agri-business
  - Education
  - Micro and Small Entrepreneurs
- Improving life – as defined by improved quality of life, and being the culmination of appropriate access and simple and responsive solutions.

A baseline social impact scorecard, against these performance areas, has been defined and populated. Scores were derived by pitching our customer responses and the statistical derivations therefrom against targets.

Over time, we will refine and clarify our targets as well as our on-going social performance through repeated surveys. Additionally, we will embed this philosophy across the business, including these social performance indicators into our team's targets, continuously refining how our deepening social intelligence is incorporated into our business model. We will share our progress with our stakeholders through this journey.

METHODOLOGY

A customer questionnaire was developed and presented in the form of an online application (app). The app was loaded onto tablets and interviews were undertaken with customers by trained Letshego staff (with the exception of Namibia, where an external service provider was used) over a three-month period.

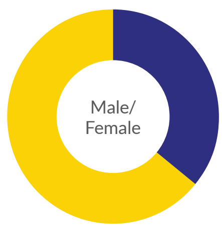
SAMPLE BASIS AND DATA ANALYSIS METHODOLOGY

The country operations to be sampled were arrived at by virtue of their relative size within the Letshego Group from a financial and diversity perspective. Combined, all 5 countries make up approximately 85% of Group assets and profitability.

Also, between them, core deduction at source lending (formal customer segment), microfinance and deposit-taking were covered.

Specifically, we targeted the optimum sample size and composition to enable us to confidently extrapolate the survey results across our entire customer population. The sample countries and sample sizes make up a representative cross-section of our customer segment composition and solution distribution today (approximately 80% formal segment (deduction at source borrowers), 20% microfinance and MSE customers and savers).

The customer base sampled is summarised as follows:



36% 64%

Table 4: Sampled Customer Base

Letshego		TOTAL
Botswana	34%	1692
Kenya	45%	1182
Mozambique	29%	1397
Namibia	40%	976
Tanzania (Faidika)	37%	968
Tanzania (L Bank)	40%	881
Total	**36%**	**7096**

Data validation was required to ensure that the data sets were comparable with each other. Thereafter, statistical analysis of the data ensued, during which it was assessed against a number of key social and financial inclusion parameters, namely gender, age, level of education, marital status, household size, feelings of over indebtedness, level of savings, ability to balance the budget, level of financial literacy, ability to pay back loans on time, level of satisfaction with solutions delivered and level of access to solutions delivered.

The emphasis was on determining the impact that access to Letshego's solutions have had on customers when compared against these key financial inclusion indicators.

The results of this comparison provide insight into where Letshego can improve on levels of financial inclusion, including where and how to reduce our levels of exposure.

Table 5: Financial Inclusion Indicators

<table>
<tr><th>Indicators</th><th>Definition</th><th>Findings</th><th>Response by Letshego</th></tr>
<tr><td>Ability to Balance the Budget</td><td>Quantitative

Amount customer said they earn less amount customer said they spend each month</td><td>19% cannot balance their budget (they spend more than they earn)

4% do not recognise themselves as being over indebted</td><td rowspan="3">Financial literacy and skills deepening: We are aware that financial literacy is critical to our customers' responsible financial behaviour, and that this in turn ensures a sustainable market for our solutions; this is why we have continued to invest in training programmes, ranging from basic financial literacy to embed and enhance our customers' and communities' levels of financial awareness and skills

Customer profiling: This study additionally highlights that we need to develop measures to identify these sub-groups during on-boarding and ensure that tailored solutions are provided to them, and early on in the process to improve our social and financial health

We acknowledge that this data is telling us that some of our customers are experiencing financial stress and that we need to continue to help our customers manage this

Integration into social governance to mitigate business risk: This data will be utilised to refine identification of vulnerable groups in our customer base, and has been fed through to our Group Risk (GRC) and Group Sustainability Committees (GSC) for monitoring and evaluation.</td></tr>
<tr><td>Over-indebtedness</td><td>Qualitative
Question asked do you feel over indebted</td><td>21% expressed a sense of over-indebtedness (through their combined formal and informal borrowing)</td></tr>
<tr><td>Default Rate</td><td>Quantitative and Qualitative
Question asked: have you missed a payment?

Data corroborated for the same customer from our database for loan performance history</td><td>21% who recalled previously defaulting did not understand themselves to be over indebted</td></tr>
<tr><td>Client Satisfaction</td><td>Qualitative
Question asked: were you satisfied with the service delivered?

Question asked: do you feel empowered by using Letshego solutions?

Question asked: do you feel using Letshego solutions improved your life?</td><td>54% are satisfied with the service delivered

86% feel empowered

94% feel that their lives have improved

Segregation of the data by loan type indicates change in customer satisfaction levels after repeat loan use:
▸ Formal segment loans (96% at origination, down to 95% on repeat cycles)
▸ Informal / Microfinance loans (from 97% to 82%)
▸ MSE segments loans (from 97% to 100%).</td><td>Enhancing customer experience is one of our strategic pillars

As such, we strive to improve on our levels of service delivery, both through use of new technological solutions through continued training of staff and customers

We sought to understand levels of customer satisfaction at origination and thereafter at repeat cycles

Lessons from Formal and MSE: The largest reduction in customer satisfaction (in repeat cycles) was noted under our microfinance loans portfolio (15%). These are distinctly different product solutions offered to the market, and a segment we need to develop a deeper understanding of

We will work on how lessons learned from our formal and MSE businesses can be transferred to Micro loans to ensure continued customer satisfaction on repeat use of our solutions.</td></tr>
</table>

Table 5: Financial Inclusion Indicators (Continued)

Indicators	Definition	Findings	Response by Letshego
Understanding of Terms and Conditions (Ts & Cs)	**Qualitative** Question asked: did you understand the Terms and Conditions of your contract? Question asked: were the Terms and Conditions explained to you?	Level of understanding of terms and conditions was 59%	We will continue to focus on the improvement in communications around the Terms and Conditions of their loans with customers We follow the smart customer protection principles in this regard. We aim to improve on these overall findings with a focus on ensuring that our payroll customer base which makes up 80% of our loan book are targeted first.
Level of Savings	**Qualitative** Question asked: do you have formal savings? Question asked: do you have informal savings? Question asked: do you have formal and informal savings?	42% have formal savings 14% have informal savings. 16% have formal and informal savings.	**Loan consolidation:** Within our formal sector business, consolidation of pre-existing debt is part of our onboarding process. Freeing up disposable income for the customer, allowing them to save through direct savings or through paying off other debts which again reduces level of over indebtedness in this group **Financial education:** We do this in conjunction with undertaking basic financial education with our customers to enhance their understanding of the need to be financially responsible **Productive use incentivisation:** We will continue to focus on the stimulation of productive use of loans in our engagement with customers, as financial inclusion studies have shown that increased productive use is correlatable to progressively increased net income **Savings mobilisation:** Currently we are diversifying our solutions to service this need for formal savings facilities that are true Letshego's uniquenesses of being simple, appropriate and accessible.
Access	**Quantitative and Qualitative** Data collected from customer on Km required to travel to access a Letshego solution Question asked: do you make us of mobile money to make payment and receive money?	75% of customers have access to solution within 10km of their base 64% make use of mobile money solution to make and receive payments	We recognise that time spent by customers seeking out financial services solutions is time better spent on productive, income-earning activities. Time is indeed money for our customer segments The practice by most banking institutions across the continent is to place physical branches in towns with relatively high population densities, avoiding sparsely populated and / or rural areas. At Letshego, our philosophy is to enhance access and customer experience. To do this, we invest in, and employ, multiple methods of access provision, including full-service branches, "satellite" branches, commission-based agents, third-party agents, mobile (including USSD) and internet **Multi-pronged proximity channels:** We continue to invest in improving access to our solutions through diversification into mobile money solutions, by increasing our call centres and their capabilities, by piloting agency banking service points and growing our commission-based sales agent networks. We believe all of these will extend our virtual footprint into more rural reaches of the communities we aim to serve **Customer education and building trust:** While we recognise that the most commercially sustainable and scalable method of creating access is through digital and mobile platforms, we recognise that our customers would benefit from education on use of mobile / digital platforms, as well as the fact that we need to earn our customers' trust with these platforms.

Table 6: Social Impact Indicators

Indicators	Relevance in Predicting Customer Behaviour	Insights	Response by Letshego
Age	✗	Neither age nor gender played any demonstrable, significant role in customer behaviour on statistical analysis	This observation mirrors other study results of this nature. Also, in pursuing an inclusive finance agenda, we are careful not to skew our solutions to support specific demographic segments of the under-served. We have designed our solutions to be human-centric, driven by universal needs: affordable housing, food security (agri-business), education and livelihood (MSE business) These results support our approach to solution design.
Gender	✗		
Education Level	✓	With greater than a secondary education our customers are 75% more likely able to balance their budgets. Customers with less than a secondary education show indications of being less financially responsible	All these correlated indicators will be fed through to our GRC and GSC for tracking. Knowing what to look for and tracking these indicators against our loan performance will allow us to better understand and leverage our levels of exposure to these subgroups. Once these social and financial correlations are better understood, we can tailor our solutions to address this market segment, and develop strategies suited to assist these customers in solving their needs. Also, our focus will be to drive productive use; this has been shown to reduce vulnerability to financial shocks amongst our customer base.
Number of Dependants in the household	✓	If a customer has more than seven dependants in the home, they feel more over-indebted and are shown to be less financially empowered. If a customer has four or less dependants in the home, they feel less over-indebted and are more able to financially empower themselves	
Marital Status	✓	Single and married customers are the least over-indebted, while customers going through a separation, or recently separated, are most financially strained.	
Number of Repeat Loans taken	✓	When a customer has taken more than three repeat loans from Letshego the default rate drops.	

OUR 2016 SCORECARD

Our research shows that the social indicators of note are number of household dependants, repeat borrowing for the same solutions offered, education level and marital status of our customers.

Our research incorporated market evaluation, as well as internal review of our customer base and the trends that they suggest. As a result of these insights, we have arrived at a basis for setting our social performance targets. These are largely informed by our cumulative market knowledge and are aligned to our strategy. It is our intention to set milestones towards achieving our objective of a social performance score of A over the next 5 years to 2020 (see table 7).

Table 7: Scorecard

Internal Targets Used		
Intervention Required	D =	←25%
Below expectations	C =	→25<50%
Partially achieved	B =	→50%<70%
Achieved	A =	>70%=100%
Exceeded expectations	A+ =	→100%

SETTING OF INTERNAL TARGETS

Our internal targets were derived from 4 key sources of information for each of our defined social performance areas. These are:

1. Our cumulative market and customer insights
2. Survey data
3. Historical proprietary data
4. Publicly available aggregated national data

To track these indicators and to highlight the significance of the key indicators observed amongst Letshego customers, a financial inclusion scorecard has been developed.

For the 2016 period, we have attributed our social performance efforts an internal score of **C**.

We are committed to creating sustainable and impactful financial inclusion through our business model.

Our social impact scorecard provides us a baseline against which to set future targets, objectively track financial inclusion and social impact progress and continuously refine our understanding of commercially sustainable social impact.

We have set group targets to stretch for improved financial inclusion against a five-year horizon, as indicated in the graph above.

We are commencing responsible financial practices training in late 2017, as well as embedding a social performance measurement system across the business from 2017.

Letshego Targeted Objectives Regarding Financial Inclusion
(measured against internal scorecard)

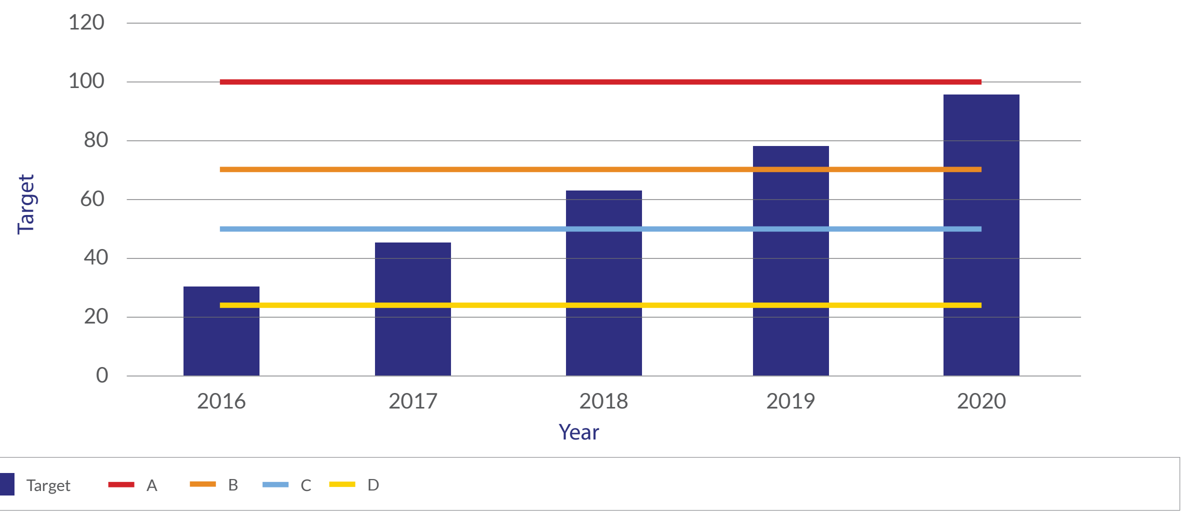


Table 8: Social Performance Areas and Social Performance Indicators with 2016 Score Achieved

Social Performance Areas (SPAs)	Social Performance Indicators (SPIs)	2016 Score Achievement
Access	Diversity of access channels Proximity of physical access Extent of multiple solution usage	C
Affordable housing	Use of funds for this purpose Portfolio composition of total Payback ratio (performance levels) Number of dependents per household First-time vs. repeat (incremental) usage Customer satisfaction levels	C
Agri-business		C
Education		C
MSE business		C
Improving Life	% of loan book classified as productive vs. consumptive % increase in customers' savings % of female customers % of household, not over indebted	B

Improving my life

I am a hardworking business lady in Mwiki married with one child. I am so thankful to have found out about Letshego during the most financially straining point in my business.

I was previously employed by a local supermarket, but in 2008 I pursued my dream of starting a company. My company is known as Superbake Enterprise. It supplies baking products to supermarkets and boarding schools in my area. I have been in business for eight years now and the business has tremendously grown since then.

I sell to wholesalers and provide repackaging for products such as baking powder and caramel. Production is done twice a week and delivery of the products to my customers is on a daily basis.

Before I partnered with Letshego I was in need of polyglycerol polyricinoleate (PGPR) but did not have the funds to purchase it. I got a business loan of KSH360 000 (BWP36 000) from Letshego Kenya. This helped me purchase the ingredient. Currently, I have many orders and am able to supply customers daily because of the financing received from Letshego.

My plan is to apply for another business loan from Letshego early next year to invest in rental units as a way to diversify my investment. Letshego Kenya really is my financial partner of choice.

Francisca Kendi Thiuri
KENYA

BOTSWANA

AGRI BUSINESS

EDUCATION

HOUSING

“

Improving my life

I always look to Letshego for all my needs because of the unique customer experience I receive. To me, Letshego has been a great support system that was always there to help overcome challenges and realise many of my goals.

Through Letshego loans, I have built a three bedroomed house in Kopong, a village 30 kilometres out of Botswana's capital city, Gaborone. This is my first home, a home that I was able to afford due to the simple and appropriate assistance Letshego is well-known for. Due to its location, Kopong and villages similar to it do not receive commercial bank support for such developments.

In addition to building my first house, I was able to take my daughters to University, paying for their tuition and boarding fees at the University of Botswana. Additionally, I bought about 20 head of cattle, each valued at about BWP4 000 on average. This is a significant source of security and wealth for many Batswana.

Speaking of how my life has improved with Letshego, I would say, I'm now able to save at least BWP500 per month as I borrow only from Letshego and not from metshelo (Community savings scheme). Metshelo have very high interest rates. Letshego has truly been supportive in my life, living up to the meaning of its Setswana name.

Chawada Marumoagae
BOTSWANA

”

OUR BUSINESS - OUR LETSHEGO

Letshego is a Setswana term meaning 'support'. At Letshego, we provide financial support to our customers through the provision of simple, appropriate and accessible solutions.

OLD
The Tripod

VS

NEW
The Delta

Letshego

Our brand mark is a strong, bold, modern depiction of the Letshego tripod. It represents the 'delta' or difference we deliver, built on three principles:

- **A strong base:** represents the fact that our business is built on a strong foundation of operational experience and stability.
- **Upward and forward motion:** we are committed to our customers and aim to grow our franchise both to achieve financial success and to improve life.
- **Partnerships with stakeholders:** our approach to growth is built on nurturing partnerships with stakeholders that are instrumental in enabling us to achieve our strategic intent to be Africa's leading inclusive finance group.

Letshego was incorporated in 1998, is headquartered in Gaborone and has been publicly listed on the Botswana Stock Exchange (BSE) since 2002. Today we are one of Botswana's largest indigenous BSE-listed companies, with a market capitalisation of 4.9 billion Pula (BWP) and an agenda focused on inclusive finance, that is aligned to supporting government initiatives.

Through our 10-country presence across Southern, East and West Africa, the Group's inclusive finance agenda is focused on anticipating and solving the needs of financially under-served customers.

Letshego's solutions are broad-based, innovative, competitively priced and customer-needs driven. We serve an increasing variety of financial needs to three key customer segments: **Micro and Small Entrepreneurs (MSEs), public and private sector low and middle income earners and individuals in the informal market.**

Letshego has four solution offering sets. These solutions are people-centric in their design.

1 Firstly, we recognise that every person needs to pay and be paid to engage with their environment.

2 Secondly, the financially under-served need access to credit and financing to help them grow beyond transacting for basic needs.

3 Thirdly, once a person is empowered to grow, they need options to save securely for their and their family's future.

4 Fourthly, and above all, the financial inclusion journey should culminate in an improved life, evidenced by better health, work, insurance and other benefits.

LetsPay

"HELPING YOU PAY OR BE PAID"

We are progressively introducing innovative, technology-driven payment and remittance platforms that enable financial inclusion. Through initiatives such as agency banking in Mozambique and Tanzania, and USSD-based bill payment services in Rwanda, customers are able to make payments to suppliers, family, friends and utility providers. This covers their daily transaction needs and eliminates the inconvenience of travelling long distances to access physical payment points.

In time, these services will be extended to all Letshego's markets where regulatory licencing permits. We are pleased to report to shareholders that we have started on this journey.

"FINANCING YOUR NEEDS"

At Letshego, we provide our customers with simple, appropriate and accessible financial solutions including loans between BWP50 (USD5) and BWP600,000 (USD60,000), mainly through the deduction at source payroll model, as well as through individual lending to Micro-and-Small Entrepreneurs (MSEs) and micro-loans to informal borrowers. Letshego customers are encouraged to use loans productively to improve their lives sustainably through investment into affordable housing (for own use and income generation), agri-business, education and micro-and-small businesses (including small asset financing such as water tanks, biogas plants and solar units). Today, Letshego improves the lives of over 300,000 borrowers across Africa, who apply their loan funding to a variety of these needs.

LetsBorrow

LetsSave

"SAVING FOR THE FUTURE"

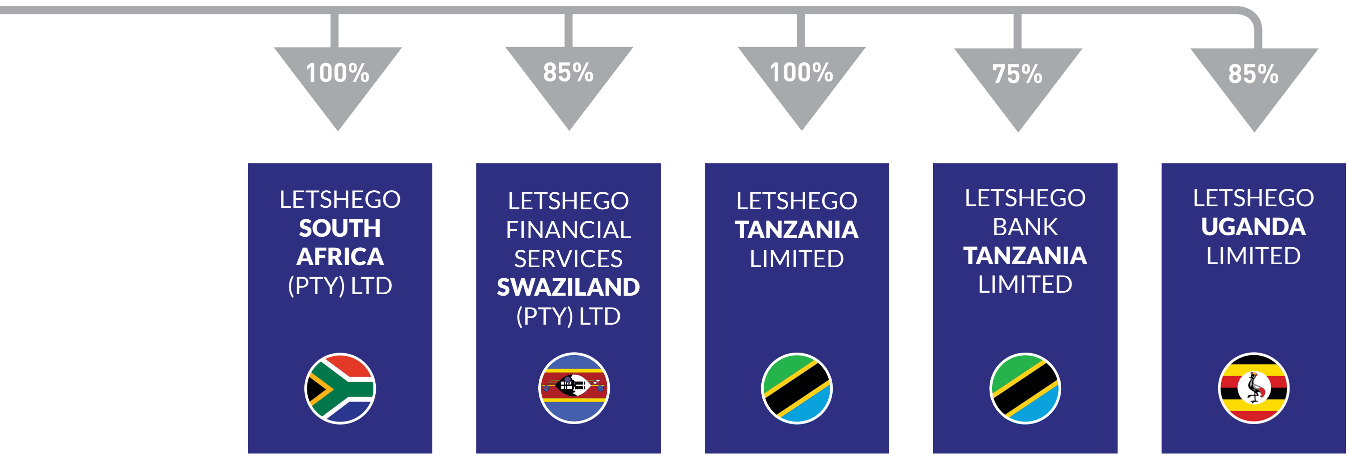
We encourage our customers to invest money into saving for family needs and aspirations, as well as longer term commitments that will see them improve their lives through income generation or purchasing once off items that are needed for their families. Currently, savings accounts are available in Mozambique, Nigeria, Rwanda and Tanzania, with capability to enable savings in Ghana (a 2017 acquisition) and Namibia as well.
Over time, Letshego looks to offer increasingly flexible and innovatively channeled mobile micro-savings solutions that reward customers for responsible saving practices.

"IMPROVING YOUR LIFE"

The "LetsLive" solutions allow our customers to live a life of dignity and prosperity through added micro-insurance and other benefits such as funeral and life cover. Also, LetsLive is about allowing Letshego customers to provide for their families through investing in their well-being. This includes health and wellness subscriptions, amongst others. Customers' lives will increasingly improve from these associated benefits by virtue of engaging with Letshego. In future, these will extend to wealth and loyalty add-ons.

LetsLive

GROUP STRUCTURE



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

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

The following Letshego subsidiaries are regulated by the respective 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 (Pty) Limited - Central Bank
- Letshego Financial Services Swaziland (Pty) Limited - Central Bank

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

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

The acquisition of AFB Ghana plc was concluded post year-end. As at 31 December 2016, Letshego Holdings Limited had twelve (12) opertaing subsidiaries, and four (4) intermediate holding or agent entities across ten (10) countries.

OUR HISTORY

Through our 10 country presence in Southern, East and West Africa, Letshego provides consumer lending, micro-finance and saving solutions

One of Botswana's **largest indigenous** companies

Present in **10 AFRICAN** COUNTRIES

BOTSWANA | KENYA | LESOTHO | MOZAMBIQUE NAMIBIA | NIGERIA | RWANDA | SWAZILAND TANZANIA | UGANDA

Rated **Ba3 (stable)** by Moody's

BWP 4.9 BILLION MARKET CAPITALISATION

2,780 Team Over Ten Countries

270+ **Customer** access points

300K Borrowers

100K Savers Mozambique, Nigeria, Rwanda, Tanzania

LETSHEGO'S JOURNEY 1998 - 2015

1998
Letshego is founded in Botswana

2002
Listing on the Botswana Stock Exchange

2005
Uganda operations are launched

2006
Swaziland and Tanzania operations are launched

2007
Zambia operations are launched and Botswana IFSC accreditation is attained

2008
Acquisition of Eduloan Namibia (now Letshego Namibia) is completed

Botswana holding company name is changed to Letshego Holdings Limited.

Letshego team size crosses 1,000

2011
Mozambique operations, with deposit-takingcapability/licencing, are launched

2012
Funds are raised through JSE and BSE listed Medium Term Note programmes

Micro Africa Ltd (now Letshego Kenya and Letshego Rwanda) is acquired (62.5%)

Lesotho operations are launched

2013
The remaining 37.5% in Micro Africa is acquired

Savings mobilisation activity commences in Mozambique and Rwanda

2015
FBN Microfinance Bank in Nigeria (now Letshego MFB) and a controlling stake in Advans Bank Tanzania (now Letshego Bank Tanzania) are acquired

Group Profit Before Tax crosses BWP 1 billion

Letshego is now present in Southern, East and West Africa

2016 MILESTONES

JANUARY	Affordable housing loan solutions piloted in Botswana(modelled on Kenya housing microfinance offering) Social and environmental due diligence in 5 countries, across 6 Letshego operations, is concluded
FEBRUARY	Letshego is admitted as first African private sector partner to the Alliance for Financial Inclusion
APRIL	MasterCard principal issuer status is awarded to Banco Letshego Mozambique Letshego's signature social investment Healthcare Innovation Programme launches projects in Kenya and Rwanda
MAY	Transformational leadership development centres are launched for 50 rising leaders from Letshego's Africa footprint
JUNE	Letshego's flagship Improving Life customer campaign is launched first in Swaziland, with other countries following suit thereafter
JULY	Commercial banking licence in Namibia is obtained
AUGUST	Social impact survey covering 7,000 Letshego customers in 5 countries, is launched Enos Banda is appointed to Letshego Holdings Limited Board
SEPTEMBER	E-learning is launched across Letshego's 2,780 team members in critical financial services subjects LetsGo "Blue Box" concept is recognised by MasterCard Foundation as an innovative financial solution Letshego Holdings Limited celebrates its 18th anniversary
OCTOBER	TCS B@NCS is implemented across micro-finance operations in Kenya, Rwanda and Uganda, bringing 9 countries onto this integrated enterprise system
NOVEMBER	Letshego Group Sustainability Committee is launched with inaugural meeting Letshego brand is refreshed and implemented across all 10 countries Enos Banda succeeds John Burbidge as chairman
DECEMBER	Johannesburg Stock Exchange listed medium term notes are successfully refinanced
JANUARY 2017	Acquisition of Afb Ghana is completed


LESOTHO
NAMIBIA
SOCIAL
INVSTESTMENT

Improving life

Investing in socio-economic development

Letshego Lesotho staff painted the Lesotho Mounted Police Services Charge Office in Maseru during their LetsGive day, a day when the company sets aside time for staff to volunteer their time towards a meaningful community cause. This initiative positioned Letshego as a friend of government, and a socially responsible organisation.

LESOTHO

Letshego sponsored the Namibia Women's Summit - The mandate of this summit was to empower young women in business by inviting high profile speakers to motivate them and share success stories that could inspire them to realise their true potential as business owners.

NAMIBIA

BOTSWANA

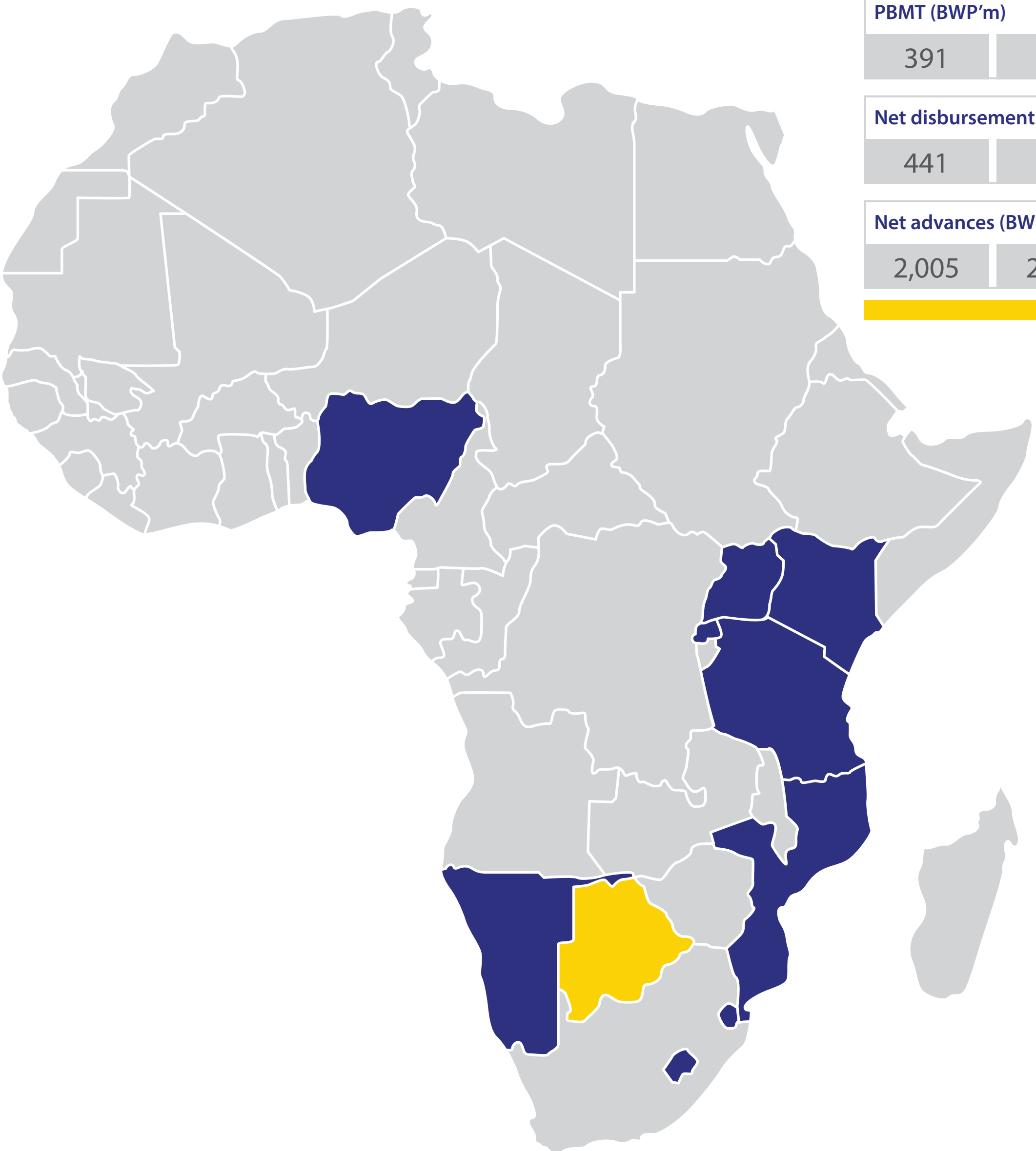
Letshego Botswana continues to be a source of innovation in our formal sector deduction at source business. During 2016, to respond to increasing competition, enhancements that included (but were not limited to) repayment holiday campaigns for our repeat customers, increased use of the call centre for customer recoveries and the Improving Life campaign saw us defending our existing portfolio and marginally growing the overall loan book.

A once-off impairment provision of BWP22m was passed in relation to a state owned enterprise. In spite of this the overall NPL rate for 2016 decreased to 3% (2015:4%). Our Profit Before Tax grew from BWP450m in 2015 to BWP467m in 2016 (an increase of 4%) - this growth would have been 8% if normalising the once-off impairment.

Looking ahead, the leadership team's focus is on enhancing business-as-usual efficiencies and effectiveness, while diversifying the business into non-government deduction at source lending. The Team will also be exploring MSE services, subject to all regulatory clearances.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	2%	4%	**3%**
NPLs provision coverage	52%	69%	**85%**
PBMT (BWP'm)	391	450	**467**
Net disbursements to customers (BWP'm)	441	383	**370**
Net advances (BWP'm)	2,005	2,148	**2,242**

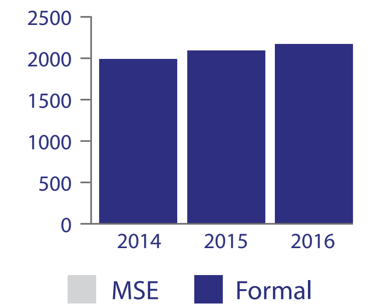


CUSTOMERS & COMMUNITIES

Number of customers ('000):

2014	2015	2016
44	37	37

Loan book split by business segment (BWP'm):



SSI Spend (BWP'000):

2014	2015	2016
176	193	223

Over 60% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with over 20% of our customers earning less than BWP3,000 per month.

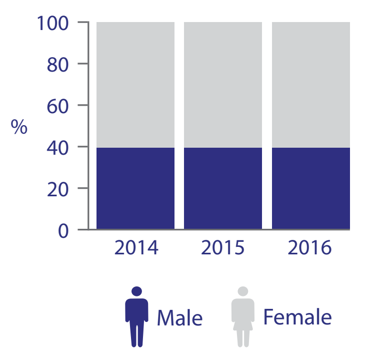
** Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
184	205	242

FTE gender split:

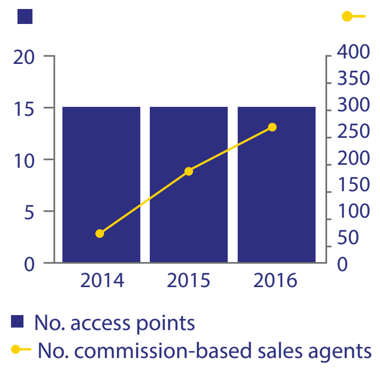


Training undertaken:

Total Training Spend (BWP'm) 2.0
*Spend for Letshego Holdings and Letshego Botswana

Training Spend per FTE (BWP) 7,897

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
87	100	104

% Female customers:

2014	2015	2016
38%	38%	39%

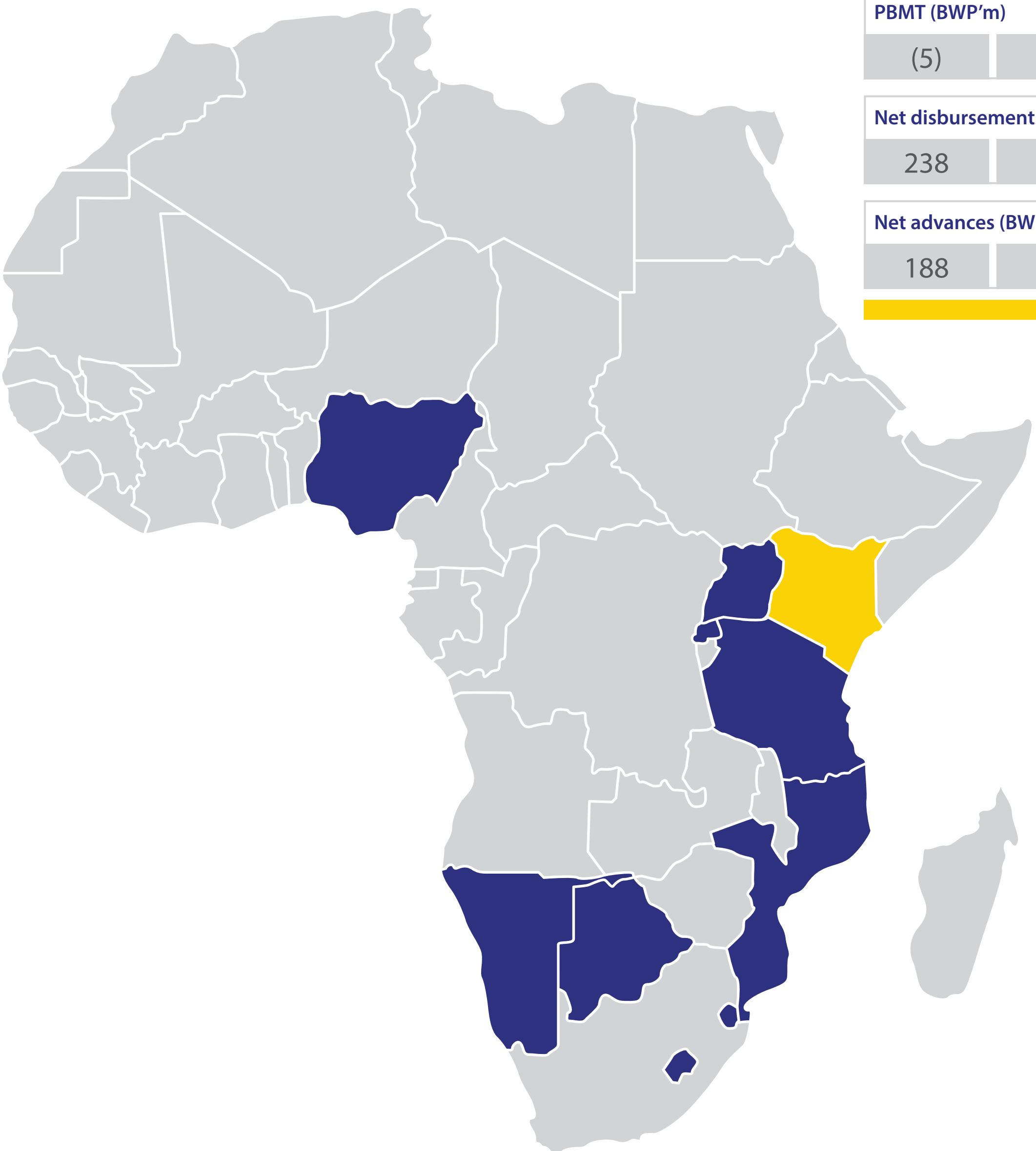
KENYA

Kenya remains important for Letshego given our status as the largest credit-only microfinance institution, as well as Kenya's potential in the disruptive financial services sector of the economy. We enhanced our existing broad-based MSE solutions (around affordable incremental enterprise housing, clean energy financing and general business loans) while deepening our penetration into formal sector (mostly Government) deduction at source lending. Looking ahead, we are studying Tanzanian and Ugandan pilots in education and agri-business ecosystem financing respectively for adoption in Kenya. The Central Bank of Kenya introduced interest rate caps for commercial banks in August 2016; this generally dampened banking sector growth but we believe consolidation in this sector is good for the market. The Group's core operating systems were successfully implemented in November, which required significant team effort and focus - we are now capacitated to work off one integrated platform and build out our capability model.

Increased impairments driven by more conservative impairment methodologies resulted in a reduction of PBT from 2015, however the loan book did close slightly higher than in 2015.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	2%	3%	**6%**
NPLs provision coverage	195%	217%	**172%**
PBMT (BWP'm)	(5)	28	**3**
Net disbursements to customers (BWP'm)	238	296	**285**
Net advances (BWP'm)	188	395	**409**

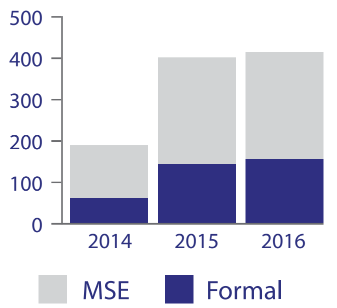


CUSTOMERS & COMMUNITIES

Number of customers ('000):

2014	2015	2016
16	36	**28**

Loan book split by business segment (BWP'm):



Over 95% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with over 40% of our customers earning less than BWP3,600 per month.

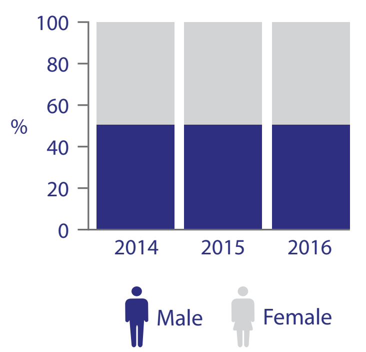
* *Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
185	218	**222**

FTE gender split:

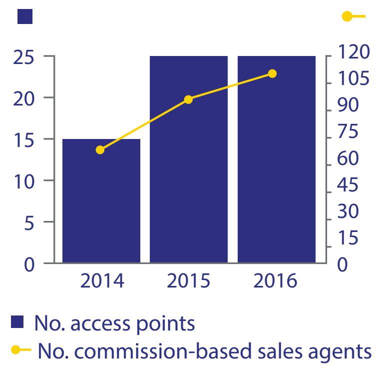


Training undertaken:

Total Training Spend (BWP'm) **0.91**
*Spend for Letshego Holdings and Letshego Botswana

Training Spend per FTE (BWP) **4,105**

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
3	6	**0.4**

% Female customers:

2014	2015	2016
50%	51%	**51%**

LESOTHO

One of the younger operations in the Group, our Lesotho business performed well in 2016 with customer advances growing by 63% from 2015 levels to close at BWP409million.

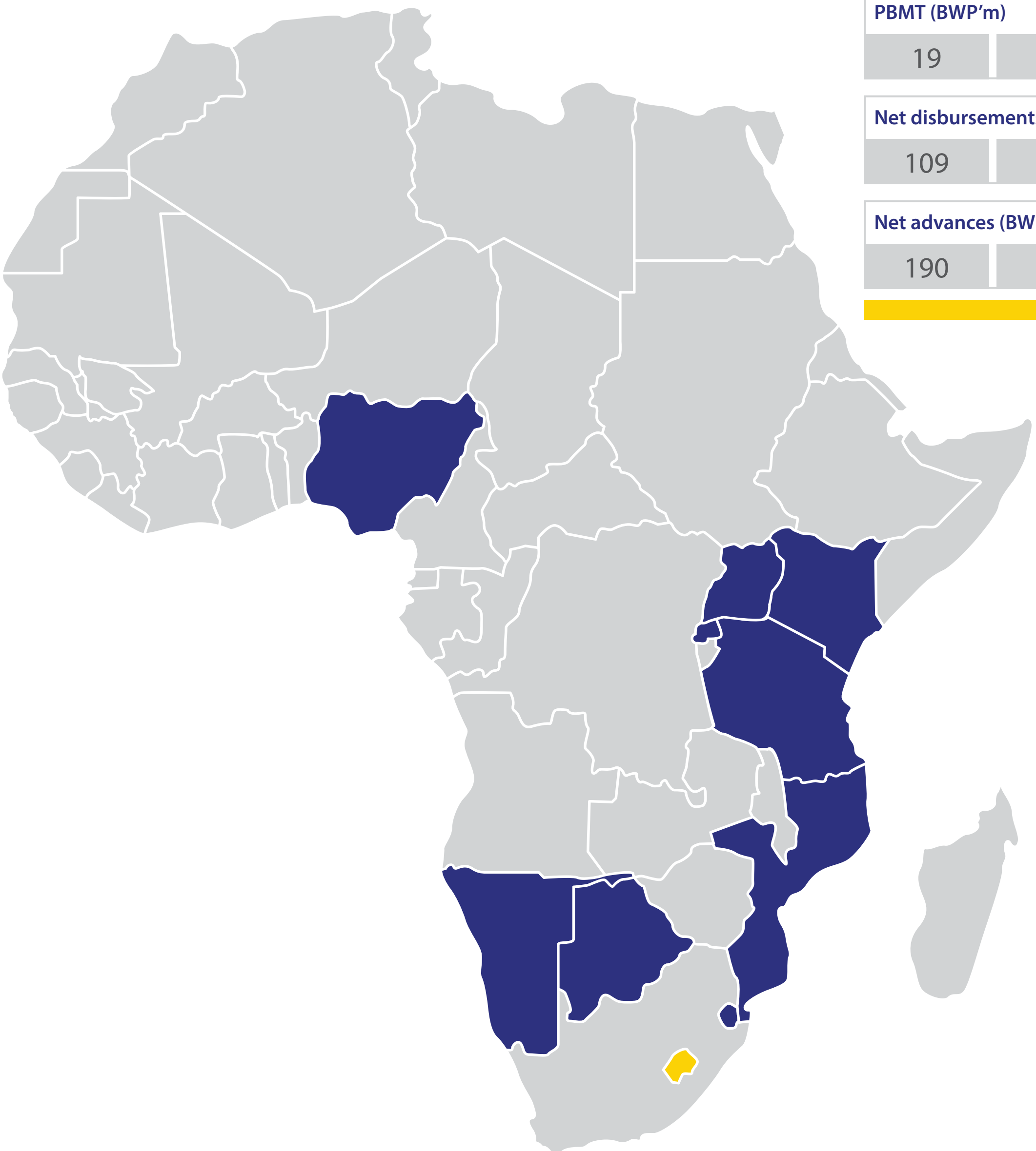
This was attributable to numerous media campaigns held in country along with the brand refresh both of which increased Letshego's visibility and attracted new customers.

We continue to work with key local partners to ensure we are offering simple, appropriate and accessible solutions for our growing customer base within the affordable housing, agri-business, education and general business sectors of the economy.

Subject to Central Bank approval, we look forward to announcing some of these initiatives from 2017 onwards.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	1%	1%	**2%**
NPLs provision coverage	69%	116%	**9%**
PBMT (BWP'm)	19	33	**55**
Net disbursements to customers (BWP'm)	109	108	**158**
Net advances (BWP'm)	190	251	**409**

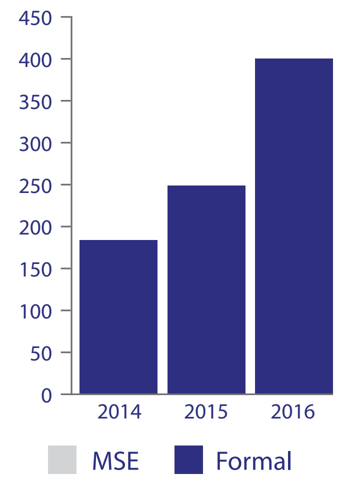


CUSTOMERS & COMMUNITIES

Number of customers ('000):

2014	2015	2016
6	7	**8**

Loan book split by business segment (BWP'm):



Over 85% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with over 5% of our customers earning less than BWP3,600 per month.

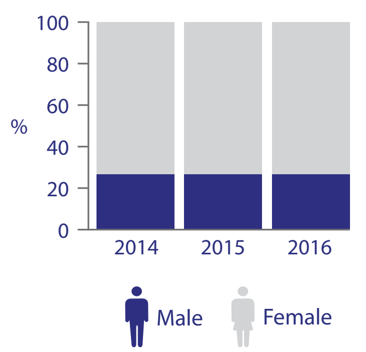
** Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
32	32	**37**

FTE gender split:

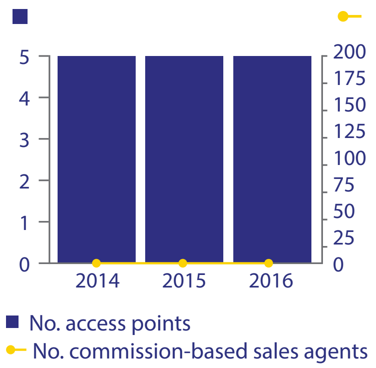


Training undertaken:

Total Training Spend (BWP'm) **0.26**
*Spend for Letshego Holdings and Letshego Botswana

Training Spend per FTE (BWP) **7,077**

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
31	6	**2**

% Female customers:

2014	2015	2016
48%	48%	**50%**

MOZAMBIQUE

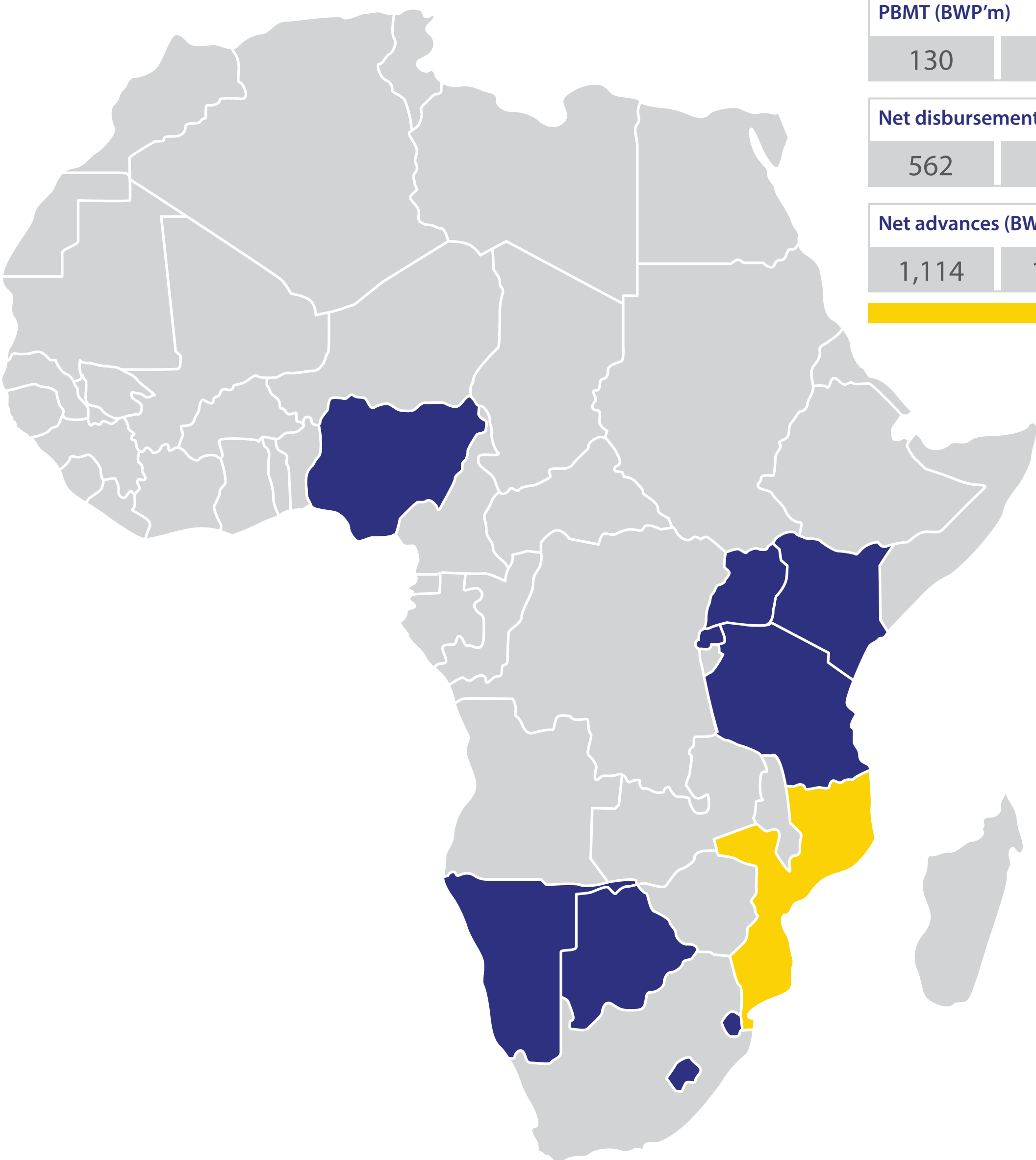
Our Mozambique operation, Banco Letshego, is one of our 6 deposit-licenced countries, and follows Botswana and Namibia operations in asset size and profitability. Although the Mozambique economy suffered a number of setbacks in 2016, not least of which were the Government debt obligations coupled with currency weakening (of approximately 60%) and resultant inflationary pressure, progress was reported in the development of the natural gas industry with a positive outlook anticipated in 2017 and onwards.

On the back of the above, the industry benchmark lending rate was increased; we filtered this through to our own pricing. In spite of external factors, in local currency the loan book closed approximately 10% higher than in the previous financial year, signalling underlying growth.

Our LetsGo agency banking concept, the "BlueBox" was tested in 2016, including being approved by the Central Bank, and is now in early stages of pilot roll-out across select rural areas in 2017. Further, we will augment this with additional government sector growth, and new business origination in the agri sector.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	0%	1%	2%
NPLs provision coverage	3%	15%	36%
PBMT (BWP'm)	130	172	107
Net disbursements to customers (BWP'm)	562	262	151
Net advances (BWP'm)	1,114	1,065	735



CUSTOMERS & COMMUNITIES

Number of customers ('000):

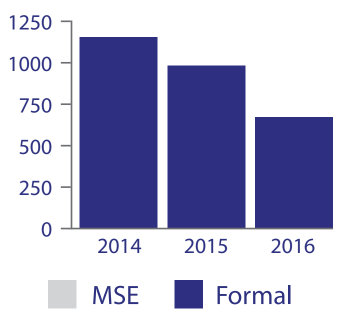
Borrowers:

2014	2015	2016
52	59	67

Savers:

2014	2015	2016
-	-	3

Loan book split by business segment (BWP'm):



SSI Spend (BWP'000):

2014	2015	2016
92	-	-

Over 95% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with 80% of our customers earning less than BWP3,600 per month.

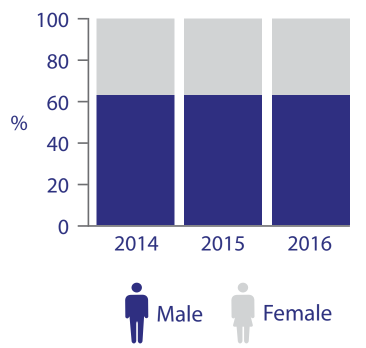
** Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
102	144	158

FTE gender split:

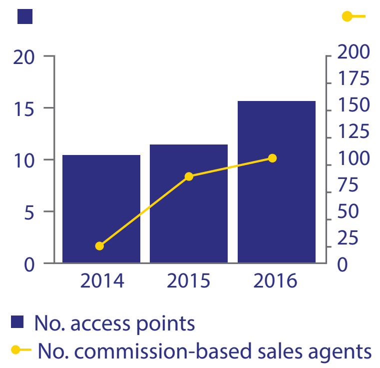


Training undertaken:

Total Training Spend (BWP'm) 0.2
*Spend for Letshego Holdings and Letshego Botswana

Training Spend per FTE (BWP) 1,371

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
44	56	38

% Female customers:

2014	2015	2016
32%	34%	28%

NAMIBIA

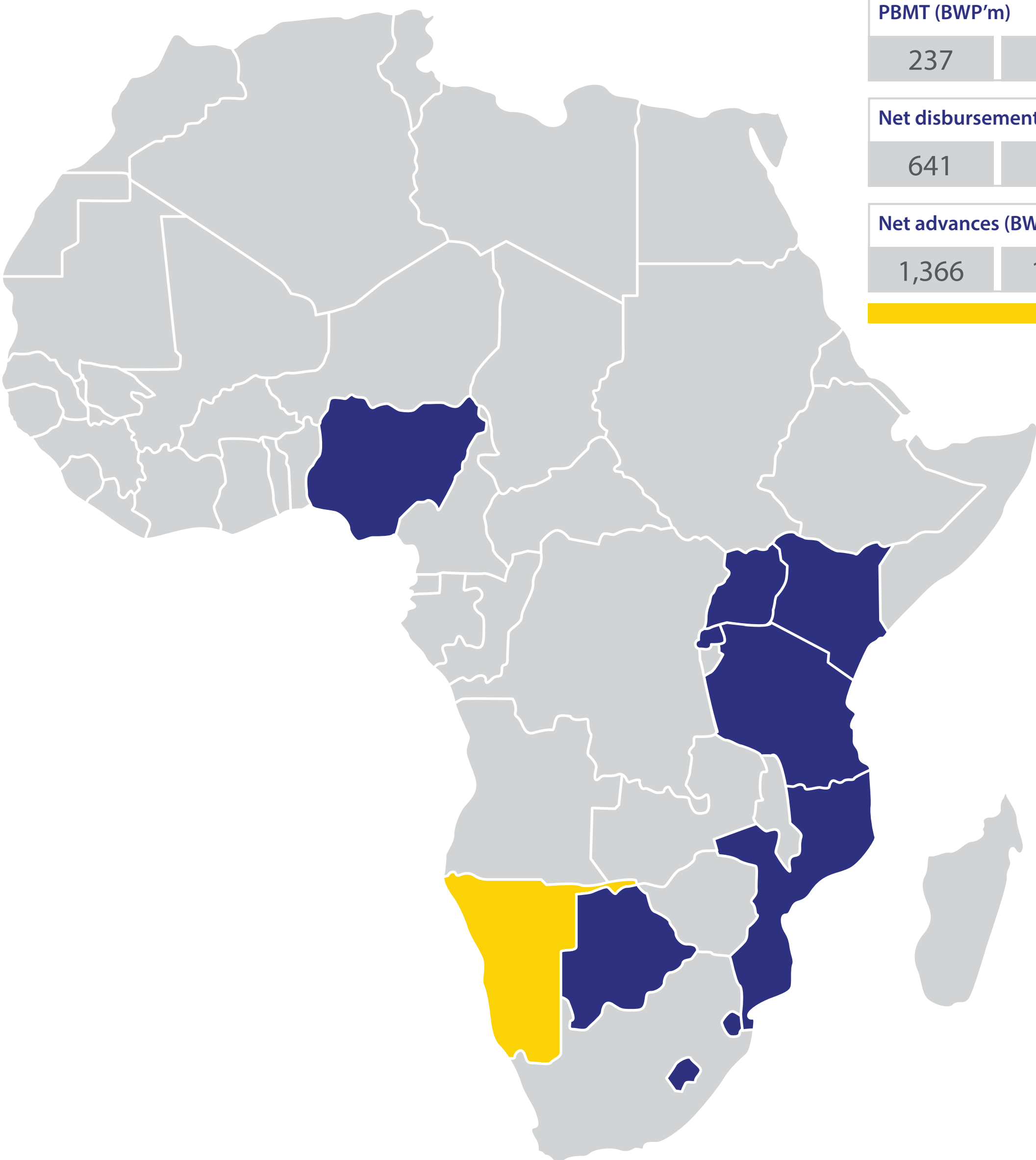
A key highlight in 2016 was the approval of the banking licence; this now enables us to accelerate our inclusive finance offering to a broader-base of the under-served population in Namibia. Subsequent to this we successfully integrated into the domestic payments system through Namibia Clearing House (Namclear), as well as inclusion in the SWIFT production environment and the Namibia Interbank Settlement System (NISS).

Additionally, the continued sales efforts from the team on the formal segment, combined with the brand-aligned Improving Life campaign, saw loan portfolio growth of 18% from 2015 levels to BWP1.7bn. We also achieved growth in PBMT of 11% to BWP351m.

We feel confident that the significant investment of time and resources into our banking readiness will position us well for our launch in 2017. We believe our efforts enhance our ability to offer more inclusive offerings to the formal, informal and MSE segments of Namibia.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	0%	0%	**0%**
NPLs provision coverage	1%	69%	**45%**
PBMT (BWP'm)	237	316	**351**
Net disbursements to customers (BWP'm)	641	548	**572**
Net advances (BWP'm)	1,366	1,392	**1,668**

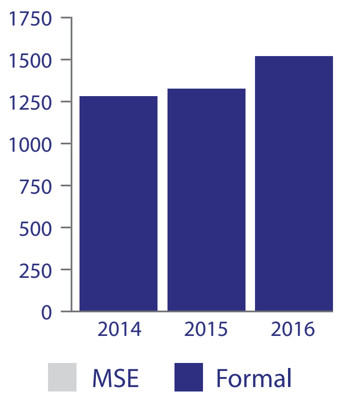


CUSTOMERS & COMMUNITIES

Number of customers ('000):

2014	2015	2016
50	56	51

Loan book split by business segment (BWP'm):



SSI Spend (BWP'000):

2014	2015	2016
324	725	398

Over 70% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with 10% of our customers earning less than BWP3,600 per month.

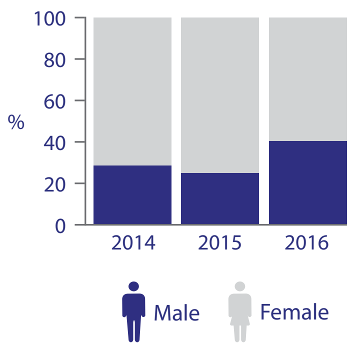
** Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
44	66	86

FTE gender split:

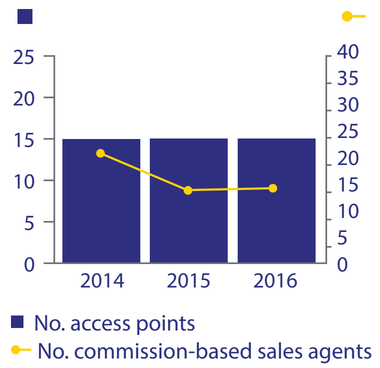


Training undertaken:

Total Training Spend (BWP'm) 0.3
*Spend for Letshego Holdings and Letshego Botswana

Training Spend per FTE (BWP) 3,827

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
32	67	78

% Female customers:

2014	2015	2016
39%	39%	40%

LETSHEGO MFB

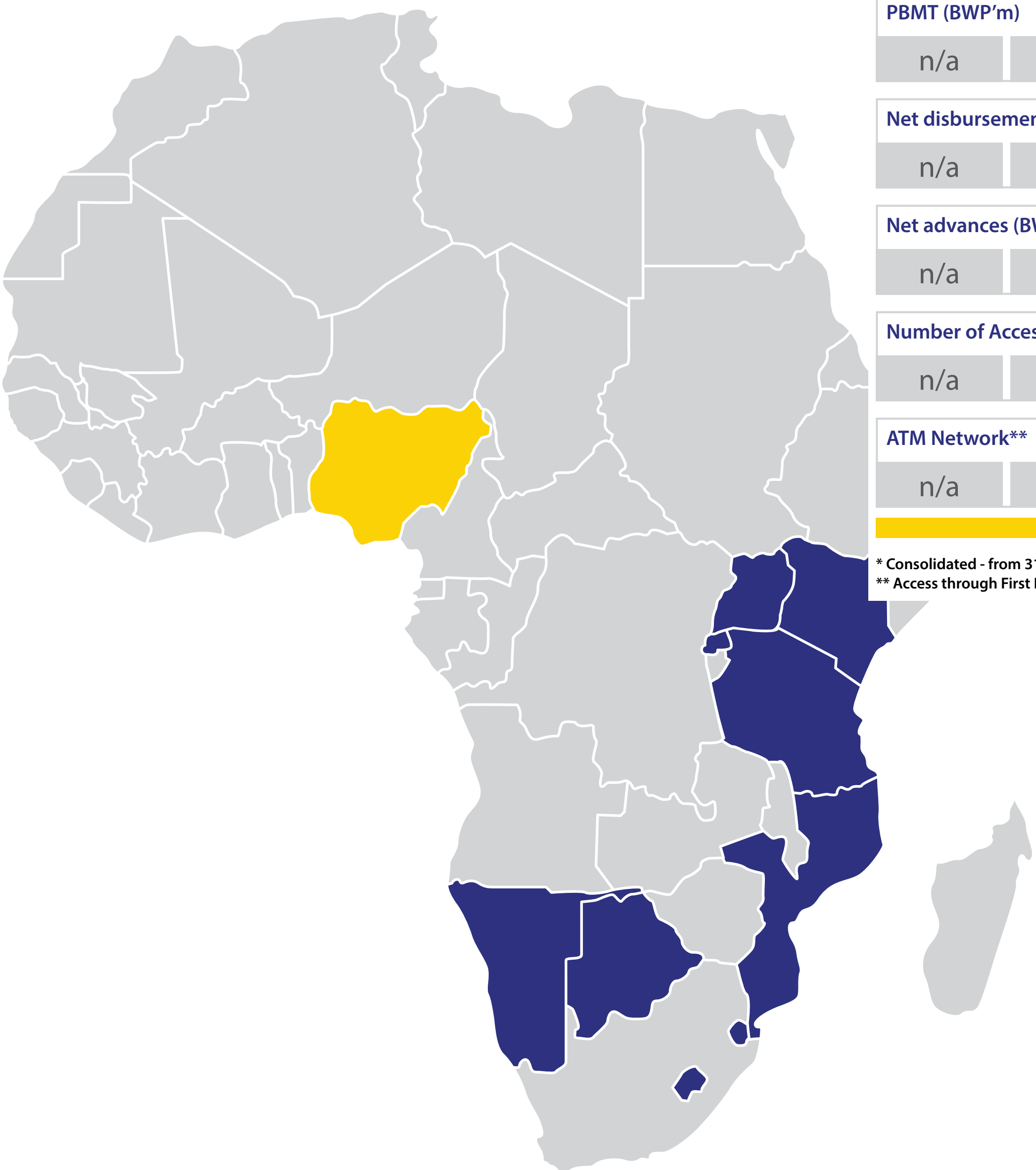
NIGERIA

2016 was a challenging year in Nigeria due to the limited liquidity and reduced oil revenues caused by the reduction in global oil prices. Further to this the Naira devalued significantly, losing half of its value in relation to the US Dollar.

Focus in 2016 remained on integration through creating operational platforms and efficiencies that drove significant once-off costs; these efforts, once complete, are intended to result in a more robust operating model with which to take our inclusive finance strategy forward. Additionally, we invested throughout the year in creating skills and capacity across the organisation.

The result of the above factors was that the loan book reduced by 4% in NGN, and by 27% in BWP.

2017 will see more investment, integration and alignment as we continue to build up our human capital for key management positions; also, we will commence the exercise on converting the existing technology platform to the Group's core banking and reporting systems (TCS B@NCS with Oracle).



FINANCIAL PERFORMANCE

	2014	2015	2016*
NPLs to average advances	n/a	n/a	8%
NPLs provision coverage	n/a	n/a	287%
PBMT (BWP'm)	n/a	n/a	(8)
Net disbursements to customers (BWP'm)	n/a	n/a	173
Net advances (BWP'm)	n/a	70	51
Number of Access Points	n/a	28	26
ATM Network**	n/a	2,000	2,000

* Consolidated - from 31 December 2015
** Access through First Bank of Nigeria Ltd.

CUSTOMERS & COMMUNITIES

Number of customers ('000):

Borrowers:

2014	2015	2016
n/a	12	5

Savers:

2014	2015	2016
n/a	70	56

Loan book balance *vs* Deposits balance (BWP'm):

	2016
Loan Book Balance (BWP'm)	51
Deposits Balance (BWP'm)	36

Average loan deposit values (P'000):

2015 Average value of deposits	1
2016 Average value of deposits	1
2015 Average value of loans	6
2016 Average value of loans	10

OUR PEOPLE

Number of FTEs:

2014	2015	2016
n/a	315	237

Training undertaken:

Total Training Spend (BWP'm) *Spend for Letshego Holdings and Letshego Botswana	3.6*
Training Spend per FTE (BWP)	18,392

Training activities conducted:

- Own the Rhythm, Set the Pace (OTRSTP)
- Live the Rhythm, Own the Pace (LTROTP) Champions Training
- Transformational Leadership Development Centre
- Leadership Conference

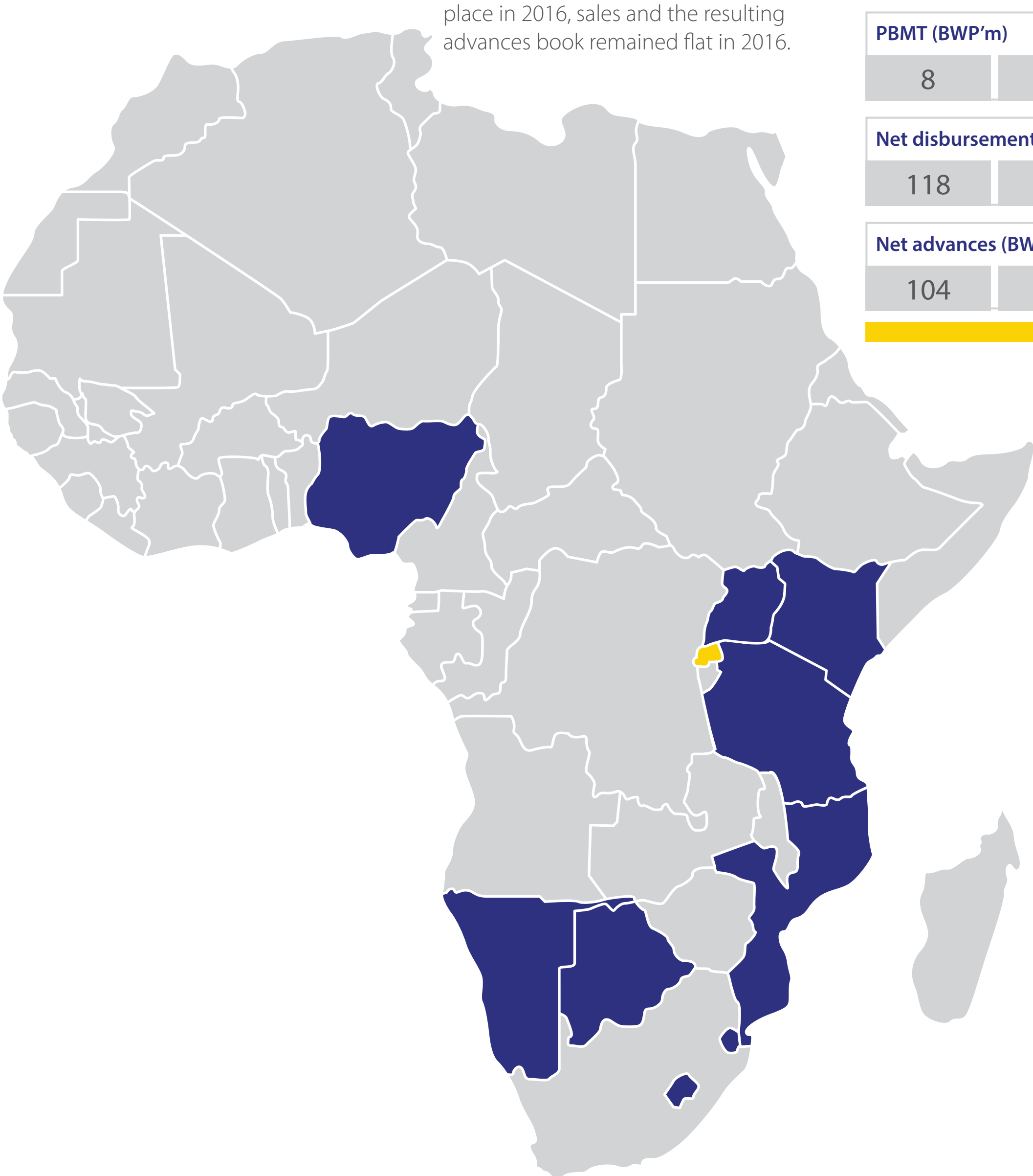
* Training activity conducted related to capacity building of the team around loan origination to collection processes, MSE business development, formal sector business origination strategies as wellas risk management principles and application."

RWANDA

The Rwanda economy performed well in 2016, with GDP growth of around 6%. This was attributable to the policies implemented by the Government to achieve the goals of middle income status and transformation into a knowledge based economy. Agriculture remains the main source of employment in Rwanda; however other non-farming opportunities are being created to ensure that the majority of the newly available workforce can obtain structured and consistent employment.

As with a number of Letshego's other subsidiaries, one of the key themes for the Rwanda business in 2016 was integration of Group policies, procedures and systems - embedding a future capability model that would enable our Rwanda operations to take advantage of the positive economic conditions. The Group's core operating and reporting systems (TCS B@NCS with Oracle) were successfully implemented in Q4, along with capability for USSD-based loans and savings that will enable us to offer mobile micro loans and savings in 2017.

Driven mostly by the internal capacitation and transformational activities taking place in 2016, sales and the resulting advances book remained flat in 2016.



FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	5%	8%	10%
NPLs provision coverage	129%	131%	157%
PBMT (BWP'm)	8	16	1
Net disbursements to customers (BWP'm)	118	146	144
Net advances (BWP'm)	104	168	165

CUSTOMERS & COMMUNITIES

Number of customers ('000):

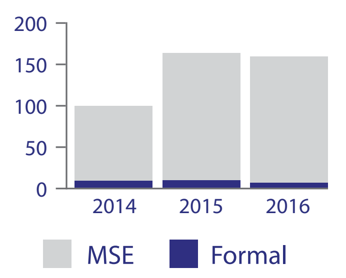
Borrowers:

2014	2015	2016
2	3	**4**

Savers:

2014	2015	2016
-	6	**10**

Loan book split by business segment (BWP'm):



SSI Spend (BWP'000):

2014	2015	2016
-	-	**41**

Over 75% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with 30% of our customers earning less than BWP3,600 per month.

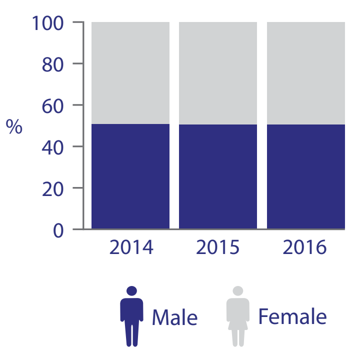
** Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
82	94	**89**

FTE gender split:

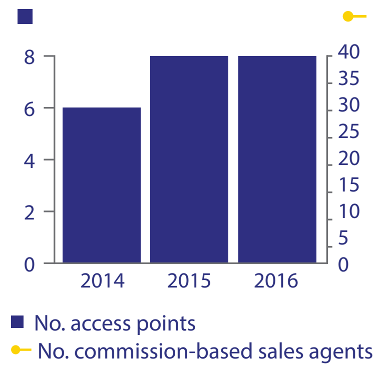


Training undertaken:

Total Training Spend (BWP'm) **0.5**
*Spend for Letshego Holdings and Letshego Botswana

Training Spend per FTE (BWP) **6,156**

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
3	5	**-**

% Female customers:

2014	2015	2016
22%	24%	**25%**

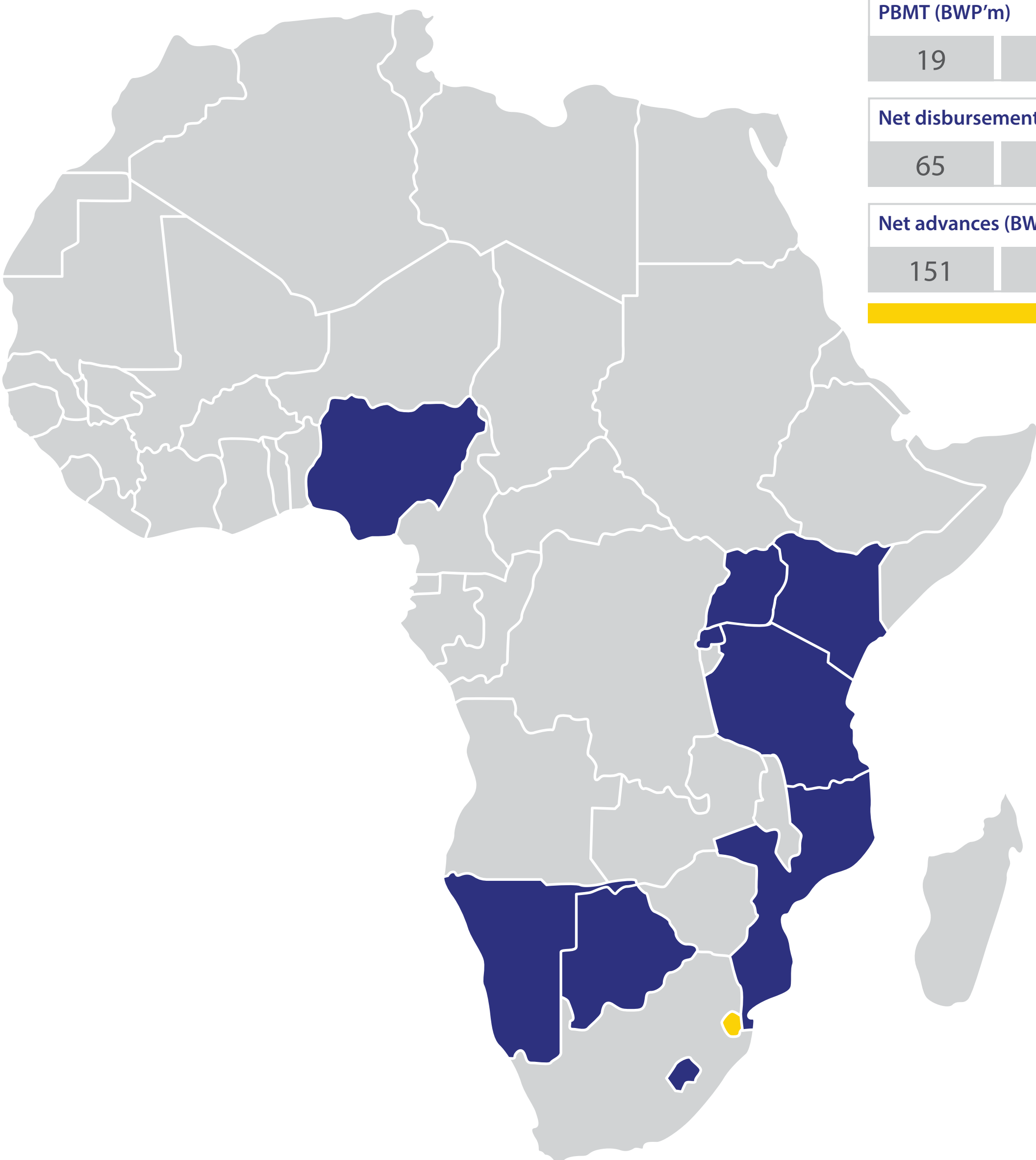
SWAZILAND

Along with other sub-Sahara African countries that experienced droughts over the past few years, Swaziland was severely affected and experienced an overall increase in food insecurity. This, combined with reduced SACU revenues, meant that real GDP growth for 2016 was forecasted at 1.3%.

Despite this, the Swaziland business was a success story in 2016, due to strong sales performance by the Letshego Swaziland team. Swaziland was the first country to complete the Improving Life campaign and this, combined with sales team effectiveness, generated momentum that led to the advances book closing 58% higher than in 2015. Looking to 2017, initiatives to diversify our core deduction at source service to non-Government segments are underway, and further growth is anticipated in 2017.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	(-1%)	0%	**0%**
NPLs provision coverage	47%	87%	**47%**
PBMT (BWP'm)	19	27	**22**
Net disbursements to customers (BWP'm)	65	44	**101**
Net advances (BWP'm)	151	143	**216**

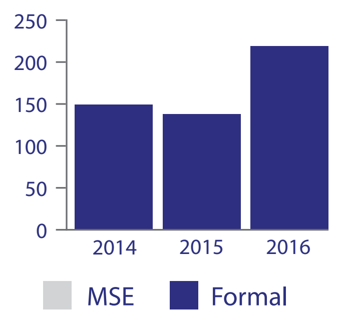


CUSTOMERS & COMMUNITIES

Number of customers ('000):

2014	2015	2016
6	5	**6**

Loan book split by business segment (BWP'm):



SSI Spend (BWP'000):

2014	2015	2016
-	4	**17**

Over 70% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with 5% of our customers earning less than BWP3,600 per month.

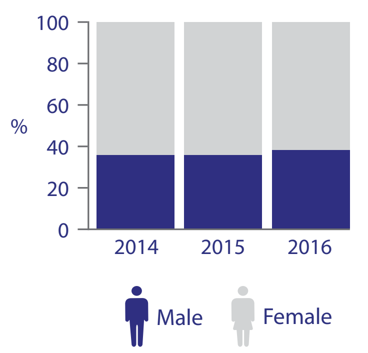
** Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
20	20	**23**

FTE gender split:

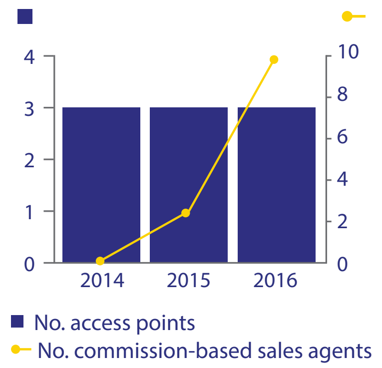


Training undertaken:

Total Training Spend (BWP'm) 0.3
*Spend for Letshego Holdings and Letshego Botswana

Training Spend per FTE (BWP) 12,264

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
4	4	**1**

% Female customers:

2014	2015	2016
30%	32%	**33%**

FAIDIKA TANZANIA

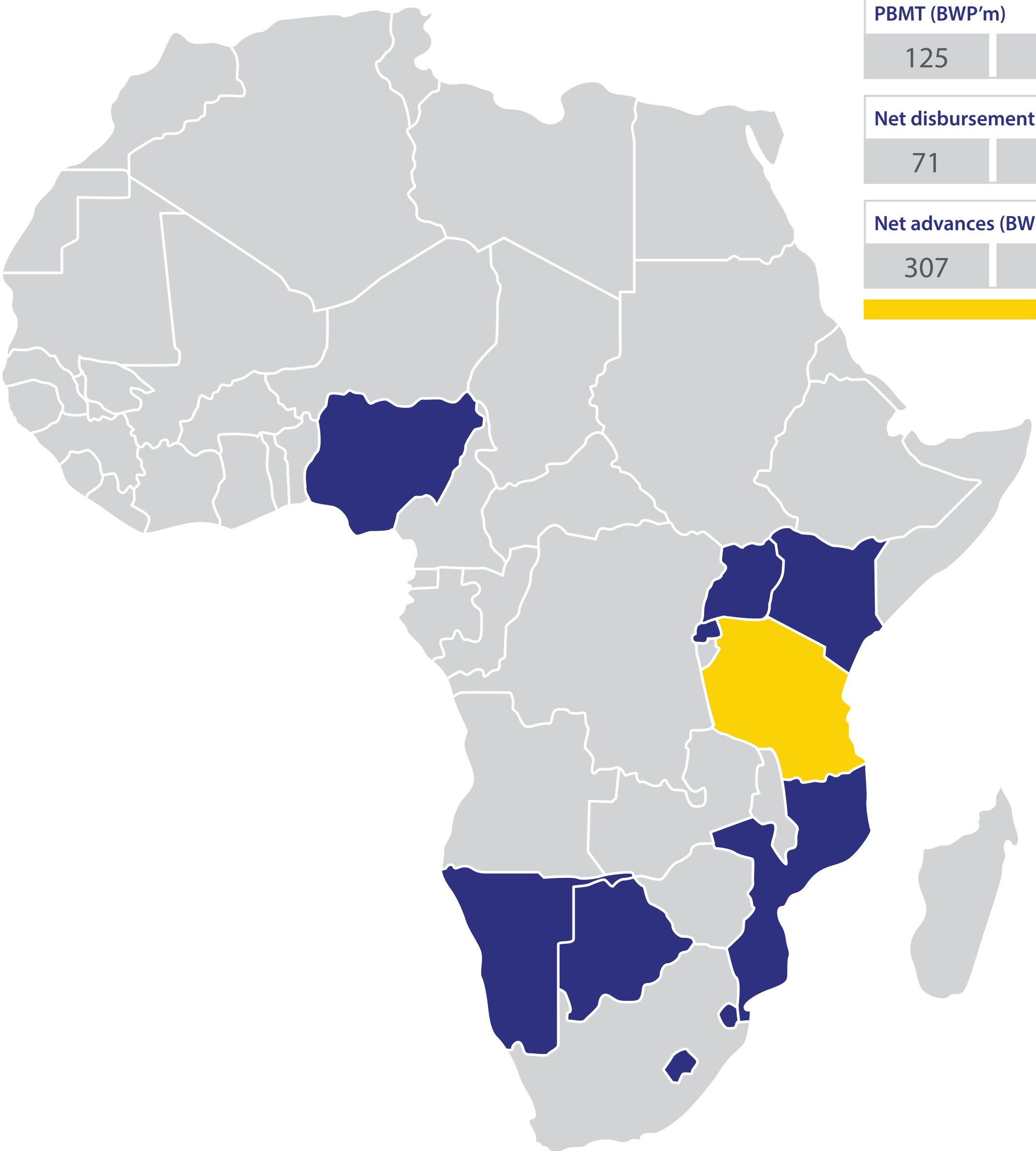
The Faidika business performed relatively well in 2016, taking advantage of the relationship with Letshego Bank Tanzania (LBT) and selling to employees of the MSE customers held by LBT. As a result, the loan book grew by 13% from 2015, closing at BWP391m, with profit before management fees and tax growing by 5% on 2015 to BWP100m.

Faidika has built strong brand equity during its decade of existence, serving over 95% of government districts - our focus in 2016 was therefore to ensure that we leveraged this brand equity in building out Letshego Bank Tanzania's customer reach.

We are pleased to report that these efforts generated market buy-in, leading to growth in customers as a result. Our investment in our people was built around ensuring synergies and a unified team ethos between Faidika and LBT. This focus will continue into 2017.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	3%	4%	3%
NPLs provision coverage	33%	46%	61%
PBMT (BWP'm)	125	95	100
Net disbursements to customers (BWP'm)	71	131	157
Net advances (BWP'm)	307	346	391

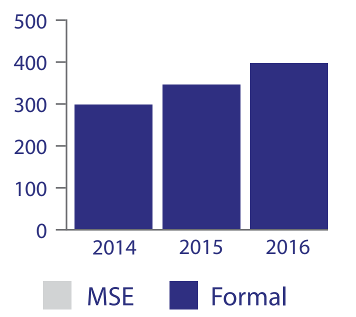


CUSTOMERS & COMMUNITIES

Number of customers ('000):

2014	2015	2016
43	44	47

Loan book split by business segment (BWP'm):



SSI Spend (BWP'000):

2014	2015	2016
14	20	112

Over 95% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with 50% of our customers earning less than BWP3,600 per month.

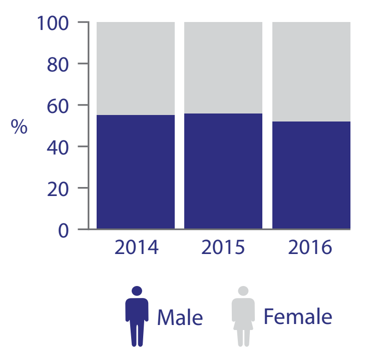
** Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
82	83	75

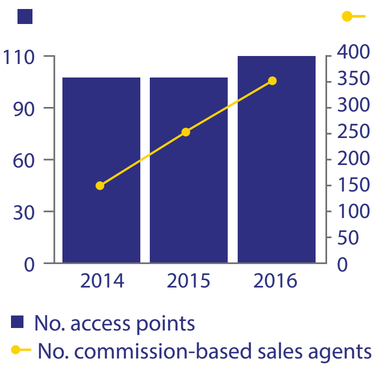
FTE gender split:



Training undertaken:

Total Training Spend (BWP'm) *Spend for Letshego Holdings and Letshego Botswana	0.6
Training Spend per FTE (BWP)	8,315

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
37	27	26

% Female customers:

2014	2015	2016
33%	34%	35%

LETSHEGO BANK TANZANIA

2016 was a year of operational streamlining while deriving synergies with our credit-only business, Faidika Tanzania. Therefore, levels of financial, strategic and operational support were high. Key members of the senior management team were recruited, bringing with them a wealth of knowledge and experience to drive the business going forward. In addition there were new board appointments, with 2 independent local members commencing duties in the current year. Letshego Bank Tanzania performed well in 2016 with the loan book nearly doubling to BWP97m from 2015 levels.

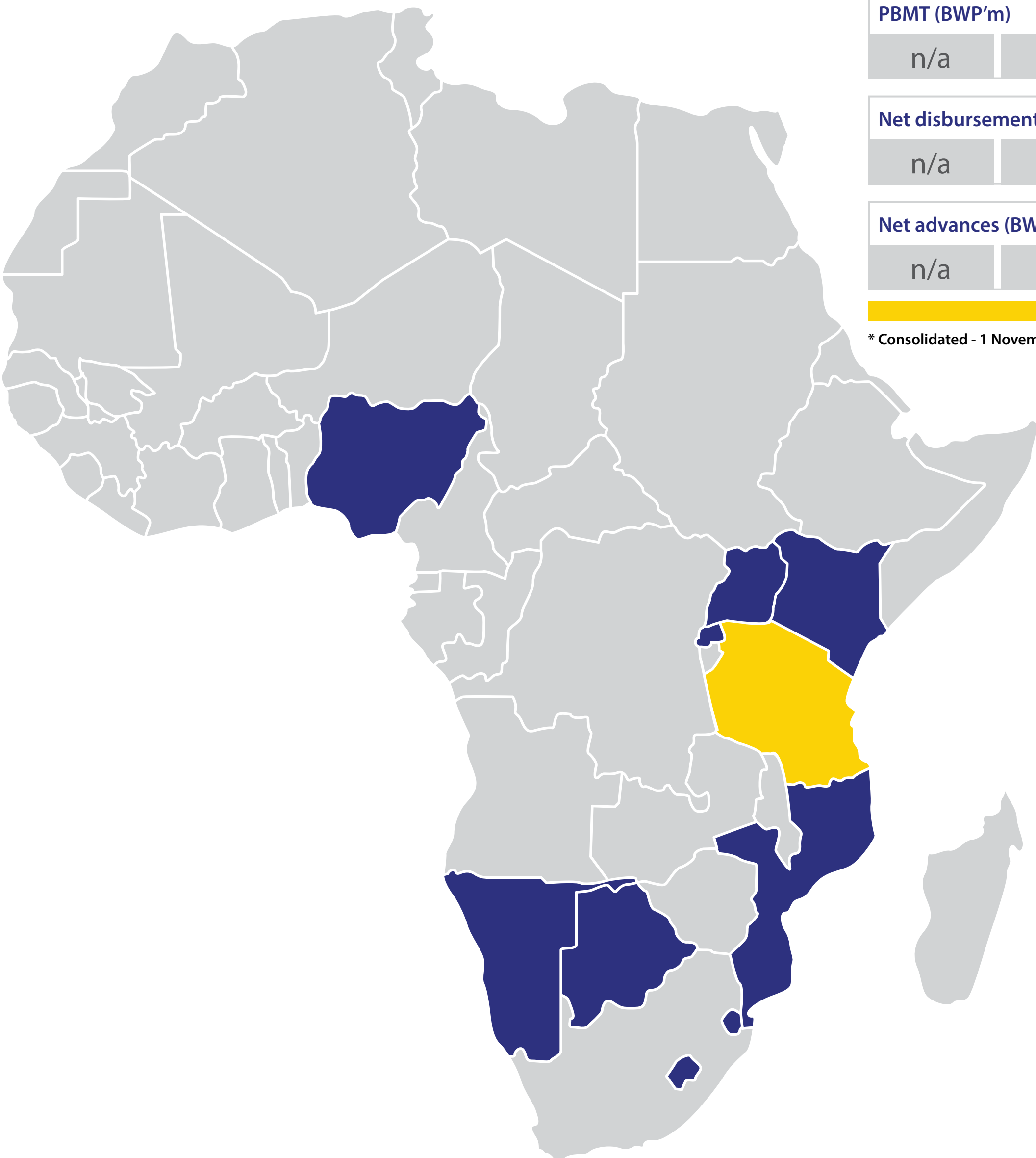
This was attributable to significant uptick in efficiency and access points, in addition to the successful introduction of our Education solutions to MSE. Also, our ATM network and 3rd party agencies (103 from 24 in 2015) channelled the broad-based solutions to a receptive market.

4 new customer access points were opened in 2016, bringing the total branches to 9 in addition to a deeper distribution network. In 2017, we look to launch mobile-led loan, savings and payment solutions to our broadening customer base.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	n/a	4%	6%
NPLs provision coverage	n/a	321%	151%
PBMT (BWP'm)	n/a	(6)	(10)
Net disbursements to customers (BWP'm)	n/a	9	157
Net advances (BWP'm)	n/a	49	97

* Consolidated - 1 November 2015



CUSTOMERS & COMMUNITIES

Number of customers ('000):

Borrowers:

2014	2015	2016
n/a	7	6

Savers:

2014	2015	2016
n/a	29	38

Average loan deposit values (P'000):

2015 Average value of deposits	1
2016 Average value of deposits	1
2015 Average value of loans	7
2016 Average value of loans	17

Over 95% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with 40% of our customers earning less than BWP3,600 per month.

** Source (World Bank Analytical Classifications)*

Loan book balance *vs* Deposits balance (BWP'm):

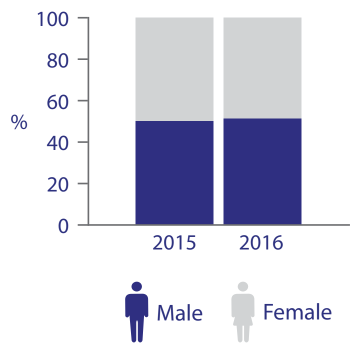
	2016
Loan Book Balance (BWP'm)	97
Deposits Balance (BWP'm)	36

OUR PEOPLE

Number of FTEs:

2014	2015	2016
n/a	202	209

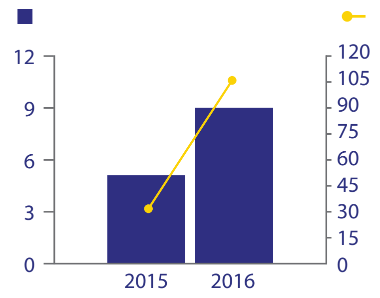
FTE gender split:



Training undertaken:

Total Training Spend (BWP'm) *Spend for Letshego Holdings and Letshego Botswana	0.9
Training Spend per FTE (BWP)	4,201

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



■ No. access points
● No. commission-based sales agents

UGANDA

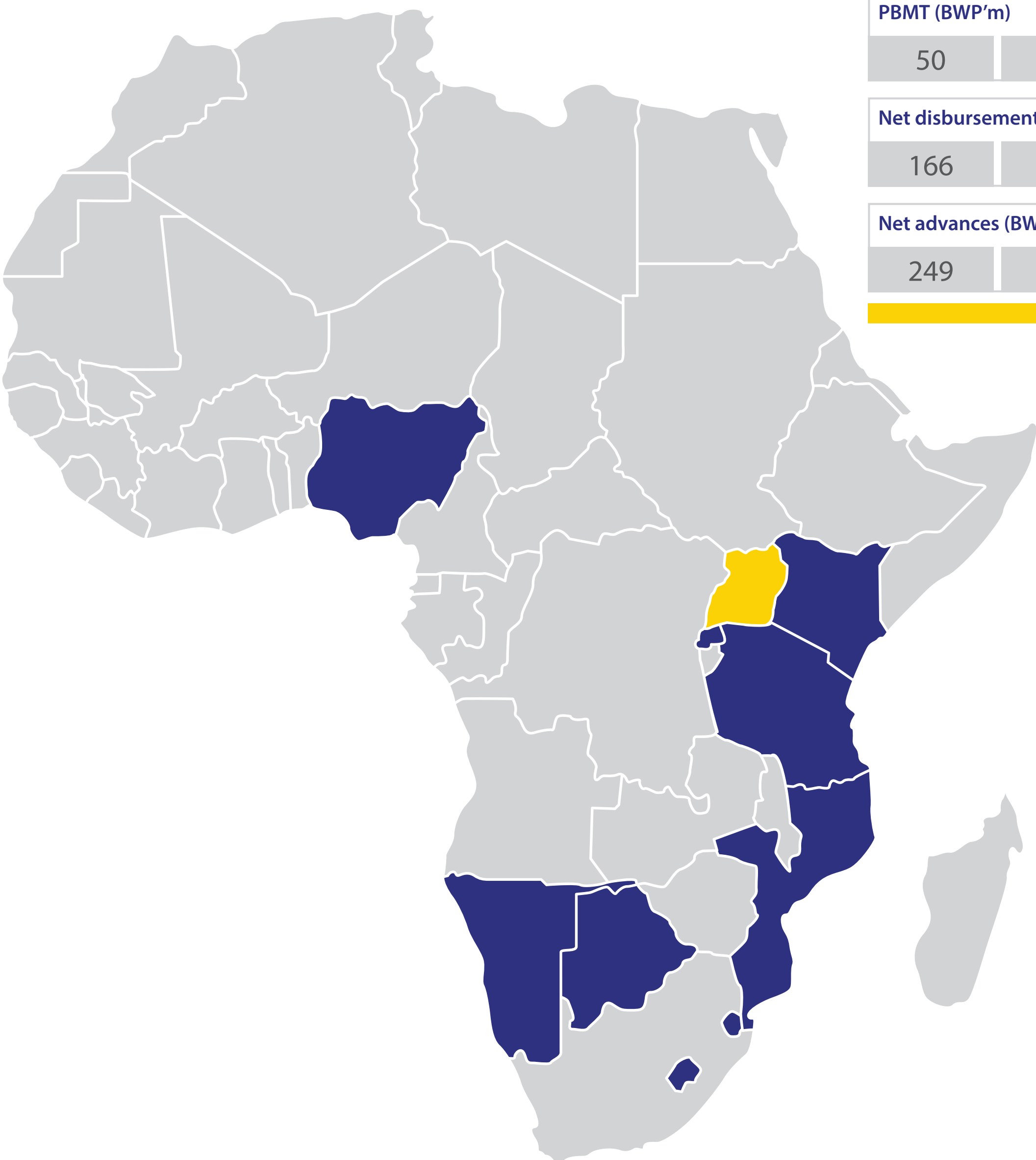
The Uganda business consists of our established formal sector lending portfolio, that absorbed the Ugandan microfinance operations out of the Micro Africa Limited acquisition in 2012. Broadly, these businesses make up 56% and 44% of the total portfolio respectively.

Our pilot diversification into the agri-business sector through supply chain financing yielded positive results in combination with other initiations, with the loan book growing by 9% on the preceding year to close at BWP307m. This growth was aided by the provision of the full range of MSE products in all branches in Uganda.

Along with Kenya and Rwanda, the Group's core operating and reporting systems were successfully implemented for the microfinance business in Q4 to facilitate a consistent base for 2017 and onwards.

FINANCIAL PERFORMANCE

	2014	2015	2016
NPLs to average advances	2%	6%	3%
NPLs provision coverage	10%	46%	39%
PBMT (BWP'm)	50	40	39
Net disbursements to customers (BWP'm)	166	202	237
Net advances (BWP'm)	249	285	307

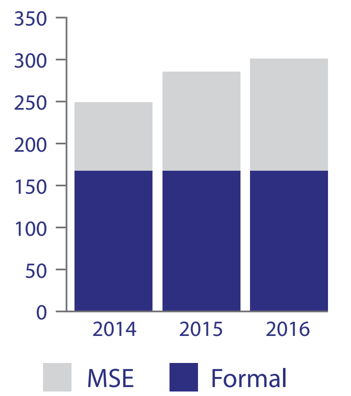


CUSTOMERS & COMMUNITIES

Number of customers ('000):

2014	2015	2016
45	43	40

Loan book split by business segment (BWP'm):



SSI Spend (BWP'000):

2014	2015	2016
307	18	27

Over 95% of our customers are classified as low to middle income* and earn less than BWP11,000 per month, with over 40% of our customers earning less than BWP3,600 per month.

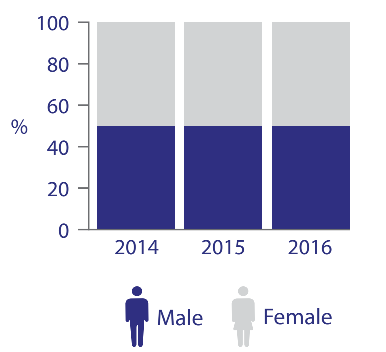
** Source (World Bank Analytical Classifications)*

OUR PEOPLE

Number of FTEs:

2014	2015	2016
188	213	246

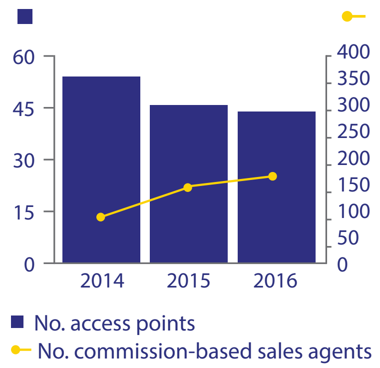
FTE gender split:



Training undertaken:

Total Training Spend (BWP'm) *Spend for Letshego Holdings and Letshego Botswana	0.8
Training Spend per FTE (BWP)	3,269

ACCESSIBILITY AND ECONOMIC CONTRIBUTION



Tax paid (BWP'm):

2014	2015	2016
11	11	8

% Female customers:

2014	2015	2016
24%	25%	24%

BOTSWANA

Improving my life

I was born in Kenya and moved to Botswana in 1995. In 2008 I lost my dad to an acute illness. The passing of my father brought a shadow of doubt as I looked ahead to my future - I did not know how I was going to further my education as, very suddenly, I had no one to pay for my school fees. After completing my A-levels in Botswana, I stayed at home for a year. I felt my dream of becoming a doctor was fading away. Letshego came to know about my plight and awarded me a full scholarship to pursue my medical degree.

The scholarship has improved my life significantly; I am now a fourth year medical student at the University of Botswana. The scholarship package includes tuition fees, book and living allowances. Letshego met my expectations and they went over and above; I will forever be grateful to Letshego for their support.

Charles Mokaya Kamanda
BOTSWANA

SOCIAL
INVSTESTMENT

2

OUR REVIEWS

We continue to invest in expanding our Africa footprint as well as our technology and delivery platforms. This will enable us to achieve our transformation agenda of creating Africa's leading inclusive finance Group. We are three years down the path of our transformation journey. Today we believe we are effecting and creating a unique, niche position in Africa at a time where rapid change and market disruption are the norm rather than the exception.

OUR STRATEGIC INTENT

Africa's leading
INCLUSIVE FINANCE GROUP
Let's improve life

Enablers

- Innovation
- Risk management
- Strategic partnerships
- People commitment
- Stakeholder engagement

Stakeholders

- CUSTOMERS & COMMUNITIES
- GOVERNMENT
- REGULATORS
- OUR PEOPLE
- INVESTORS

Improving life

I have been getting loans from Letshego for a couple of years now, and in that time I built myself a three bedroomed home and have a grocery shop in Mpofu.

Also, I have been able to send my children to better schools and so far two have completed their studies and have found employment. This is something I could not have achieved or been able to afford with the income I was earning from my employer. I was able to better take care of my family with the assistance of Letshego as the only breadwinner.

My grocery shop is the only shop in Mpofu unit 6, the shop is called Mncedisi Grocery named after my last born. The shop is the biggest in the area and almost everybody in the area buys their groceries there. This was achieved through the funds sourced from Letshego and I'm grateful of their assistance. I have a dream to grow my business and I believe it is attainable through the assistance of Letshego.

Victor Mandla Mamba
SWAZILAND

BUSINESS

SWAZILAND

“CONTINUED PROGRESS ON DELIVERY OF THE STRATEGIC AGENDA”

Enos Banda
Letshego Holdings Limited
Chairman

LETTER FROM THE CHAIRMAN

Letshego has achieved a number of key milestones in its transformation agenda towards **creating Africa's leading inclusive finance group**. We continue to invest in expanding our African footprint as well as our technology and delivery platforms.

During the 2016 year, a number of significant landmarks on our inclusive finance journey were reached, and included:

- Refreshing and unifying the Letshego brand across our 10 markets while retaining our strong brand equity;
- Securing our banking licence in Namibia, now enabling us to accelerate our inclusive finance model there;
- Progress in integration of our 2015 deposit-taking acquisitions in Nigeria and Tanzania;
- Obtaining principal issuer status from MasterCard in Mozambique;
- Building-out of our third party and proprietary agent network;
- Continued investment into our IT environment and bringing 9 countries onto our core platform;
- Solidifying our partnership with the Alliance for Financial Inclusion, as we continue to represent the African market; and
- Progress in "fintech" partnerships.

LETSHEGO'S HERITAGE AND PROMISE

With a proudly Botswana heritage and a dedicated, as well as growing, team, we have enjoyed consistent growth since our establishment in Gaborone in 1998. This growth has been built upon a proven model borne out of Botswana, tailored and exported across the franchise into Southern, East and West Africa. Over time, Letshego's competitive edge, and DNA, has been in its ability to deliver simple, appropriate and accessible solutions to those who are typically excluded or under-served financially in a responsive, inclusive and ethical manner.

As we have expanded our footprint across the continent, our promise has been clarified for all our stakeholders to be one of improving life as well as of growth and diversity, the latter two being familiar themes in Letshego's history.

THE WHOLE IS GREATER THAN THE SUM OF THE PARTS

This captures Letshego's approach to achieving a clear strategic vision for pan-African growth and broad-based diversification while balanced with a focus on social impact through inclusive finance. As the Board, leadership and broader team of Letshego, we are committed to improving the lives of our customers in collaboration with key strategic partners – we recognise that partners with common visions, requisite (and complementary) skill-sets have the ability to accelerate our journey for the benefit of all parties, with the customer at the centre of this.

As such, we seek like-minded partners to contribute to elements of our end-to-end value proposition where we believe speed, skill, and capacity are critical. This approach has yielded positive results for the Group as reported historically, as well as in 2016.

- **Embracing financial inclusion:** In this space, we take our privilege as Alliance for Financial Inclusion's (AFI's) sole African partner, seriously. Through this platform, in conjunction with 4 other global private sector partners and over 100 country regulators (and / or policymakers), we have contributed to a number of financial inclusion agendas relevant to Africa: digital financial services, regulation, funding and gender bias. In addition, we have partnered with local service providers to create team capacity as well as to impart financial skills to our customers and communities;

- **Growing the franchise:** From rolling out a refreshed brand identity, to integrating newly acquired businesses into the franchise, strategic and key partnerships have played a significant role in enabling the leadership team to record this progress. We

"AS WE HAVE EXPANDED OUR FOOTPRINT ACROSS THE CONTINENT, PROMISE HAS BEEN CLARIFIED FOR ALL OUR STAKEHOLDERS TO BE ONE OF IMPROVING LIFE AS WELL AS OF GROWTH AND DIVERSITY"

Enos Banda
Letshego Holdings Limited
Chairman

were pleased to obtain a banking licence in Namibia, as this will enable us to pursue our inclusive finance agenda on a broader basis in that country. Also, we made progress in the integration of our 2015 acquisitions of licenced deposit-taking businesses (Letshego MFB in Nigeria and Letshego Bank Tanzania) into our Group;

- **Enhancing customer experience:** Customer-centricity is key to Letshego's model. To enable this, partnerships with vendors, ecosystem players and "fintech" companies, amongst others, have been, and are expected to be, important enablers to enhancing customer experience. Our unique customer experience proposition is being built to anticipate needs – this includes acquiring (or sharing) data analytics and data science capability, enhanced social analysis methods and improved sales and service capability;

- **Embedding the future capability model:** In 2016, our multi-year partnership with Tata Consultancy Services saw another 3 operations being aligned onto the integrated customer operating and enterprise system, TCS B@NCS (with Oracle EBS providing financial and other reporting functionality) – this brings the number of countries on a single platform to 9 out of 10 (Letshego MFB in Nigeria and Letshego Bank in Tanzania are planned to be integrated in 2017 and 2018 respectively). In addition, we have maintained our commitment to skills development through the roll-out of face-to-face leadership development courses as well as e-learning modules, and conducting internally led training across key countries around our enterprise risk management framework and credit risk philosophies.

Clearly, the success of our growth and diversification drive is determined largely by our ability to not just keep up with, but, in some respects, optimise current trends. In the retail financial services industry across Africa, the dominant trend is one of digitisation, mobile-enablement and leap-frogging conventional banking processes into more intuitive technological ecosystems. Investment into systems integration, stability and technological innovations will therefore continue to be intrinsic to Letshego's strategic agenda.

OUR COMMITMENT TO OUR PEOPLE

We are developing a team of future leaders, with unique execution skills. From under 30 people in Gaborone at the close of 1998, Letshego has now grown to 1,620 full-time employees, complemented by over 1,160 commission-based direct sales agents. This combined team of 2,780 represents an 18% increase in headcount on 2015. Skills we have invested into across the business include financial inclusion business development, customer experience, sustainability and ESG, financial technology, legal and compliance and asset-liability management.

The Group has continued to invest in this growing team, from 570 person-days of leadership development interventions delivered throughout 2016 to every single member of the Letshego team being taken through an intensive and interactive immersion into the Letshego strategy and its relevance for each individual as well as functions, countries and the Group. Additionally, over 50 of our senior and middle managers were taken through Letshego-customised leadership development centres, designed to bring the best out of our next generation of Letshego leaders. Further, technically-focused e-learning and competency-based training was rolled out across the Group to all our people, covering subjects such as asset and liability management, treasury and liquidity management and business continuity management.

Our customer-facing sales teams are the face of the Letshego brand. During the year, we rolled out a number of targeted sales effectiveness workshops, refreshing their understanding of Letshego's ethos and how this needed to be translated in a balanced manner into our customer conversations.

In totality, the Group invested over BWP 10 million towards learning and development – signalling the recognition that the Board and Senior Executives have for our people's influence on our strategic success.

RISK MANAGEMENT AND SOCIAL LICENCE

Through the year, the leadership team and Board have worked together to strengthen the Group's governance structures – as at the end of 2016, 18 Independent Non-Executive Director appointments were effected across the Letshego footprint based on careful screening for skills, credentials and diversity. We have either concluded, or are concluding, the appointment of independent Non-Executive Directors as subsidiary Board Chairpersons

Also, the Board has supported the executive team's efforts in strengthening the Group's risk management and operating platforms in alignment with international standards. This has included a continuation of the work initiated in 2015 to map out our sustainability, ESG and social impact frameworks and credentials, as well as to embed these philosophies and frameworks into business-as-usual.

Pleasingly, an independently conducted Social and Environmental Due Diligence indicated high levels of conformance with globally accepted frameworks including:

- the UN Global Compact – at 97%,
- the IFC Performance Standards (2012) – over 75% compliance to relevant standards,
- the IFC Interpretation Note on Financial Intermediaries – initially reported as 50%, and remedied by year-end to 70% due to actions taken by leadership, and
- the UN Environmental Programme Statement of Commitment by Financial Institutions to Sustainable Development – at 85%.

Our approach to running our business is all-inclusive and comprehensive. We consider not only the commercial imperative of growing our profits sustainably, but our broader impact, being a constantly growing provider of financial services through Africa.

As such, we seek to objectively establish Letshego's distinct relationship capital and social licence to operate as measured both by our ability to manage the downside as well as optimise the market opportunity created through embracing a holistic social governance code.

LOOKING AHEAD

Letshego continues to drive its financial inclusion strategy and strengthen its operations through investment in technology and people as well as through strategic partnerships. Geography, customer and solution diversification remain core to Letshego's strategy. The Board of Directors is confident that the Group is well positioned to benefit from the growing markets in which it is active and views inorganic expansion via acquisitions as important to the acceleration of Letshego's strategy. As such we will continue to seek and review options for the Group to pursue, provided they augment, and do not detract from, our core business focus.

APPRECIATION

As I take over the Chairmanship of the Letshego Holdings Limited Board from my predecessor John Alexander Burbidge, I remain immensely grateful for John's ceaseless professionalism and dedication to his responsibility, not just to me, but to all of Letshego's stakeholders. Under his guidance, the Group has grown from a handful of countries and a single-product focus to now existing in three main African regions with a clearly articulated diversification and growth agenda that embraces both a commercial and social purpose. My fellow Board members and I extend our sincere thanks to John for his wise counsel and exemplification of governance over the years.

Also, I must extend the Board's deep appreciation to Dumisani Ndebele, who has served Letshego since 1999 in various capacities. These included Finance Director, Risk and Compliance Director, Company Secretary and Group Head of Governance and Compliance. Dumi's deep institutional knowledge, coupled with his sound technical skills and passion for our business will be missed; nevertheless, we wish Dumi well in his active retirement!

As I settle into my role as Chairman of this dynamic and exciting Group, I see the Letshego team as being fundamental to its continued growth, diversity and ability to improve life. For your efforts, up to and including this point, the Board and I thank you; and for the future passion and dedication we have come to expect from Letshego teams, we pledge to support and recognise your development and contribution.

Finally, we extend our appreciation to our loyal customers, whose feedback about, and usage of, Letshego's solutions and methods have kept us challenged – and we embrace this as our route to delivering on our mandate. This equally applies to our Governments, regulators and communities, whose respective interests we continually engage around in an effort to truly improve life.

Enos Banda
Chairman
Letshego Holdings Limited
1 March 2017

"IMPROVING LIFE THROUGH SUSTAINABLE SHAREHOLDER VALUE CREATION"

A. Christopher M. Low
Letshego Holdings Limited
Group Managing Director

GROUP MANAGING DIRECTOR'S REVIEW

Three years ago, we started on a new transformational journey. This has required significant **investment in technology, in our people and in our solution capability.**

We at Letshego are creating a unique, niche position in Africa at a time where rapid change and market disruption are the norm rather than the exception. Whether this is due to geopolitical change, or disintermediation in the banking sector, the fundamentals of the African growth story in this context create an environment that my Board, my leadership team and I believe offer significant upside.

We believe that our 2016 results are satisfactory given the strong headwinds in certain key markets. Highlights include:

- Total revenues exceeded P2.2 billion; a 9% increase on the previous year (6% increase excluding the 2015 acquisitions)
- Yields on loans to customers and the cost of borrowings were maintained
- The normalised cost of risk was 2.2% (2.8% including once-off charges), marginally lower than 2015
- Profit before tax was P948m (a 9% reduction from 2015) and on a normalised basis, excluding once off items PBT would have been flat year on year
- Gross advances grew by 6% to P7.0 billion (or 14% in underlying local currency terms)
- Non-performing loans impairment coverage ratio increased from 51% to 68%
- Debt to equity ratio was 85% up from 66% in 2015
- Return on equity was 16% (2015: 19%) and return on assets 9% (2015: 10%)
- Customers were serviced through 278 customer access points, an increase of 4% on 2015
- P2.5 billion (2015: P2.37 billion) was disbursed in new or "top up" loans
- The Group employed 1,620 (2015: 1,592) full time employees supplemented by an additional 1,162 (2015: 775) commission-based sales agents

EMBRACING FINANCIAL INCLUSION THROUGH ADVOCACY ACROSS OUR STAKEHOLDER UNIVERSE

Our strategic intent is to be Africa's leading inclusive finance group. I am pleased to share that we have made progress on the development of this ambition and will lay out below the areas of financial inclusion policy we engaged on.

We continue to be the Alliance for Financial Inclusion's (AFI's) only African private sector partner. In 2016, we participated in AFI's high-level Public-Private Dialogue meeting in Washington DC on the sidelines of the IMF and World Bank Spring meetings. Shortly before this, we spoke at AFI's African Mobile Policy Initiative forum in Africa, and later in the year we presented at, and attended, AFI's flagship convention, their Global Policy Forum. Also, we shared our industry insights and initiatives on an aggregated basis into AFI's and ITU's (the United Nations International Telecommunications Union) partnership teams for the purpose of facilitating their peer-knowledge building objectives. Through the year, Letshego's advocacy centred around 3 key themes:

1. **Appropriate regulatory frameworks** – we stressed the need for tiered licencing, accompanied by tiered risk management and prudential requirements (simplified, biometric know-your-customer rules being an example), without which viably serving the financially excluded and under-served would be impractical;
2. **Governmental and public sector facilitation of G2P and P2G payment ecosystems** – our view of the financial inclusion puzzle is that digitising payment flows creates multiple benefits such as accumulation of digital payments and behavioural data to underpin credit scoring technologies, enablement of critical mass in a short timeframe, and the creation of a safe and secure ecosystem to track and measure data that in turn identifies business opportunities as indicated by customer needs. Simply put, through digitising high-volume, low-value flows, such as road tax payments, or social security administration, an entire ecosystem for financial services becomes available;
3. **Appropriate funding sources** – as a largely credit-only institution that is at the nascence of our deposit-taking transformation, a fundamental barrier to inclusion becomes the cost of services, and a key component of this is the cost of funding we bear. We therefore tabled the need for deeper and better defined pools of funding being dedicated to institutions with a demonstrable commitment to enabling financial inclusion.

Apart from advocacy with our "supply-side", we have followed our refreshed brand launch quickly with a series of in-country customer campaigns that seek to encourage and incentivise Letshego customers to use their financial services in the most productive and life-improving manner. This Africa-wide campaign was a follow-on to our brand

A. Christopher M. Low
Letshego Holdings Limited
Group Managing Director

promise and is called our "Improving life campaign". In Namibia alone, the campaign ran for under 3 months garnering over 2,900 entries with the majority usage being reported and verified as being in affordable housing, agri-business, education and general business sectors of the economy. After pilots in Botswana, Namibia and Swaziland in 2016, we kicked off similar campaigns in Mozambique, Uganda, with remaining countries to follow. We are encouraged by this feedback and look forward to embedding this campaign as our flagship annual customer engagement.

Still with customers, as well as communities, we continue to make pragmatic progress in the area of financial literacy and skills-deepening. In collaboration with the Botswana Government, we are in a 3-year literacy programme delivering to civil servants across Botswana with the support of a technical partner.

GROWING THE FRANCHISE THROUGH CONTINUED INVESTMENT AND DIVERSIFICATION FOCUS

During 2016 we finalised the banking licence in Namibia, integrated the 2015 acquisitions (Tanzania and Nigeria) into the business and expanded our agency network in Tanzania. We continue to seek deposit-taking licences to facilitate our financial inclusion agenda and, post year-end, we finalised the acquisition of AFB Ghana, bringing the number of deposit taking businesses to six.

Growth in loan and advances to customers was 6% in Botswana Pula, our reporting currency, and 14% in underlying local currency terms, plus we registered a 10% increase in operating income, within which revenue diversification continued. When considered against the backdrop of both challenging macro and micro-economic conditions, as well as the investment that were required to ensure successful delivery of our growth strategy, we believe our performance to be satisfactory.

As shown below, our normalised pre-tax profit of BWP1.033 billion is on par with 2015 levels (as expected given our investment into people, processes, systems and growth). Factors resulting in our final BWP948 million profit before tax included once-off impairments in Botswana, Mozambique and Rwanda totalling BWP38 million, and BWP33 million off the Mozambican Meticais depreciation in 2016. That said, our Botswana, Lesotho, Namibia and Tanzania (Faidika) operations generated net growth in profit of BWP80 million, offset by other countries due mostly to investment into capacity and country factors that we expect to regularise going forward.

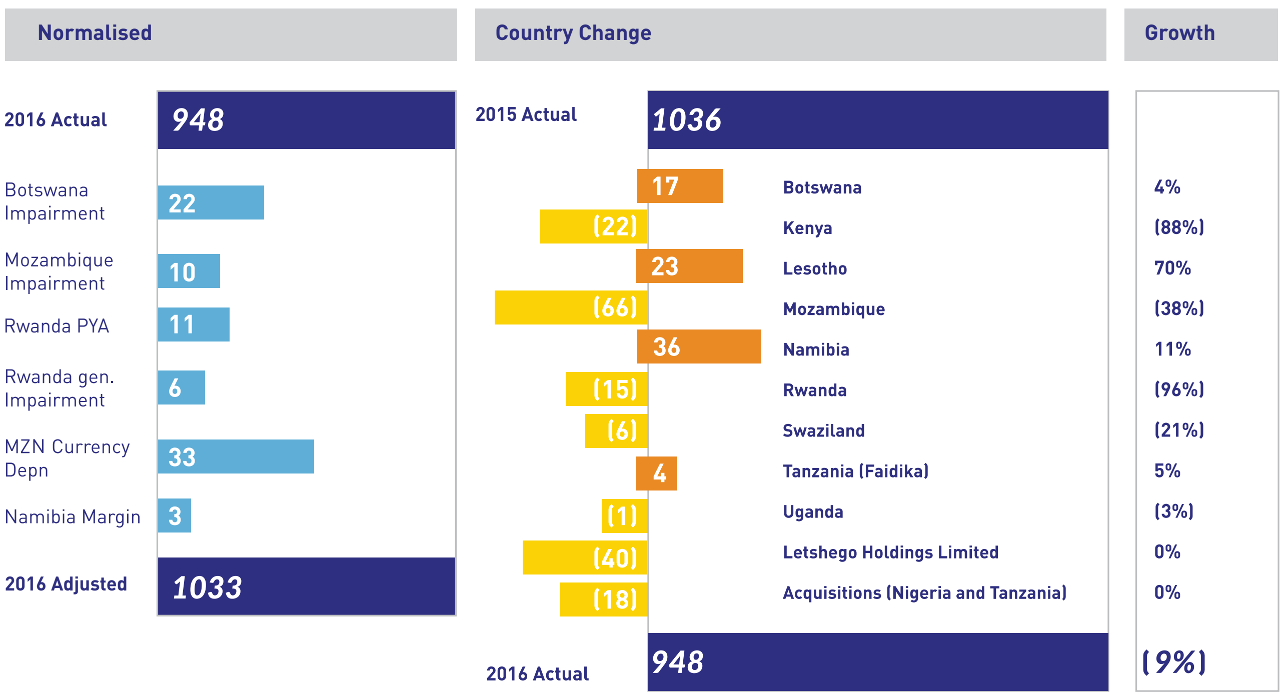
Our debt to equity ratio has increased to 85% (as against our target of 100%) and this progress is a key enabler of our growth strategy; we believe that our successes in diversifying our funding sources, as well as the refinancing of current debt obligations, indicate support in the financial market for Letshego's strategic intent, as well as our strong risk management capabilities. This is underpinned by diversification in terms of customer types, geographic footprint and solutions offered. Also, we maintain a strong balance sheet with sound capital adequacy ratios.

Below, I unpack the performance of two of our newest operations, Letshego Bank Tanzania and Letshego Microfinance Bank Nigeria, both of which came off low bases, required intensive internal streamlining and integration, but equally present significant potential by virtue of their inclusive finance capability. Subsequent to December 2016, we finalised the 100% accquisition of afb Ghana plc; we equally view this market as an important one.

DIGITISATION AND STRATEGIC PARTNERSHIPS TO DELIVER AN ENHANCED CUSTOMER EXPERIENCE

While digitisation is by no means the sole focus of our business, it is a key element, as our Chairman has indicated. Leading up to, and during, 2016, we have looked at digitisation end-to-end, from appropriate risk management infrastructures to cushion market and business volatility,

Group profit before tax analysis (BWP'mn)



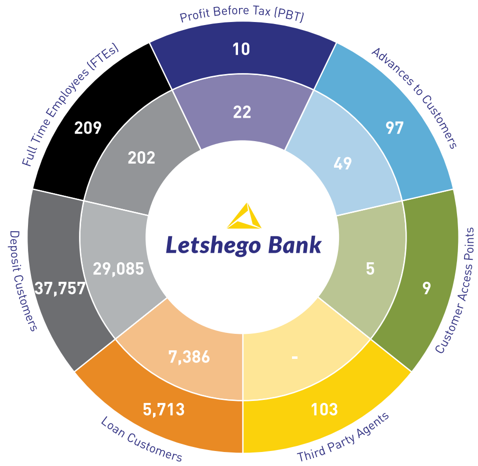
TANZANIA

Letshego Bank Tanzania (acquired November 2015)
In Tanzania, as shown in the figure alongside, our efforts to increase access and grow the franchise by focusing on the integration of people and systems, as well as strengthening management and staff capacity has shown positive results.

We have seen uptake in advances to customers increasing by BWP 48 million, customer access points increasing from 5 to 9 and deposit customers increasing by 8,672. The staff compliment has increased as well, reflecting our conviction that this business will be a significant contributor to the Group in the short term.

Losses before tax for 2016 reduced by BWP12 million to BWP10 million, versus 2015.

See Key Below



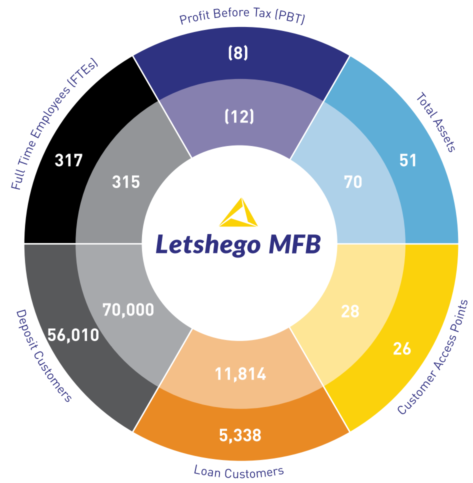
NIGERIA

In Nigeria (acquired December 2015), we have deliberately sought to consolidate and streamline the business.

This resulted in change in key areas: losses before tax has decreased by BWP 4 million to BWP8 million, total assets have decreased by BWP 19 million (following the Naira's weakening), loan customers have decreased by approximately 6,500 and deposit customers have decreased by approximately 14,000.

The major reasons for this performance relate to the devaluation of the Naira following removal of pegging to the US dollar, which impacted our asset base. Also, additional costs that were related to operational streamlining should see uplift in 2017. Finally, investment in capacitating teams for our formal and MSE segment planned growth were necessitated in order to realise our ambitions for this key market.

See Key Below



GHANA

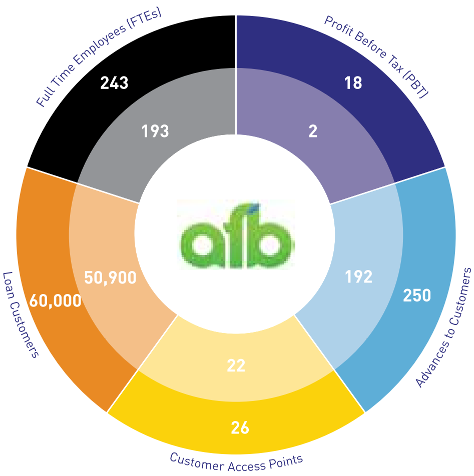
As disclosed on 13 January 2017, Letshego has become a 100% shareholder of AFB Ghana Plc (acquired post year-end). The financial results of AFB Ghana have not been included in these reviewed results for the year ended 31 December 2016.

The purchase consideration is expected to be in the region of BWP96 million. AFB Ghana has over 60,000 customers, 200 members of staff and 25 customer access points.

As we only acquired the Ghana business in early 2017, therefore we expect that the full-value of this business will only filter through in the coming years; early indications are positive.

Already, work to integrate our Ghana team into the Letshego ethos, strategy and culture is going well. Additionally, we are looking to go to the market with mobile solutions in 2017.

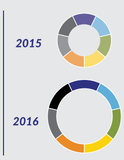
Pleasingly, we are exchanging skills across borders, and for Ghana in particular this is around the end-to-end automation of the loan origination, management, collections and recoveries process, that, for example, is beginning to assist collections performance in Botswana.



KEY:

- Profit Before Group Charges and Tax (PBT) *(P'mn)*
- Advances to Customers *(P'mn)*
- Customer Access Points
- Third Party Agents
- Loan Customers
- Deposit Customers
- Full Time Employees (FTEs)

N.B. Faidika deduction at source statistics not included



through to front-end customer and stakeholder engagement. In addition, given we are pursuing a unique business strategy for the digital age, we look to strategic partners as part of the solution to ensure that we can execute nimbly while managing own costs such that we can move our technology investments to third parties and rent this on the basis of business development and tempo.

Already, we are happy to report that our Letshego operations in Kenya, Mozambique, Rwanda and Tanzania are all live with USSD mobile financial solutions. In Kenya alone, where this offering was piloted, 72,000 mobile micro-loans have been disbursed since launch, making up over BWP 25 million in disbursements into the local economy. Typical features of this offering in our markets include pre-approved credit based on set criteria, mobile handset-agnostic capability, turnaround times of under 10 minutes with individual loan amounts of under US$ 50 (BWP 500) repayable in 1 to 30 days. In essence, this simple, relatively de-risked offering underpins our promise of providing Africa's under-served with financial access anytime, anywhere. Mozambique is another country in which we have piloted another dimension of access anytime, anywhere: this time, with a rural focus. We have dubbed our LetsGo third party agency banking concept the "BlueBox". The idea behind this is to provide rural capability for business growth combined with financial services in often-neglected outlying areas. The BlueBox includes:

- a mobile or tablet device (depending on agent capability level, which can range from solely customer registration through to cash-in, cash-out ability), loaded with our proprietary agency banking software,
- a rechargeable battery with dual-solar and electric functionality that can be used by agents' customers,
- financial education and marketing material accompanied with an FM speaker,
- LED lights,
- a biometric printer and a cash-box.

In all, an agent can on-board customers to a digital borrowing, payments, saving and investment platform simply, quickly, affordably and, most of all, safely and securely.

This solution concept was approved by the Bank of Mozambique in 2016 and is being rolled out across designated rural areas of Mozambique where conventional banking services are sparse – our ground reconnaissance has shown that the nearest banking point is sometimes as much as 200 kilometres from a populous village. We believe it is in recognition of these features that we have received significant grant funding to roll out and embed this innovation across Mozambique, enabling us to accelerate our market penetration across the Letshego footprint.

EMBEDDING THE FUTURE CAPABILITY MODEL

The Group's core IT platform is now operational in nine countries and a standardised enterprise risk management framework has been rolled out in all countries in line with international best practice allowing us to provide a more comprehensive set of customer solutions.

LOOKING AHEAD

As I sign off my third annual report to stakeholders, it is with a sense of progress and gratitude. With our Group and subsidiary boards' oversight and the passion of the Letshego team, we have made progress on our journey to being Africa's leading inclusive finance group.

While our transformation from a single-product, geography-led business to a broad-based, diversified multinational presents risks, I feel confident that we have invested wisely in the critical elements to mitigate these risks: our people, our policy frameworks, our systems and our stakeholders.

In turn, I am grateful for the support my team and I continue to receive from the Board, as well as the inspiring passion and commitment to delivery the team at Letshego continues to bring.

A. Christopher M. Low
Group Managing Director
1 March 2017

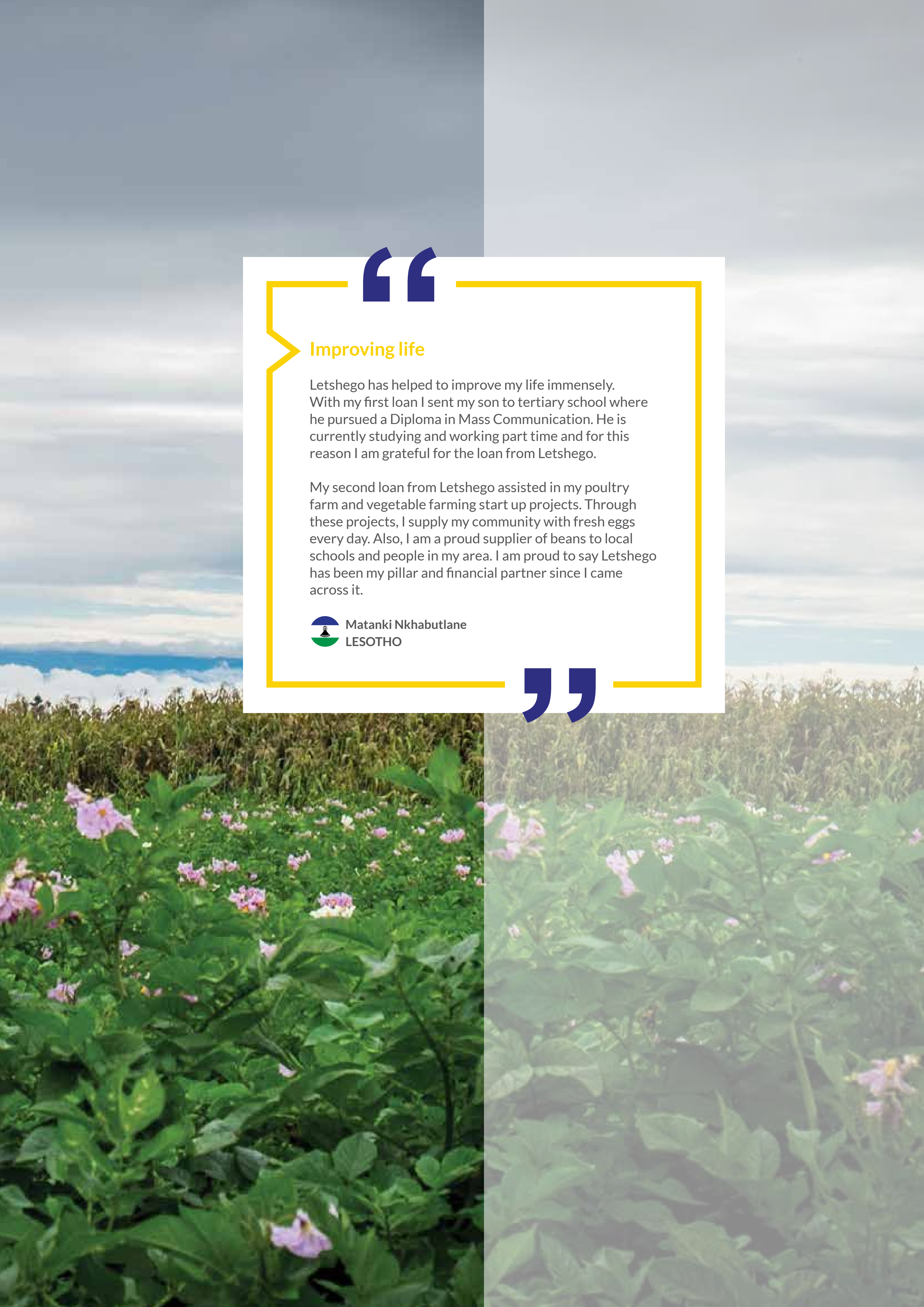
Improving life

I'm a primary school teacher at Kikandwa Primary School in Nakaseke District in Luweero. I realised that my salary was not enough to support me; I then decided to apply for a loan of BWP10 340 from Letshego to start up a little business. With the loan I received, I bought a plot of land and built houses to be rented out. Later I applied for a top up loan to complete the houses. I use the money from rentals to pay for my sister's school fees.

I have plans of obtaining another loan which will be used tobuy another plot and get seeds to cultivate fresh produce. The produce from the farm will be sold to the variousmarkets at a profit.

Joyce Nabalaba
UGANDA


LESOTHO
AGRI BUSINESS
EDUCATION



Improving life

Letshego has helped to improve my life immensely. With my first loan I sent my son to tertiary school where he pursued a Diploma in Mass Communication. He is currently studying and working part time and for this reason I am grateful for the loan from Letshego.

My second loan from Letshego assisted in my poultry farm and vegetable farming start up projects. Through these projects, I supply my community with fresh eggs every day. Also, I am a proud supplier of beans to local schools and people in my area. I am proud to say Letshego has been my pillar and financial partner since I came across it.

Matanki Nkhabutlane
LESOTHO

3

OUR STAKEHOLDER ENGAGEMENT AND STRATEGIC PERFORMANCE

Delivery of our ambition is underpinned by four strategic pillars. We believe that our strategic performance integrates our material stakeholders' views, interests and concerns into our business as usual operations.

STAKEHOLDER ENGAGEMENT AND STRATEGIC PERFORMANCE

Our strategic intent, laid out below, and **how we are capacitating ourselves to deliver on our strategy**, is clear. Equally, we regularly consider the interests of our material stakeholders (also shown below), and their impact, with respect to our realising this strategy.

Letshego applies the principle of materiality in assessing what information is included in our integrated report. The material issues that impact on value creation in terms of our operating environment, the interests of our key stakeholders and the identified priority risks facing the company presented in this report were identified through a comprehensive stakeholder engagement process. This included collation of on-going engagement feedback, and the trend in this dialogue, as well as formal and informal interviews with investors, sector analysts, Executive and Non-executive Letshego team members, selected Letshego customers, both at a focus-group and individual level. Specific areas with the potential to impact value creation that are reviewed include strategic, financial, environmental, social, competitive and legislative issues.

Identified issues are ranked based on relevance and potential impact on Letshego and its business model. This process is managed by the executive leadership team and supported by Letshego's Boards of Directors at the Holding Company as well as across Letshego's subsidiaries. Material issues identified as impacting operations are escalated as appropriate into the holding company leadership and Board to support and incorporate into the Group's strategic direction and priorities.

This report focuses particularly on those issues, opportunities and challenges that impact materially on Letshego's ability to remain a sustainable business that delivers value to all its stakeholders – these are summarised in the following table.

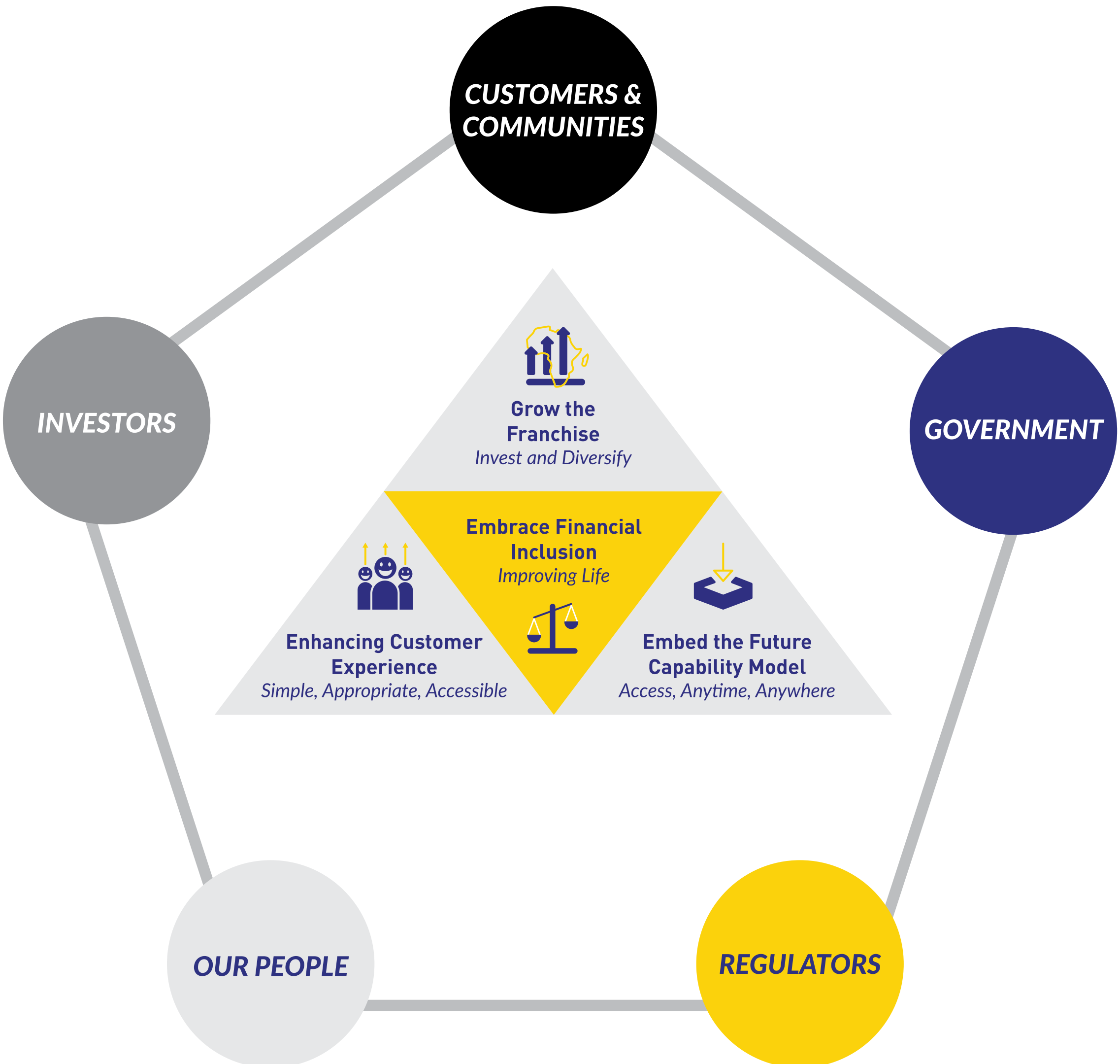


Table 9: Summary of Stakeholders' Material Issues and Strategic Relevance

Stakeholder Group	Embracing Financial Inclusion	Growing the Franchise	Enhancing Customer Experience	Embedding the Future Capability model
Customers and communities	▸ Increasing access ▸ Reducing costs ▸ Reducing turnaround time ▸ Customer protection ▸ Financial literacy	▸ Solution diversification ▸ Customer diversification ▸ Geographic diversification	▸ Understanding and anticipating customer needs ▸ Customer satisfaction and trust	▸ Digital financial services ▸ Reliability and continuity of services
Government	▸ Responsible lending ▸ Increasing access to financial services in line with national mandates	▸ Employment and value creation	▸ Customer satisfaction as mitigation of social unrest	▸ Business continuity ▸ Skills deepening and transfer
Regulator	▸ KYC regulations ▸ Prudential limits ▸ Regulating product (particularly cross-industry) innovations ▸ Pricing limits ▸ Interoperability	▸ Regulatory environment and capacity ▸ Company risk ▸ Telecommunications and financial regulator synergies	▸ Appropriateness of solution offerings ▸ Insights into industry-wide opportunities for innovation and improved risk management, based on customer feedback	▸ Business continuity ▸ Customer data protection
Our people	▸ Working for an ethical company ▸ Believing and delivering on, the brand promise	▸ Capacity to manage changes (cultural, technological, solution, customer) ▸ Training and development	▸ Training and development	▸ Training and development ▸ Employee wellness ▸ Communication channels
Investor community	▸ Social impact and Environmental, Social and Governance (ESG) framework as funding requirements	▸ Risk management (currency, funding, liquidity, operational) ▸ Changing macro-economic climate and geopolitical stability ▸ Sustained growth, performance and returns	▸ Improved operational performance ▸ Brand equity	▸ Risk management ▸ Corporate governance

As such, we believe that our strategic performance integrates our material stakeholders' views, interests and concerns into our business as usual operations.

Letshego Namibia's annual contributions to education

Letshego Namibia has been contributing annually to Beautiful Kidz, an international organisation providing care and support to children in need and the Dagbreek School for visually impaired learners.

Beautiful Kidz educates the children according to the standards stipulated by the Ministry responsible for Early Childhood Education, providing them with two meals and two snacks daily, clothing, hygiene care and medical checkups. Dagbreek is home to a total of 86 pre-school children and 14 staff members. Letshego invested a total of about BWP92 400 in 2016.

Dagbreek is a school for learners, aged between 7 and 18 years who are visually impaired. The school caters to the needs of children with Down syndrome, pervasive developmental disorders and childhood disintegrative disorders. Letshego invested about BWP55 000 at Dagbreek in 2016.

EDUCATION

SOCIAL INVSTESTMENT


NAMIBIA

EMBRACING FINANCIAL INCLUSION

Letshego defines financial inclusion as **"Providing the financially underserved with simple, appropriate and accessible solutions."** Letshego is committed to solving the needs of those low and middle-income earners in segments (formal, informal and MSEs), that are either ignored or poorly served by the conventional banks and financial institutions. We believe that the expansion of financial inclusion across the continent will significantly contribute to Africa's sustained socio-economic development.

Our innovative solutions and continued commitment to our existing customer base are aimed at providing meaningful financial solutions and we seek through our business model to actively improve lives across our broadening customer base. The manner in which we respond to this challenge is material to various key stakeholders.

CUSTOMERS AND COMMUNITIES

During 2016, we focused on addressing improved access to financial services, supporting 300,000 borrowers and 100,000 depositors over the course of the year. This was in part facilitated by increasing our number of physical access points to 278, compared to 268 in 2015. Also, innovations by us in the mobile money space will increasingly allow customers enhanced access to financial solutions in the near future. Letshego's customer profile is one that reflects inclusivity. Our customer profile shows equity in terms of their gender distribution, while showing room for improvement in terms of our rural outreach, as most of our customers are classified as living in peri-urban and urban areas. This may equally reflect in the reported high levels of access in terms of the minimal distances customers travel to access services, which is predominantly less than 10km, according to our 2016 social impact survey.

Although our core business remains deduction at source lending to the formal sector (currently making up 80% of our 300,000 borrowers), this mix is changing, and will continue to change given our strategic focus on customer segment diversification. Adjacent to low and middle income earners in the formal sector of the economy, we recognise there are Micro and Small Entrepreneurs (MSEs) and informally engaged individuals who remain underserved – our strategy is to broaden our base of services to extend needs driven solutions to these segments of the population. We need to take care not to neglect our original customer base and ensure that we continue to understand their traditional, as well as evolving, needs.

As part of our focus to deliver simple, appropriate and accessible financial solutions, we are now live in Mozambique and Rwanda with USSD based mobile financial services. These significantly reduce the burden on customers to travel to access services, allowing them to be more productive, as well as allowing Letshego to better understand customer needs as evidenced by the flows of data that are now captured via our mobile loan platforms. In due course, we are aligning to launch card services to our Mozambique and Namibia markets; this will enable customers to broaden the points at which they can "cash-in, cash-out" and transact.

In our informal market segments, the adoption of mobile technology has been encouraging. In addition, our commission-based sales agents offer access to financial services for those customers who are rurally based. In Kenya, our mobile micro-loans business has seen 72,000 loans launched since inception – its distinguishing features include turnaround time of under 30 minutes enabled by pre-KYC checks, online disbursement and collection. As with other customer solution initiatives, we are planning to extend this offering across to Rwanda and Ghana in 2017, amongst other countries.

In this modern age, with increasing use of digital financial services, online presence (and activity), and increasing cybercrime, the protection of customers' personal data and fraud prevention are becoming of material concern to us. As the first line of risk mitigation, our sales teams are receiving training to improve their understanding of why data protection is important, how to better protect customer data and how to identify possible incidents of cyber-crime. Through our call centres customers also have an avenue to engage with Letshego on issues of data protection and cybercrime.

OUR SURVEY TELLS US THAT OUR CUSTOMERS, ESPECIALLY IN OUR DEDUCTION AT SOURCE LENDING BUSINESS, PREFER TO USE WALK-IN, RATHER THAN MOBILE SERVICES. THIS IS MORE EXPENSIVE TO BOTH THE CUSTOMER AND LETSHEGO.

DIVERSIFICATION OF THE SOLUTION BASE INTO THE MARKET, WHILE EDUCATING OUR CORE CUSTOMERS AND GAINING THEIR **TRUST THROUGH DIGITAL FINANCIAL SERVICES** REMAINS A LETSHEGO IMPERATIVE.

In 2016 we went live with two initiatives in our strategic social investments portfolio, with three more set to go live in 2017. We have specifically designed our Letshego Healthcare Innovation Programme to deliver measurable improvement in rates of diagnosis and treatment of non-communicable diseases (NCDs) in our sub-Saharan Africa footprint. Healthier communities result in more stable societies and we aim to benefit our customers, as well as our communities more generally, by contributing to the awareness and treatment of NCDs, which are becoming a leading cause of illness and death on our continent. As a result, NCD strategies in public health are material issues for Governments in the countries we operate in; we engage with them to ensure we are enabled to deliver innovative, scalable and sustainable innovation in this important area of healthcare for low and middle income communities.

Some of our customers, especially on the microfinance side, are concerned with increasing their levels of financial literacy as well as access to various financial solutions. These include savings, payment and borrowing solutions. Financial literacy programmes with key themes around responsible borrowing have been rolled out in Botswana, done in collaboration with the Botswana Directorate of Public Service Management, wherein we conducted financial literacy workshops as an overlay to Government employee training sessions. Thus, the beneficiaries of this training extended beyond Letshego's customer base. In Rwanda, we ran entrepreneurship enhancement workshops for our customers who are largely Micro and Small Entrepreneurs (MSEs). In Tanzania, our 10-year old consumer solutions business, Faidika has run financial literacy engagements focused on disabled people and women. Also in Kenya, Rwanda and Uganda, we have delivered financial education through practical, and peer-group workshops aimed at developing and implementing measures to promote entrepreneurship.

The level of financial literacy by our customers was further defined during the 2016 customer survey which shows that two thirds of our customers understand the terms and conditions of their loans (59%). 23% of our customers have indicated that they are financially literate; however, on cross-assessment of survey results 4% of these customers indicate that they may not be cognisant or conscious of their true levels of indebtedness. We will thus continue to define measures to better identify such customers, and provide them with the support they require in this regard. Letshego will continue to strictly apply affordability criteria when assessing customer applications to ensure they do not become over indebted. This level of customer engagement and innovation in the way we do business is demonstrated by the fact that for three years running in Kenya we have been in the top tier of awardees, along with select Letshego customers, for Citi's annual microfinance innovation awards. In these ways, we empower our customers to not only improve their own livelihoods, but to inspire those around them to leverage opportunities for financial wellbeing.

Letshego believes in listening to its customers and understanding their needs, with this being one of the main drivers for conducting the customer survey. More than 7,000 customers from six of our subsidiary operations, representing approximately 85% of our business, were interviewed. Questions posed covered a broad range of topics designed to help us understand our customers' financial, as well as developmental, needs. The results of the survey show that 54% of our customers are satisfied with our service delivery, while 86% indicate a sense of empowerment from using Letshego's services and 94% express a feeling of their lives having been improved. In addition, we monitor over 160,000 online sites to gather insight on our online reputation and to hear and engage with our customers' impressions, needs and opinions. Also, we continue to monitor our presence in traditional media sources, such as radio and print. Our sales teams are highly engaged (as evidenced through our Q12 results) and are aligned with our customer experience goals. This enables us to gather direct feedback from our customers. We recognise that this means that we need to ensure the maintenance of open channels of communication throughout the organisation so that customer voices are heard accurately at all levels of the organisation. Letshego will continue to make use of its sales teams, social media platforms, call centres as well as the signature Improving Life Campaign to listen to, and learn from, our customer base.

FINANCIAL LITERACY IS CRITICAL TO ENSURING INCLUSION.

FINANCIAL LITERACY **TRAINING COST IS RECOUPED** WHEN TARGETED AT THE LESS EDUCATED.

ENHANCED FINANCIAL EDUCATION IS DIRECTLY CORRELATED WITH GROWTH.

WE BELIEVE THAT **HIGH LEVELS OF CUSTOMER PROTECTION GENERATE LONG-TERM BENEFITS**, LOWERING DATA SECURITY RISKS LEADING TO LOWER CREDIT RISK. ALSO, THIS REDUCES OUR FUNDING RISK.

We feel we are addressing customers' questions and concerns as approximately 70% of our customers are repeat customers. As noted above, high levels of empowerment and life improvement are being reported through our customer survey; we intend to embed and leverage the competencies that enable this, thus improving customer satisfaction levels. Furthermore, we are expanding our call centre base as the impact on our ability to reach customers and drive satisfaction levels up is positive. Subsidiary countries operating inbound and outbound predictive-dialling call centres include Botswana, Mozambique and Namibia with plans to extend these further afield the Letshego footprint.

GOVERNMENT

Letshego's unique business model gives rise to unique stakeholder relations. Our deduction at source lending business, which comprises just under 90% of our net advances portfolio, and 80% of our customers, is almost wholly composed of Government employees. As such, we see Governments and specific Government departments as one of our core customers.

In 2016 we increased our presence on national financial inclusion forums, with Letshego now having contributed to industry interests and responsibilities in eight countries, namely Botswana, Kenya, Mozambique, Namibia, Rwanda, Swaziland, Tanzania and Uganda. Letshego continues to engage Governments with respect to issues of over-indebtedness, responsible financial practices and the development of enabling policy environments. We continue to utilise these platforms to share our insights on the benefits of our business model in achieving several of the objectives of Governments, as they relate to promoting financial inclusion; this is illustrated through providing Government employees with access to financial services due to the provision of a clear and certain payment mechanism.

Our lobbying with Governments, in the countries where we operate, works towards the establishment of independent Central Registries that assist in determining affordability criteria for customers. Further, this contributes to the development of the financial services ecosystem in which we operate. Also, these initiatives improve the stability of the industry as a whole, by providing Governments with additional insights into people's credit habits as well as into levels of affordability. We believe that independent Central Registries level the playing field for all financial services providers, including ourselves, by reducing the asymmetry of information available. Our brand refresh, that was rolled out across our footprint in 2016, provided a great opportunity to tell our story and to engage meaningfully with Government and other stakeholder representatives. We were able to attract key stakeholders as our guests of honour, which included high-level Government officials, who universally recognised the importance of private sector players such as Letshego, challenging the market to deepen financial inclusion.

We engage with Governments around their role in developing an ecosystem that supports the use of digital platforms. "Government to Person" and "Person to Government" (G2P and P2G respectively) transfers often represent the single largest corridor, or source of payments in a country; converting these to digital payments will impact on how digital finance platforms are perceived and how they are accepted across the wider economy. In addition, it assists in creating a foundation upon which the private sector can build. Also, the digitisation of G2P and P2G transactions reduces the costs of transactions both for the Government and for the recipients of Government transfers; this in turn increases risk management capacity of financial service players given greater behavioural and access data visibility. Lastly, by moving to digital payments, transparency is increased and incidents of crime associated with manual payments reduce in significance, protecting both Government and the recipient. Through our interactions with Government, we advocate for them to encourage their regulators to enable digital financial services, thus achieving their sustainable development goals.

Another topic that Letshego engages with Governments on to further financial inclusion is that of more appropriate funding to private sector partners who are working to promote financial inclusion. By ensuring appropriate funding supply and reducing the costs incurred of providing financial services, Governments can assist those entities that are actively working to advance financial inclusion. This will

CONTRIBUTION TO SDG OBJECTIVES

By embracing financial inclusion, Letshego assists Governments with the following Sustainable Development Goals (SDGS):

- SDG1 – Eliminating extreme poverty through provision of savings solutions;
- SDG2 – Reducing hunger & promoting food security through provision of Agri-business loans;
- SDG3 – Achieving good health & well-being through provision of Health care loans and the support to deduction at source lending to nurses;
- SDG4 – Fostering quality education through Education loans and the support to deduction at source lending to teachers;
- SDG5 – Promoting gender equality throughout their segments by focusing on an even portfolio split;
- SDG 6 & 7 – Access to water and sanitation infrastructure is supported through various tailored products in the affordable housing segment;
- SDG8 & 9 – Promoting shared economic growth, innovation and sustainable industrialisation is supported through our focus on Agri Business, Micro and Small Business loans and provision of microinsurance solutions;
- SDG10 & 16 – Equitable and peaceful societies through strategic alignment to providing financial solutions to the financially excluded.

improve the scale and the rate of financial inclusion, and the benefits of reduced costs can then be passed onto customers. Letshego has launched several solutions that seek to address some of the mandates of national Governments such as agri-business, affordable housing, health and education. We have extended our affordable housing offerings in key markets, including Botswana, Kenya, Rwanda and Uganda. We believe that by making tangible progress against national aims, we will build lasting and meaningful relationships with governments. Government has recognised and expressed support for our financial empowerment initiatives through financial education, skills deepening and skills transfer.

At global, as well as regional and national levels, we further engage on platforms such as the Alliance for Financial Inclusion (AFI) and the United Nations International Telecommunications Union (ITU), to advocate for financial inclusion policy and regulatory innovation. For example, our Group MD presented to AFI in Fiji in September 2016 and then to the ITU in London in December 2016, on the importance of cooperative policy synergies and regulatory clarity between finance and telecommunications ministries to enable the effective delivery of mobile financial solutions. We are engaging in active dialogue with these Government counterparts.

REGULATORS

We recognise our regulators as the promoters of government policies, who are likewise motivated by the desire to ensure national socio-economic wellbeing. We recognise that regulators' independence and effectiveness stems from maintaining open and cordial, but arm's length relations with supervised companies. To this end our engagements with regulators are restricted to specific meetings, industry forums, as well as discussions occasioned during results and other compliance reporting. Also, we encourage regulators to approach us for specific information deemed to be of a competitively sensitive nature that we do not publicly disclose in our integrated annual report or on other public forums. We welcome bespoke conversations on our business and its performance.

This year our regulators have engaged with us on the implementation of effective KYC* regulations. The adequate definition and enforcement of enhanced KYC regulations supports our business model. We are open to providing insight from a private-sector financial institution point of view on our needs in this regard. During the year, we have continued to engage with regulators at national levels, lobbying for simplified and more appropriate KYC regulations for our target customer segments. We demonstrate our commitment to promoting financial inclusion by allowing them to see first-hand how our innovative solutions, such as our E-Loan solutions in Kenya or our LetsGo Blue Box in Mozambique, can provide rural individuals as well as traders in the informal market with access to financial services without jeopardising the fight against money laundering and corruption. Similarly, we engage on the issue of tiered KYC regulations. KYC regulations are vital for financial integrity, inclusion and combatting money laundering. Having said that, KYC regulations should be cognisant of the fact that small transactions pose relatively small risk to the system. In addition, regulations for similar services should be proportionate.

We are regulated (or supervised) by Central Banks in seven of our 10-country footprint as at December 2016 (Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania), before the inclusion of Ghana where we have a deposit-taking licence. In countries where we are regulated by non-bank authorities (such as in Botswana and, for our consumer and micro-finance business in Namibia), also we work with these and the Central Banking regulators to advocate for regulatory change to enable inclusion.

We engage with regulators around issues relating to prudential limits. While we understand the prudential regulations on banks are intended to ensure that the financial system is robust, resilient and protected against financial instability and systemic risks, there is an increasing need to recognise amendments to commercial banking where there are lower levels of risk - in most countries Letshego is not a full-commercial bank and provides lower risk financial services. In these cases, over-regulation in the form of high capital, liquidity and reserve requirements prevents the extension of both the regulator's and our own financial agenda.

Also, we have engaged regulators on the issue of pricing limitations. Letshego welcomes the monitoring and the prevention of excessive pricing as this

KEY AREAS OF ENGAGEMENT DURING 2016

Various engagements have taken place with regulators during 2016, key being:

- Insights from a private sector perspective on KYC regulations;
- Application of prudential limits based on company risk profile;
- Pricing limitations and how this counteracts financial inclusion;
- Multilateral co-operation to create an enabling environment;
- Interoperability of networks to enhance access and quality of services.

CONTRIBUTION TO GOVERNMENT OBJECTIVES

We actively engage with governments to ensure alignment to our strategic financial inclusion goals. We focus on:

- Over indebtedness;
- Responsible financial practices;
- Development of an enabling policy environment;
- Promotion of financial inclusion;
- Sharing insights as they pertain to customer credit habits and affordability levels;
- Data protection;
- Appropriate funding to private sector.

** 'Know your customer'. This entails the identification and verification of a customer's identity. The goal is mainly to prevent banks and other financial institutions from being used for criminal activities, especially money laundering. This also helps credit providers to understand their customer's financial dealings better, therefore de-risking the transaction and safeguarding prudential risk management. KYC also allows matching to politically exposed persons (PEPs), e.g. members of terrorist organisations, to ensure that funds are not provided to such persons.*

limits financial inclusion growth. However, in markets that are inherently risky, yet require access to financial services, price limitation will discourage the provision of these services as they will not be commercially viable. We would advocate that regulators should consider managing the providers of services in terms of their risk management and customer protection practices. This would promote transparency and competition within the market, that in turn will benefit customers. While excessive pricing is obviously a contributor to over-indebtedness, there is a need to explain the rationale for pricing and its relationship to risks.

Lack of innovation in terms of solution development needs to be viewed in light of the multiplier effect innovative solutions have in the market place. Solution limitations can actually inhibit the goals of financial inclusion, as they prevent consolidation of step-changes in financial inclusion gains. The lack of access to multiple interrelated or "cross over" solutions may in fact lead to a regression into poverty should the customer experience external shocks such as the death of a family member or a business setback which requires a short-term bridging insurance or loan to resolve it. We believe the ability to provide cross-cutting solutions should be viewed in a positive light. Equally, we encourage regulators to engage with each other in instances where the service provided may require multiple layers of regulation. If this is achieved, then the speed at which financial inclusion can take place will be greatly enhanced.

Additionally, key for us are the regulatory constraints around the interoperability of networks, whereby users of one network are enabled to transact with users of another network. This issue must be addressed to increase the efficiency of digital financial services, as where networks are not interoperable, the financial services they offer will be of poorer quality or more expensive, or both. In addition, where different countries have differing regulations in relation to how money transfers can be processed, the beneficial effects of financial inclusion may be hindered.

We are fully committed to regulatory compliance and to the constant monitoring of our performance in this regard to ensure that we promote the aims of regulators and the governments they represent across our footprint for the public good.

OUR PEOPLE

We recognise that our people have specific interests and goals distinct from those of our other stakeholders. We have run the Gallup Q12 engagement survey for the past three years to evaluate the level of employee engagement with our strategy and financial inclusion agenda. Since 2014, the grand mean score has risen from 3.98 to 4.07, meaning that we are continuing to build a great workplace environment. Also, our ranking has increased from the 61st percentile in 2014 to the 76th percentile in 2016, which places Letshego among the high performing organisations globally. Lastly, our engagement ratio, which measures the number of engaged staff to disengaged staff has increased from 4.09:1 in 2014 to 7.29:1 in 2016.

Insights gained from engaging with our team members have given us a greater understanding of their desire to work for a company that is ethical in its business approach. At Letshego, our people are educated in terms of our ethics and risk management policies relating to our approach to doing business, covering the way we market and describe our solutions to our customers, the correct approach to collections and ensuring that they understand how to prevent contributing to over-indebtedness in our customer base. It is imperative that our teams stay abreast of industry innovations, as well as process and support areas. This means training support to ensure that new solutions can be accurately described to customers. In 2016 we spent a total of BWP 10mn on training.

INVESTOR COMMUNITY

With an increasing global focus on the provision of responsible borrowing solutions, the investor community is looking to Letshego to demonstrate its commitment to these principles. Currently, we are engaged in many initiatives across a number of platforms to further the provision of responsible finance both within the Group and across the industry. Through our work on evaluating our social performance we will demonstrate how the provision of responsible finance contributes to improving our financial performance and thus returns to shareholders.

We have continued to contribute to community projects as part of our SSI commitment and initiatives, with over 20 initiatives conducted across 8 countries during 2016. To further quantify the level to which we are improving lives in the communities we serve, we have conducted a social survey in 2016. Insights gained have allowed us to better understand our customer base, and develop indicators which will enable us to track our impact going forward.

Improving my life

I am a hardworking business lady in Mwiki married with one child. I am so thankful to have found out about Letshego during the most financially straining point in my business. I was previously employed by a local supermarket, but in 2008 I pursued my dream of starting a company. My company is known as Superbake Enterprise. It supplies baking products to supermarkets and boarding schools in my area. I have been in business for eight years now and the business has grown tremendously since then.

I sell to wholesalers and provide repackaging for products such as baking powder and caramel. Production is done twice a week and delivery of the products to my customers is on a daily basis.

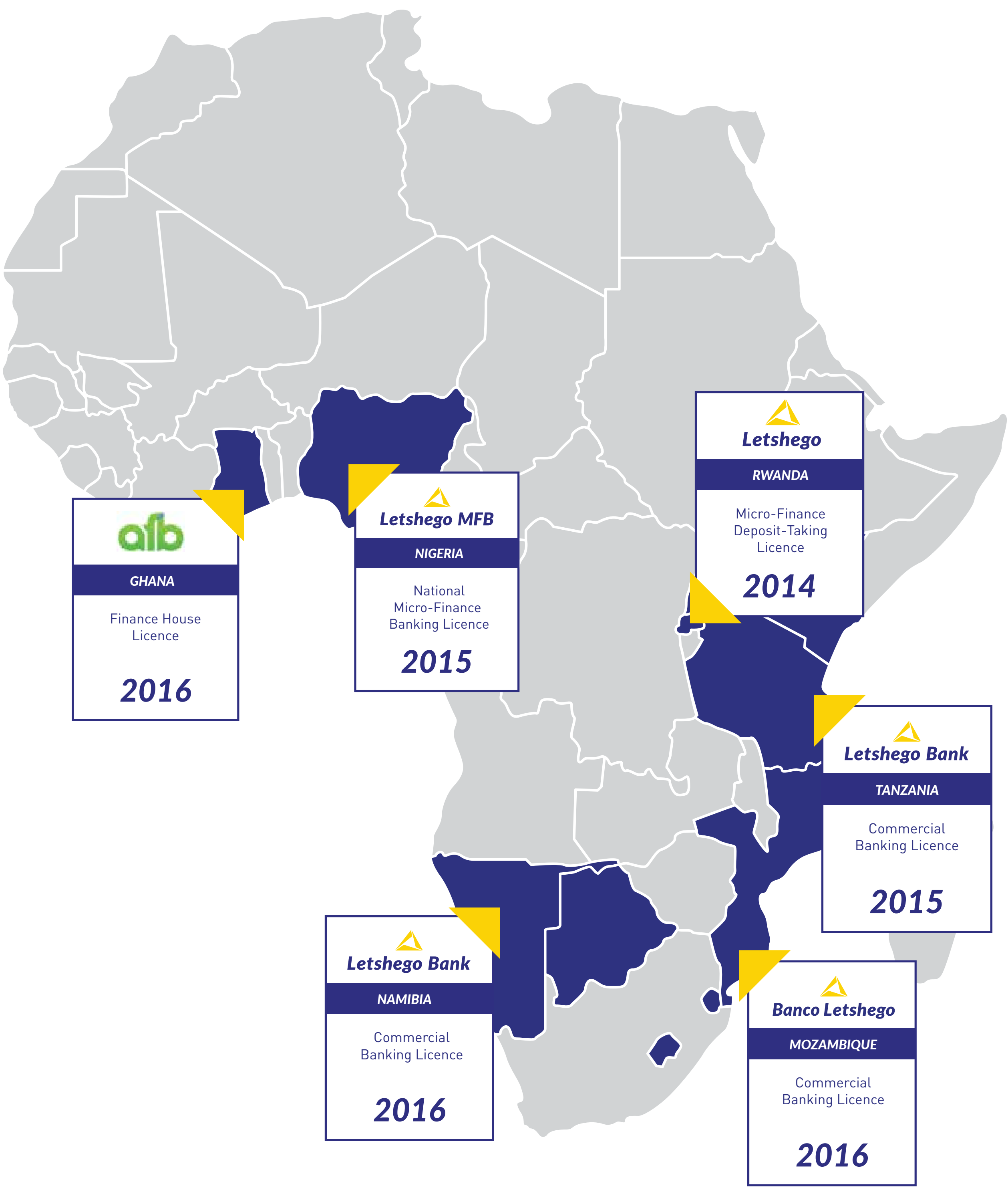
Before I partnered with Letshego I was in need of polyglycerol polyricinoleate (PGPR) but did not have the funds to purchase it. I got a business loan of BWP36,000 from Letshego Kenya. This helped me purchase the ingredient. Currently, I have many orders and am able to supply customers daily because of the financing received from Letshego.

My plan is to apply for another business loan from Letshego early next year to invest in rental units as a way to diversify my investment. Letshego Kenya really is my financial partner of choice.

Anne Wangui
KENYA

GROWING THE FRANCHISE

Letshego has a clear strategy to invest into and diversify our geography, customer segments and solutions. Our strategy to grow the franchise involves several carefully considered factors. By **increasing our savings and deposit portfolio**, we will reduce our cost of funding, funding risk and foriegn exchange exposure. This is important for sustainability given inevitably competitive markets.



Also, the focus on financial inclusion will attract finance from funders who have both financial and non-financial performance objectives. New markets and customer segments equally require a deep understanding of the dynamics. Growing the franchise is not without risk, and Letshego is acutely aware of the need to protect the business, its shareholders and its stakeholders as it grows. Several risk mitigation measures have been put in place to manage the process of expansion and each of the associated initiatives.

CUSTOMERS AND COMMUNITIES

As part of our goal to further financial inclusion by understanding the community we serve, our market intelligence has shown that our customers are reflecting demand for a greater variety of solutions as our customer mix changes. As Letshego engages with new customer segments, it is improving its credit risk models through the incorporation of improved customer biographies. The customer engagement surveys that have been undertaken over the past year have revealed both new risks and opportunities for Letshego. As we continue to develop our customer insights we will be better placed to implement effective Know Your Customer (KYC) regulations, as well as to better anticipate developments in emerging segments.

Letshego is cognisant of the fact that much of its customer base is government employees making use of deduction at source for repayments. The move to diversify our customer mix is intended to both increase financial inclusion as well as reduce dependency on this market segment. However, the sector remains important as it consists largely of Government employees in the education sector (teachers), police as well as defence and health (nurses) departments, who are typically underserved by traditional banking solutions.

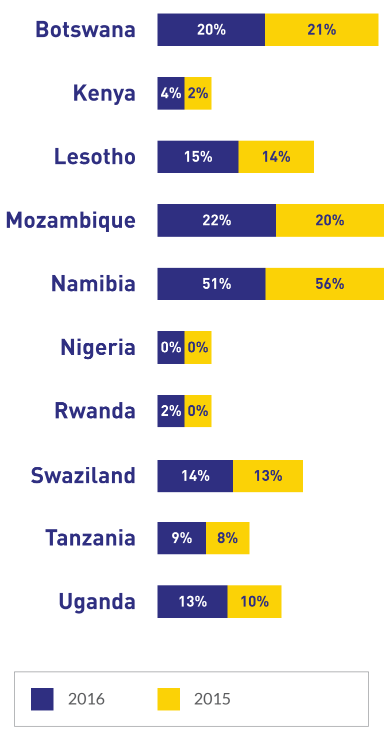
Our market insights demonstrate a compelling need to fill the gap in access to financial services in rural and peri-urban areas of our countries, where traditional financial service providers are few and far between. While creating broader and deeper sources of income in under-served (rural and peri-urban) areas through third-party agent networks, our footprint will grow and cross-border financial services will become possible in time. In Namibia, the granting of a full banking licence by the Bank of Namibia will enable us to roll out end to end customer solutions to our existing 50,000 customer base; this will further enable the growth of our formal segment share. Launching savings, remittances and bills payment services off our platform will further enable us to reach the Micro and Small Entrepreneur (MSE) and informal markets of the country, which are under served today.

From a solution development and delivery perspective, we are clear that accelerated availability of inclusive finance solutions is best achieved through strategic partnerships. In this digital era, partnerships with "fintech" companies become key. During 2016, these partnerships saw us deliver USSD mobile micro loan services and prepare for internet and mobile banking in 2017. We are continuing to broaden distribution networks with third parties to ensure widespread access to financial solutions. For example, we have 103 third party agents in Tanzania (with pilot agent recruitment commencing in early 2017 in Mozambique), providing access to Letshego solutions and in time, associated services important to our customers.

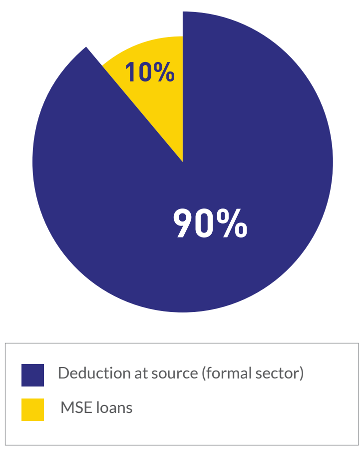
Due to enhanced understanding of our community, we are focusing on diversifying our solution mix through the growth of savings and payment services delivered through digital financial services (DFS). Also, we are continuing to develop a deeper understanding of the need for productively applied finance, such as for health, education and affordable housing. Already, we have had positive reception to our affordable housing offerings in Kenya, Uganda and Rwanda. Going forward, we plan to introduce these offerings in our other markets. Similarly, as populations grow in our countries of operation, there is increasing pressure on food security; this has spurred the development of agricultural finance. Further initiatives deployed in support of this strategy include private education ecosystem financing, agri-business supply chain financing, and affordable housing.

Private education ecosystem financing was first piloted in Tanzania in 2016. We have found that our intervention into private (especially primary) school ecosystems delivers a win-win-win situation for all participants. The innovation here is tailoring the repayment cycle to the school's cashflow cycle. Schools can borrow to fund both assets and working capital needs (and transact and save)

Letshego's market penetration as at 31 December 2016 vs. 2015



Deduction at source (formal sector) vs. MSE lending



against their seasonal cashflows to ensure continuity of services and operations, while teachers can leverage our housing, micro-business, health and education offerings. Similarly, parents can borrow (and transact and save) for their children's education, and school suppliers are assured of income. Most importantly, children continue to benefit from a consistent and improving level of education. Currently, 28 private schools are being serviced (impacting 13,000 students), making up a portfolio of approximately BWP 12 million. 20 of the 28 schools have deposit accounts with Letshego Bank Tanzania. Out of these 28 schools, a third have signed up for private sector employee payroll loans, with over 100 teachers actively borrowing through this scheme through Faidika. Plans to extend this model across Tanzania, into Nigeria, Kenya, Uganda and Rwanda are being rolled out from 2017 onwards.

Agri-business supply-chain financing was first piloted in Uganda then in Tanzania in 2016 on a small scale and is now being customised for our surrounding footprint. This offering assists various micro-and-small agri-dealers to procure their business inputs in a manner that funds and sustains the entire value chain. The aggregation of input and equipment procurement needs assists in both commercial viability as well as mitigating seasonal fluctuations in cashflow. We intend digitising this solution, enabling us to understand needs further through the data that will be captured via mobile platforms. In 2017 and beyond we look to implement a digitised agri supply chain solution in other countries where this need exists.

Affordable housing was used not just for residential but commercial ventures. This portfolio represents 30% of our total

OUR FINANCIAL INCLUSION AND SUSTAINABILITY GOALS REQUIRE **FLEXIBILITY**.

OUR PEOPLE ARE INTEGRAL TO OUR SUCCESS, AND **ENSURING BUY-IN** AND CONTINUED SUPPORT ENABLES THIS SUCCESS.

Table 10: Loan Book Composition and Growth by Country

	Government employees ('000)	Current Loan Book	Consumer Lending	MSE Loans	% of Book	Loan growth from prior period in BWP	Loan growth from prior period in local currency
		USD mn					
Botswana	181	209	99%	1%	34%	4%	4%
Kenya	700	38	34%	66%	6%	4%	9%
Lesotho	50	38	100%	-	6%	63%	54%
Mozambique	300	68	100%	-	11%	(32%)	10%
Namibia	100	154	100%	-	25%	20%	10%
Nigeria	3400	5	-	100%	1%	(26%)	(1%)
Rwanda	200	15	4%	96%	2%	(2%)	15%
Swaziland	42	21	100%	-	3%	58%	47%
Tanzania	500	46	80%	20%	7%	23%	30%
Uganda	300	29	56%	44%	5%	8%	21%
	TOTAL	**623**	**89%**	**11%**	**100%**	**6%**	**14%**

microfinance portfolio of BWP 780 million, continues to be of a high credit quality, and remains highly scalable. We are looking to introduce this in Tanzania and Nigeria during 2017. The portfolio is generally premised on customers' income generation through enterprising use of these loans, directly contributing to improved livelihoods. In the main, we are funding multi-dwelling low-cost properties. Our customers respond well to this product, mostly due to the incremental nature of the funding offering.

REGULATORS

As we grow, our regulators are performing their oversight role in ensuring that undue risk is not introduced into the financial system as a result of the pace and manner of our growth. Our regulators seek to satisfy themselves as to our compliance with country level regulations even as we encourage them to engage in multilateral dialogue with other regulators across our footprint.

OUR PEOPLE

Our people are our greatest asset, ambassadors of our brand, and the source of our competitive advantage.

Our regular staff engagements have indicated that as much as our people are aligned and engaged with our strategy they worry about their ability to fully participate in the execution of our growth strategy.

We understand this concern and we have been actively capacitating them to deal with the expansion through both training and development. Also, we have undertaken roadshows and conducted regular engagements to confirm that we as the leadership of the organisation fully understand the local challenges facing our staff. For example, in Tanzania, following the acquisition of Letshego Bank Tanzania (LBT) in November 2015, the CEO of Faidika, our deduction at source formal segment business, Mr. Mbuso Dlamini conducted a series of roadshows across our 105 customer access point network. Mbuso did this, with members of his leadership team, during 2016 in an effort to communicate the change in our business with the addition of LBT to the country team, and seek ways to achieve the greatest synergy with LBT. Already this has given rise to innovations and collaborations between the two teams that will benefit our customers as well as team motivation.

We assist our employees through change by communicating in a transparent manner and soliciting input regarding change in strategic decision-making. We maintain our core beliefs and vision as we evolve.

INVESTOR COMMUNITY

As part of the journey of transformation Letshego recognises the risks it faces when entering new markets, being exposed to a changing customer base and engaging with new solutions in these markets. Despite operating in a challenging macro-economic climate in which some of our countries of operation are experiencing slowing growth, as well as increasing socio-economic pressures, Letshego is committed to creating an equity story that creates long term shareholder value.

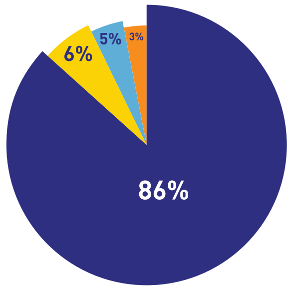
Given our focus on the base of the pyramid, exposure to the potential of credit rating downgrades, currency fluctuations and changing requirements from funding sources tend not to materially affect how we operate in the markets we serve. However, macroeconomic risks may well impact on the ability of Letshego to raise additional funding. That said, Letshego has retained its Moody's Ba3 credit rating, reflecting an established niche and strong underlying credit fundamentals.

The diversification of our geographic footprint, customer base and solution offering aims to reduce our exposure to these factors. This is further demonstrated by the fact that growing the franchise has not impacted on the sustained performance of the business, as we experienced good revenue generation during 2016. Our net interest income grew 13% year on year.

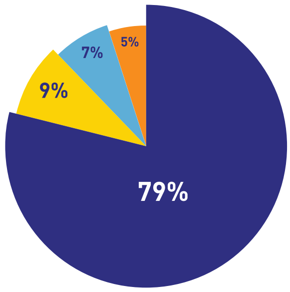
Our growth strategy has resulted in certain costs increasing; specifically, our staff costs increased by 45%, our operating expenses increased by 37%, and our cost of borrowing increased marginally by 0.3%.

Our growth strategy, that requires diversification away from our deduction at source lending model, has been well implemented as reflected in the growth of between 3% and 5% in portfolios such as Affordable Housing and MSE Business. Key partnerships entered into allow us to achieve the scale and speed required to grow into these new markets, serving a diversified customer base with our innovative customer solutions.

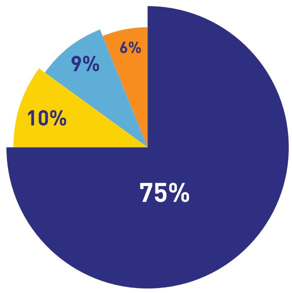
Group Portfolio Mix 2014



Group Portfolio Mix 2015



Group Portfolio Mix 2016

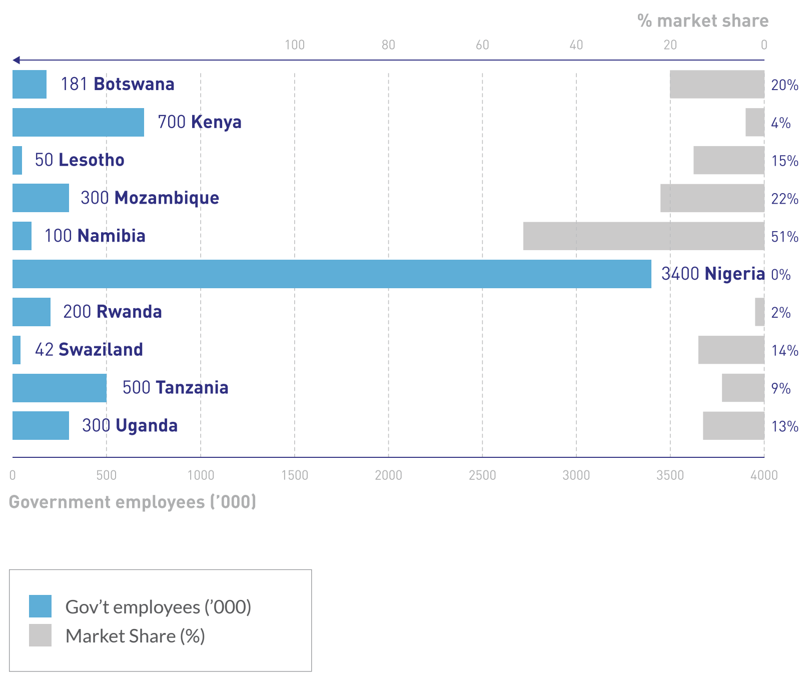


Formal - Government
Formal - Other
MSE loans
Housing loans

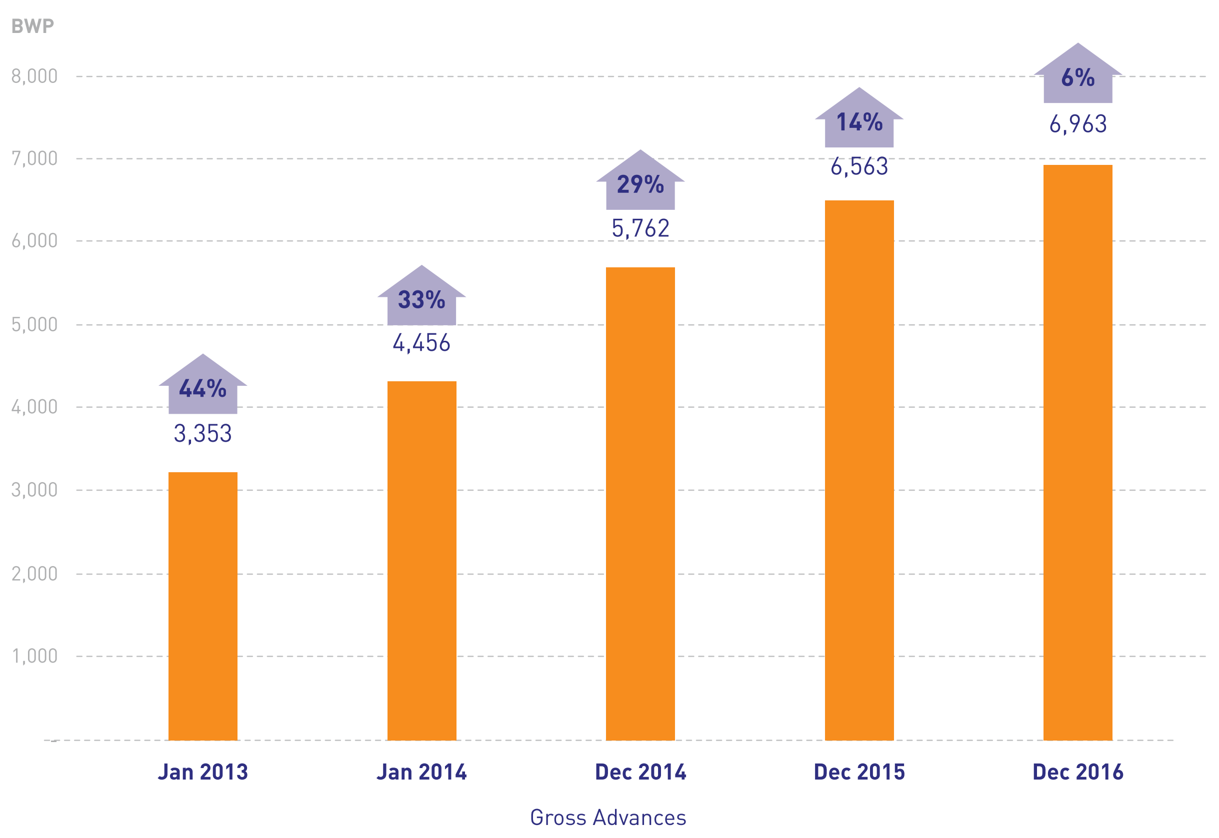
Our risk management practices have shown good results as the group's impairment coverage of its portfolio at risk (PAR) levels improved from 51% to 68%, and further changes being implemented in 2017 and 2018 are expected to increase coverage to 100%. This is to align with financial services norms in preparation for the adoption of IFRS9 in 2018. Although our impairment costs have increased from 2.3% to 2.8%, this is largely as a result of adopting a more conservative approach to managing impairments, even as collection efficiency has improved.

We continue to improve and diversify our funding profile. We secured BWP1.6bn of rollovers and new loans. We again maintained our dividend pay-out ratio at 50%, while at the same time buying back approximately 53 million shares valued at roughly BWP 120 million.

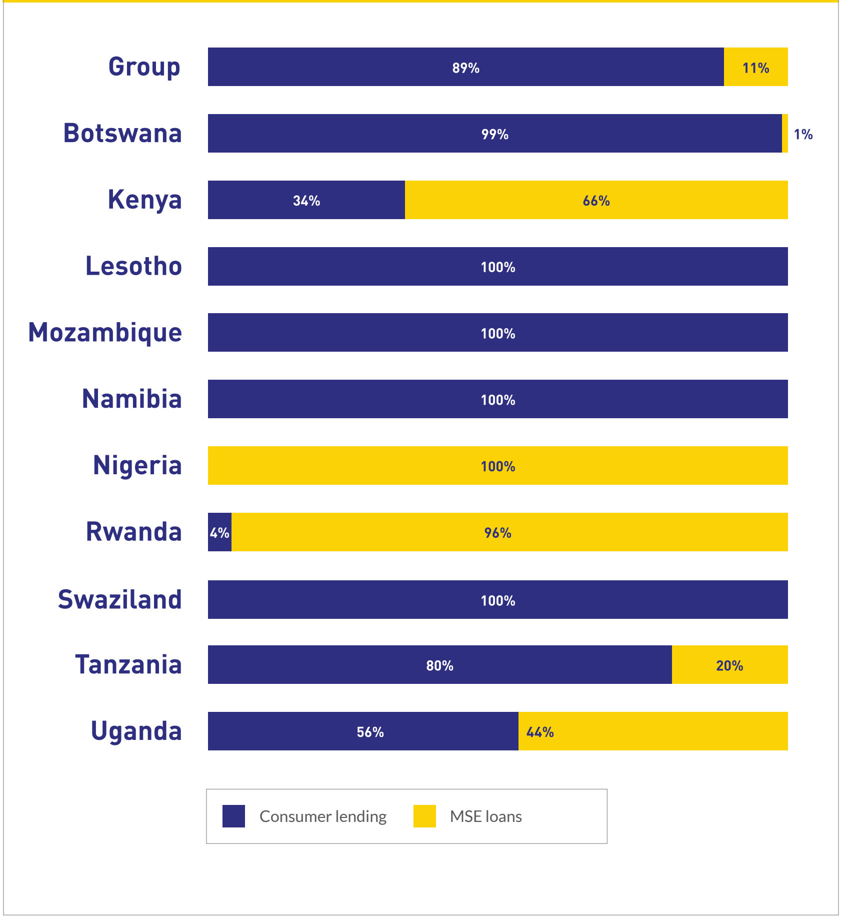
Government Employees ('000) & Market Share Per Country



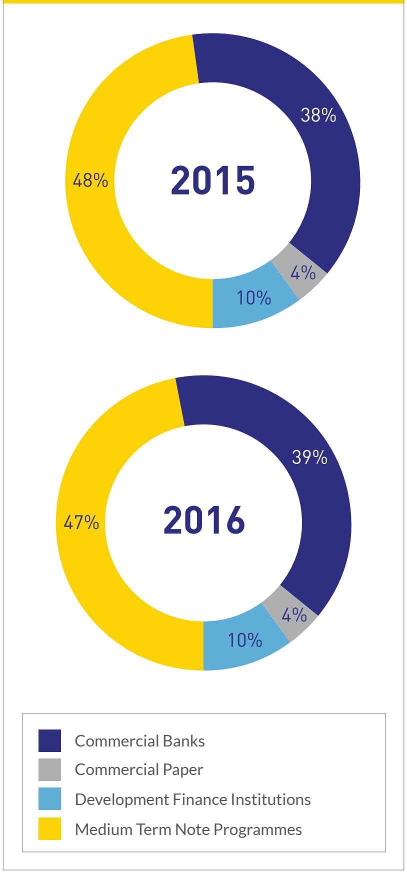
Portfolio Growth (BWP million)



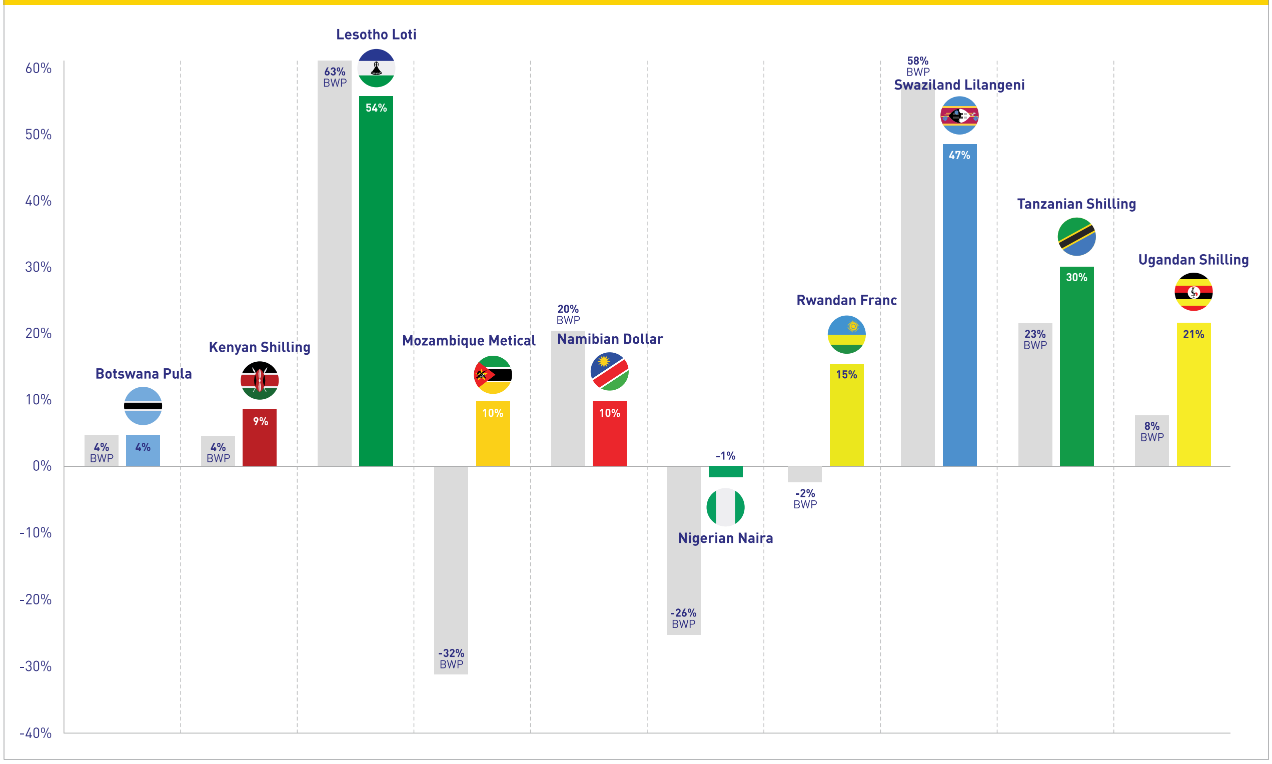
Consumer Lending vs. MSE Loans



Group Funding Diversification (%)



Loan Portfolio Growth in BWP Compared to Local Currency



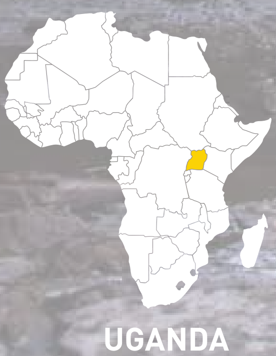
Improving my life

I run a milk business, but had limited capital to purchase the necessary products to make my business successful. Also, the motorcycle which I used for transportation was in bad shape.

I applied for a loan of UGX1.2 mn (BWP4,000) from Letshego, the loan helped increase my running capital from UGX30,000 (BWP132) to UGX1.2 mn (BWP4,000). I used the money to buy more milk to sell, increasing the litres I supply from 30 litres to 400 litres. I joined a milk suppliers group which enabled me to save and buy a plot in Kyebando Nansana, that I started construction of my house on. I later furnished my new home and relocated to it. After some time I applied for a top up loan of UGX1.5 mn (BWP5,000) which I used to buy land in Kakiri – Wakiso that I am still clearing for use.

I plan on purchasing a motorcycle or a car to ease delivery of my goods as well as constructing houses for rent on the land to increase my income.

Mwogezi Robert
UGANDA



AGRI
BUSINESS

ENHANCING CUSTOMER EXPERIENCE

We understand the needs of our customers to access funds in a manner that is simple, appropriate and accessible. We are committed to ensuring that the **customer experience and engagement with our financial solutions results in improved access and reduces costs**, bureaucracy and turnaround times allowing customers to manage their financial needs in a manner that ensures reduced financial stress and ultimately, improves their lives. These wishes are aligned to our financial inclusion goals and so our efforts to expand financial inclusion additionally have a beneficial effect on the customer experience.

In 2016 we created a tablet and mobile-based application (app) that enabled us to gather information and feedback from our customers. This information is used to ensure we are meaningfully impacting lives, both on an individual basis, as well as more generally on a portfolio level. We are using this application to ensure continued and open communication with our customers, including around issues pertaining to customer needs, product and marketing preferences and technological and financial profiles.

CUSTOMERS AND COMMUNITIES

To deliver access anytime, anywhere, our leadership team in Tanzania successfully integrated our offerings in the formal segment deduction at source business, Faidika, with the newly acquired Advans Bank, now renamed Letshego Bank Tanzania Limited. The integration saw an expansion in customer touch points for the operations. This helped reduce the time taken for customers to access our solutions. Also, in Kenya our micro-loan solution enables customers to take up small loans. While the number of loans in that segment is not significant at this stage, as we have only just recently piloted the solution, it has proven popular with micro-entrepreneurs whose businesses have high product turnovers.

We are committed to helping rural and unbanked customers; in Botswana and Mozambique, over 60% of our loan portfolio is with customers outside district capitals and in Tanzania this equates to coverage of over 95% of Government districts. We have, therefore, increased our total team of direct sales agents to over 1,000, driven predominantly by demand in several markets including Kenya, Uganda and Mozambique. This enables us to reach customers more effectively.

Through our 3 call centres, customers engage with us more effectively; this contributes to customer satisfaction and faster resolution of complaints. Also, we have begun implementing systems for use in 2017 onwards that will enable us to further document and track the entire sales process with a view to understanding cross-selling and targeted sales opportunities. This will allow greater understanding of accountability with regards to customer compliments and complaints.

With growing awareness of our customer expectations of seamless, affordable, consistent and multichannel experiences, Letshego has been embarking on a transformation journey to build and adapt its service delivery model by taking control of the customer-experience ecosystem. This requires the enablement of stable, secure and efficient technological platforms across the Group's footprint, building on our integrated IT platforms into which we have invested over a period of 3 years.

GOVERNMENT

Social unrest caused by dissatisfaction with access to, and quality of, financial services is a contributing factor to macro-economic instability. Through the expansion of simple, appropriate and accessible financial services, we provide a level of risk-mitigation for governments.

REGULATORS

Our engagements with regulators provide additional insight into how our customers experience their interactions with us. Also, this provides our regulators with improved insight into our business model and how it improves the customer experience. By ensuring transparency and compliance, it is easier for regulators to identify areas where customer experiences in financial services are working and where they need to be improved.

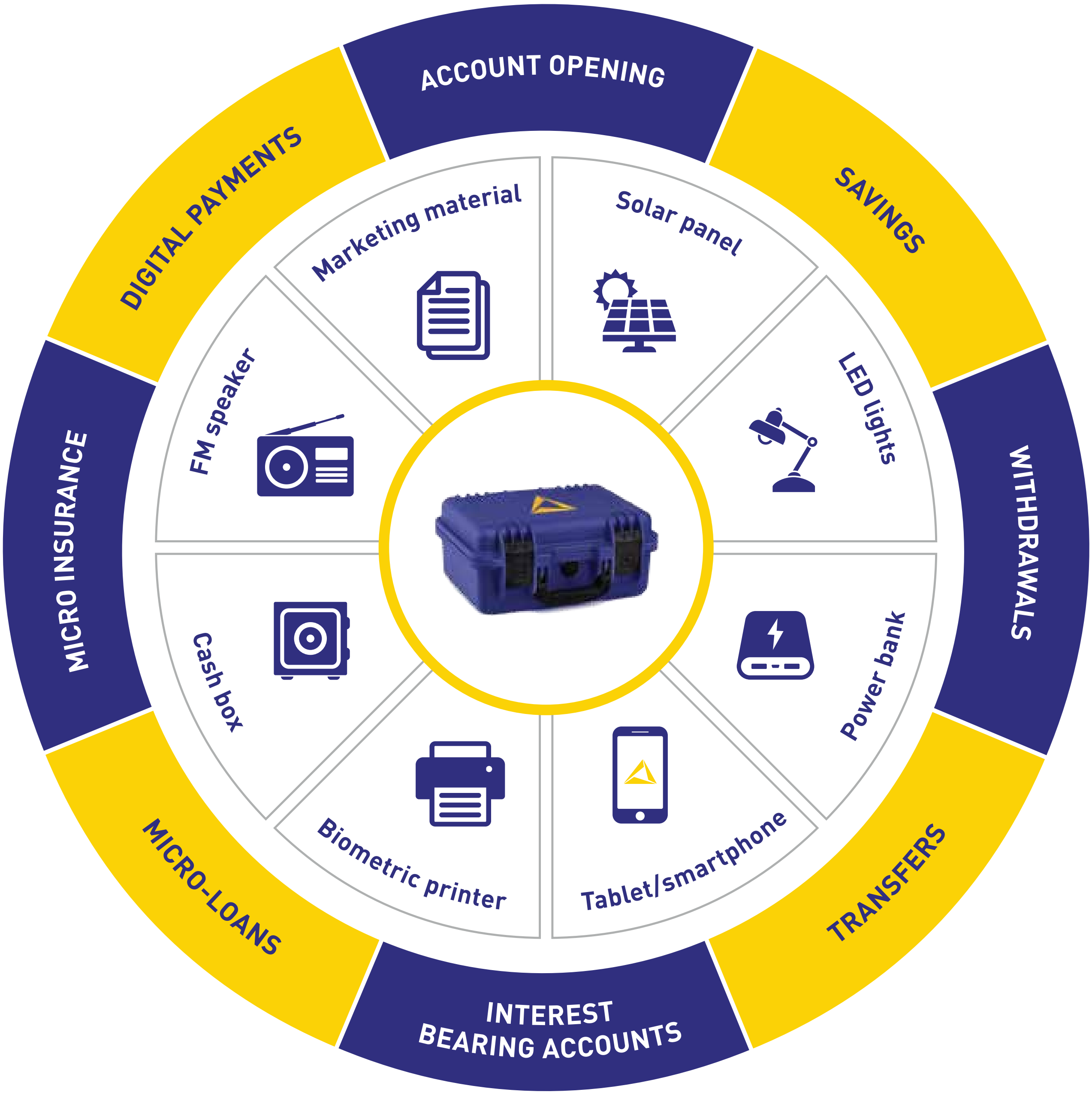
OUR PEOPLE

We believe that our non-financial performance is as important as our financial performance. Therefore, we have engaged an independent third party to measure and report on our social impact. Our people were keen to gather the data required for the assessment. This involved intense training of our champions, who in turn trained our wider survey teams, made up of our own customer-facing employees. We felt that this approach was required to later instil the philosophy, skills and importance of this customer understanding into our strategy. Also, this enhanced the customer experience in taking the survey and contributed to improving the quality of the survey results. Our employees take pride in the work that they do. This is enhanced as they receive the feedback on the impact of their effort through our Improving Life campaign, which brings our brand promise "Let's improve Life" to reality.

In line with this belief, we took steps in 2016 to ensure the inclusion of non-financial metrics in performance review processes. All our people, at every level of the organisation are acquainted with SMART Key Performance Areas (KPAs), and associated deliverables and from 2017 "Living our uniquenesses" will be incorporated into every team member's KPAs. Also, training and development is core to ensuring our people embrace our core values, and are able to enhance the overall customer experience. We have invested intensively in training and development throughout the Group, as we recognise that top performing people are critical in the financial services industry - through these various initiatives we aim to attract and retain a high-quality staff complement throughout our organisation.

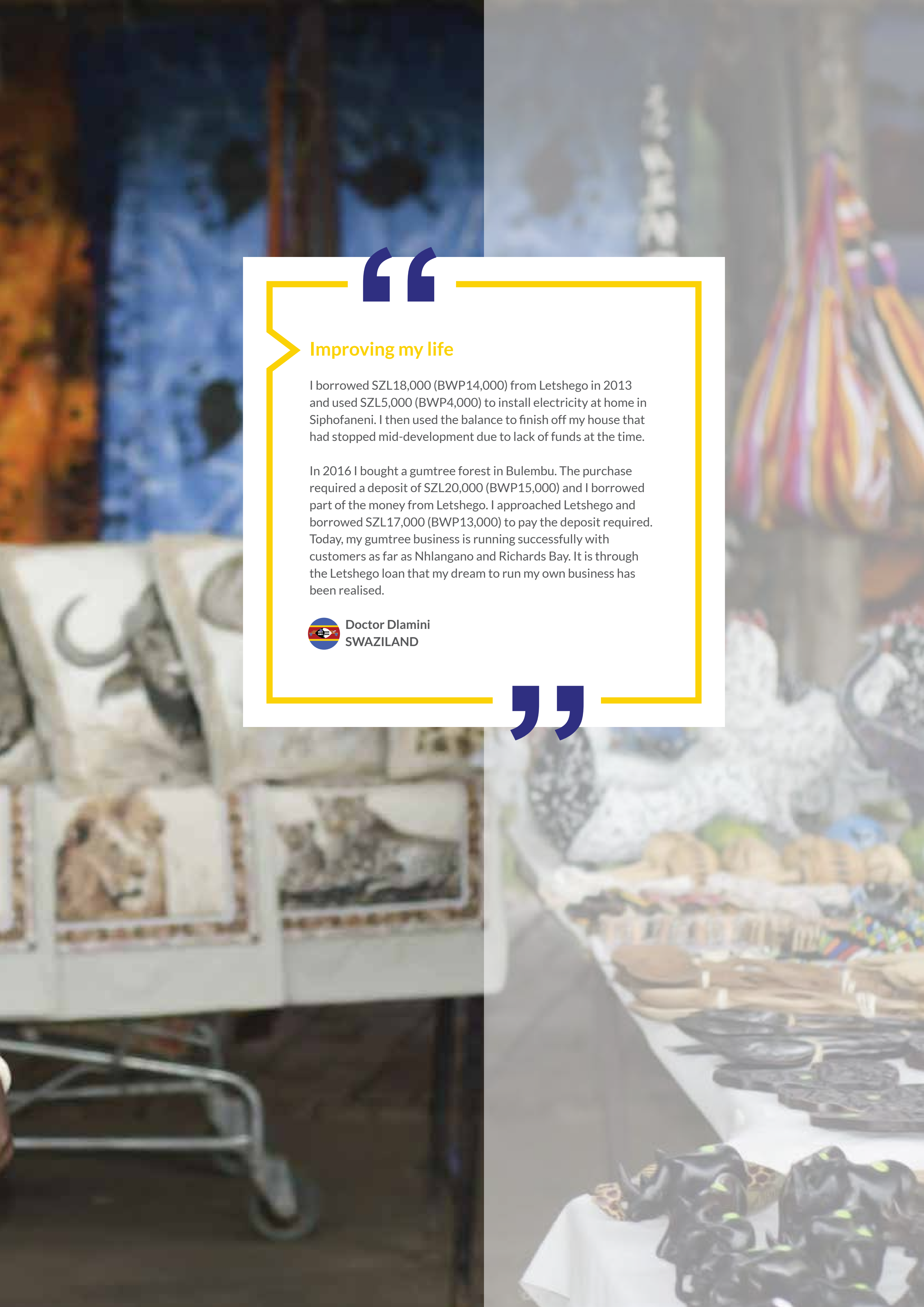
INVESTOR COMMUNITY

The link between satisfaction and business performance is self-evident. At Letshego, we believe our high customer satisfaction rates and high repeat business portfolio are significant contributors to our financial performance. Our continued investments in systems, in our people and in our community, will lead to even greater customer satisfaction and operational efficiency, resulting in better financial returns for our investors.



OUR "LETSGO BLUE BOX"


SWAZILAND
BUSINESS



Improving my life

I borrowed SZL18,000 (BWP14,000) from Letshego in 2013 and used SZL5,000 (BWP4,000) to install electricity at home in Siphofaneni. I then used the balance to finish off my house that had stopped mid-development due to lack of funds at the time.

In 2016 I bought a gumtree forest in Bulembu. The purchase required a deposit of SZL20,000 (BWP15,000) and I borrowed part of the money from Letshego. I approached Letshego and borrowed SZL17,000 (BWP13,000) to pay the deposit required. Today, my gumtree business is running successfully with customers as far as Nhlangano and Richards Bay. It is through the Letshego loan that my dream to run my own business has been realised.

Doctor Dlamini
SWAZILAND

EMBEDDING THE FUTURE CAPABILITY MODEL

Given our understanding of the needs of our customers to access financial services in a manner that is simple, appropriate and accessible, Letshego has invested heavily over the last 3 years in systems implementations and Human Resources investments that will deliver **high quality integrated infrastructure to enhance the customer experience**. These investments will enable Letshego to transform its operating model into that of a diversified, innovative financial solutions provider.

We intuitively know that we are taking the right steps to provide our customers with solutions that serve their financial and personal needs; however we acknowledge that we need continuous validation of what we are doing given the dynamic environment in which we operate.

We have made good steps this year in terms of innovation. We have a number of projects in the pipeline that are aimed at increasing access to financial solutions for our customers. These include mobile borrowing, savings and payment solutions, as well as a new strategic partnership with MasterCard to provide card-based services.

CUSTOMERS AND COMMUNITIES

We plan to continue to update and use the customer insights gathered from our proprietary customer survey application for open communication with our customers, including around issues pertaining to customer needs, product and marketing preferences and technological and financial profiles.

Letshego subscribes to the highest data protection standards. We are ensuring greater data protection by working towards full COBIT compliance.

OUR PEOPLE

We acknowledge that our internal communication channels need to continuously evolve with our times. At a leadership level, we would like to communicate more effectively with our people. At the same time, we recognise that communication is a two-way process, and effectively working feedback channels from our customer-facing team members back into business decision-making structures and processes is critical. A very basic step is to ensure that feedback is adequately provided on all staff engagement initiatives, particularly staff surveys.

Similarly, even as our escalation channels and policies are being refined and reinforced across the organisation, we continue to elicit market and live feedback through mechanisms such as monthly GMD calls*, regular staff town hall meetings and socials.

Prior to our rebrand of the organisation, we commissioned internal and external brand usage and awareness market research, covering an 18-month period to mid-2015, and encompassing 10 countries with over 4,000 respondents; these insights continue to be of value today. This research was undertaken to garner buy-in for the rebranding process by ensuring that staff voices had been heard and internalised before the process began.

We conduct annual strategic engagement sessions, that are designed to penetrate every level of our organisation throughout our footprint. This year our strategic engagement session was entitled 'Live the Rhythm, Own the Pace' (LTROTP), a natural progression from 2015's 'Own the Rhythm, Set the Pace' and 2014's 'Feel the Rhythm, Set the Pace'. The engagement involved training more than 70 champions from across the continent, with the focus being on ensuring that we are both maintaining our market share as well as implementing our transformation agenda. Through this process, we have clarified our strategic intent. Following this, the champions disseminated the messaging and actions required to lower levels across our country footprint. In early 2017, all 3,000 of our team members (including our Ghana team) were taken through the LTROTP programme. Feedback as to strategic buy in and endorsement from our team has been been positive.

As shown above, we believe in the identification and nurturing of talent. As such, in 2016 we set up our first Transformational Leadership Development Centre (TLDC), as our strategy of growth and diversification has given rise to the need to build strong leadership and management capacity. We have since hosted two more centres in early 2017, with over 50 participants and 16 observers (from Group and Country top leadership) at four sites.

We are engaging local Directors onto our local Boards to ensure that a healthy mix of background, talents and skills is achieved in each country. To this end we have recruited 18 new Inependent Non-Executive Directors (INEDs) onto our local boards in the last 2 years; this forms part of our journey to transform our boards to ensure full compliance with the King III Code on Corporate Governance across our footprint.

As they are the face of our brand, we continue to invest in our people by ensuring strategic alignment, technical know-how and personal wellbeing across all levels of our staff component. For example, in 2016 we engaged heavily with our commission-based sales agents. We support the provision of responsible finance that improves the lives of customers, and we engaged successfully with our sales agents in this regard. To ensure that we provide the service we aim to deliver, it is critical that our people are adequately trained, accountable and aligned to our vision. We spent BWP 750,000 on sales and customer-experience related training in 2016, as well as BWP 2.5 million in ensuring strategic alignment across the organisation through our 'Live the Rhythm, Own the Pace' employee engagement initiatives.

As stated earlier in this report, we place great value in the process of instilling a sense of pride, clarity and consensus in our teams who are charged with realising our strategic ambitions. Over the course of 2016, we have invested over P10 million into capacitating our teams to deliver our current and future capability.
Via 3rd party provider's platform, e-learning modules with competency-based assessments to complete the modules were rolled out to all our team

members, and covered business continuity, anti-money laundering and operations management.

The physical and mental health of our employees remains a priority and we conducted various staff engagement initiatives in 2016, organised at both a local and group level. These were mostly centred around health and wellbeing and aligned with our strategic social investment focus on NCD incidence. Given the continued expansion and geographical diversification of our organisation over the last two years, we have adopted a policy of ensuring group alignment, while celebrating cultural diversity. A health of the organisation model as well as a transformation scorecard has been adopted to achieve this goal.

INVESTOR COMMUNITY

Our Board, as well as subsidiary Boards, composition and governance frameworks are aligned to King III and best practice. Currently we are fully King III compliant in 75% of our countries. The objectives of Letshego's frameworks are to:

- ensure standardisation in the composition of subsidiary boards,
- ensure that highest ethical standards and corporate governance principles are applied when appointing directors to subsidiary board,
- drive compliance with statutory and regulatory requirements,
- communicate the responsibilities of subsidiary board members, and to
- create an environment that will enable subsidiary boards to be effective.

We recognise that we operate within a diverse business and regulatory environment, involving many countries, business areas and regulatory frameworks. We have mapped this universe and are working hard to ensure full-compliance with all relevant legislation.

An "ICAAP Lite framework" has been developed for Namibia and has been rolled out to Mozambique. This will be rolled out to other countries where we have commercial banking licences. Developments on consumer protection, micro finance and non-bank financial institutions (NBFI) regulations will need close monitoring as these will offer both opportunities as a "responsible lender" as well as compliance challenges. Mobile and agency banking regulations have been developed relatively quickly and we will need to work with regulators to ensure that they are appropriate to facilitate financial inclusion.

We monitor our capital adequacy, including provisioning of impairments, carefully as it remains crucial to our sustainability. Each deposit taking subsidiary of Letshego is subjected to regular stress-testing to ensure the financial viability of the business.

Letshego identifies four types of risks namely: strategic, operational, financial and compliance. We have established internal controls for adoption by countries to reduce the scope of risks. Where residual risk remains, we implement risk management techniques to measure, monitor and report on these risks. This includes the development and approval of policies, procedures and risk measurements for customisation by countries. All strategies, policies and procedures are required to be developed by senior management and approved by the local Boards, who are accountable for governance structures, risk appetite, risk mitigation strategies and policies. Also, the Boards must ensure that audit actions are implemented.

On an annual basis, the Board is required to review and approve the Group's Enterprise Risk Management (ERM) framework, define and establish risk governance structures and systems, approves risk strategies, risk appetites and policies. We achieve assurance through external and internal audit as well as risk management functions. This same process is cascaded to country Board levels.

Our risk maturity is improving and we aim to move progressively from a compliance focus to a strategic focus wherein we will be able to take advantage of early identification of risk, converting these indicators into strategic advantages. Given that two years ago our risk management philosophies and frameworks were suited to a less broad-based business model, we believe that we have made significant progress in enhancing these to be fit for purpose for our transformational strategy.

[*] GMD calls: All country teams dial into a single call per month with all executive leaders who contribute insights and updates on key strategic initiatives and performance.

OUR EFFORTS TOWARDS IMPROVING OUR RISK MANAGEMENT FRAMEWORK REQUIRE **SIGNIFICANT INVESTMENT**. THE SHORT-TERM BENEFITS ARE REGULATORY COMPLIANCE. WE CONSIDER THE LONG-TERM BENEFITS ASSOCIATED WITH **EARLY RISK IDENTIFICATION TO BE OF GREAT STRATEGIC VALUE**.


NAMIBIA
SWAZILAND
AGRI
BUSINESS

Improving my life

I’m a cleaner at a school in a village near Ondangwa. I could not make ends meet with the salary I was receiving, so I decided to get a loan from Letshego and bought myself wambo chickens (traditional, free range chickens).

I started raising them and now have more than 70 chickens. I sell these chickens in my village and assist during village event preparations to generate extra income. I use the earnings from my small business to buy food in bulk to sustain my family for long periods and to avoid travelling long distances to reach Ondangwa or Oshikango to restock on our basic needs.
My chicken business is well known in my village and I would like to increase production in order for it to become self-sustainable and continue improving my life.

Veronica Nghishiitende
NAMIBIA

I approached Letshego in March 2016 for a loan of SZL109,500 (BWP84,000). I used the money to buy a tractor and a mini-bus. Currently, I used a tractor to plough and plant vegetables in Mbekelweni which allows me to supply the local market in the area with cabbages, spinach, lettuce, onions and maize. During the summer I use the tractor to plough maize fields for farmers around my area, which helps to provide my family and I with extra income. I intend to use part of the profit to purchase a trailer. The trailer will assist me in harvesting and transporting different goods for the farmers in my area. My loan with Letshego has ensured that I become self-sufficient. I now have multiple sources of income.

Isaiah G Mkhaliphi
SWAZILAND

4

CORPORATE GOVERNANCE AND ENTERPRISE RISK MANAGEMENT

Letshego's Board of Directors remains committed to upholding strong corporate governance, business ethics and integrity throughout the Group. Pursuant to this an annual review of governance gaps is conducted in relation to the principles of King III, as appropriate to the business. Governance is actively monitored to identify opportunities for improvement of operational and corporate practices.

CORPORATE GOVERNANCE AND ENTERPRISE RISK MANAGEMENT

Letshego's Board of Directors remains committed to upholding strong corporate governance, business ethics and integrity throughout the Group. As a result, Letshego has invested a significant amount of time and resources to bring its Board, committees and governance structures in line with King III and recommended international best practice. The implications of the recently published King IV guidelines are being assessed. Further, Letshego has standardised various governance frameworks as described below. In the last 24 months, Letshego has appointed 18 independent non-executive directors (INEDs) to the subsidiary Boards so that the majority of Directors are independent and non-executive.

An annual review of governance gaps is conducted in relation to the principles of King III, as appropriate to the business. Governance is actively monitored to identify opportunities for improvement of operational and corporate practices.

STRENGTHENING GOVERNANCE

We continue to strengthen governance and enterprise risk management frameworks. To this end a number of key risk professionals as well as country risk officers have been hired to strengthen the Letshego team across its footprint. In addition, a central asset and liability function that manages Group funding, liquidity and foreign exchange risk, was established.

As part of group-wide alignment to King III and recommended international best practice, the following have been undertaken:

- Revised charters, constitutions or memoranda and articles of association, shareholders' agreements, management agreements and governance policies have been rolled out to subsidiaries
- Appointment of additional INEDs required on subsidiary Boards is expected to be completed during 2017.
- A Group Management Committee (GMC) member now sits on each subsidiary Board as the Letshego representative along with the country CEO
- The subsidiary Board comprises of at least two INEDs and one representative of minority shareholders (where applicable).

GOVERNANCE GAPS AND ACTIONS TAKEN

During 2016 a review of governance gaps was conducted. Actions and timelines were agreed by the Board to address identified gaps, and these are laid out below:

- Lack of succession planning for the Chairman: in response Mr. Enos Banda has been appointed to the Board and took over as Board Chairman in November 2016
- The executive in charge of the finance function was not a Director: in response, the Group Chief Finance Officer was appointed to the Board in January 2017

THE BOARD STRUCTURE

Letshego Holdings Limited main Board membership comprised of eleven directors as at 31 December 2016. The Board composition was seven INEDs, three non-executive directors (NEDs) and one executive director (EXD) as follows:

	Director	Status - INED/NED/EXD	Number of Committees of Membership	Main Board	Group Audit and Risk Committee	Group Human Resources Committee	Group Investment Committee	Group Nominations Committee
1	E Banda (C)	INED	1	✓ C (from Nov 2016)				✓ C
2	J Burbidge	INED	1	✓ C (until Nov 2016)				✓ C
3	C Low (GMD)	EXD	-	✓				
4	G Hassam	NED	2	✓			✓	✓
5	G van Heerde	NED	2	✓	✓	✓		
6	H Karuhanga	INED	4	✓	✓	✓	✓	✓
7	J de Kock	INED	2	✓	✓		✓ C	
8	I Mohammed	NED	4	✓	✓	✓	✓	✓
9	S Price	INED	2	✓	✓ C			✓
10	G Somolekae	INED	1	✓		✓		
11	R Thornton	INED	2	✓		✓ C	✓	
	Summary of composition	INED 7		7	3	3	3	3
		NED 3		3	2	2	2	2
		EXD 1		1				

C - Chairman, EXD - Executive Director, GMD - Group Managing Director, NED - Non-Executive Director

Post year end C Patterson, the Group Chief Financial Officer, was appointed to the Board (on 26 January 2017) and J Burbidge retired from the Board (on 1 March 2017). One further INED is expected to be appointed once the regulatory vetting process is completed.

Thereafter, Letshego Holdings Limited's main Board will have twelve directors, comprising seven INEDs, three NEDs and two EXDs.

BOARD COMPOSITION, APPRAISAL, SELF-ASSESSMENT AND MEETINGS

A brief curriculum vitae of each director is set out in this integrated annual report. The Board conducts self-assessments and appraisal of individual Board membersevery two to three years. The last Board committees' self-assessments and individual Board members' appraisals were performed in 2014. The individual Board members' appraisals were performed by an independent governance facilitator from the Institute of Directors, South Africa.

All the gaps and proposed improvements that arise from the self-assessment and individual appraisal exercises are discussed by the Board, and appropriate actions, with deadlines, are addressed with a view to completion ahead of the next assessment and appraisal exercise.

The Board self-assessment and appraisal processes are designed to ensure that the Board and members of various sub-committees are conscious of the culture, areas for improvement and the need for constructive engagement. The self-assessment exercise provides open and constructive two-way feedback to Board members that enables the collective establishment of acceptable levels of performance in various principal governance areas. This is to ensure that the expectations of the Board, including those of individual Board members, are met with regard to Board effectiveness.

The Board meets at least quarterly. Five regular Board meetings were held during 2016. 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.

The Board and its committees compile an annual work plan to ensure all relevant matters for Board and committees' consideration are prioritised and addressed. Members of senior leadership, assurance providers and professional advisers may attend meetings by invitation only and they do not form part of the quorum of any meeting.

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

Non-executive directors meet at each regular quarterly Board meeting in the absence of executive management to discuss and exercise objective judgement on the affairs of the Group and to independently discuss the performance and actions of executive management.

At least one third of the non-executive directors rotate every year in line with the Board Charter.

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.

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. It uses an Enterprise Risk Management framework to align strategy and risk.

In addition, the Board:

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

BOARD CHARTER

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

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

COMPANY SECRETARY

The Company Secretary plays a critical role in the corporate governance of Letshego, 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 sub-committee charters are kept up to date, and that Board and committee papers are circulated in good time. Also, he assists in eliciting responses, input and feedback for Board and sub-committee meetings. The Company Secretary assists the Group Nominations Committee (GNC) in ensuring that the correct procedures are followed for the appointment of directors.

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

CORPORATE GOVERNANCE AND ENTERPRISE RISK MANAGEMENT (CONTINUED)

insight to discharge their responsibilities effectively. Furthermore, the Company Secretary assists in the process of self-assessment of the Board and its sub-committees.

Post year end, Mr Dumisani Ndebele, who has been part of the executive leadership of Letshego, and its Company Secretary since 1999, retired. We are grateful to Dumisani for his contribution to the Letshego group over many years. He retired on 1 March 2017 and was replaced by Mr Topiwa Chilume as Company Secretary.

BOARD PROCESSES

Appointments to the Board

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

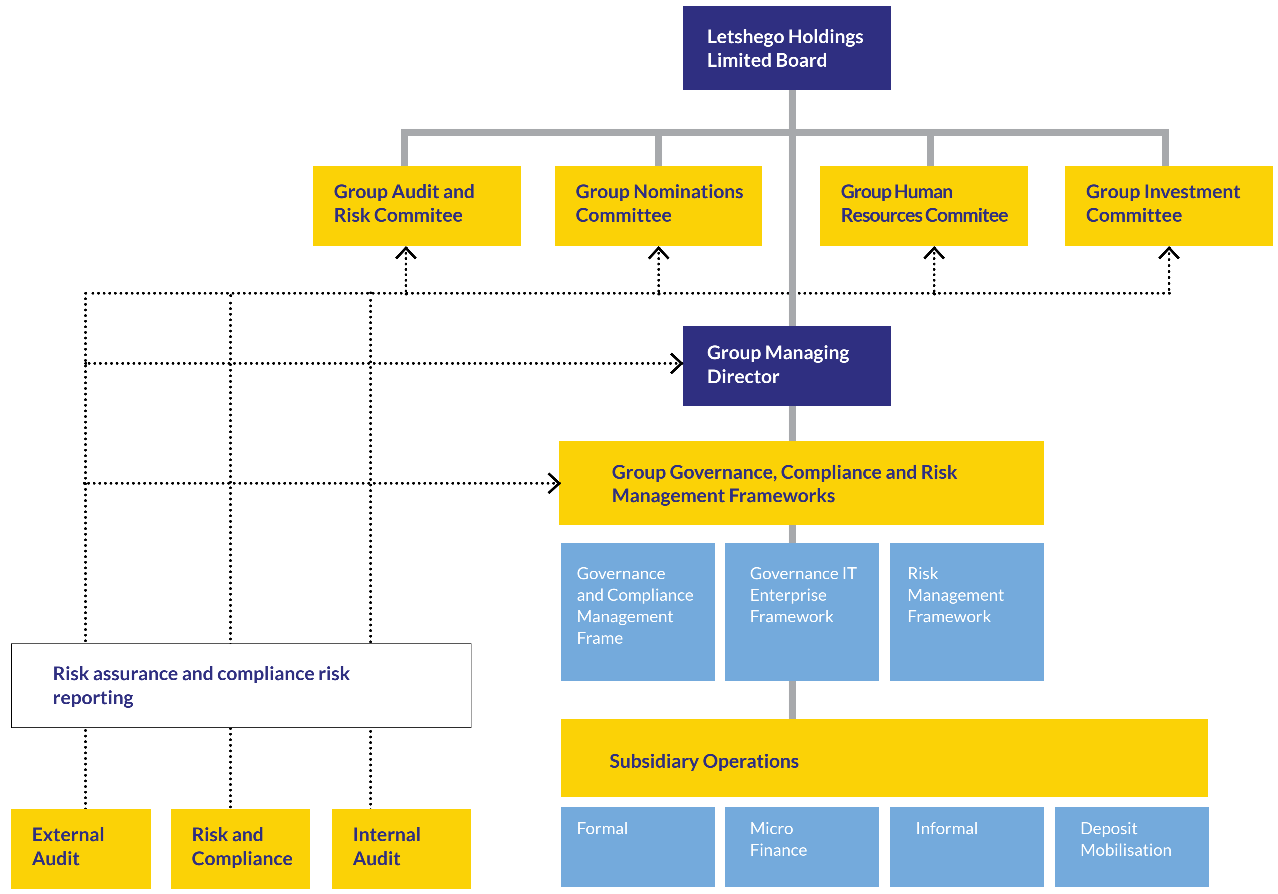
SUCCESSION PLANNING

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

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, compliance and risk management functions are being enhanced to address the changing risk profile of the group.

Governance Structure



Note: post year end the GARC is being separated into two committees, namely a Risk Committee and an Audit Committee. Also, the mandate of the GNC has been expanded to become the Group Governance and Nominations Committee.

Composition of the Board and its sub-committees

Board sub-committee	Purpose	Composition	Quorum	Frequency of Meeting
Group Audit and Risk Committee (GARC)	• 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 and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed • Monitors external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts. • 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 • Reviews compliance with applicable laws • Annually assesses the adequacy and skills of the internal audit, group financial management and reporting functions Note: post year end the GARC Committee is being split into two separate committees; a Risk Committee and an Audit Committee	**Independent Non-Executive Directors** S Price (Chairman) H Karuhanga J de Kock **Non-Executive Directors** I Mohammed G van Heerde **Independent attendees** Engagement partner of PricewaterhouseCoopers **Management attendees** C Low (Group Managing Director) D Olsen-Namanyane (Group Chief Operating Officer) C Patterson (Group Chief Financial Officer) C Robb (Deputy Group MD and Head of Strategy and Transformation) **Permanent Invitee** S Kioko (Head of Group Audit) N Marimira (Group Head of Risk and Assurance)	Minimum of three members and majority of members for a quorum.	At least three times a year

Committee	Purpose	Composition	Quorum	Frequency of Meeting
Group Human Resources Committee (GHRC)	• Reviews the remuneration policies of the group • Ensures that policies for selecting, planning for succession and professional development of executive directors and senior management is appropriate. • Ensures that directors and staff are fairly rewarded • Ensures that market-related reward strategies are adhered to • Establishes performance targets for the group's incentive scheme.	**Independent Non-Executive Directors** R Thornton (Chairman) H Karuhanga G Somolekae **Non-Executive Directors** I M Mohammed G van Heerde **Management attendees** C Low (GMD) S Mothibi (Group Head of HR) C Patterson (GCFO) C Robb (Deputy GMD and Head of Strategy and Transformation)	Minimum of three members and majority of members for a quorum.	Meets at least twice a year
Group Investment Committee (GIC)	• Reviews and recommends to the Board regarding all new strategic investments and major funding initiatives the group may enter into including the mechanism for investment (e.g. startup operations, mergers, acquisitions, joint ventures etc.), selecting between priority and non-priority investments • Ensures divestment from existing investments if the investment objectives are not achieved • Decides on appropriate funding mechanisms in the context of the overall funding strategy of the group • Participates in the negotiations with potential investors/funders, acquisition/merger candidates, etc.) when appropriate • Formulates and recommends to the Board the overall investment policies and guidelines of the group.	**Independent Non-Executive Directors** J de Kock (Chairman) R Thornton H Karuhanga **Non-Executive Directors** I Mohammed G Hassam **Management attendees** C Low (GMD) C Patterson (GCFO) C Robb (Deputy GMD and Head of Strategy and Transformation)	Minimum of three members and majority of members for a quorum.	Meets as and when necessary
Group Nominations Committee (GNC)	• Recommends to the Board on all new board appointments • Undertakes a formal process of reviewing the balance and effectiveness of the Board • Ensures that directors' induction, performance evaluation and directors' development are carried out. • Conducts annual directors' independence assessment • Note that post year end the GNC was changed to become the Group Governance and Nominations Committee. Its mandate expanded to include oversight of governance, sustaninable development, social ethics and stakeholder relationships.	**Independent Non-Executive Directors** E Banda (Chairman from Nov 2016) J Burbidge (Chairman until Nov 2016) H Karuhanga S Price **Non-Executive Directors** G Hassam I Mohammed **Management attendees** C Low (GMD) C Patterson (GCFO) C Robb (Deputy GMD and Head of Strategy and Transformation)	Minimum of three members and majority of members for a quorum.	At least once annually

EXECUTIVE MANAGEMENT COMMITTEES

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

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

Committee	Purpose	Composition	Quorum	Frequency of Meeting
Group Innovation and Change Committee (GICC)	• Allocates and monitors resources and prioritises projects to be implemented • Evaluates and approves new solutions, including any changes to existing ones • Reviews and recommends to GMC changes to solution policies and procedures • Approves funding of projects within its delegated authority limit • Reviews project implementation at the various stages of the project lifecycle and considers requests for additional project funding, changes in benefits or delivery timelines. • Escalates to GMC any overrun in costs and / or reduction in benefits as necessary	**D Olsen-Namanyane** (Group Chief Operations Officer) (Chairperson) **C Patterson** (Group Chief Financial Officer) **F Ferguson** (Head of Group Credit Risk) **A Prahlad** (Head of Group Treasury and ALM) **N Ndlovu** (Head of Strategy and Transformation) **By invitation** Group Heads of Business, Risk Owners and other specialists **Permanent invitee** S Kioko (Head of Group Audit)	Majority of GICC members	Monthly
Group Sustainability Committee (GSC)	• Ensures that an effective sustainability framework is in place • Annually approves changes to sustainability policies, procedures and practices and recommends these to GMC for ratification • Ensures that an effective ESG framework is in place, including the design and implementation of a social and environmental management system (SEMS), and associated policies and procedures to monitor, report on and remediate the group's ESG credentials • Reviews all strategic social investment (SSI) proposals from group and countries and approves when in line with group SSI principles. For approved proposals in excess of BWP 250,000, escalates these to GMC for approval with recommendations. • Ensures that all (potential and present) matters affecting Letshego's reputation are mitigated effectively	**M Sambasivan-George** (Group Head of Sustainability and Advocacy) (Chairperson) **T Kocsis** (Group Head of Micro Finance Banking) **B Kgosidintsi** (Head of Group Investor Relations) **T Raboloko** (Group Risk Manager) **M Pilara** (Head of Group Brand and Communications) **S Maviala** (Group Marketing Manager) **D Polokelo** (Head of Consumer Finance, Botswana) **Head of Group Stakeholder Engagement and Sustainability** (vacant) **By invitation** Group Heads of Business, Risk Owners and other specialists **Permanent invitee** S Kioko (Head of Group Audit)	Majority of GSC members	Quarterly

Committee	Purpose	Composition	Quorum	Frequency of Meeting
Country Management Committee (CMC)	• Delivers on the country business strategy against the country's collective agenda and budget, and reports on such progress to the Regional Heads as well as escalating any significant risks or issues on a timely basis • Monitors external developments in the country's operations and internal risk issues arising to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group and to mitigate potential financial losses • Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement, underpinned by exemplary governance and effective cost control • Provides unified leadership on key strategic and other business initiatives in the country • Promotes and implements an effective risk management framework that encapsulates setting of risk appetite, management discipline, anticipation and compliance across the country and escalating and significant issues Regional Heads and Head of Risk and Assurance as appropriate • Ensures that the country business is operating according to the highest standards of regulatory compliance and best practice as defined by external regulations and internal policies and procedures respectively, including banking and labour laws as well as anti-money laundering legislation (AML), KYC, ALM and any other regulatory requirement • Approves and recommends to GICC 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	Majority of CMC members	Monthly

ATTENDANCE AT MEETINGS

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

	Board	Group Audit and Risk Committee	Group Human Resources Committee	Group Investment Committee	Group Nominations Committee	Adhoc Meetings (Independent Board/ Group Strategy)
E Banda	2/2	-	-	-	-	1/1
J Burbidge	4/5	-	-	-	3/3	2/2
C Low	5/5	5/5	4/4	2/2	3/3	2/2
G Hassam	3/5	-	-	2/2	1/3	0/1
G van Heerde	5/5	5/5	4/4	-	-	1/1
H Karuhanga	5/5	5/5	4/4	2/2	3/3	2/2
J de Kock	4/5	4/5	-	1/2	-	2/2
I Mohammed	5/5	5/5	4/4	2/2	3/3	1/1
S Price	5/5	5/5	-	-	3/3	2/2
Dr. G Somolekae	5/5	-	4/4	-	-	1/1
R Thornton	4/5	-	3/4	2/2	-	2/2

Board fees are as follows:

Board Chairman	*BWP29,000 per meeting*
Directors	*BWP27,285 per meeting*
GARC members	*BWP27,285 per meeting*
Other committees	*BWP15,000 per meeting attended or BWP10,000 if meeting held via conference call*
Strategy review meeting	*BWP29,000 for the Chairman and BWP27,285 for Directors*
Annual retainer – Chairman	*BWP880,000 (wef 1 July 2016), BWP500,000 (from 1 Oct 2015 to 30 June 2016)*
Annual retainer – Directors	*BWP360,000 (wef 1 October 2015)*

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

Risk committee	*BWP15,000 per meeting*
Audit committee	*BWP15,000 per meeting*

Non-Executive Directors' Renumeration for the Year Ended 31 December 2016

	Board Attendance Fee	Group Audit and Risk Committee	Group Human Resources Committee	Group Investment Committee	Group Nominations Committee	Strategy / Ad hoc meetings	Other Services	Annual Retainer	Total
E Banda	58,000	-	-	-	-	29,000	84,960	366,667	**538,627**
J Burbidge	116,000	-	-	-	45,000	10,000	-	690,000	**861,000**
G Hassam*	81,855	-	-	60,000	15,000	-	-	360,000	**516,855**
G van Heerde*	136,425	136,425	60,000	-	-	27,285	-	360,000	**720,135**
H Karuhanga	136,425	136,425	60,000	60,000	45,000	37,285	-	360,000	**835,135**
J de Kock	109,140	109,140	-	45,000	-	37,285	37,285	360,000	**697,850**
I Mohammed*	136,425	136,425	60,000	60,000	45,000	27,285	-	360,000	**825,135**
S Price	136,425	136,425	-	-	45,000	37,285	-	360,000	**715,135**
Dr. G Somolekae	136,425	-	60,000	-	-	27,285	-	360,000	**583,710**
R Thornton	109,140	-	45,000	60,000	-	37,285	-	360,000	**611,425**
Total	**1,156,260**	**654,840**	**285,000**	**285,000**	**195,000**	**269,995**	**122,245**	**3,936,667**	**6,905,007**

(all figures in BWP)

** Fees are paid to the organisations they represent.*
The Investment Committee had two physical meetings and three conference calls during the year.
Under "other services", fees were paid to E Banda were for services rendered during the period prior to his appointment to the Board.

Executive Directors' remuneration as at 31 December 2016

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

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

Executive Directors' remuneration as at 31 December 2015

Executive Directors	For Management Services	Performance Bonus	Special Incentive Payment	Total
A C M Low	3,000,000	2,700,000	-	5,700,000
C Patterson***	1,824,000	800,000	-	2,624,000

' A salary increase was awarded to A C M Low on the expiry of his initial three-year contact on 1 November 2016.*
*'** The special incentive payment was a once off payment arising from a corporate action involving the group*
*'*** Appointed to the Board on 26 January 2017 – information provided for disclose purposes*

In terms of the Long-Term Incentive Scheme, 2,021,250 ordinary shares vested to ACM Low and 990,000 to C Patterson during March 2017 that related to the financial year ended 31 December 2016. 300,541 shares vested to C Patterson during March 2016 that related to the financial year ended 31 December 2015.

Top three earners that are not executive directors as at 31 December 2016

Top Three Earners	For Management Services	Performance Bonus	Special Incentive Payment	Total
Employee 1	2,280,000	390,000	570,000	3,240,000
Employee 2	2,031,000	600,000	456,000	3,087,000
Employee 3	2,100,000	550,000	-	2,650,000

Top three earners that are not executive directors as at 31 December 2015

Top Three Earners	For Management Services	Performance Bonus	Special Incentive Payment	Total
Employee 1	2,280,000	800,000	-	3,080,000
Employee 2	1,824,000	800,000	-	2,624,000
Employee 3	2,040,000	450,000	-	2,490,000

In terms of the Long-Term Incentive Scheme 1,815,000 ordinary shares vested to the top three earners during March 2017 that related to the financial year ended 31 December 2016. 300,541 shares vested to the top three earners during March 2016 that related to the financial year ended 31 December 2015.

The following incentive scheme is offered by Letshego Group:

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

THE KEY ELEMENTS OF THE LONG-TERM INCENTIVE PLAN ARE:

- Calculation of grants – Ranges between 75% to 200% of basic salary for participants
- Grant term – the vesting is at the end of three years
- Grant targets – is based on Earnings per Share and Return on Equity targets

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

These remuneration and incentive schemes are designed to ensure that executive and 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.

NON-EXECUTIVE DIRECTORS

After conducting research into trends in non-executive Director remuneration, non-executive Directors' fees are proposed by the GHRC. Non-executive Directors' fees are fixed for two years. Generally, directors of the group's Board and subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. Non-executive Directors do not receive any fees which are related to the performance of the Group and do not participate in any share-based payments or incentives.

The Board composition has changed significantly over the last few years and now consists of seven independent non-executive directors out of ten non-executive directors. Also, the time commitment of the board has increased due to the change in the complexity of the business, the number of committees and the overall regulatory oversight that the board is responsible for.

During 2015 the board, via the HR Committee, performed a benchmarking exercise of the Letshego board fee structure against a number of listed pan African financial services companies. There were ten entities in the data set and the results were varied depending on the comparator. For example, when Letshego was compared against other listed financial sector companies in Botswana (FNB Botswana, BIHL, Barclays Botswana, SCB Botswana), the Letshego board fee structure was above the median. However, when compared to well established financial services group's operating across the continent (Capitec, Sanlam, BancABC ((now Atlas Mara), Ecobank, UBA, Trustco), Letshego was well below market norms.

Therefore, during 2016, an independent firm, was commissioned by the HR Committee to perform a review of the current board remuneration and to benchmark this against a more diverse universe. The companies that Letshego was compared against included:

- 14 African peer group with market capitalisation between BWP5bn and BWP90bn
- 11 International peer group with market capitalisations between BWP5bn and BWP11bn

The peer group was selected based on publically available information and to match the Letshego profile as much as possible. The board does accept and acknowledge that an identical peer group comparison is not easily achieved at this time and therefore there is a level of judgement involved.

The review considered the following:

- Structure of board fees – for attendance at meetings versus an annual retainer
- Currency of the payment (local currency of the country of incorporation versus USD)
- The number of board meetings held per annum
- The level of remuneration of the Chairman of the board as opposed to other non-executive directors
- The overall level of fees paid to non-executive directors

The results of the survey were:

- 80% of the peer groups paid Non-executive directors in local currency and not USD: this is in line with Letshego practice and therefore no change has been made
- The Chairman of the board normally (at median), is paid 3.1 times more than non-executive directors: previously the Letshego board chairman received an annual retainer of BWP 104k per annual versus the non-executive directors of BWP 60k per annum
- The new structure is an annual retainer of BWP880k pa for the Chairman versus BWP360k pa for non-executive directors and therefore the board is satisfied with this structure for now
- The number of board meetings held by Letshego was within the peer group norms
- The median for the total Chairman's remuneration was BWP 933k per annum – this compares to the expected annual remuneration of the Letshego Chairman of BWP 1,055,000 (made up of the annual retainer of BWP880,000 plus P29,000 *5 for board meetings and BWP15,000 * 2 for nomination committee meetings) – therefore 13% above the peer group median
- The survey showed that the level of non-executive directors' fees was generally in line with the market median and therefore no further changes were made

Furthermore, the board appointed a global executive recruitment firm to identify a new board Chairman. This resulted in the appointment of Enos Banda firstly to the Board in August 2016 and then to become the Chairman of the Board in November 2016 as part of the succession planning to replace John Burbidge. The recruitment exercised confirmed the results of the research performed regarding the international practices around remuneration of independent non-executive directors to take up a position of board Chairman.

Therefore, the Board is satisfied that it has taken sufficient and appropriate independent advice regarding the changes that have been made to the board remuneration structure, quantum and currency of payment. All board fees are subject to Botswana taxes (personal or withholding) as appropriate.

A non-binding resolution to shareholders is part of the Agenda for the AGM for shareholders input.

GOVERNANCE AND COMPLIANCE IT FRAMEWORK

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

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

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

ASSETS AND LIABILITIES MANAGEMENT (ALM)

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

GOVERNANCE AND COMPLIANCE

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

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

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

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

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

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

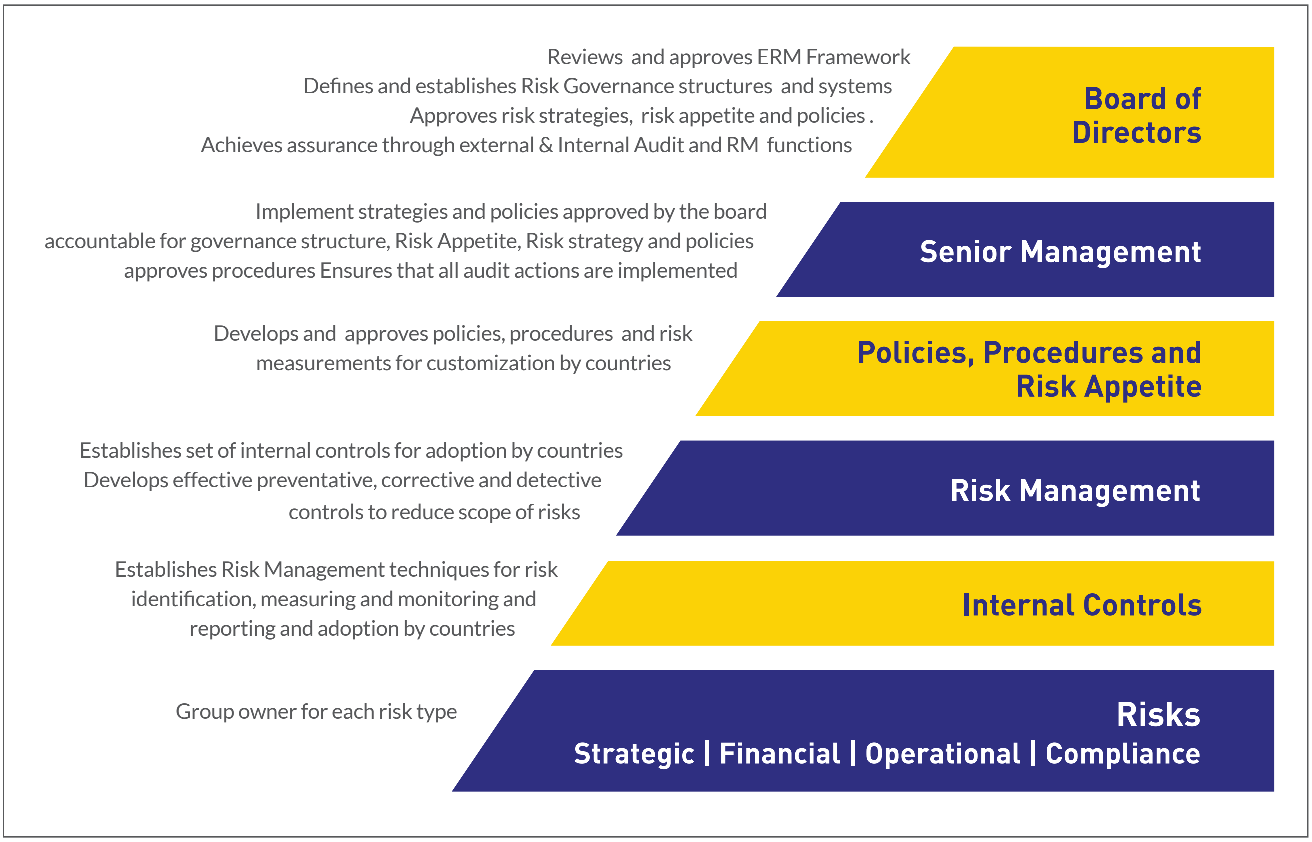
ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK (ERMF)

The ERMF provides minimum requirements for sound risk management practices with the main aim of having an integrated approach to managing risk that adequately identifies, measures, monitors, controls and mitigates risk.

The Group has implemented ERM as a unique way to effectively manage risk across its footprint through the use of a common risk management framework approved by the Board. Whilst ERM frameworks differ from one institution to the other, the Group has developed a simple and appropriate framework that involves people, processes, and tools. This means individuals or the originators of risk events with defined responsibilities use established, repeatable processes (such as incident reporting and key risk indicators), and the appropriate level of technology (tools) to mitigate risk.

Implementation of ERM during the year has supported better structure, reporting, and analysis of risks. Standardized risk

Our Enterprise Risk Management Framework



reports that track enterprise risks are now being generated by all subsidiaries and provide enhanced decision making from the available information.

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

RISK PHILOSOPHY AND CULTURE

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

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

In the process, our engagement with stakeholders at all levels is also improving in pursuance of our organisational goals. Risk appetite and tolerance Letshego's risk appetite represents the amount of risk we are willing to accept in the achievement of our objectives. It is effected through the Group-wide Risk Management process and specific risk appetite and tolerances are outlined in the various policies.

In assessing risk appetite during the year, the Board and Management considered the needs and expectations of our shareholders, customers and employees and the desire to continue to build a profitable, socially responsible and sustainable organisation. As a Group that provides customer solutions that are essentially of a compliance nature, the Board and Management acknowledge that stakeholder expectations are likely to become more exacting.
As a consequence, Letshego will not accept risks that could expose us to:

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

POLICIES AND PROCEDURES

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

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

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

INTERNAL CONTROL

Letshego continues to implement a system of effective internal controls as a critical component of our ERM framework. Internal controls developed are an integral part of our policies, procedures and processes and are established by the Board and Management to provide reasonable assurance on the safety, effectiveness and efficiency of our operations, the reliability of financial and managerial reporting, and compliance with regulatory requirements in our points of representation. An effective internal control system is therefore a fundamental mechanism for reducing the scope of risks faced by the Group.
The control library is updated annually by the Group Risk and Assurance function and contains corrective controls (e.g. supervision, exception reporting, and reconciliation) detective controls (e.g. call back, review and validation) and preventative controls (e.g. succession planning, code of ethics and business plan). Key internal controls include the Code of ethics, delegation of authority, segregation of duties, succession planning and customer complaints management.

RISK IDENTIFICATION, MEASURING, MONITORING AND REPORTING

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

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

REPUTATION MANAGEMENT

Internal and external matters that can impact Letshego's reputation are regularly monitored and reported on. Corporate communication is managed in a structured manner to ensure that accurate information is disseminated consistently to all stakeholders. All customer complaints are tracked and appropriate corrective action is implemented as soon as practicable. Letshego uses an internally developed customer satisfaction index to ensure that critical aspects of customer service delivery are maintained at a high level. Where relevant, the Group adheres to industry-regulated codes of conduct in the countries in which it operates.

EXTERNAL AUDIT

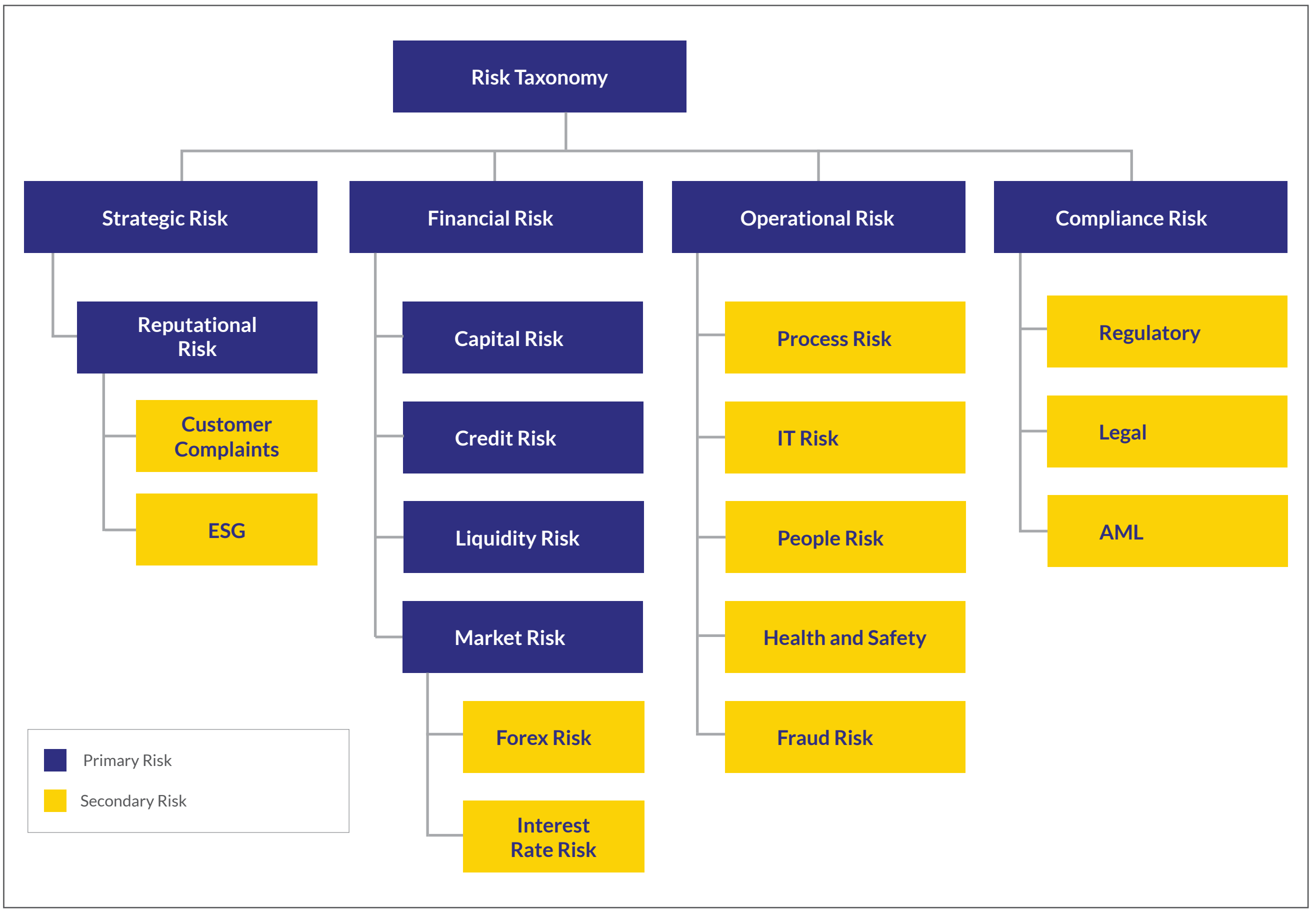
The external auditors are responsible for reporting on whether the financial statements are fairly presented and that they are prepared in compliance with International Financial Reporting Standards (IFRS). Also, their audit includes an assessment of selected key internal controls. The preparation of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

INTERNAL AUDIT

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

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

Letshego Risk Taxonomy



Improving my life

I started my catering business in 2003, because my salary was not enough to sustain my household. At the time, I earned a monthly salary of NAD5 000 (BWP4 000), I used my salary to start the business, but after 2 years my customers increased and I could not keep up with the rise in demand.

I decided to get a loan from Letshego and buy more equipment. This development in my business helped me to generate approximately NAD25 000 (BWP19 000) in earnings per month (five times my previous salary). I used this to pay back my loan, as well as give back to the community.

I operate from my house, but plan to move into an office in town soon. I have plans to buy more catering equipment to expand the business.

Mufalali Peggy Mathe
NAMIBIA

BUSINESS

BOARD OF DIRECTORS

ENOS BANDA (51)
Nationality: South Africa
D.Jur, BA Financial Accounting

**Chairman and Independent Non-Executive Director
Member of Nominations Committee**

Appointed 2016

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

Shareholding: None
Residence: Bethesda, Maryland, USA

A CHRISTOPHER M LOW (57)
Nationality: UK
MA (Zoology), Associate member of the Institute of Chartered Accountants of England and Wales

**Executive Director
Chairman of the Group Management Committee**

Appointed 2013

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

Shareholding: 1,453,659
Residence: Gaborone, Botswana

STEPHEN PRICE (64)
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 and Risk Committee and member of the Nominations Committee**

Appointed 2013

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

Shareholding: None
Residence: Dubai, UAE

ROBERT THORNTON (64)
Nationality: USA
BA (Hons) History and German

Independent Non-Executive Director Chairman of the Human Resources (HR) Committee and member of the Investment Committee

Appointed 2013

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

Shareholding: None
Residence: North Carolina, US

JOSIAS DE KOCK (57)
Nationality: South Africa
B Comm (Acc), BAcc (Hons), CA (SA), Higher Diploma in Taxation and Executive Development Programme

Independent Non-Executive Director Chairman of the Investment Committee and member of Audit and Risk Committee

Appointed 2013

- Josias is a qualified Chartered Accountant and member of the SA Institute of Chartered Accountants.
- He has deep financial services experience across the banking, insurance and commercial industry sectors of Africa.
- Previously, Josias served as CFO at Premier Foods and as Chief Risk Officer at Sanlam Group.
- In addition, he has held a number of senior management positions at RMB, Firstcorp Merchant Bank and BOE Bank.

Shareholding: None
Residence: Stellenbosch, South Africa

DR. GLORIA SOMOLEKAE (59)
Nationality: Botswana
BA, MA Public Policy and Administration, PhD in Public Administration

Independent Non–Executive Director
Member of the HR Committee

Appointed 2016

- Dr Somolekae is a career academic with strong focus on, and expertise in, philanthrophy and public policy, development management, public sector governance, capacity building and sustainable development.
- She has built an illustrious career spanning 30 years that has included leading roles in academia, philanthrophy and 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 in microfinance in the last 30 years) primarily with the Kellogg Foundation.

Shareholding: None
Residence: Gaborone, Botswana

BOARD OF DIRECTORS (CONTINUED)

GAFFAR HASSAM (41)
Nationality: Malawi
FCCA, MBA

Non-Executive Director
Member of the Investment Committee and the Nominations Committee

Appointed 2009

- Gaffar is a chartered accountant by profession.
- He is the former CEO of Botswana Insurance Holdings Limited (BIHL).
- Prior to joining BIHL, Gaffar worked at PWC in Malawi and Botswana in audit, advisory and assurance engagements supporting partners and senior directors, across a number of industry sectors.
- Currently, Gaffar serves as an Executive at Sanlam Emerging Markets (SEM), and represents the company on the Letshego Board.

Shareholding: None
Residence: Johannesburg, South Africa

HANNINGTON R. KARUHANGA (57)
Nationality: Uganda
BA (Hons), MBA

Independent Non-Executive Director; Member of the Audit and Risk Committee, the Investment Committee, the Nominations Committee and the HR Committee

Appointed 2013

- Hannington is a seasoned business professional with an interest in commodities trade.
- 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).
- Hannington has over 25 years' commodities trading experience, of which more than 15 years have been at the executive level as Group Managing Director of Sucafina S.A Group of Companies.
- 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: Kampala, Uganda

GERRIT LODEWYK VAN HEERDE (49)
Nationality: South Africa
Hons. B.Com, Fellow of the Institute and Faculty of Actuaries

Non-Executive Director
Member of Audit and Risk Committee and HR Committee

Appointed 2014

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

Shareholding: None
Residence: Cape Town, South Africa

IDRIS MOHAMMED (46)
Nationality: USA
CFA, BSc (Industrial Engineering), MBA (Finance and Strategic Management)

Non-Executive Director
Member of the Investment Committee, HR Committee and Nominations Committee

Appointed 2010

- Idris has worked for a number of leading financial institutions at various levels including Vice President at WPA Inc. (the fund manager for Africa International Financial Holdings).
- Before this, Idris was Vice President in the Special Situations Group at Goldman Sachs, having begun his career at Core States Financial Corp (now Wells Fargo).
- His core skills are asset management, and treasury management.
- Currently, Idris is a partner at Development Partners International, a private equity firm based in London.

Shareholding: None
Residence: London, UK

CHRISTIAN VAN SCHALKWYK (62)
Nationality: South Africa
B.Comm, LLB, CA (SA)

Independent Non-Executive Director

Appointed 2017

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

Shareholding: None
Residence: Cape Town, South Africa

COLM PATTERSON (45)
Nationality: Ireland
FCA (Ireland), FCPA (Botswana)

Executive Director
Member of Group Management Committee

Appointed 2017

- Colm has been the GCFO for the Letshego group since 2007 and has over 25 years' experience in the auditing and financial services industries.
- He is a Fellow of the Institute of Chartered Accountants in Ireland.
- Prior to joining Letshego, he was an Associate Director in the audit and assurance division of PricewaterhouseCoopers.
- Colm is a member of the Group Management Committee of Letshego.

Shareholding: 2,381,128
Residence: Gaborone, Botswana

GROUP MANAGEMENT COMMITTEE

GROUP MD

A CHRISTOPHER M LOW (57)

Nationality: UK
MA Zoology (Oxford), ACA (England and Wales)
Shareholding: 1,453,659

DEPUTY GROUP MD AND HEAD OF STRATEGY AND TRANSFORMATION

CAREN ROBB (40)

Nationality: UK & South Africa
FCMA, CGMA

- Strategy and transformation
- Risk management
- Legal and compliance
- Programme management
- Mozambique, Namibia and Rwanda

Shareholding: None
Residence: Cape Town, South Africa

GROUP HEAD OF MICRO FINANCE BANKING

TOM KOCSIS (47)

Nationality: USA
BSc Engineering (University of Rochester, New York)

- Micro & Small Entrepreneurs (MSE) segment
- Health, education & agri-business sectors
- Low income housing
- Corporate and institutional deposit gathering
- Nigeria and Tanzania

Shareholding: 100,000
Residence: Gaborone, Botswana

GROUP HEAD OF CONSUMER LENDING

FRED MMELESI (48)

Nationality: Botswana
AAT, MBA, Executive Development Programme

- Formal segment
- Government/Non Government deduction at source lending
- Micro–insurance enhancements
- Recoveries and collections
- Botswana, Lesotho and Swaziland

Shareholding: 1,735,728
Residence: Gaborone, Botswana

GROUP HEAD OF SUSTAINABILITY AND ADVOCACY

MYTHRI SAMBASIVAN-GEORGE (38)

Nationality: India
FCCA (UK), CIMA (UK), FCPA (Botswana)

- Stakeholder engagement
- Brand and profiling
- Strategic Social Investment and Social impact (SSI)
- Environmental and Social Governance (ESG) and sustainability
- Savings mobilisation and conversion

Shareholding: 852,491
Residence: Gaborone, Botswana

GROUP HEAD OF CUSTOMER EXPERIENCE

JAMES WAINAINA (50)

BA (Hons) Maths and Economics (Kenyatta University) and various management certificates

- Informal segment
- Sales and services effectiveness
- Marketing and business intelligence
- Digital and micro solutions
- Access channel optimisation
- Kenya and Uganda

Shareholding: None
Residence: Nairobi, Kenya

GROUP CHIEF FINANCE OFFICER

COLM PATTERSON (45)

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

- Finance and management reporting
- Tax effectiveness
- Treasury and asset management funding strategy
- Credit management
- Investor relations
- Premises and health and safety

Shareholding: 2,381,128
Residence: Gaborone, Botswana

GROUP HEAD OF HUMAN RESOURCES

SAMUEL MOTHIBI (45)

Nationality: Botswana
B.Comm (University of Botswana) and Executive Development Programme (University of Stellenbosch)

- Recruitment and succession planning
- Compensation
- Performance management
- Talent management
- Learning and development
- Industrial relations

Shareholding: None
Residence: Gaborone, Botswana

GROUP CHIEF OPERATING OFFICER

DUDUETSANG OLSEN-NAMANYANE (39)

Nationality: Botswana
BBA (Kent State University, USA)& MSc Strategic Management (University of Derby)

- Information Technology
- Future capability management projects
- Banking implementation
- Central operations
- Process re-engineering
- Mergers and aquisitions integrations
- Ghana

Shareholding: 448,555
Residence: Gaborone, Botswana

GROUP FUNCTION HEADS

HEAD OF GROUP AUDIT
SIMON KIOKO (43)
Nationality: Kenya
MBA (University of Nairobi), ACCA, CIA, CPA, CS, SIRM, AKIB

HEAD OF GROUP MICROFINANCE OPERATIONS
BENJAMIN MUKETHA (51)
Nationality: Kenya
BA (Economics) and MBA

GROUP HEAD OF RISK AND ASSURANCE
NOEL MARIMIRA (48)
Nationality: Zimbabwe
BBA, B.Com in Risk Management and Associate of the Institute of Bankers (Zimbabwe), MBA

HEAD OF GROUP CREDIT RISK
FERGUS FERGUSON (36)
Nationality: Botswana
BCom Accounting, MDP

HEAD OF GROUP BANKING OPERATIONS
PETER CHADWICK (54)
Nationality: Australia
Master of Business and Technology

CHIEF INFORMATION OFFICER
NEVILLE PERRY (51)
Nationality: South Africa
MSc, ITM

HEAD OF INVESTOR RELATIONS
BOIKANYO KGOSIDINTSI (46)
Nationality: Botswana
LLB, MDP, Various capital markets and investor relations accreditations

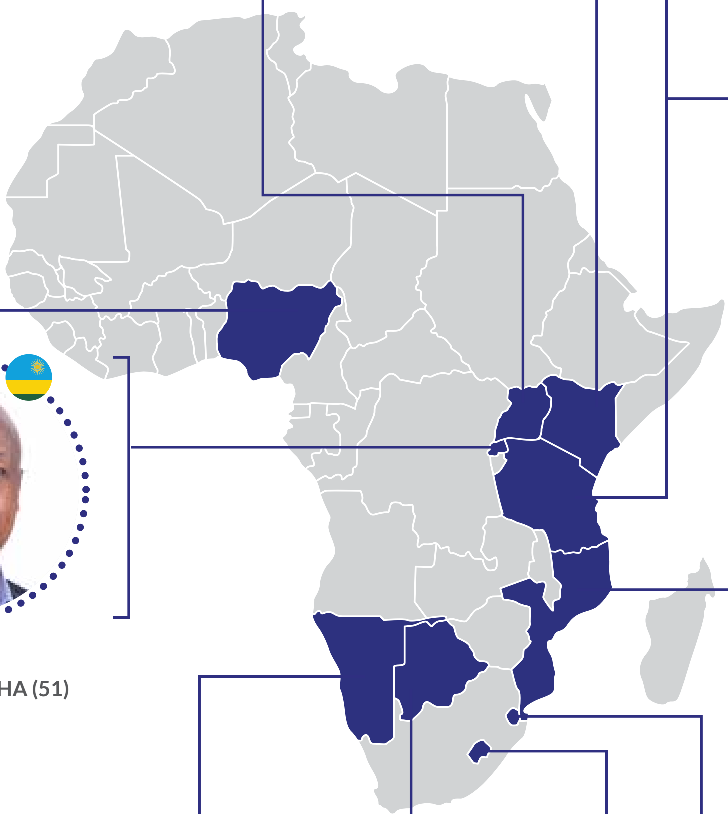
COUNTRY CEOs

NIGERIA
EMMANUEL MICHAEL (44) (Acting)
Nationality: Nigeria
Advanced Diploma (Information Management), SPHRi, MCIPM
Shareholding: None

UGANDA
GEOFFREY KITAKULE (48)
Nationality: Uganda
Bachelor of Statistics, MBA Finance, MSc Computer Science, LLM in information Technology and Telecommunications
Shareholding: 194,492

KENYA
CHARLES NJOROGE (47)
Nationality: Kenya
BA, MSc Microfinance, MBA
Shareholding: None

TANZANIA (FAIDIKA)
MBUSO DLAMINI (40)
Nationality: Swaziland
BCom, CA (SA)
Shareholding: 904,348



TANZANIA (LETSHEGO BANK (TANZANIA)
YOHANE KADUMA (42)
Nationality: Tanzania
BEng Hon, Civil Engineering
Shareholding: None

RWANDA
BENJAMIN MUKETHA (51) (Acting)
Nationality: Kenya
BA (Economics) and MBA
Shareholding: None

MOZAMBIQUE
CHIPILIRO KATUNDU (40)
Nationality: Malawi
Bachelor of Social Sciences, MBA Business Leadership
Shareholding: None

NAMIBIA
ESTER KALI (49)
Nationality: Namibia
MBA, Leadership Development Programme
Shareholding: None

BOTSWANA
BOIKHUTSO TEKANE (50)
Nationality: Botswana
B.Acc and Econ, MBA
Shareholding: None

LESOTHO
YANDE SIKAZWE-MOTHAE (48)
Nationality: Lesotho
BBA (Finance), MBA, Bank Credit Management Diploma
Shareholding: None

SWAZILAND
CHARLES HLATSHWAYO (39)
Nationality: Swaziland
BCom, MBA Business Leadership
Shareholding: None

INVESTING INTO OUR COMMUNITIES

LETSHEGO'S GROUP-WIDE HEALTHCARE INNOVATION PROGRAMME

INTRODUCTION

Letshego's Healthcare Innovation Programme, under the banner of "LetsCare", is a collaborative partnership that sets the tone for Letshego's social investment across its footprint. It complements Letshego's existing country-level programmes of investment into health, education and livelihood improvement initiatives as strategically aligned ways to give back.

The healthcare innovation programme has continued to focus on developing its flagship multi-year strategic social investment agenda in partnership with Primary Care International (PCI).

The programme is tackling the growing burden of non-communicable diseases (NCDs) such as cardiovascular disease, diabetes, and respiratory conditions by grappling with the particular challenges posed by NCDs on primary and community based health care services.

The programme seeks to find innovative models and programmes for the prevention, diagnosis and management of NCDs in low resource settings which address the need for patient access to care, quality and consistency of service and continuing medical education of health workers.

The programme seeks measurable improvements in our countries of operation and furthermore seek to support and work alongside health system strengthening initiatives including management of pharmaceutical supply and clinical testing, and, decentralisation and regulation of services.

INNOVATION PROJECTS AND PIPELINE (OVERVIEW)

During 2016 some significant pilot projects were evaluated and selected to receive start-up and / or scale-up funding and technical support including one each in Kenya, Rwanda, Botswana and Uganda. More than half of the Letshego country offices have now presented the programme to their national ministries of health and / or key strategic local partners and identified national NCD priorities for these countries. Letshego leadership, alongside Letshego's strategic partner, Primary Care International, have worked together to explore and identify further potential partners and projects in line with strategic NCD priorities as determined by national ministries of health. The process of proposal development has been given particular emphasis to ensure a detailed understanding of partner proposed project plans and sustainability forecasts. This has meant that considerable time has been given to prepare proposals for assessment and selection, and, then onwards to agree partnership cooperation frameworks for each project.

RESEARCH AND DEVELOPMENT

The Letshego investment has permitted the monthly production of case based clinical update e-learning modules and the moderation of an online forum to facilitate and promote their use. These now make up a considerable body of learning material (13 completed and 2 in process) suitable for low resource settings which has been piloted through provision of materials to a small sample of online users (90 Healthcare Workers) based in 8 countries in Asia and Africa.

A minimum viable product of an app-based version of 6 NCD field guides is complete. It is now undergoing testing in the field, together with further research to identify the practical learning and support needs of family doctors, to improve quality of primary healthcare services. The app is intended for training primary healthcare practitioners and giving them ongoing access to the NCD field guides through tablets or smartphones.

Together the app and e-learning modules make up the early phase for a proposed innovative continuing medical education platform 'the handbook' for primary healthcare workers. This will extend and supplement face to face training and mentoring programmes. These programmes are vital to supporting clinicians with the knowledge necessary to apply NCD guidelines and bring about practical quality improvements to the, as yet, little addressed gap in pro-poor NCD care at primary care level.

PROJECT SPOTLIGHT "BIGPIC" (AMPATH)

The BIGPIC programme at Milo, Bungoma, Kenya has begun by holding key stakeholder engagement consultations with local officials, particularly County MOH public health officer, local Health Centre staff and sub county leaders/community health workers. Economical enhancement activities are being developed.

The medical and non-medical project teams are together coordinating to produce a plan for synthesising key monitoring and evaluations indicators, method of capture and analysis.

The two teams together are coordinating to produce a plan for synthesising key monitoring and evaluations indicators, method of capture and analysis.

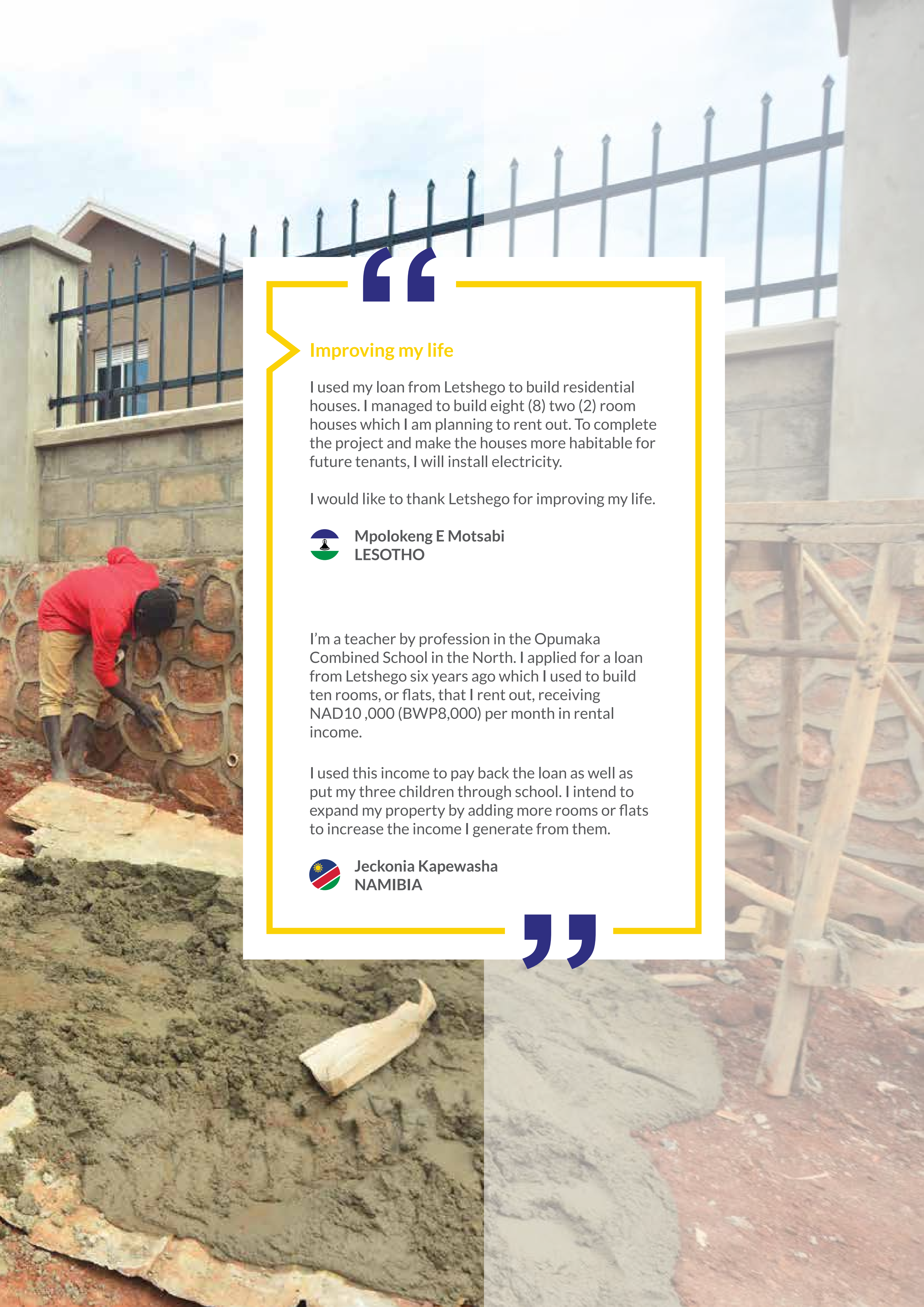
11 microfinance group facilitators have been selected and trained, and 13 microfinance groups started.

Screening and group healthcare delivery commenced during January to March 2017.

Through AMPATH, medical students and registrars at Moi University, Eldoret Kenya, receive practical opportunities to develop vision and skills for family medicine and primary healthcare

Project Name	Partner Organisa-tion	Location	Start date/ (Project length)	Innovation	Indicative Impact Forecast Measure	Potential Impact through intended scale-up	Logical framework (in brief) (Leads to)
BIG PIC Expanding Access to High Quality Care in Rural Kenya	Ampath with Moi University, Family Medicine Department	Milo, Bungoma, Western Kenya	01/09/2016 (12m)	Microfinance village savings and loan groups as venue for community healthcare delivery	Population served 20,000	If model successful aims to be scaled widely through Kenyan rural communities and beyond.	Linking group healthcare delivery with financial inclusion patient retention and treatment compliance.
Quality of Service Management	Health Builders	Rwamagana District, Rwanda	01/01/2017 (12m)	Health Builders management performance model adapted to quality of service domain	Population served 90,000	Population served over 2 million	Performance scorecard with training and mentoring increased quality of service improved NCD triage, referrals and follow up


HOUSING
EDUCATION
LESOTHO
NAMIBIA



Improving my life

I used my loan from Letshego to build residential houses. I managed to build eight (8) two (2) room houses which I am planning to rent out. To complete the project and make the houses more habitable for future tenants, I will install electricity.

I would like to thank Letshego for improving my life.

Mpolokeng E Motsabi
LESOTHO

I'm a teacher by profession in the Opumaka Combined School in the North. I applied for a loan from Letshego six years ago which I used to build ten rooms, or flats, that I rent out, receiving NAD10 ,000 (BWP8,000) per month in rental income.

I used this income to pay back the loan as well as put my three children through school. I intend to expand my property by adding more rooms or flats to increase the income I generate from them.

Jeckonia Kapewasha
NAMIBIA

5

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Improving my life

I have been a Letshego customer since June 2014. Since then, I built multi-residential houses, with five self-contained apartments, in the bustling village of Kanye.

I'm currently laying pavement around the grounds and, once this is completed, I will let out the units. In total I estimate a monthly rental income of BWP16, 000 which I will put towards completing my home (debt-free) in the nearby village of Moshupa.

I plan to use part of the cumulative rental income earned to build a second set of apartments. Further to this, I'm looking to use the income generated from these apartments to provide for my family, including paying school fees for my children at private schools that I previously could not afford.

Letshego is number 1 to me, and I never take loans anywhere else. I believe in Letshego because they understand and help everyone unlike other institutions.

Nkaelang Lekgoa
BOTSWANA

GROUP CORPORATE INFORMATION

for the year ended 31 December 2016

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
D. Ndebele (resigned 1 March 2017)
T. Chilume (appointed 1 March 2017)
Second floor
Letshego Place
22 Khama Crescent
Gaborone, Botswana

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

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

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

DIRECTORS' REPORT

for the year ended 31 December 2016

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 2016.

Nature of business

The Group is engaged in the provision of short to medium-term secured and unsecured loans to employees in the public, quasi-public and private sectors as well as provision of loans to micro and small entities (MSE).

Stated capital

Stated Capital of the Group at 31 December 2016 amounted to P875, 638, 626 (31 December 2015: P98,486,908).

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

In the prior period on 25 February 2015, 8,425,960 ordinary shares were issued at various prices in terms of the Group's Long Term Incentive Plan. This increased the stated capital by P13,976,858.

Dividends

An interim dividend of 9.0 thebe per share (prior year: 9.0 thebe per share) was declared on 31 August 2016.

A second and final dividend of 6.5 thebe per share (prior year: 8.0 thebe per share) was declared on 1 March 2017 and will be paid on or about 13 April 2017.

Directors

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

* E.N Banda [3]	(Chairman) - Appointed August 2016 – Appointed as Chairman 1 November 2016
* J.A. Burbidge [2]	Resigned as Chairman 1 November 2016 – Resigned from Board 1 March 2017
* G. Hassam [4]	
A.C.M. Low [2]	(Managing Director)
* J.de Kock [3]	
* S. Price [2]	
* I.M. Mohammed [1]	
* R Thornton [1]	
* G. Van Heerde [3]	
* H. Karuhanga [5]	
* Dr G. Somolekae [6]	Appointed 8 January 2016
* R.N. Alam [1]	(Alternate Director – I.M. Mohammed [1])

* Non-executive

[1] USA [2] UK [3] RSA [4] Malawi [5] Uganda [6] Botswana

Note: Post year end, Colm Patterson, the Group Chief Finance Officer, was appointed to the board.

Directors' shareholdings

The aggregate number of shares held directly by Directors at 31 December 2016 remained at 1,482,646 (31 December 2015 1,482,646). Full details of this shareholding are available at the registered office of the company or at the office of the transfer secretaries.

Long Term Incentive Plan

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

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 December 2016

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 2016, 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 auditor is responsible for reporting on whether the consolidated annual financial statements give 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 1 March 2017 and signed by:

E.N. BANDA
Chairman

A.C.M. Low
Managing Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Letshego Holdings Limited

Report on the audit of the consolidated financial statements

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letshego Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2016, and 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 136 to 181 comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- consolidated statement of changes in equity for the year then ended;
- consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, which include a summary of significant accounting policies.

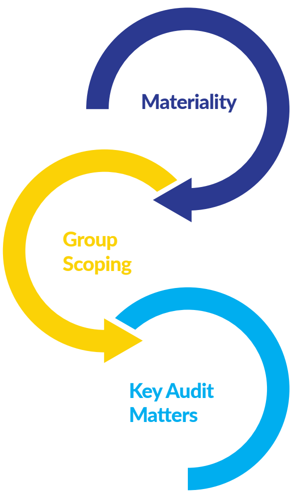
Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence
We are independent of the Group in accordance with the Botswana Institute of Chartered Accountants code of ethics (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: P42,000,000, which represented 4.50% of expected year-end profit before tax

Group audit scope

- Our engagement comprises of the statutory audit of the Company's consolidated financial statements for the year ended 31 December 2016.
- Based on our assessment, full scope audits were performed at the Company and all significant operating subsidiaries of the Company which could individually or in aggregate have a material impact on the consolidated financial statements.

Key Audit Matters

- Accounting for fee income that is an integral part of the effective interest rate calculation
- Impairment of customer advances
- Recognition of deferred tax asset

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.

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, L Mahesan, R van Schalkwyk, S K K Wijesena

INDEPENDENT AUDITOR'S REPORT (continued)

Overall group materiality	P42,000,000
How we determined it	We applied a rule of thumb of 4.5% of the expected profit before tax to arrive at the overall materiality.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 4.5%, which is lower than the normal quantitative materiality thresholds used for profit-oriented companies in this sector (5%) given that the Group has significant exposure to listed bond liabilities, with related debt covenant requirements.

How we tailored our group audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors make 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.

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. In doing so, full scope audits were performed at the Company and all significant operating subsidiaries of the Company (that is, all lending and banking subsidiaries of the Company) which could individually or in aggregate have a material impact on the consolidated financial statements. Our audit scope excluded the Mauritius intermediary holding company and operating companies in South Africa and Kenya where operations are not material to the Group's performance.

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
Accounting for fee income that is an integral part of the effective interest rate calculation The Group charges various upfront and recurring fees to its loan customers. The Group's accounting system recognises such fees as income in the period in which the fee is billed to the customer. Some of these fees relate to income earned when the Group provides a service to the customers or on the 'execution of a significant act' as defined by International Accounting Standard 18 – Revenue ("IAS 18"). IAS 18 requires such revenue to be recognised when the service is rendered and charged to the customer. Other fees are calculated as a fixed percentage of the loan amounts disbursed to the customers and charged either upfront or on a monthly basis to the customer, without specific services being rendered for such fee income. IAS 18 and International Accounting Standard 39 –Financial Instruments: Recognition and Measurement ("IAS 39") require such fees to be considered as an integral part in the determination of the effective interest rate used in the subsequent measurement of the underlying financial asset at amortised cost. This means that such fee income should not be recognised when charged, but should be recognised over the term of the underlying loan and advance on the same basis as is done for interest earned.	We tested the basis on which the Group determined the nature of fees charged, by using the following criteria: - Contractual terms for fee charges; - Timing and conditions on which fees are charged; and - The nature and extent of services rendered for such fees. Based on our audit procedures, we found that fees classified by the Group as Fee and Commission Income met the relevant requirements of IAS 18 to be classified and recognised as such. With respect to fees which the Group determined should be recognised as part of the effective interest rate over the term of the loan, we independently calculated amounts to be deferred or accrued based on the contractual loan terms, value of fees, repayments and the behavioural patterns of loans. Our testing did not identify any material deferral or accrual with respect to the amount of fees classified as Interest Income, which would have required adjustment had the Groups' accounting system measured these correctly.

INDEPENDENT AUDITOR'S REPORT (continued)

As the Group's financial reporting and accounting systems do not account for the latter category of fees as part of the interest earned on the loans and advances, the Group is required to analyse all fees to determine their true nature for purposes of appropriate classification thereof in the statement of profit or loss and other comprehensive income. The Group furthermore applies complex models in order to determine the appropriate deferral or accrual of such amounts. For these reasons, we determined the accounting for fee income to be a matter of most significance to our audit. The Group determines the likely level of unearned income at the reporting date based on an analysis of: • Contractual loan terms, including loan periods and interest rates; • Expected loan terms based on typical behavioural patterns; • Value of fees charged to date; and • The quantum of repayments made to date. Based on this analysis, the Group asserted that the impact of deferral or accrual of fees as part of interest income is not material and, accordingly, did not defer or accrue any such fees. Fees which the Group determined should be recognised as Interest Income were classified as such in the consolidated financial statements. Fees, which the Group determined to relate to specific services rendered were recognised in Fee and Commission Income in the consolidated financial statements. The disclosure associated with fees earned by the Group is set out in the consolidated financial statements in the following notes: • Note 18 – Interest Income (page 174) and • Note 20 – Fee and Commission Income (page 174).	
Impairment of customer advances The nature of the Group's largely unsecured lending business, combined with economic uncertainty in many of the jurisdictions where the Group operates, exposes the Group to significant credit risk on its loans and advances to customers. The assessment of impairment of customer advances requires the Group to exercise significant judgement and may have a significant impact on the financial statements. In determining the required impairment provision on customer advances, the Group adopts a standardised impairment approach, which allows for appropriate customisation to take account of unique risks which may apply within specific jurisdictions. This approach assesses likely credit losses based on factors, which include: • Assessment of any objective evidence that individual advances will not be collected due to, for example, retrenchment of the customer, closure of the sponsoring employer, etc.;	Our audit of accounting for the credit risk related to outstanding customer advances included the following procedures: • We assessed and tested the design and operating effectiveness of the Group's controls to identify which loans and advances evidence signs of impairment, including the reliability of loan reports utilised by the Group to identify distressed or non-performing advances; • Where individual loan impairments were identified: o we performed tests to ascertain whether the loss event (the point at which impairment is specifically assessed) was identified in a timely manner, including - where relevant - how forbearance had been considered; o we checked estimates of future cash flows from such advances prepared by the Group to support the calculation of the impairment, challenging the assumptions and comparing estimates to - for example - historical collection rates, experience of comparable lenders and similar empirical evidence; and

INDEPENDENT AUDITOR'S REPORT (continued)

- Categorisation of outstanding advance balances based on:
  - Time lapse since the last loan settlement received from the customer (defined as "recency" in the Group's impairment model); and
  - The number of instalments in arrears;
- Loss ratios determined for each category of advances showing similar credit behaviour as those identified through the categorisation processes.
 	
Given the subjectivity and reliance on estimates and judgements inherent in the determination the provision for impairment (P273 mn), we determined that this was a matter of most significance to our audit.
 	
The disclosures associated with impairment of customer advances are set out in the consolidated financial statements in the following notes:
- Note 1.3.1 – Risk Management, Credit Risk (page 150)
- Note 2.1 – Use of Estimates and Judgements, Impairment of advances to customers (page 163), and
- Note 4 – Advances to Customers (page 165).
	- with respect to the significant credit exposures to employees of sponsoring employers exhibiting signs of financial distress (for example, judicial receivership and liquidation proceedings), we 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 losses on such advances.
	- Where impairment was calculated on a modelled basis for loans and advances not individually identified as impaired, we tested the basis and operation of those models and the data and assumptions used. Our work included the following:
	  - We compared the principal assumptions made with our own knowledge of comparable practices and actual experience;
	  - We tested the operation of the models used to calculate the impairment including, in some instances, building our own models independently and comparing the outputs from those independent determinations to those calculated by the Group; and
	  - We considered the potential for impairment to be affected by events which were not captured by management's models (such as changes in economic conditions) and evaluated how management had responded to these by making further adjustments to calculated impairments where appropriate.
	
	Based on the results of our audit procedures, we found that the Group's estimate of impairment of customer advances fell within a reasonable range of likely credit losses based on identified and likely impairment events at the year-end date.

Recognition of deferred tax asset
 	
The Group recognised a deferred tax asset of P107 mn in its statement of financial position.
 	
Deferred tax assets arise from the tax losses that are available to be set off against future taxable income and deductible 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.
 	
For deferred tax assets arising at operating entities, the Group assesses the probability of realisation of such assets based on approved budgets and business plans for future periods and the likelihood that the Group will be able to implement these in a manner which will create taxable income for the utilisation of the related losses and differences.
	With respect to deferred tax assets arising at individual operating entities:
	- we tested the budgeting and forecasting processes to determine the veracity thereof;
	- we tested the reliability of budgets and forecasts by comparing the actual results against the historical budgets and forecasts;
	- we tested budgets and forecasts utilised to support the recovery of deferred tax assets to determine whether these were
	  - approved by those charged with governance of the relevant operating entities,
	  - consistent with confirmed business plans,
	  - consistent with our understanding of the economic and sectoral developments in the relevant jurisdiction as these may impact on the budgets and forecasts; and
	- in certain instances, we formed independent views of a range of likely budget outcomes based on our assessment of the budgeting processes and factors potentially impacting actual results to determine whether the planned realisation of deferred tax assets within the required timeframes were more likely than not.

INDEPENDENT AUDITOR'S REPORT (continued)

P73 mn of the recognised deferred tax asset relates to tax losses and other deductible temporary differences of the Group holding company, Letshego Holdings Limited. Historically, the Group holding company did not generate 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 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, 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 the following notes: - Note 2.3 – Use of Estimates and Judgements, Recognition of deferred tax assets (page 164), and - Note 23.1 – Deferred Tax Assets (page 175).	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. We tested this summary with reference to income tax advice which had been received by the Group during the financial year, and which formed the basis from which the Group's proposed transfer pricing strategies had been developed, thus underpinning the implementation of proposed tax planning opportunities. We also obtained: - confirmation from the Group Audit Committee that those charged with governance of the Group have approved implementation of the proposed tax planning opportunities, starting during the financial year ending 31 December 2017; and - 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 2017 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. Our procedures indicated that the Group demonstrably had the intent and ability to implement the proposed tax planning strategies.

Other information

The directors are responsible for the other information. The other information comprises the Group Corporate Information, Directors' Report and the Directors' Responsibility Statement, which we obtained prior to the date of this auditor's report, and other sections of the Letshego 2016 Integrated Annual Report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

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

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

PricewaterhouseCoopers

Practicing member: Rudi Binedell
Membership number: 20040091

Gaborone
24 April 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	31 December 2016 P'000	31 December 2015 P'000
ASSETS			
Cash and cash equivalents	3	529,476	526,290
Advances to customers	4	6,689,740	6,311,678
Other receivables	5	226,381	220,688
Property, plant and equipment	6	76,034	76,030
Intangible assets	7	52,609	61,312
Goodwill	8	129,408	170,868
Available-for-sale financial asset	9	53,591	-
Income tax receivable		17,250	27,570
Deferred tax assets	23.1	106,961	68,000
Total assets		**7,881,450**	**7,462,436**
LIABILITIES AND EQUITY			
Liabilities			
Customer deposits	11	107,696	154,495
Deposits from banks		-	77,364
Cash collateral	13	39,225	44,667
Trade and other payables	12	294,416	175,493
Income tax payable		40,749	57,973
Deferred tax liabilities		808	2,006
Borrowings	14	3,394,116	2,768,412
Total liabilities		**3,877,010**	**3,280,410**
Shareholders' equity			
Stated capital	15	875,639	989,487
Foreign currency translation reserve		(634,293)	(254,293)
Legal reserve	16	32,189	22,178
Share based payment reserve		35,835	19,705
Retained earnings		3,502,271	3,256,158
Total equity attributable to equity holders of the parent company		**3,811,641**	**4,033,235**
Non - controlling interests		192,799	148,791
Total shareholders' equity		**4,004,440**	**4,182,026**
Total liabilities and equity		**7,881,450**	**7,462,436**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2016

	Note	31 December 2016 P'000	31 December 2015 P'000
Interest income	18	1,963,129	1,753,556
Interest expense	19	(352,362)	(326,694)
Net interest income		**1,610,767**	**1,426,862**
Fee and commission income	20	24,617	28,699
Other operating income	20.1	209,724	229,390
Revenue		**1,845,108**	**1,684,951**
Employee benefits	21	(309,016)	(212,487)
Other operating expenses	22	(407,873)	(297,106)
Net income before impairment and taxation		**1,128,219**	**1,175,358**
Impairment of advances	4	(180,649)	(138,864)
Profit before taxation		**947,570**	**1,036,494**
Taxation	23	(277,836)	(268,788)
Profit for the year		**669,734**	**767,706**
Attributable to :			
Equity holders of the parent company		627,809	708,282
Non - controlling interest		41,925	59,424
Profit for the year		**669,734**	**767,706**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		(377,917)	(283,157)
Total comprehensive income for the year		**291,817**	**484,549**
Attributable to :			
Equity holders of the parent company		247,809	456,821
Non - controlling interest		44,008	27,728
Total comprehensive income for the year		**291,817**	**484,549**
Basic earnings per share – (thebe)	24	30.8	35.2
Diluted earnings per share – (thebe)	24	30.3	34.7
Dividends per share : interim (thebe) - paid	25	9.0	9.0
: final (thebe) - proposed	25	6.5	8.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2016

	Note
Balance at 1 January 2016	
Total comprehensive income for the year	
Profit for the year	
Other comprehensive income, net of income tax	
Foreign currency translation reserve	
Transactions with owners, recorded directly in equity	
Allocation to share based payment reserve	
Allocation to legal reserve	
New shares issued from long term incentive scheme	
Share buy back	15
Dividends to equity holders	
Balance at 31 December 2016	
Balance at 1 January 2015	
Total comprehensive income for the year	
Profit for the year	
Other comprehensive income, net of income tax	
Foreign currency translation reserve	
Transactions with owners, recorded directly in equity	
Disposal of Financial South Sudan (Pty) Ltd	
Non-controlling interest arising on business combination- Advans Bank Tanzania	
Acquisition of Non-controlling interest - Letshego Tanzania Limited	31.2
Allocation to share based payment reserve	
Allocation to legal reserve	
New shares issued from long term incentive scheme	
Dividend paid by subsidiary to minority interests	
Dividends to equity holders	
Balance at 31 December 2015	

Stated capital P'000	Retained earnings P'000	Share based payment reserve P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interests P'000	Total P'000
989,487	3,256,158	19,705	(254,293)	22,178	148,791	4,182,026
-	627,809	-	-	-	41,925	669,734
-	-	-	(380,000)	-	2,083	(377,917)
-	-	21,552	-	-	-	21,552
-	(10,011)	-	-	10,011	-	-
5,422	-	(5,422)	-	-	-	-
(119,270)	-	-	-	-	-	(119,270)
-	(371,685)	-	-	-	-	(371,685)
875,639	**3,502,271**	**35,835**	**(634,293)**	**32,189**	**192,799**	**4,004,440**
975,510	2,940,521	21,246	(2,189)	5,108	154,437	4,094,633
-	708,282	-	-	-	59,424	767,706
-	-	-	(251,461)	-	(31,696)	(283,157)
-	-	-	(643)	-	(34)	(677)
-	-	-	-	-	20,930	20,930
-	(5,125)	-	-	-	(47,553)	(52,678)
-	-	12,436	-	-	-	12,436
-	(17,070)	-	-	17,070	-	-
13,977	-	(13,977)	-	-	-	-
-	-	-	-	-	(6,717)	(6,717)
-	(370,450)	-	-	-	-	(370,450)
989,487	**3,256,158**	**19,705**	**(254,293)**	**22,178**	**148,791**	**4,182,026**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2016

	Note	31 December 2016 P'000	31 December 2015 P'000
OPERATING ACTIVITIES			
Profit before taxation		947,570	1,036,494
Adjustments for :			
- Amortisation of intangible assets	7	6,755	5,942
- Depreciation	6	21,384	15,864
- Impairment and write off charge	4	259,180	196,245
- Profit on sale of subsidiaries	31.1	-	(11,732)
- Long term incentive plan provision		21,552	12,436
- Unrealised gain on fair value derivatives		-	1,175
Changes in working capital :			
Movement in advances to customers		(1,010,133)	(993,199)
Movement in other receivables		(5,693)	(53,917)
Movement in trade and other payables		118,923	(35,929)
Movement in customer / bank deposits		(124,163)	21,262
Movement in cash collateral		(5,442)	2,975
Cash used in operations		**229,933**	**197,616**
Income tax paid		(324,900)	(322,156)
Net cash flows used in operating activities		**(94,967)**	**(124,540)**
INVESTING ACTIVITIES			
Payment for acquisition of subsidiaries	10	-	(212,330)
Net cash acquired from acquisitions	10	-	178,315
Payment for available-for-sale financial asset	9	(53,591)	-
Payment for purchase of non-controlling interest	31.2	-	(52,678)
Purchase of property, plant and equipment and intangible assets		(19,441)	(31,292)
Net cash flows used in investing activities		**(73,032)**	**(117,985)**
FINANCING ACTIVITIES			
Dividends paid		(371,685)	(377,167)
Share buy back	15	(119,270)	-
Finance obtained from third parties		1,435,734	1,167,101
Repayment of borrowings		(678,460)	(309,716)
Net cash flows generated from financing activities		**266,319**	**480,218**
Net movement in cash and cash equivalents		**98,320**	**237,693**
Movement in cash and cash equivalents			
At the beginning of the year		526,290	320,544
Movement during the year		98,320	237,693
Effect of exchange rate changes on cash and cash equivalents		(95,134)	(31,947)
At the end of the year	3	**529,476**	**526,290**

SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended 31 December 2016

Reporting entity
Letshego Holdings Limited (the Company) is a limited liability company incorporated in Botswana. The address of the company is Letshego Place, Plot 22 Khama Crescent, Gaborone, Botswana. The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily engaged in the provision of short to medium-term unsecured loans to employees of the public, quasi-public and private sectors as well as provision of loans to MSE entities.

The Group financial statements for the year ended 31 December 2016 have been approved for issue by the Board of Directors on 1 March 2017.

The following principal accounting policies, which are consistent with prior years, have been adopted in the preparation of these financial statements:

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

Use of judgements and estimates
The preparation of 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 of loans and advances, impairment (note 4) and share based payment calculations as disclosed in (note 17). Judgement is also applied to the valuation of goodwill recognised (note 8) and the probability of having sufficient taxable profits against which deferred tax assets may be utilised (note 23.1).

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 generally measured at fair value, as are the identifiable assets acquired. 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

For the Year Ended 31 December 2016

BASIS OF CONSOLIDATION (continued)

Loss of control

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

Change in the group's interest in subsidiaries

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment / losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the plant and equipment. The estimated useful lives for current and prior periods are as follows:

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

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

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

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

Gains and losses on disposal of property and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

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 foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula at the foreign exchange rate ruling at that 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 at the rates ruling at the financial period end. The income and expenses of foreign operations are translated to Botswana Pula at rates approximating those ruling 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

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

For the Year Ended 31 December 2016

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. These are carried at cost less accumulated amortisation at each reporting period. Amortisation is recognised in profit or loss using the straight-line method over their estimated useful lives.

PROVISIONS

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

INCOME TAX

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

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

DEFERRED TAX

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

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

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

INTEREST INCOME

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

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

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

FEE AND COMMISSION INCOME

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

For the Year Ended 31 December 2016

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 comprehensive income.

LEGAL RESERVE

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

STATED CAPITAL

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

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

For the Year Ended 31 December 2016

SHARE-BASED PAYMENT TRANSACTIONS (continued)

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 and convertible loan instruments.

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.

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 armortised cost using the effective interest method. These are classified as loans and other receivables.

Available-for-sale financial asset

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

Borrowings and deposits from customers

Borrowings and customer deposits are the Group's sources of funding; they are classified as other financial liabilities at amortised cost and are initially measured at fair value minus incremental direct transaction costs, and 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 classified as loans and receivables and are initially measured at fair value plus incremental direct transaction costs, and are 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. These are classified as financial liabilities at amortised cost.

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.

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. Cash collateral is classified as financial liabilities at amortised cost.

SIGNIFICANT ACCOUNTING POLICIES (continued)

For the Year Ended 31 December 2016

FINANCIAL ASSESTS 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

For the Year Ended 31 December 2016

FINANCIAL ASSESTS AND LIABILITIES (continued)

Identification and measurement of impairment (continued)

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.

Premium reserves are recognised as income against which the following are appropriated:

- Claims paid;
- Claims admitted, but not yet paid;
- Claims incurred but not yet reported;
- Expenses incurred in connection with the underwriting and investments relating to the Group;
- Underwriting regulatory and administration fees.

Premium income is recognised on a gross basis in the month to which the premium relates. Single premiums are accounted for when the collection of the premium in terms of the policy is reasonably assured. Actual and admitted claims are recognised against premiums in the month the loss events occur.

Outstanding claims incurred but not yet reported are estimated and included in profit or loss. This includes provisions for claims in the event that a present or constructive obligation exists due to a past loss event, and which can be reliably estimated. Any surplus resulting out of gross premiums after allocation of investment income, claims and fees may be paid out to the Group bi-annually as a dividend. Dividends are recognised in profit or loss in the reporting period that these are approved by the Directors.

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

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

IMPAIRMENT FOR NON-FINANCIAL ASSETS

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

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

For the Year Ended 31 December 2016

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

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

Standards issued but not yet effective at year end

A number of new standards and amendments to standards are issued but not yet effective for period ended 31 December 2016. Those which may be relevant to the Group are set out below. The Group do not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

IFRS 9 Financial Instruments

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

The Group intends on adopting major aspects of IFRS 9 in early 2017 which is expected to have a material impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

IFRS 15 Revenue from Contracts with Customers

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

IFRS 16 Leases

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

Other standards/amendments

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

- Recognition of deferred tax assets on Unrealised Losses (Amendments to IAS 12 – effective 1 January 2017).
- Cash flow statements disclosure Initiative (Amendments to IAS 7 – effective 1 January 2017).
- Share based payments, accounting on certain share based transactions (Amendments to IFRS 2 – effective 1 January 2018).
- Revenue from contracts with customers (Amendments to IFRS 15 – effective 1 January 2018).
- Foreign currency transactions and advance consideration (IFRIC 22 – effective 1 January 2018).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2016

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 and Risk Committee
- Group Nominations Committee
- Group Human Resources Committee
- Group Investment Committee

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

- Group Management Committee
- Group Risk Committee
- Group Innovation and Change Committee
- Group Sustainability Committee

The Group Risk & Assurance and Group Legal and Compliance functions are independent of the business functions with the Group Internal Audit function reporting directly to the Group Audit and Risk Committee. The Group Head of Risk and Assurance is responsible for implementing the ERM framework approved by the Board whilst the Head of Group and Compliance is responsible for implementing the Legal and Compliance framework. Group Internal Audit is responsible for providing independent assurance that the overall ERM framework is 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.

The Group rolled out its enhanced Enterprise-wide Risk Management (ERM) framework during 2016 to ensure that risks faced by the Group are managed in an integrated, consistent and comprehensive manner given the changing operating environment across its footprint. The ERM framework emphasises the five key pillars of a sound risk management framework, 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.

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

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

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

Simple and appropriate strategic and reputational risk policies were approved by the Board during 2016 and customized for all the subsidiaries.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

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.

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 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 Letshego 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. The Group allows for rescheduling of loans in cases where employment and affordability is confirmed and triggered by four successive deductions.

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. To mitigate this risk subsidiaries are conducting stress testing and relevant credit appetite and strategies being put in place to minimize impact thereof.

Impairment methodology

The Group's accounting policy for losses arising from the impairment of loans and advances represents management's best estimate of losses incurred in the loan portfolios at the reporting date. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in light of differences between loss estimates and actual loss experience. Impairment provisions are raised on the specific risks attributable by each loan past due in each subsidiary and further discounted by the value of cash collateral held per customer. This is measured according to the ageing of the loan and the recency of last payment received. This assessment is conducted on a monthly basis and the relevant profit and loss impact realised for that month. The terms of advances range from 1 month to 24 months for working capital micro-finance loans, 72 months for unsecured personal loans and 120 months for property loans. There are no customers who represent more than 1% of total country exposure therefore collective impairment provisioning has been adopted by the Group.

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

Impairment

Full year 2016 impairment charge closed at P181mn, an increase from 2015: (P139mn) with the loan loss rate increasing from 2.3% to 2.8%. The increase has been driven by one-off impairment provisions held for Mozambique as a result of the economic challenges faced in the country in 2016 and Botswana in relation to the Group's exposure to a state owned enterprise, this has been coupled by general increases in provisions due to portfolio growth. Excluding the one-off impairment provisions raised during the year the loan loss rate is flat year on year. Overall non-performing loan Impairment coverage increased from 51% to 68% from 2015 to 2016, with non-performing loans as a percentage of the total loan book improving from 8.7% in 2015 to 6.5% 2015 to 2016 indicated a positive trend in overall loan book quality.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk at 31 December 2016	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000	Security Held P'000
Southern Africa	5,434,855	(153,898)	(11,098)	5,269,859	-
East and West Africa	1,528,101	(39,220)	(69,000)	1,419,881	(39,225)
Total at 31 December 2016	**6,962,956**	**(193,118)**	**(80,098)**	**6,689,740**	**(39,225)**

Maximum exposure to credit risk at 31 December 2015	Gross Advances P'000	Specific Provision P'000	Portfolio Provision P'000	Net Advances P'000	Security Held P'000
Southern Africa	5,131,376	(123,820)	(9,149)	4,998,407	-
East and West Africa	1,432,018	(54,906)	(63,841)	1,313,271	(44,667)
Total at 31 December 2015	**6,563,394**	**(178,726)**	**(72,990)**	**6,311,678**	**(44,667)**

Credit quality

The Group has continued to diversify its loan book by geography as well as customer segment whilst ensuring the overall loan book quality performance remains satisfatory.The percentage of loans with one or less instalments has improved from 87% to 89% whilst the ratio of loans over 90 days past due has improved from 8.7% to 6.5% in 2016.

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.

Analysis of exposure by segment as at 31 December 2016	Formal P'000	Micro finance P'000	Total gross advances P'000
Southern Africa	5,431,606	3,249	5,434,855
East and West Africa	679,030	849,071	1,528,101
	6,110,636	**852,320**	**6,962,956**

Analysis of exposure by segment as at 31 December 2015	Formal P'000	Micro finance P'000	Total gross advances P'000
Southern Africa	5,131,376	-	5,131,376
East and West Africa	645,304	786,714	1,432,018
	5,776,680	**786,714**	**6,563,394**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

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

31 December 2016	Southern Africa P'000	East and West Africa P'000	Total P'000
Neither past due nor impaired	5,152,172	1,164,903	6,317,075
Past due but not impaired	127,703	292,562	420,265
Impaired	154,980	70,636	225,616
Total gross advances to customers	**5,434,855**	**1,528,101**	**6,962,956**
Less: impairment provision	(164,996)	(108,220)	(273,216)
Net advances to customers at 31 December 2016	**5,269,859**	**1,419,881**	**6,689,740**
Past due but not impaired			
3 - 6 months	51,721	284,708	336,429
Over 6 months	75,982	7,854	83,836
	127,703	**292,562**	**420,265**

31 December 2015	Southern Africa P'000	East and West Africa P'000	Total P'000
Neither past due nor impaired	4,783,331	1,282,855	6,066,186
Past due but not impaired	231,952	62,535	294,487
Impaired	116,093	86,628	202,721
Total gross advances to customers	**5,131,376**	**1,432,018**	**6,563,394**
Less: impairment provision	(132,969)	(118,747)	(251,716)
Net advances to customers at 31 December 2015	**4,998,407**	**1,313,271**	**6,311,678**
Past due but not impaired			
3 - 6 months	194,959	5,295	200,254
Over 6 months	36,993	57,240	94,233
	231,952	**62,535**	**294,487**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.1 Credit risk (continued)

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

31 December 2016	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	3,922,126	1,011,410	108,890	56,365	332,815	5,431,606
Micro finance	1,933	1,316	-	-	-	3,249
	3,924,059	**1,012,726**	**108,890**	**56,365**	**332,815**	**5,434,855**
East and West Africa						
Formal	481,785	72,600	19,907	12,998	91,740	679,030
Micro finance	537,560	192,209	65,890	20,069	33,343	849,071
	1,019,345	**264,809**	**85,797**	**33,067**	**125,083**	**1,528,101**

31 December 2015	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	3,432,133	1,102,254	88,168	105,733	403,088	5,131,376
Micro finance	-	-	-	-	-	-
	3,432,133	**1,102,254**	**88,168**	**105,733**	**403,088**	**5,131,376**
East and West Africa						
Formal	348,294	158,231	16,944	20,526	99,965	643,960
Micro finance	638,703	66,978	17,272	7,387	57,718	788,058
	986,997	**225,209**	**34,216**	**27,913**	**157,683**	**1,432,018**

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 without incurring unacceptable cost or losses. 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 Treasury and ALM and country Heads of Finance respectively with independent day to day monitoring being provided by Group Risk and Assurance function.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.2 Liquidity risk (continued)

Cash flow and maturity profile analysis

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

31 December 2016 Contractual maturities of financial liabilities	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Customer deposits	107,696	-	-	107,696
Cash collateral	39,225	-	-	39,225
Trade and other payables	256,548	-	-	256,548
Borrowings	1,426,025	1,960,025	978,090	4,364,140
	1,829,494	**1,960,025**	**978,090**	**4,767,609**

31 December 2015 Contractual maturities of financial liabilities	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Customer deposits	154,495	-	-	154,495
Deposits from banks	77,364	-	-	77,364
Cash collateral	44,667	-	-	44,667
Trade and other payables	136,705	-	-	136,705
Borrowings	1,641,912	883,368	966,811	3,492,091
	2,055,143	**883,368**	**966,811**	**3,905,322**

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 commercial banking 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 which the Group operates.

1.3.3 Market risk

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

The Group uses a collection of risk measurement methodologies to assess market risk that include loss triggers, repricing gap and traditional risk management measures. The Group's market risk is largely concentrated on foreign exchange, interest rate risk and from its investments.

Foreign exchange rate risk

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

The foreign exchange losses for the year to December 2016 were P18m, a significant improvement from P76m in December 2015. The P18m loss resulted mainly from depreciation of the currencies that the group operates against the Botswana Pula.

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 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risk (continued)

31 December 2016

Buckets	< 1 month	1-12 months	1 - 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	41,176	25,528	-	-	66,704
Loans and advances to customers	32,185	480,154	1,458,443	4,718,958	6,689,740
	73,361	505,682	1,458,443	4,718,958	6,756,444
Rate sensitive financial liabilities					
Customer deposits	55,542	52,073	81	-	107,696
Borrowings	1,783,246	512,149	586,029	512,692	3,394,116
	1,838,788	564,222	586,110	512,692	3,501,812
Gap	**(1,765,427)**	**(58,540)**	**872,333**	**4,206,266**	**3,254,632**
Cumulative Gap	**(1,765,427)**	**(1,823,967)**	**(951,634)**	**3,254,632**	

31 December 2015

Buckets	< 1 month	1-12 months	1 - 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	44,940	8,803	-	-	53,743
Loans and advances to customers	19,781	553,787	2,062,285	3,675,825	6,311,678
	64,721	562,590	2,062,285	3,675,825	6,365,421
Rate sensitive financial liabilities					
Customer deposits	136,788	17,707	-	-	154,495
Deposits from banks	77,364	-	-	-	77,364
Borrowings	1,054,665	401,641	634,824	677,282	2,768,412
	1,268,817	419,348	634,824	677,282	3,000,271
Gap	**(1,204,096)**	**143,242**	**1,427,461**	**2,998,543**	**3,365,150**
Cumulative Gap	**(1,204,096)**	**(1,060,854)**	**366,607**	**3,365,150**	

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. Work is in progress to enhance the Group's Foreign Exchange Policy 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 Audit and Risk Committee and Management Risk Committee. On a day-to-day basis, market risk exposures are managed by the Head of Group Treasury and ALM and appropriate management reports are generated. Group Risk and Assurance 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 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risks (continued)

The Group aims not to maintain significant open currency positions. The Group had the following currency exposures (Pula equivalent) at the reporting date (monetary assets and liabilities only).

31 December 2016	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	151	26,672	134,928	8,370	49,457	14,155
Advances to customers	-	226,053	1,667,943	408,811	487,715	307,482
Other receivables	-	8,857	33,372	107	982	8,018
Total assets	151	261,582	1,836,243	417,288	538,154	329,655
Customer deposits	-	-	-	-	36,109	-
Cash collateral	-	-	-	-	-	4,553
Borrowings	704,348	23,486	-	-	-	145,133
Trade and other payables	-	7,750	39,043	12,290	8,110	8,576
Total liabilities	704,348	31,236	39,043	12,290	44,219	158,262
Net exposure	(704,197)	230,346	1,797,200	404,998	493,935	171,393
Exchange rates at 31 December 2016 - mid: BWP 1.00 =	1.28	1.28	1.28	1.28	204.15	337.55

31 December 2015	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	71	7,092	12,713	6,233	103,377	15,908
Advances to customers	-	142,827	1,391,534	251,088	395,828	285,203
Other receivables	-	7,257	79,717	113	5,752	4,959
Total assets	71	157,176	1,483,964	257,434	504,957	306,070
Customer deposits	-	-	-	-	30,835	-
Cash collateral	-	-	-	-	-	6,963
Deposits from banks	-	-	-	-	-	-
Borrowings	637,151	-	-	-	11,360	145,128
Trade and other payables	-	4,336	30,843	4,471	10,732	15,834
Total liabilities	637,151	4,336	30,843	4,471	52,927	167,925
Net exposure	(637,080)	152,840	1,453,121	252,963	452,029	138,145
Exchange rates at 31 December 2015 - mid: BWP 1.00 =	1.39	1.39	1.39	1.39	192.47	301.28

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
44,990	17,524	6,546	52,387	63	105	174,117	11	529,476
724,852	409,042	164,239	51,405	-	-	2,242,198	-	6,689,740
25,629	4,795	3,386	2,692	-	-	138,543	-	226,381
795,471	431,361	174,171	106,484	63	105	2,554,858	11	7,445,597
4,961	-	26,595	40,031	-	-	-	-	107,696
-	33,151	1,521	-	-	-	-	-	39,225
137,017	246,373	73,644	-	-	-	2,064,115	-	3,394,116
10,763	13,104	17,426	7,427	-	-	169,927	-	294,416
152,741	292,628	119,186	47,458	-	-	2,234,042	-	3,835,453
642,730	138,733	54,985	59,026	63	105	320,816	11	3,610,144
6.69	9.60	78.05	28.53	0.08	0.09	1.00	0.09	

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	Great Nigerian Naira P'000	United Britain Pound P'000	States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
45,251	14,394	36,303	177,500	82	54	107,300	12	526,290
1,065,260	394,669	167,765	69,806	-	-	2,147,698	-	6,311,678
32,373	3,828	5,310	6,559	-	-	81,542	-	220,668
1,142,884	412,891	209,378	253,865	82	54	2,336,540	12	7,058,638
1,904	-	41,522	80,234	-	-	-	-	154,495
-	36,651	1,053	-	-	-	-	-	44,667
-	-	-	77,364	-	-	-	-	77,364
227,697	272,707	112,053	-	-	-	1,362,316	-	2,768,412
11,474	9,605	4,011	5,433	-	-	78,754	-	175,493
241,075	318,963	158,639	163,031	-	-	1,441,070	-	3,220,431
901,809	93,928	50,739	90,834	82	54	895,470	12	3,838,207
4.19	9.12	66.45	17.83	0.17	0.09	1.00	0.08	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.3.3 Market risks (continued)

Set out below is the impact of a 10% appreciation of the BW Pula

31 December 2016	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	137	24,247	122,662	7,609	44,961	12,868
Advances to customers	-	205,503	1,516,312	371,647	443,377	279,529
Other receivables	-	8,052	30,338	97	893	7,289
Total assets	137	237,802	1,669,312	379,353	489,231	299,686
Customer deposits	-	-	-	-	32,826	-
Cash collateral	-	-	-	-	-	4,139
Borrowings	640,316	21,351	-	-	-	131,939
Trade and other payable	-	7,045	35,494	11,173	7,373	7,796
Total liabilities	640,316	28,396	35,494	11,173	40,199	143,876
Net exposure - if 10% appreciation of BWP	(640,179)	209,406	1,633,818	368,180	449,033	155,811
Net exposure - at actual year end rates	(704,197)	230,346	1,797,200	404,998	493,935	171,393
Impact of 10% appreciation of BWP	64,018	(20,941)	(163,382)	(36,818)	(44,902)	(15,582)

31 December 2015	SA Rand P'000	Swaziland Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	65	6,447	11,557	5,666	93,979	14,462
Advances to customers	-	129,843	1,265,031	228,262	359,844	259,275
Other receivables	-	6,597	72,470	103	5,229	4,508
Total assets	65	142,888	1,349,058	234,032	459,053	278,245
Customer deposits	-	-	-	-	28,032	-
Cash collateral	-	-	-	-	-	6,330
Deposits from banks	-	-	-	-	-	-
Borrowings	579,228	-	-	-	10,327	131,935
Trade and other payable	-	3,942	28,039	4,065	9,756	14,395
Total liabilities	579,228	3,942	28,039	4,065	48,115	152,659
Net exposure - if 10% appreciation of BWP	(579,163)	138,946	1,321,019	229,967	410,937	125,586
Net exposure - at year end rates	(637,080)	152,840	1,453,121	252,963	452,029	138,145
Impact of 10% appreciation of BWP	57,916	(13,895)	(132,102)	(22,997)	(41,093)	(12,560)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total if Pula appreciated by 10% P'000
40,900	15,931	5,951	47,625	58	96	174,117	10	497,172
658,957	371,856	149,308	46,732	-	-	2,242,198	-	6,285,418
23,299	4,359	3,078	2,447	-	-	138,543	-	218,396
723,156	392,146	158,337	96,805	58	96	2,554,858	10	7,000,986
4,510	-	24,177	36,392	-	-	-	-	97,905
-	30,137	1,383	-	-	-	-	-	35,659
124,561	223,975	66,949	-	-	-	2,064,115	-	3,273,207
9,785	11,913	15,842	6,752	-	-	169,927	-	283,099
138,855	266,025	108,350	43,144	-	-	2,234,042	-	3,689,870
584,300	126,121	49,987	53,661	58	96	320,816	10	3,311,115
642,730	138,733	54,985	59,026	63	105	320,816	11	3,610,144
(58,430)	(12,612)	(4,998)	(5,365)	(6)	(10)	-	(1)	(299,029)

Mozambican Meticais P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total if Pula appreciated by 10% P'000
41,137	13,085	33,003	161,364	75	49	107,300	11	488,200
968,418	358,790	152,514	63,460	-	-	2,147,698	-	5,933,134
29,430	3,480	4,827	5,963	-	-	81,542	-	214,149
1,038,985	375,354	190,344	230,786	75	49	2,336,540	11	6,635,484
1,731	-	37,747	72,940	-	-	-	-	140,450
-	33,319	957	-	-	-	-	-	40,606
-	-	-	70,331	-	-	-	-	70,331
206,997	247,915	101,866	-	-	-	1,362,316	-	2,640,585
10,431	8,732	3,646	4,939	-	-	78,754	-	166,699
219,160	289,966	144,217	148,210	-	-	1,441,070	-	3,058,671
819,826	85,388	46,126	82,576	75	49	895,470	11	3,576,813
901,809	93,928	50,739	90,834	82	54	895,470	12	3,838,207
(81,983)	(8,539)	(4,612)	(8,258)	(7)	(5)	-	(1)	(261,393)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

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 Audit and Risk Committee (GARC) 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. GARC meets on a quarterly basis to review all other major risks including operational risks. At Management level, the Group Risk 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 and Change Committee (GICC).

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational risks (continued)

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 implemented 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 rolled out its new 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 have been aligned to Basel II requirements.

1.5 Financial assets and liabilities measured at fair value

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

	Carrying amount				Fair value			
31 December 2016	Fair value - hedging instrument P'000	Loans and receivables P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value								
Available-for-sale-financial asset	53,591	-	-	53,591	-	-	53,591	53,591
Other receivables - interest rate swap	1,245	-	-	1,245	-	1,245	-	1,245
Financial assets not measured at fair value								
Cash and cash equivalents	-	529,476	-	529,476				
Advances to customers	-	6,689,740	-	6,689,740				
Other receivables	-	162,961	-	162,961				
	-	7,382,177	-	7,382,177				
Financial liabilites not measured at fair value								
Trade and other payables	-	-	229,092	229,092				
Customer deposits	-	-	107,696	107,696				
Deposits from banks	-	-	-	-				
Cash collateral	-	-	39,225	39,225				
Borrowings	-	-	3,394,116	3,394,116				
	-	-	3,770,129	3,770,129				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

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

	Carrying amount				Fair value			
31 December 2015	Fair value - hedging instrument P'000	Loans and receivables P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value								
Other receivables - interest rate swap	1,643	-	-	1,643	-	1,643	-	1,643
Financial assets not measured at fair value								
Cash and cash equivalents	-	526,290	-	526,290				
Advances to customers	-	6,311,678	-	6,311,678				
Other receivables	-	172,198	-	172,198				
	-	7,010,166	-	7,010,166				
Financial liabilites not measured at fair value								
Trade and other payables	-	-	136,705	136,705				
Customer deposits	-	-	154,495	154,495				
Deposits from banks	-	-	77,364	77,364				
Cash collateral	-	-	44,667	44,667				
Borrowings	-	-	2,768,412	2,768,412				
	-	-	3,181,643	3,181,643				

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

1.5.1 Measurement of fair values

(i) valuation techniques and signficant observable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used.

Financial instruments measured at fair value

Under other receivables, the Group uses valuation techniques to recognise asset listed below:

Type	Valuation technique	Significant unobservable inputs
Interest rate swap	Fair value cashflow	Discount factor used to derive of cashflow (6%)
Available-for-sale financial asset	Since market values are not available from an observable market, as this is in private equity, the recent transaction price has been considered as an approximate to fair value	Based on recent price per share

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

1. FINANCIAL RISK MANAGEMENT (continued)

1.5.1 Measurement of fair values (continued)

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 occurence of future events such as a default on the bank loans or other credit events.

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 2016 P'000	31 December 2015 P'000
Credit risk		
Effect of increase in loss ratio by 1 %		
- Increase in portfolio provision	65,007	35,050
Effect on profit before tax	**6.9%**	**3.4%**
Interest rate risk		
Average cost of borrowings	10.9%	10.7%
Effect of increase in average borrowing cost by 1 %		
- increase in interest expense	30,813	23,531
Effect on profit before tax	**3.3%**	**2.3%**
Currency risk		
Effect of BWP appreciation by 10%		
- decrease in net foreign currency assets	299,029	261,393
Effect on profit before tax	**31.6%**	**25.2%**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

2. USE OF ESTIMATES AND JUDGMENTS (continued)

2.1 Impairment of advances to customers (continued)

Sensitivity analysis of impairment charges is shown as follows:

	31 December 2016 Portfolio Provision P'000	31 December 2015 Portfolio Provision P'000
Southern Africa		
Impact on change to loss ratio by 1% - increase in provision	51,412	31,935
East and West Africa		
Impact on change to loss ratio by 1% - increase in provision	13,595	3,115
Overall total	**65,007**	**35,050**

* **Southern Africa includes:** Botswana, Lesotho, Mozambique, Namibia and Swaziland
** **East and West Africa includes:** Kenya, Rwanda, Tanzania, Uganda and Nigeria.

The historical loss ratios are re-evaluated at each reporting date and have been adjusted to reflect the most recent five year history.

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 2016 P'000	31 December 2015 P'000
Impact of a 10% deviation	6,039	1,427
Impact of a 25% deviation	15,098	3,567
Impact of a 50% deviation	27,496	7,134

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

2.3 Deferred tax asset recovery plan

The Group has recognised a deferred tax asset of P107mn which arises from tax losses that are available to set-off against future taxable income and other deductable temporary differences. The Group expects to generate sufficient taxable profits to utilise the deferred tax assets based on historical probability trends, management's plan on future business prospects and through the use of various tax planning opportunities which are available to the Group.

Of the above deferred tax asset, P73mn relates to tax losses and other deductable temporary differences in respect of Letshego Holdings Limited, and P13mn to tax losses in Letshego Bank (T) Limited and Letshego Microfinance Bank Nigeria Limited. Tax losses in Botswana and Nigeria have to be utilised within five years and four years respectively from the year of origination, whereas in Tanzania there is no time limit. Tax planning strategies of the Group which include appropriate transfer pricing policies currently being implemented throughout the Group, show that these entities would generate adequate taxable income before these losses fall away.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

2. USE OF ESTIMATES AND JUDGMENTS (continued)

2.3 Deferred tax asset recovery plan (continued)

	31 December 2016 P'000	31 December 2015 P'000
Deferred tax assets to be recovered within 12 months	31,990	26,522
Deferred tax assets to be recovered after more than 12 months	74,971	41,478
	106,961	**68,000**

2.4 Goodwill

As required by IAS 36, the goodwill values in respect of Letshego Holdings Namibia Limited, Letshego Tanzania Limited, Letshego Kenya Limited, Letshego Bank (T) Limited and Letshego Microfinance Bank Nigeria Limited were evaluated for impairment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and the suitable discount rate in order to calculate the present value (note 8).

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that it was not impaired in respect of all cash generating units noted above (Letshego Holdings Namibia Limited, Letshego Tanzania Limited, Letshego Kenya Limited, Letshego Bank (T) Limited and Letshego Microfinance Bank Nigeria Limited). The recoverable amount of the cash generating units was determined with reference to the value in use. Discount rates used for the impairment test ranges from 20% - 25% and growth in cash flows of 10% - 13% were used for forecasting future cash flows. The growth rate is estimated based on past experience and anticipated future growth. This results in a recoverable amount in excess of carrying amount. Therefore, no impairment has been recognised (31 December 2015: Nil).

The Group further performed a sensitivity analysis on the impairment computation by changing all the above variables and no impairment indications were noted.

	31 December 2016 P'000	31 December 2015 P'000

3. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	462,772	472,547
Short term investments	66,704	53,743
	529,476	**526,290**

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 2015: 1% - 5.0%). Cash at bank is held with reputable financial institutions with good credit standing.

4. ADVANCES TO CUSTOMERS

Gross advances to customers	6,962,956	6,563,394
Less : impairment provisions - specific	(193,118)	(178,726)
: impairment provisions - portfolio	(80,098)	(72,990)
Net advances to customers	**6,689,740**	**6,311,678**

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	251,716	75,362
Impairment charge for the year	21,500	126,866
Impairment acquired through business combinations	-	49,488
Balance at the end of the year	**273,216**	**251,716**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

4. ADVANCES TO CUSTOMERS (continued)

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

	31 December 2016 P'000	31 December 2015 P'000
Charges to profit or loss		
Amounts written off	237,680	69,379
Recoveries during the year	(78,531)	(57,381)
Impairment adjustment	21,500	126,866
	180,649	**138,864**

5. OTHER RECEIVABLES

	31 December 2016 P'000	31 December 2015 P'000
Deposits and prepayments	34,535	33,220
Receivable from insurance arrangements	78,172	105,960
Withholding tax and value added tax	62,175	46,847
Other receivables	51,499	34,661
	226,381	**220,688**

The company entered into an interest rate swap agreement with a Botswana financial institution in respect of bonds listed on the JSE. 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 cashflow 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 2016 is P1 245 311 (31 December 2015: P1 642 966) is included in other receivables above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

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 2015	3,432	29,697	26,864	-	22,645	82,638
Additions	702	8,992	16,305	-	705	26,704
Business combination - acquisition	2,730	7,559	19,097	4,002	-	33,388
Transfers	-	-	-	14,542	(19,657)	(5,115)
Disposals	(1,151)	(1,696)	(2,371)	-	-	(5,218)
Forex translation	(58)	4	(230)	-	(2,826)	(3,110)
Balance at 31 December 2015	**5,655**	**44,556**	**59,665**	**18,544**	**867**	**129,287**
Accumulated Depreciation						
Balance at 1 January 2015	2,198	15,343	13,335	-	-	30,876
Business combination - acquisition	2,050	6,268	4,864	69	-	13,251
Charge for the year	541	9,020	5,804	499	-	15,864
Disposals	(938)	(1,277)	(2,371)	-	-	(4,586)
Forex translation	(128)	(1,201)	(819)	-	-	(2,148)
Balance at 31 December 2015	**3,723**	**28,153**	**20,813**	**568**	**-**	**53,257**
Net book value at 31 December 2015	**1,932**	**16,403**	**38,852**	**17,976**	**867**	**76,030**

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 2016	5,655	44,556	59,665	18,544	867	129,287
Additions	568	5,924	6,000	-	4,852	17,344
Transfers	-	-	-	-	(867)	(867)
Disposals	(257)	(421)	(140)	-	-	(818)
Forex translation	(29)	(1,131)	(680)	1,174	-	(666)
Balance at 31 December 2016	**5,937**	**48,928**	**64,845**	**19,718**	**4,852**	**144,280**
Accumulated Depreciation						
Balance at 1 January 2016	3,723	28,153	20,813	568	-	53,257
Charge for the year	754	10,690	9,362	578	-	21,384
Disposals	(257)	(421)	(140)	-	-	(818)
Forex translation	(44)	(3,786)	(1,761)	14	-	(5,577)
Balance at 31 December 2016	**4,176**	**34,636**	**28,274**	**1,160**	**-**	**68,246**
Net book value at 31 December 2016	**1,761**	**14,292**	**36,571**	**18,558**	**4,852**	**76,034**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

7. INTANGIBLE ASSETS

Cost	Computer Software P'000	Brand Value P'000	Core deposit P'000	Total P'000
Balance at 1 January 2015	55,998	-	-	55,998
Additions	4,587	-	-	4,587
Business combination - acquisition	9,673	1,186	10,472	21,331
Transfers from work in progress	5,115	-	-	5,115
Disposals	(2,013)	-	-	(2,013)
Forex translation	(215)	-	-	(215)
Balance at 31 December 2015	**73,145**	**1,186**	**10,472**	**84,803**
Accumulated Depreciation				
Balance at 1 January 2015	10,406	-	-	10,406
Business combination - acquisition	9,343	-	-	9,343
Charge for the year	5,942	-	-	5,942
Disposals	(2,013)	-	-	(2,013)
Forex translation	(187)	-	-	(187)
Balance at 31 December 2015	**23,491**	**-**	**-**	**23,491**
Net book value at 31 December 2015	**49,654**	**1,186**	**10,472**	**61,312**

Cost	Computer Software P'000	Brand Value P'000	Core deposit P'000	Total P'000
Balance at 1 January 2016	73,145	1,186	10,472	84,803
Additions	2,097	-	-	2,097
Transfer from work in progress	867	-	-	867
Disposals	(83)	-	-	(83)
Forex translation	(1,189)	-	-	(1,189)
Balance at 31 December 2016	**74,837**	**1,186**	**10,472**	**86,495**
Accumulated Depreciation				
Balance at 1 January 2016	23,491	-	-	23,491
Charge for the year	5,043	837	875	6,755
Disposals	(83)	-	-	(83)
Forex translation	(376)	349	3,750	3,723
Balance at 31 December 2016	**28,075**	**1,186**	**4,625**	**33,886**
Net book value at 31 December 2016	**46,762**	**-**	**5,847**	**52,609**

The above acquired brand value is fully amortised as these companies were rebranded under Letshego name during the year. Core deposit is amortised over its useful life of 8 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

	31 December 2016 P'000	31 December 2015 P'000
8. GOODWILL		
Goodwill arose on the acquisition of:		
Letshego Holdings Namibia Limited	23,846	25,760
Letshego Tanzania Limited	1,985	2,064
Letshego Kenya Limited	32,998	27,426
Letshego Bank (T) Limited	15,882	16,575
Letshego Microfinance Bank Nigeria Limited	54,697	99,043
	129,408	**170,868**

The movement in goodwill mainly relates to forex translation. Goodwill was translated using the reporting date exchange rates to reflect the changes in foreign currencies.

9. AVAILABLE-FOR-SALE FINANCIAL ASSET

Investment	**53,591**	-

The Group acquired 3.2% shareholding in a financial services organisation.The fair value of this investment at year end does not materially vary to its carrying value, hence no fair value gains or losses were recognised in the year.

10. BUSINESS COMBINATIONS

Acquisitions of Advans Bank Tanzania and FBN Microfinance during the year ended 31 December 2015

On 10 November 2015, the Group acquired 75% shareholding in a deposit taking commercial bank, Advans Bank Tanzania Limited (now known as Letshego Bank Tanzania Limited) specialising in microfinance. The acquisition was effected through a subscription for new shares.

In addition on 31 December 2015 the Group concluded the acquisition of the 100% capital of FBN Microfinance Bank Limited (now known as Letshego Microfinance Bank Nigeria Limited), a deposit taking micro finance bank in Nigeria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

10. BUSINESS COMBINATIONS (continued)

	Advans Bank Tanzania P'000	FBN Microfinance Bank P'000
Purchase consideration		
Cash paid	-	212,330
Shares subscribed on behalf of non-controlling interest	19,841	-
	19,841	**212,330**
The assets and liabilities recognised as a result of the acquisition are as follows:		
Cash and cash equivalents	816	177,500
Advances to customers	46,893	69,805
Prepayment and Other Assets	9,110	6,559
Property, plant and equipment	6,517	13,620
Intangible assets	210	121
Deferred tax asset	7,810	-
Brand value	288	898
Core deposits	430	10,042
Customer deposits	(49,004)	(80,234)
Deposits from banks	-	(77,364)
Trade and other payables	(7,970)	(5,435)
Income tax payable	-	(617)
Deferred tax liabilities	-	(1,608)
Borrowings	(10,745)	-
Net identifiable assets acquired	**4,355**	**113,287**
Less: Non-controlling interest	(1,089)	-
Add: Goodwill (note 8)	16,575	99,043
Total	**19,841**	**212,330**

The goodwill is attributable to acquired customer base, economies of scale and synergies expected from combining operations. This will not be deductable for income tax purposes.

Acquisition of AFB (Ghana) Plc

Subsequent to year end, Letshego Holdings Limited became a 100% shareholder of AFB (Ghana) Plc, a core deduction at source business lending to Government employees and licensed for deposit taking servicing over 60,000 customers, 200 member of staff and 25 customer access points. The financial results for AFB (Ghana) Plc have not been included in the consolidated financial statement of Letshego Holding Limited for the year ended 31 December 2016.

Details relating to this post-year end acquisition are as follows:

	AFB (Ghana) Plc P'000
Estimated purchase consideration	**89,446**
The assets and liabilities to be acquired:	
Cash and cash equivalents	25,865
Advances to customers	226,281
Prepayment and Other Assets	3,886
Property, plant and equipment	8,211
Intangible assets - software	3,604
Deferred tax asset	1,025
Brand value	3,748
Trade and other payables	(3,787)
Income tax payable	(6,821)
Borrowings	(181,496)
Net identifiable assets to be acquired	**80,516**
Add: Goodwill	8,930
Total	**89,446**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

	31 December 2016 P'000	31 December 2015 P'000
11. CUSTOMER DEPOSITS		
Demand accounts	15,439	14,775
Savings accounts	45,367	130,836
Call and term deposits	46,889	8,882
	107,695	**154,493**

These are deposit from customers.

	31 December 2016 P'000	31 December 2015 P'000
12. TRADE AND OTHER PAYABLES		
Trade and other payables	256,548	136,705
Staff incentive accrual (note 12.1)	37,868	38,788
	294,416	**175,493**
12.1 Movement in staff incentive accrual		
Balance at the beginning of the year	38,788	44,768
Current period charge (note 21)	30,971	19,332
Paid during the year	(31,891)	(25,312)
Balance at the end of the year	**37,868**	**38,788**

	31 December 2016 P'000	31 December 2015 P'000
13. CASH COLLATERAL		
Balance at the beginning of the year	44,667	41,692
Utilised / received during the year	(5,442)	2,975
	39,225	**44,667**

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.

	31 December 2016 P'000	31 December 2015 P'000
14. BORROWINGS		
Commercial banks	1,318,452	1,047,442
Note programmes	1,587,943	1,334,392
Development Financial Institutions	331,715	283,786
Pension funds	156,006	102,792
Total borrowings	**3,394,116**	**2,768,412**

Security

Pula 1.83 billion of the borrowings is secured by the advances to customers of Letshego Micro Finance Services Namibia (Pty) Limited and Letshego Financial Services Botswana (Pty) Limited totalling P3.30 billion (31 December 2015: P3.54 billion) by way of a Security Sharing Agreement. Pula 1.56 billion is unsecured or secured by a corporate guarantee from Letshego Holdings Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

14. BORROWINGS (continued)

Interest rate

Pula 2.1 billion of the borrowings are at fixed interest rates. Pula 1.3 billion are loans issued at variable interest rates, linked to each country's prime lending rate.

Maturity profile

The borrowings range from overdraft facilities which mature on-demand to fixed term debt with maturities ranging from one to 14 years. The detailed maturity profile is shown under the financial risk management section of these financial statements.

15. STATED CAPITAL

	31 December 2016 P'000	31 December 2015 P'000
Issued: 2,134,763,925 ordinary shares of no par value (31 December 2015: 2,184,901,697)	**875,639**	**989,487**
Number of shares at the beginning of the year ('000)	2,184,901	2,176,475
Share buy back ('000)	(52,782)	-
Shares issued during the year ('000)	2,645	8,426
Number of shares at the end of the year ('000)	**2,134,764**	**2,184,901**

In terms of the Group LTIP (note 17), shares with a value of P5.422 million (2015: P13.977 million) vested at Group level. This increased the number of shares in issue by 2.645 million shares (2015: 8.426 million shares).

During the year 52,782,546 ordinary shares were repurchased by the company at an average price of P2.26 per share and subsequently cancelled.

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

CAPITAL MANAGEMENT

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

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

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

The Group monitors the adequacy of its capital using internally measured benchmarks such as gearing, return on 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.

The Group's capital consists of shareholders' funds (stated capital and reserves) and long term borrowings. The Group's capital is not regulated by any external regulator. Subsidiaries with regulated capital requirements have complied with all regulator requirements.

	31 December 2016	31 December 2015
Capital adequecy ratio	68%	75%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

	31 December 2016 P'000	31 December 2015 P'000
16. LEGAL RESERVE		
Balance at the beginning of the year	22,178	5,108
Movement for the period – allocated from retained earnings	10,011	17,070
Balance at the end of the year	**32,189**	**22,178**

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

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 2016, 40 433 300 total awards were outstanding (31 December 2015: 30 553 014) at grant date share prices of P2.40 , P2.39 and P2.50 for 2014, 2015 and 2016 awards respectively (31 December 2015: P1.87, P2.40 and P2.39 for 2013, 2014 and 2015 awards respectively).

	31 December 2016		31 December 2015	
	Fair values	No. of awards	Fair values	No. of awards
Reconciliation of outstanding awards				
Outstanding at the beginning of the period	P1.87/P2.40/P2.39	30,553,014	P1.50/P1.87/P2.40	32,198,982
Granted during the year	P2.50	18,818,100	P2.39	16,369,000
Exercised during the year	P2.05	(2,644,775)	P1.50,P1.87	(8,425,960)
Forfeited due to not meeting performance	P2.05	(2,707,239)	P1.50	(3,702,186)
Forfeited due to resignations	P2.40/P2.39/P2.50	(3,585,800)	P1.87/P2.40/P2.39	(5,886,822)
Outstanding at the end of the year	**P2.40/P2.39/P2.50**	**40,433,300**	**P1.87/P2.40/P2.39**	**30,553,014**

The amounts outstanding at 31 December 2016 and 31 December 2015 have average vesting periods of 3,15 and 27 months. The expense recognised during the period is disclosed in note 21.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

	31 December 2016 P'000	31 December 2015 P'000
18. INTEREST INCOME		
Advances to customers	1,952,410	1,749,633
Other - deposits with banks	10,719	3,923
	1,963,129	**1,753,556**
19. INTEREST EXPENSE		
Overdraft facilities and term loans	334,407	250,999
Foreign exchange loss	17,955	75,695
	352,362	**326,694**
20. FEE AND COMMISSION INCOME		
Administration fees - lending	21,235	26,503
Credit life insurance commission	3,382	2,196
	24,617	**28,699**
20.1 OTHER OPERATING INCOME		
Early settlement fees	51,565	36,533
Income from insurance arrangements	146,659	163,835
Sundry income	11,500	29,022
	209,724	**229,390**
21. EMPLOYEE BENEFITS		
Salaries and wages	234,347	165,905
Staff incentive (note 12.1)	30,971	19,332
Staff pension fund contribution	14,611	9,114
Directors' remuneration – for management services (executive)	7,535	5,700
Long term incentive plan	21,552	12,436
	309,016	**212,487**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

	31 December 2016 P'000	31 December 2015 P'000
22. OTHER OPERATING EXPENSES		
Accounting and secretarial fees	2,377	909
Advertising	24,419	12,306
Audit fees - audit services	3,364	3,169
- tax advisory services	170	223
- covenant compliance fees	300	280
- other services	180	103
Bank charges	6,715	4,738
Computer expenses	13,100	9,787
Consultancy and professional fees	29,305	21,868
Corporate social responsibility	1,973	2,976
Depreciation and amortisation	28,139	21,806
Directors' fees – non executive	6,905	3,992
Direct cost	97,576	83,455
Government levies	10,796	8,472
Insurance	8,608	4,152
Office expenses	22,811	11,540
Operating lease rentals - property	36,784	25,967
Other operating expenses	67,502	44,542
Payroll administration costs	1,060	982
Telephone and postage	13,653	11,854
Travel	32,136	23,985
	407,873	**297,106**
23. TAXATION		
Amounts recognised in profit or loss		
Company taxation		
- Basic taxation	317,995	302,714
- Origination and reversal of temporary differences	(40,159)	(33,926)
	277,836	**268,788**
23.1 Deferred taxation		
Balance at the beginning of the year	65,994	25,866
Business combination-acquisition (note 10)	-	6,202
Current year movement	40,159	33,926
Balance at the end of the year	**106,153**	**65,994**
Deferred tax assets	106,961	68,000
Deferred tax liabilities	(808)	(2,006)
	106,153	**65,994**
Analysis on deferred tax asset / liabilities		
Deferred tax assets / liabilities to be recovered with 12 months	31,182	24,516
Deferred tax assets / liabilities to be recovered after more than 12 months	74,971	41,478
	106,153	**65,994**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

23. TAXATION (continued)

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.

	31 December 2016 P'000	31 December 2015 P'000
Deferred taxation arises from temporary differences on the following items:		
Property and equipment	3,487	3,252
Share based payment provision	6,519	4,133
Staff incentive provision	8,455	9,896
General impairment provision	17,106	6,133
Taxation losses	74,971	41,478
Deferred rent provision	265	1,871
Leave pay provision	823	1,617
Severance pay	(340)	-
Deferred income / (expenditure)	(1,601)	(1,154)
Prepayments	(1,454)	(534)
Unrealised exchange gains	2,078	(698)
	106,153	**65,994**
23.2 Reconciliation of current taxation		
Profit before taxation	**947,570**	**1,036,494**
Tax calculated at Botswana statutory rate of 22%	208,465	228,029
Foreign income taxed at 15%	46,671	5,789
Effect of tax rates in foreign jurisdictions	48,067	54,059
Expenses and revenues not deductible for tax purposes	(25,367)	(19,089)
	277,836	**268,788**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

24. EARNINGS PER SHARE

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

	31 December 2016 P'000	31 December 2015 P'000
Profit after taxation	**669,734**	**767,706**
Number of shares:		
At beginning of period	2,184,901,697	2,176,475,737
Effect of share buy back (31 December 2016 - 52 782 546; 31 December 2015 - Nil)	(15,091,241)	-
Effect of share issued		
(31 December 2016 - 2 644 774 ; 31 December 2015 - 8 425 960 shares)	2,253,492	7,156,295
Weighted number of shares at end of period	2,172,063,948	2,183,632,032
Basic earnings per share (thebe)	**30.8**	**35.2**

The calculation of diluted earnings per share is based on after taxation earnings 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 shares:		
Weighted number of shares at end of period	2,172,063,948	2,183,632,032
Dilution effect - number of shares	40,433,300	30,553,014
	2,212,497,248	2,214,185,046
Diluted earnings per share (thebe)	**30.3**	**34.7**

25. DIVIDEND PER SHARE

Current year

An interim dividend of 9.0 thebe per share was declared on 31 August 2016, amounting to P197 million.
A second and final dividend of 6.5 thebe per share was declared on 1 March 2017, amounting to P139 million.
Both these dividends were for the year ended 31 December 2016.

Prior year

An interim dividend of 9.0 thebe per share was declared on 8 September 2015, amounting to P196 million.
A second and final dividend of 8.0 thebe per share was declared on 24 February 2016, amounting to P176 million.

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 (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 operating segments used by the Group meet the definition of a reportable segment.

The Group operates in ten countries, namely Botswana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda. The operating segments represent the Group's primary segments.

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 the Other Southern Africa and Other East Africa segments, including Lesotho and Swaziland and Kenya, Rwanda and Uganda respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

26. SEGMENT INFORMATION (continued)

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

Operating segments 31 December 2016

	Botswana P '000	Namibia P '000	Mozambique P '000	Other Southern Africa P '000	Tanzania P '000	Other East Africa P '000	West Africa P '000	Holding company or eliminations P '000	Total P '000
Operating Income	**635,432**	**427,204**	**154,441**	**108,385**	**194,370**	**251,632**	**45,696**	**27,948**	**1,845,108**
Profit before taxation	467,153	350,839	106,681	71,941	89,797	42,566	(8,254)	(173,153)	**947,570**
Taxation - consolidated									(277,836)
Profit - consolidated									**669,734**
Gross Advances to customers	2,388,575	1,668,796	740,420	637,064	532,217	942,873	53,011	-	6,962,956
Impairment provisions	(146,377)	(853)	(5,568)	(12,200)	(44,502)	(62,110)	(1,606)	-	(273,216)
Net Advances	**2,242,198**	**1,667,943**	**734,852**	**624,864**	**487,715**	**880,763**	**51,405**	**-**	**6,689,740**
Borrowings	**749,907**	**640,011**	**178,450**	**452,413**	**29,945**	**664,634**	**-**	**678,756**	**3,394,116**

Operating segments 31 December 2015

	Botswana P '000	Namibia P '000	Mozambique P '000	Other Southern Africa P '000	Tanzania P '000	Other East Africa P '000	West Africa P '000	Holding company or eliminations P '000	Total P '000
Operating Income	**618,370**	**379,345**	**233,264**	**81,574**	**154,812**	**239,437**	**-**	**(21,851)**	**1,684,951**
Profit before taxation	450,490	316,378	172,476	54,861	89,102	83,772	-	(130,585)	**1,036,494**
Taxation - consolidated									(268,788)
Profit - consolidated									**767,706**
Gross Advances to customers	2,264,301	1,392,020	1,075,645	399,409	419,798	895,630	116,591	-	6,563,394
Impairment provisions	(116,602)	(486)	(10,385)	(5,495)	(23,970)	(47,993)	(46,785)	-	(251,716)
Net Advances	**2,147,699**	**1,391,534**	**1,065,260**	**393,914**	**395,828**	**847,637**	**69,806**	**-**	**6,311,678**
Borrowings	**446,871**	**618,662**	**324,889**	**254,096**	**31,715**	**620,086**	**-**	**472,093**	**2,768,412**

27. RELATED PARTY TRANSACTIONS

27.1 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 the non-executive and executive directors.

The Company is listed on the Botswana Stock Exchange. Botswana Insurance Holdings Limited (BIHL) is a shareholder of Letshego Holdings Limited and there were no transactions with BIHL.However loans and advances of Letshego Financial Services Botswana (Pty) Ltd are insured through BIHL and no commission is earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

27. RELATED PARTY TRANSACTIONS (continued)

27.2 Compensation paid to key management personnel (executive director)

Paid during the period		
- Short-term employee benefits	7,535	5,700
	7,535	**5,700**

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 2016 P'000	31 December 2015 P'000
No later than 1 year	27,640	19,704
Later than 1 year and no later than 5 years	39,931	38,464
Later than 5 years	307	4,261
	67,878	**62,429**

29. CAPITAL COMMITMENTS

Authorised by the directors:		
- Not contracted for	**129,000**	**104,654**

30. SUBSEQUENT EVENTS

Dividend declaration

A second and final dividend of 6.5 thebe per share was declared on 1 March 2017.

Acquisition of AFB Ghana Plc

Letshego became a 100% shareholder of AFB Ghana Plc post year end, refer to note 10 for details.

There were no any other material changes in the affairs of the Group between the 31 December 2016 year end and the date of the approval of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

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 2016 % holding	31 December 2015 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	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	98	98
Letshego Holdings Namibia Limited	Namibia	Unsecured consumer lending	85	85
ERF 8585 (Pty) Limited	Namibia	Property	100	100
Letshego Microfinance Bank Nigeria (Proprietary) Limited	Nigeria	Unsecured consumer lending	100	100
Letshego Financial Services Swaziland (Proprietary) Limited	Swaziland	Unsecured consumer lending	85	85
Letshego Tanzania Limited	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (T) Limited	Tanzania	Unsecured consumer lending	75	75
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Unsecured consumer lending	100	100

31.1 Disposal of Finance South Sudan

The Group exited its investment in South Sudan during March 2015. The gain of P11.7 million resulting from this disposal was included under other operating income.

31.2 Acquisition of additional interest in a subsidiary

In November 2015, the Group acquired the remaining 13% of the issued shares of Letshego Tanzania Limited for a purchase consideration of P52.7 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 2015 P '000
Consideration paid to non-controlling interest	52,678
Carrying amount of non-controlling interests acquired	(47,553)
Excess of consideration paid recognised in Group's equity	**5,125**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the Year Ended 31 December 2016

31. INVESTMENTS IN SUBSIDIARY COMPANIES

31.3 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Holdings Namibia, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination.

Summarised balance sheet	31 December 2016 P'000	31 December 2015 P'000
Assets	1,847,379	1,493,900
Liabilities	875,608	843,227
Net assets	**971,771**	**650,673**
Accumulated non-controlling interest	**145,766**	**97,601**
Summarised statement of comprehensive income		
Revenue	445,068	378,627
Profit for the year	246,629	219,652
Profit allocated to non-controlling interest	**36,994**	**32,948**

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	To mitigate against the Group's credit risk in Mozambique and Namibia	Insurance declares dividends to the Group Companies	32,780

Comprehensive insurance is not consolidated in accordance to IFRS 10 requirements. The net assets of the comprehensive insurance 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 comprehensive insurance.

FIVE YEAR FINANCIAL HISTORY

Statements Of Financial Position

	2016 December P'000	2015 December P'000	2014 December P'000	2014 January P'000	2013 January P'000
Assets					
Cash and cash equivalents	529,476	526,290	320,544	310,525	807,254
Advances to customers	6,689,740	6,311,678	5,686,796	4,427,757	3,336,204
Short term investments	-	-	-	66,565	12,143
Other receivables	226,381	220,688	151,103	35,346	37,674
Property, plant and equipment	76,034	76,030	51,762	53,988	14,559
Intangible assets	52,609	61,312	45,592	6,117	12,457
Goodwill	129,408	170,868	55,250	55,250	49,948
Available-for-sale financial asset	53,591	-	-	-	-
Income tax receivable	17,250	27,570	11,178	-	-
Deferred tax assets	106,961	68,000	25,866	14,617	8,939
Total assets	**7,881,450**	**7,462,436**	**6,348,091**	**4,970,165**	**4,279,178**
Liabilities					
Customers deposits	107,696	154,495	3,995	-	-
Deposits from banks	-	77,364	-	-	-
Cash collateral	39,225	44,667	41,692	42,293	34,185
Trade and other payables	294,416	175,493	209,521	127,217	78,828
Income tax payable	40,749	57,973	60,406	46,517	28,327
Deferred tax liabilities	808	2,006	-	-	-
Borrowings	3,394,116	2,768,412	1,937,844	1,249,871	1,277,395
Total liabilities	**3,877,010**	**3,280,410**	**2,253,458**	**1,465,898**	**1,418,734**
Shareholders' equity					
Stated capital	875,639	989,487	975,510	959,554	689,243
Foreign currency translation reserve	(634,293)	(254,293)	(2,189)	(94,827)	(45,982)
Legal reserve	32,189	22,178	5,108	2,696	-
Share based payment reserve	35,835	19,705	21,246	17,470	19,173
Retained earnings	3,502,271	3,256,158	2,940,521	2,522,666	2,112,485
Total equity attributable to equity holders of the company	**3,811,641**	**4,033,235**	**3,940,196**	**3,407,559**	**2,774,919**
Non-controlling interests	192,799	148,791	154,437	96,708	85,524
Total equity and liabilities	**7,881,450**	**7,462,436**	**6,348,091**	**4,970,165**	**4,279,178**

FIVE YEAR FINANCIAL HISTORY

Statements of Profit Or Loss and Other Comprehensive Income

	2016 December P'000	2015 December P'000	2014 December P'000	2014 January P'000	2013 January P'000
Interest income	1,963,129	1,753,556	1,454,907	1,176,176	1,074,822
Interest expense	(352,362)	(326,694)	(167,582)	(62,488)	(108,807)
Net interest income	**1,610,767**	**1,426,862**	**1,287,325**	**1,113,688**	**966,015**
Fee and commission income	24,617	28,699	23,137	134,236	211,891
Other operating income	209,724	229,390	183,684	122,202	6,218
Revenue	**1,845,108**	**1,684,951**	**1,494,146**	**1,370,126**	**1,184,124**
Employee benefits	(309,016)	(212,487)	(207,034)	(199,658)	(123,086)
Other operating costs	(407,873)	(297,106)	(225,500)	(255,772)	(184,555)
Operating income before impairment	**1,128,219**	**1,175,358**	**1,061,612**	**914,696**	**876,483**
Impairment loss	(180,649)	(138,864)	(91,480)	(64,495)	(35,097)
Operating income before taxation	**947,570**	**1,036,494**	**970,132**	**850,201**	**841,386**
Taxation	(277,836)	(268,788)	(248,280)	(205,511)	(181,750)
	669,734	**767,706**	**721,852**	**644,690**	**659,637**
Loss on sale of subsidiary	-	-	-	(1,060)	-
Net income for the period	**669,734**	**767,706**	**721,852**	**643,630**	**659,637**
Appropriations					
Dividends	(371,685)	(370,450)	(254,648)	(177,738)	(133,568)
Retained income	**298,049**	**397,256**	**467,204**	**465,892**	**304,152**
Attributable to :					
Equity holders of the parent company	627,809	708,282	674,915	601,151	628,084
Non-controlling interests	41,925	59,424	46,937	42,479	31,553
	669,734	**767,706**	**721,852**	**643,630**	**659,637**

The supplementary information presented does not form part of the annual financial statements of the group, and is unaudited.

GROUP VALUE ADDED STATEMENT

For the Year Ended 31 December 2016

	31 December 2016 P'000	31 December 2015 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	1,963,129	1,753,556
Cost of services	(352,362)	(326,694)
Value added services	1,610,767	1,426,862
Fee and commission income	24,617	28,699
Other operating income	209,724	229,390
Other operating costs	(379,734)	(275,300)
Impairment of advances	(180,649)	(138,864)
	1,284,725	**1,270,787**
Value allocated		
To employees		
Staff costs	309,016	212,487
To expansion and growth		
Retained income	298,049	397,256
Depreciation	21,384	15,864
Amortisation	6,755	5,942
Deferred tax	(40,159)	(33,926)
	286,029	385,136
To Government		
Taxation	317,995	302,714
To providers of capital		
Dividends to shareholders	371,685	370,450
	1,284,725	**1,270,787**
Summary	%	%
Employees	24.1	16.7
Expansion and growth	22.3	30.3
Government	24.8	23.8
Providers of capital	28.9	29.2
	100.0	**100.0**

ANALYSIS OF SHAREHOLDING

For the Year Ended 31 December 2016

Top ten shareholders	31 December 2016 Shares held ('000) Number	%	31 December 2015 Shares held ('000) Number	%
Botswana Life Insurance Ltd	561,036	26.3	506,347	23.2
First National Bank of Botswana Nominees(Pty) Ltd- AA BPOPF	239,206	11.2	208,265	9.5
ADP I HOLDING 2	180,484	8.5	180,484	8.3
Botswana Public Officers Pension Fund - ACB BPOPF	131,783	6.2	64,885	3.0
First National Bank of Botswana Nominees(Pty) Ltd- BIFM BPOPF EQUITY	108,134	5.1	63,787	2.9
First National Bank of Botswana Nominees(Pty) Ltd- IAM BPOPFP	70,380	3.3	42,353	1.9
Stanbic Nominees Botswana (Pty) Ltd - Botswana Insurance Fund Management Limited	68,204	3.2	71,138	3.3
First National Bank Nominees (Pty) Ltd- ACB BPOPF	61,682	2.9	126,567	5.8
Standard Chartered Bank of Botswana Nominees (Pty) Ltd - NTGSLUX 010/03	58,952	2.8	81,972	3.8
SCBN:Lloyd George Investment Company	32,940	1.5	33,440	1.5
	1,512,802	70.9	1,379,239	67.4
Other corporate entities, nominees and trusts and individuals	621,962	29.1	805,662	32.6
Total	**2,134,764**	**100.0**	**2,184,901**	**100.0**

Directors' shareholdings	31 December 2016 Shares held Number ('000)	%	31 December 2015 Shares held Number ('000)	%
Christopher Low	1,454	0.1	1,454	0.1
Harrington Karuhanga	29	0.0	29	0.0
	1,483	**0.1**	**1,483**	**0.1**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of the Shareholders of Letshego Holdings Limited will be held at Masa Hotel, Gaborone on Wednesday 24 May 2017 at 4.30pm with registration to commence at 4.00pm for the following purposes:

ORDINARY BUSINESS
ORDINARY RESOLUTIONS
To consider and pass the following ordinary resolutions:

1. **Resolution 1**
To receive, consider and adopt the annual financial statements for the financial year ended 31 December 2016 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 9.0 thebe per share paid to Shareholders on or around 23 September 2016 and a final dividend of 6.5 thebe per share paid to shareholders on or around 13 April 2017.

3. **Resolution 3**
Directors
A printing error occurred in the 2016 AGM notice resulting in Messrs G Hassam, H Karuhanga and R Thornton not being correctly retired and re-elected. To correct this error they were appointed to fill casual vacancies in accordance with Article 19.4 of the Constitution.

3a. To ratify and confirm the appointment of G Hassam who was appointed to fill in a casual vacancy on the board in accordance with Article 19.4 of the Constitution.
3b. To ratify and confirm the appointment of H Karuhanga who was appointed to fill in a casual vacancy on the board in accordance with Article 19.4 of the Constitution.
3c. To ratify and confirm the appointment of R Thornton who was appointed to fill in a casual vacancy on the board in accordance with Article 19.4 of the Constitution.
3d. To confirm the re-election of I Mohammed who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.
3e. 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.
3f. To confirm the re-election of J de Kock who retires in accordance with Article 19.9 of the Constitution and, being eligible, offers himself for re-election.
3g. To ratify and confirm the appointment of E Banda who was appointed to fill in a casual vacancy on the board in accordance with Article 19.4 of the Constitution on 3 August 2016.
3h. To ratify and confirm the appointment of C Patterson who was appointed to fill in a casual vacancy on the board in accordance with Article 19.4 of the Constitution on 26 January 2017.
3i. To ratify and confirm the appointment of C Van Schalkwyk who was appointed to fill in a casual vacancy on the board in accordance with Article 19.4 of the Constitution on 3rd April 2017.
3j. To confirm the retirement of J A Burbidge from the board as of the 1 March 2017. The profile of the Directors is included on pages 112 to 115.

4. **Resolution 4**

4a. To approve the remuneration of the directors for the financial year ending 31 December 2016 as disclosed in Notes 21 and 22 to the Annual Financial Statements in the Annual Report. The board attendance and remuneration for each director is disclosed on pages 104 and 105 of the Annual Report respectively. Further information is set out on pages 106 and 107.
4b. To approve the remuneration structure of the directors for the financial year ending 31 December 2017. The board fees and the retainer structure is set out on page 104 of the Annual Report.

5. **Resolution 5**
To approve the remuneration of the auditors for the financial year ending 31 December 2016 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 PricewaterhouseCoopers as external auditors for the ensuing year.
6b. To approve the remuneration of the auditors for the next financial year ending 31 December 2017 estimated at P 3 750 000.

7. **Resolution 7**
That, subject to the Company's compliance with all rules, regulations, orders and guidelines made pursuant to the Companies Act, Cap 42:01 as amended from time to time, the provisions of the Company's Constitution and the Listing Requirements of the BSE, the Company be and is hereby 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.

That the shares purchased by the Company pursuant to the Proposed Share Buy-Back may be retained as Treasury Shares up to five per cent (5%) of the stated share capital of the Company and the rest will be cancelled;

That such authority shall commence upon the passing of this resolution, until the conclusion of the next annual general meeting of the company or the expiry of the period within which the next annual general meeting is required by law to be held, 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 and all other relevant governmental/regulatory authorities.

SPECIAL BUSINESS

1. To transact other business which may be transacted at an Annual General Meeting.

2. To renew and amend the proposed reduction of the stated share capital of the Company, pursuant to the proposed renewed Share Buy Back mandate on the basis that the Company may, to the fullest extent of the law, buy back at any time such amount of ordinary shares as may be determined by the directors, the maximum number of shares so repurchased shall not exceed 10% of the stated share capital of the Company and that the shares repurchased may be retained as treasury shares subject to a maximum of 5% of the stated share capital of the Company.

SPECIAL RESOLUTION

To consider and pass the following special resolution:

1. Special Resolution 1

   That, subject to the shareholders of Letshego approving the Share Buy-back Mandate and it being implemented, the Company be and is hereby 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 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, 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 authorised to take all steps as are necessary or expedient to implement or give effect to the Reduction of Capital with full powers to amend and/or assert to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act, Cap 42:01 as amended from to time, the provisions of the Company's constitution and the requirements of the BSE and all other relevant governmental/regulatory authorities.

PROXIES

A shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a shareholder. Proxy forms should be deposited at Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P.O. Box 381, Gaborone, not less than 48 hours before the meeting.

By order of the Board

T. Chilume
Company Secretary
24 April 2017

FORM OF PROXY

ORDINARY BUSINESS

For completion by holders of ordinary shares
(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at Masa Hotel, Gaborone on Wednesday 24 May 2017 at 4.30 p.m. Registration commences at 4.00 p.m.

____

I/We____ (name/s in block letters)
of (address) ____ being a member of Letshego Holdings Limited hereby appoint (see note 2)
Appoint (see note 2):____
1. ____ or failing him/her,
2.____ or failing him/her,
3. The Chairman of the meeting,
as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	For	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2			
Ordinary resolution number 3a			
Ordinary resolution number 3b			
Ordinary resolution number 3c			
Ordinary resolution number 3d			
Ordinary resolution number 3e			
Ordinary resolution number 3f			
Ordinary resolution number 3g			
Ordinary resolution number 3h			
Ordinary resolution number 3i			
Ordinary resolution number 3j			
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____________________ 2017
Signature

____

Assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
Please read the notes hereof.

NOTES

1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting ". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to The Secretary, Letshego Holdings Limited, 2nd Floor, Letshego Place, Plot 22, Khama Crescent, The Mall, P O Box 381, Gaborone to be received not less than 48 hours before the Annual General Meeting (i.e. not later than 5.00 p.m. Monday 22 May 2017).

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.

NOTES

GLOSSARY

AFI	Alliance for Financial Inclusion
ALM	Asset and Liability Management
AML	Anti-money Laundering
BSE	Botswana Stock Exchange
BWP	Botswana Pula
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMC	Country Management Committee
COO	Chief Operating Officer
DFS	Digital Financial Services
DNA	Deoxyribonucleic Acid
DSA	Direct Sales Agent
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EXD	Executive Director
FTE	Full-time Employees
GARC	Group Audit and Risk Committee
GGNC	Group Governance and Nominations Committee
GHRC	Group Human Resources Committee
GIC	Group Investment Committee
GICC	Group Innovation and Change Committee
GMC	Group Management Committee
GMD	Group Management Director
GNC	Group Nominations Committee
GRI	Global Reporting Initiative
GRC	Group Risk Committee
GSC	Group Sustainability Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFC	International Finance Corporation
IIRC	International Integrated Reporting Council
INED	Independent Non-Executive Director
ITU	International Telecommunications Union
JSE	Johannesburg Stock Exchange
KSH	Kenya Shilling
KYC	Know Your Customer
LBN	Letshego Bank Namibia
LBT	Letshego Bank Tanzania
LHL	Letshego Holdings Limited
LMFSN	Letshego Micro Finance Services Namibia
LSL	Lesotho Loti
LTIP	Long-term Incentive Plan
LTROTP	Live the Rhythm, Own the Pace
MFB	Micro Finance Bank
MOH	Ministry of Health
MSE	Micro and Small Entrepreneurs
MZN	Mozambique Metical
NAD	Namibia Dollar
NBFI	Non-Bank Financial Institutions
NCD	Non-communicable Disease
NED	Non-executive Director
NGN	Nigeria Naira
NPL	Non-performing Loan
PBMT	Profit Before Management-fees and Tax
PYA	Prior Year Adjustment
PCI	Primary Care International
RWF	Rwanda Franc
SEDD	Social and Environmental Due Diligence
SZL	Swaziland Emalangeni
SOE	State-owned Enterprise
SPA	Social Performance Area
SPI	Social Performance Indicator
SSI	Strategic Social Investment
Ts & Cs	Terms and Conditions
TLDC	Transformational Leadership Development Centre
TZS	Tanzania Shilling
UGX	Uganda Shilling
UN	United Nations
USSD	Unstructured Supplementary Service Data