Speaker:

- Mr. Harry Waldemar Brown – African Alliance Capital Markets
- Mr. Chris Low – Managing Director, Letshego Holdings
- Mr. Colm Patterson – CFO, Letshego Holdings

START OF TRANSCRIPT

Operator

Ladies and gentlemen, good day and welcome to the Letshego management conference hosted by African Alliance Capital Markets. All participants will be in a listen-only mode. There will be an opportunity for you to ask questions later during the conference. If you need any assistance during the conference please signal an operator by pressing star and then zero. Please note that this call is being recorded. At this time I would like to turn the conference over to Harry Waldemar Brown. Please go ahead.

Harry Waldemar Brown

Thanks, operator. Good afternoon everybody. Thank you for joining us today. We are delighted to have the senior management of Letshego on the line. We have Chris Low, the Chief Executive, Colm Patterson, the CFO, and Boikanyo Kgosidintsi who is the Head of Investor Relations. What I'm going to ask Chris to do is just to give us a ten minute appreciation of the full year numbers highlighting the areas of particular interest, any changes in trend and so on. And then without any further ado we will go straight to Q&A. Chris, would that be all right?

Chris Low

Well, I'm going to give a little more strategic insight to what we are doing as well as.

Harry Waldemar Brown

That's perfect. Over to you, Chris. And when you've covered the ground you want to we can then move to Q&A. Thanks so much.

Chris Low

Okay. Good afternoon. Good morning, depending on where you are, and welcome to this investor presentation call. We did issue a pack, albeit very late. So I am referring to some slides when I talk, but I will try and visualise them for you as we go. I thought a bit of strategic update before the numbers would make sense and Colm can talk to the numbers so it's not just me for the talk. Basically in a nutshell we are pleased that we've had good underlying growth with profitability and continuing good shareholder returns. Basically the underlying growth rate in constant exchange rates was about an 8% profit before tax increase. We have changed and tightened up our methodology on provisioning which has brought that underlying growth down. And we've taken quite a hefty hit on foreign exchange, around P76 million. So year on year we look pretty flat on a reported basis, but there is underlying growth of nearly double digits and we've exceeded the magic P1 billion figure in this market.

If I can just touch on the foreign exchange impact, clearly operating in emerging markets in our case across now ten African countries foreign exchange currency fluctuation is part of business as usual. It has been, as we all know, rather more volatile in many countries across our footprint this year. But we have got a number of actions that we've already taken and are in place to ensure that we do manage this to the extent possible. We've got now a medium-term note programme in meticais in Mozambique. We have increased our funding in local currency wherever possible. And we introduced in 2015 a central ALM asset liability management function to help us see opportunities for hedging and getting best prices from banks etc. It's ongoing but it has hit our results in 2015.

From a loans and advances perspective our book has grown by around 14%. Some of that growth is obviously through the acquisitions in Nigeria and Tanzania. But Botswana and Kenya remain our largest absolute growth numbers. Botswana grew around P140 million net. And Kenya through its micro finance business has grown over P200 million during the year.

The next slide broken down as you've seen before the loan book by country. What is pleasing to see is improved market shares in Mozambique and Namibia. In Botswana we've suffered from the banks entering our space quite heavily in the last six months of the year. So we have lost a little bit of market share. But we still overall increased our bottom line in Botswana by 7% which we are very pleased about when most of the banks are seeing shrinking profitability. The same slide also gives you a breakdown of our traditional payroll business which remains 89% of our total book. And it shows you overall loan growth at 14% as I mentioned, but in underlying terms by country which comes out at 18%.

The next slide on micro finance shows that we continue to grow at a fast pace. Kenya grew at 110% from a loan book growth perspective year on year and Rwanda at 62%. Uganda this year did not do as well. They went through some tough periods around the deduction code with a dispute between the Minister of Finance and public servants. That is now behind us so we are more positive about the outlook going forward. Overall that gives continued diversification of revenues and profits. So we have shown on this slide 2010 versus 2015. Botswana contributed 71% of revenues in 2010. It is now only contributing 36% with Namibia contributing 22% and Mozambique at 14%. From a profitability perspective again Botswana has dropped from 86% down to 38% with Namibia at 27% and Mozambique at 15%. So our diversification strategy continues to give us a much better balanced portfolio and as we grow the Tanzanian business and the Nigerian business over the next few years I think we will end up with quite a nice, balanced portfolio across East, West and Southern Africa.

Briefly touching on the two acquisitions in the period, we closed both after quite a long regulatory approval period. Advans Bank Tanzania where we issued new equity to give us a 75% shareholding closed at the end of November. And we are already starting to see the benefits of that acquisition. Parts of the acquisition approval involved registering FAIDIKA, our existing business at 45,000 customers as a third-party agent of the bank which enables us to use our footprint of over 100 points of access in Tanzania to originate business for the bank as well as to be documentary receiving sites and marketing platforms. We have converted so far two out of the proposed five FAIDIKA branches into banking branches. There are obviously different compliance regulations around security and the like. And pleasingly Arusha is already seeing new deposit customers coming in and some conversion of existing borrowing-only clients into full service banking clients. The bank has added benefit in that it has ATMs, it has a mobile banking offering, and with FAIDIKA as an agent it has in effect jumped straight to a full access service provider in Tanzania. We have recently appointed a new Tanzanian CEO as well.

Nigeria closed effectively 31st December so we've got the balance sheet consolidated but obviously not the P&L. This is an exciting entrance for us to a new market in the largest economy in Africa. And by buying FBN First Bank's business we believe it is a prudent way in, in that the nature of FBN means that there is reasonable attention to governance and management. Secondly, they have a footprint that covers most of Lagos State and a branch in Abuja. There are 28 branches in all and around 320 staff. It is profitable and it has a national license which will enable us to move into whichever state we wish to do business in. Clearly though our initial focus, which has been ongoing since we signed the share purchase agreement, is to reengineer the business and to put considerable focus into growing the balance sheet. The business has trodden water for a little over a year and we have seen a need to strengthen management. We have installed our micro finance partners. They have got the Chief Risk Officer and the Chief Operating Officer roles today. And indeed the CRO is deputising the temporary CEO until we complete hiring of a new CEO.

Moving to the second of our strategic imperatives, financial inclusion, there is the classic triangle that we show investors on a regular basis. With the acquisition of Nigeria we now have over 100,000 deposit customers. There is still a relatively small balance from them, but we have four out of our ten countries with deposit licenses now and a Namibian license still moving ahead from a provisional through to a full license hopefully in the first half of this year.

We are also very pleased – and there will be a press release early next week – to have been invited by the Alliance for Financial Inclusion to join their global network of financial policymakers. There are around 90 countries that are part of AFI, as it is known, and primarily regulators in government departments form their membership. We will be the fifth private member accepted into the alliance with the likes of GSMA, Visa and BBVA being other private members. So we are getting a place at the top table which will enable us to on one side share certain aspects of IP and the way we are digitising financial services to those that are financially excluded, and on the other side be able to seek changes to financial regulations that are a blockage to our strategy for financial inclusion.

There is another slide there I jumped over, but basically from a funders perspective it is quite important because the research we did from 2014 through to early 2015 shows that in most countries more than 50% of what we lend is used in an impactful way, so in effect for education, health, building or improving a home and for business. That is something that we are working more on because we recognise that we want to distance ourselves from the irresponsible lenders and from the pure consumer finance players. We want to be very much an impact financial service provider, and we have engaged a company called EBS in the last six months to help us build impact scorecards that we can measure progress on that front.

Very quickly just wrapping up on the strategy, two further areas which is, offering simple, appropriate and affordable solutions. We are in the process of launching our Let's Go account which will offer solutions packaged under Let's Pay, Let's Borrow, Let's Save and Let's Live. Those of you that have seen the slide pack will see a new logo and tag line. Today we have refreshed our brand and launched it. And this Let's Go account will be central to the way we offer services, whether that is over a mobile app, via USSD, call centre, third-party agents, cards etc. So the last point is access anytime, anywhere. We see that as very much a key part to the customer experience that we're building, to move from just a quick turnaround – which we are well known for, 24 to 48 hours approval of loans – we need to be ensuring that more of the needs of our customers are met. And in due course we need to anticipate their needs.

Finishing just on risk and leverage, we have contained our cost of risk to 2.3%. We have taken a harder stance on the methodology for provisioning this year. That is not reflecting a material deterioration in the quality of our book, but moving away from the traditional recency concept whereby as long as you have paid us within the last 90 days you are performing to one where we provide if you are 30 days in arrears, 60 days in arrears or 90 days in arrears. We are still using both because there are some markets where there are systemic issues around when salary deductions are paid over to us. But that has increased our overall provisioning. We feel at this stage that given our impairment provision is sitting at around P250 million of a book of P6.3 billion that really is not material from a macro and consumer finance perspective.

Lastly on our funding and our debt equity profile, we increased our borrowings year on year by some 43% with a continuing good mix of commercial banks, development funding, we introduced commercial paper and our medium-term note. In December we had a refinancing of our Rand medium-term note and we were in effect able to issue new notes as part of that, so we raised additional debt funding through the medium-term note programme. That leaves our debt equity at 66% and our target remains 1:1 or 100%. And we were also able to slightly reduce our cost of funding from 11.3% to 10.5%. Obviously in a rising global and local IR interest rate global and local environment holding that cost of debt to 10.5% I think is going

	to be a challenge. But we are through the central ALM function I mentioned earlier on very focussed on holding interest rate rises in line with market developments.
	So overall a good set of results. I'm going to hand to Colm just to wrap up on some key headlines with the pure financials. Difficult conditions in 2015. We are pleased with the good results that Colm is just about to run through. Over to you, Colm.
Colm Patterson	Chris, thank you, and good afternoon to everybody or morning to everybody. I will just touch on a few points. Overall we had a good growth in loans and advances to customers. We had 14% increase in real terms and 18% in local currencies. We continue to enter new countries and diversify. Revenues for the year was more than P2 billion for the first time. That was a significant milestone for us. In a very competitive environment for the second year in a row we've been able to keep our margins reasonably steady, which again was a good achievement in a really competitive market.
	From an efficiency perspective we kept the cost to income ratio consistent with last year at 29%, and that's despite the investment that has been made in the business in terms of people, in terms of infrastructure etc. so our overall level of income grew more than our cost, which is an internal target for us.
	Asset quality remains within our target levels, so while we are looking for growth we are only looking for good-quality growth. So that remains. And from a capital position the balance sheet remains strong. We've taken steps to address the overall level of capitalisation with the increase in debt during the year. We remain with a good, strong balance sheet, strong cash reserves of over $50 million at the end of the year, a strong pipeline for new funding lines and we maintain the dividend pay-out ratio at 50% of profit before tax, which gives a dividend yield of approximately 6% per year. With that I think we would hand back to the operator for questions.
Operator	Thank you. Ladies and gentlemen, at this time if you would like to ask a question please press star then one. To ask a question please press star then one. We will pause to see if there are any questions.
Harry Waldemar Brown	Operator, it is Harry here. Perhaps I could just start things rolling. Colm, could you talk about the increase in the cost of overdrafts and term loans, I think was the definition in the P&L, which seemed to be up sharply year on year.
Colm Patterson	Harry, thanks. We did increase the number of facilities and the quantum of facilities that we have with commercial banks during the year. It was a slightly mixed bag. Botswana was slightly different to the rest of the countries whereby interest rates reduced during 2015, although there was a bit of a hiccup between the banks and the central bank. From a Botswana perspective we maintained our funding lines, but we have introduced a few from reverse enquiries onto our local note programme. So that assisted with the overall blended cost of funding reducing slightly during the year. But from our perspective it is looking at all of our different funding sources and looking to grow and diversify them all while trying to keep the overall blended cost as close as possible to current levels in the short term.
Operator	Mr Waldemar Brown, we do have a question from the telephone audience.
Harry Waldemar Brown	That's okay. Brilliant.
Operator	Thank you. The question comes from Sharat Dua of Charlemagne Capital. Please go ahead.
Sharat Dua	Thanks. Hi guys. Thank you for your time today. I haven't got the presentation in front of me yet, so apologies for that, but I just wanted to get a bit more detail on the asset quality. You talked about change in methodology, not a material deterioration, but if you could give a bit

	more colour to what you're actually seeing in the key markets from an asset quality perspective that would be appreciated.
Colm Patterson	Sure. Thanks a million. I think what we've decided to do and what we've taken the first steps on is to adjust our existing provisioning and impairment methodology to make it a little bit more conservative. So we have started that process. The underlying asset quality in all of our books is in line with what our expectations are that we've communicated previously, which would be for payroll lending between 1% and 3% per annum and for the micro finance between 3% and 6%. So all of our businesses are in line with that with the exception of Rwanda which is slightly higher than that guidance, which is something that we are looking at and working on. So really for us the underlying credit quality is in line with what our expectations are and we are just being slightly more conservative and prudent on the estimates and judgements that make up the overall provisioning process.
Sharat Dua	Okay. Thanks. And just following on from that in terms of your appetite for risk, can you comment on whether you are turning down more applications than previously? Are you receiving few applications? How is the current environment in the established markets affecting that side of the growth in the balance sheet?
Colm Patterson	There hasn't been any significant change. I think if anything in Botswana, our main market, the commercial banks have been in our space for a long time but are getting even more aggressive, if you can put it that way. So that's business as usual from our perspective. The level of applications, the number of acceptance or decline rate, there hasn't been any significant difference from prior years.
Sharat Dua	Okay. Thanks.
Operator	Thank you. Ladies and gentlemen, a reminder if you would like to ask a question please press star then one. Our next question is from Chris Stewart from Investec. Please go ahead.
Chris Stewart	Good afternoon gentlemen. Thank you very much for the time. Just a quick one from my side. I believe, Chris, you mentioned in your opening speech that you had had a P77 million impact to the P&L as a result of currency. I presume that is a result of currency translation back into Pula of the attributable profit from some of the other operating jurisdictions. Maybe you can just clarify that. And I guess the second point is a question around the foreign currency translation losses booked through equity of P283 million. Maybe you could unpack that a little bit for us. I presume that's the mark to market of NAV back into Pula of the various underlying subsidiaries. Maybe just where the bulk of that arose from and whether there are any options to try and mitigate those impacts going forward. Thanks.
Chris Low	Okay. Principally the answer is yes and yes. But Colm can give you a little bit more detail around the P&L impact and the retained earnings impact.
Colm Patterson	Chris, thank you. So really from the P&L and from the balance sheet perspective the two currencies that depreciated against the Pula during 2015 was the South African Rand, which is also linked to the Namibian Dollar, the Swaziland currency and the Lesotho currency, and the Mozambique Meticais. So those depreciating currencies were the main drivers of the P&L and the foreign currency translation reserve. Going forward what we're looking to do is with the introduction of new local currency funding lines that we've got in our pipeline for either Q1 or Q2 this year we should be able to close off the open loans additions that have a direct P&L impact. The balance sheet is a longer exercise because that will involve moving capital out of the subsidiaries and into the HoldCo which is on our agenda and which we've started in terms of the dividend flow from some of the subsidiaries. But there are tax considerations around that that we would like to manage as well. On the P&L we've got some short-term gains that we can do. On the balance sheet it is very much on our radar,

	but that will take a bit longer to address the more structural aspects in terms of where the capital is across the business.
Chris Stewart	Just to follow up on that perhaps, just to help me understand, if you're going to start taking deposits and offering slightly broader transactional banking services in-country is there the opportunity to actually remove capital from country and if you like return it to head office? That's a horrible term, but return it back to Botswana to manage the Pula risk? Or are you going to need to sit with a regulatory minimum capital balance in-country which may prevent you from doing that sort of activity?
Colm Patterson	We would already have, certainly in Namibia and Mozambique, our two largest countries, excess capital if you like in terms of what the regulatory requirements are. So yes, your comment is really valid, but we do have headroom to be able to do something.
Chris Stewart	Okay. So you will be able to pull some of it back, leave some of it there, and as and when required potentially inject additional capital or even better try to raise some other form of capital in-country to manage the currency risk that way?
Colm Patterson	Absolutely. Absolutely.
Chris Stewart	All right. Good. Thank you. Thanks very much.
Operator	Thank you. Our next question is from Deborah Muriuki of African Alliance. Please go ahead.
Deborah Muriuki	Thank you for the call. My question is on the Namibian provisional license. You did mention that the conversion of the provisional license in Namibia is still subject to finalisation of certain conditions of the Bank of Namibia. My question is will the costs associated with that be significant; alternatively what is your guidance for your cost to income ratio?
Chris Low	Okay. Thank you for that. We have I think six total conditions that we have to comply with, three of which were primarily as a result in delays on the Bank of Namibia's part to agreeing our organisational structure. In Namibia we are required to impose a holding company above the bank. And we have always wanted to keep the payroll book separate to the banking activities. In the end we reached a compromise that we will split it on a 60/40 basis, the reason being that the maximum interest rate you can charge as a bank versus a micro lender is a little lower. The other conditions are also relatively simple to meet. Registration of the new entities, because until we have the regulatory approval we couldn't move those forward. Operationally we are all but ready to go live and we're looking for a final supervisory audit in April which would enable us to exercise the provisional license and convert it to a forma commercial license by July.
Deborah Muriuki	Thank you.
Operator	Thank you. We have a follow-up question from Sharat Dua. Please go ahead.
Sharat Dua	Thanks. A few factual questions guys. First up, why are these results not audited this time?
Colm Patterson	Sharat, the requirement is that the full set of statutory financial statements would be complete and signed. So what we have done is that they have been reviewed by the external auditors based on a condensed set of financial statements. The figures won't change. All that will change is that we thought it prudent given that we changed external auditors last year and for them to go through the disclosure process we felt it prudent to leave a little bit more time for that. So the figures themselves won't change. You can check that yourself when the annual report comes out. Sorry, that was a long-winded answer but that's the reason.

Sharat Dua	All right. Thanks. Secondly, I don't think I see anything in the results, but did you do any share buybacks in the last year?
Colm Patterson	Sharat, the answer is no. We got the approval from shareholders at the AGM in May. We were trading under a cautionary from March/April last year up until mid-December 2015. So the reality was that we were in a closed period and the approval that we had did not allow us to trade in shares. So no, we did not do anything last year really for that reason. And it remains on our agenda, and as included in the commentary. Certainly around the funding pipeline and funding available it remains on our agenda, but we were prevented from doing anything last year due to the fact of being in a closed period.
Sharat Dua	And does the approval from last year still hold or do you need to get approval again this time around at the AGM?
Colm Patterson	The approval is good up until May 2016 and that will be on the agenda for the AGM in May 2016.
Sharat Dua	All right. Thanks, Colm. Lastly I suppose on the two acquisitions could you give us a number of how much of the loan book is made up of these two acquisitions, and a bit more colour now that you've got them what we see inside these businesses in Nigeria in particular. In the current environment obviously I would feel very nervous about that. If you could talk a little bit about the quality of book that you think you've bought.
Chris Low	Okay. Nigeria is a P70 million book net, and Advans is about a P49 million. So it is about P120 million of P6.3 billion, so really not that material. And that really links back to the prudent approach we believe we are taking in entering these two markets. We didn't want to buy a massive book with potentially large amounts of unprovided or dubious-quality assets. In Nigeria the sales price was in Naira and we have got our capital import certificate or whatever it is called, certificate of capital imports, CCI document for our investment which is a very critical part of investing into Nigeria. And basically work to date as part of the transition and integration has shown that we have a very capable but unloved workforce. They seem to be rising very favourably to our investment in credit sales and credit risk management training that our micro finance partners are rolling out there. They have a reasonable – I'm not going to say good – micro finance technology platform. But again that has been untouched for a while so we have to make some changes there if we wish to diversify the product range. And they have a good working relationship with their parent. That is part of the negotiations. We will continue under a transitional agreement to use their services until we are in a position where we can cut ourselves fully free. Now, we don't want to rush to do that because obviously the brand value of FBN is important. We will have to rebrand by August as part of the sales agreement, but we are quietly confident that we have bought an asset that over the next few years will give us a very good platform to not only further expand within Lagos State, but as I indicated the national license will allow us to grow into other economic zones within Nigeria. Yes, it's an uncomfortable ride with the threat of devaluation and the oil price there, but that to be honest isn't really trickling down too much to the segments of the economy in which we are operating. If anything a lower oil price will reduce their costs of energy and they will have more spending power in the simplest terms. So at this stage we are quietly confident we've made an entry possibly to say it is a long-term strategy evaluation but at the end of the day you can hang around and never get the timing right. So we've got it at a reasonable price. We have acquired a good asset that is much aligned with our strategy, and now we need to transform it into part of the Letshego family.
Sharat Dua	Thank you very much. That's helpful.

Operator	Thank you. Mr Waldemar Brown, there are no further questions. Would you like to make some closing comments or have any questions?
Harry Waldemar Brown	Thanks, Ari. No, I certainly have a couple of questions. Colm, can you tell us about conditions in Mozambique? Clearly the country is under the cosh a little bit at the moment. Inflation is running, rates are being hiked in response and there is the prospect of austerity after the fiscal indiscipline of the last lot. Mozambique is a very significant part of the loan book. Can you guide us, give us some sense about how conditions look there to you?
Chris Low	Well, as you might imagine with your introduction they don't look rosy. There are clear challenges and we are raising our interest rates in line with the economic tightening that is being imposed. Also with the central part of the country seeing further, how do I describe it politely? Disruption, instability that clearly is forcing us to cut back our sales activity in that part of the country. But in the totality of our Mozambican operations we continue to grow quite nicely as a result of sharing. The underlying growth rate in Mozambique was 20% in the balance sheet last year with an increasing market share that is now 20% of government employees. That is being threatened by the banks looking to get deduction codes, but our partnership with the third MNO there we hope that by the second half of this year will be converted into a number of new revenue streams. They have a customer base in excess of 5 million customers and we have an MOU to work with them, over and above being their trust bank for their mobile wallet. So what shall I say? A volatile environment, but business continues to grow quite nicely and the government has actually made a number of moves to digitise its payroll, which in turn has improved our collection rates there.
Harry Waldemar Brown	That's great, Chris. Thank you. You mentioned the competition in Botswana is stiffening. Can you tell us what that looks like on the ground? Is it visible that banks are making public forays into your areas of operation? Are they being aggressive on price and volume? Are they increasing their available loan sizes and so on? Just give us a sense about how day to day that increased competition is expressing itself.
Chris Low	Okay. Where we see it is in what we call settlements in terms of the churn of our book. People have taken loans for five years and three to six months later they've moved on and they've gone to a competitor bank. That has been a very worrying development with overall settlement rates running at twice the levels that we feel comfortable with, in the 60% plus range. Banks are struggling to maintain their liquidity. That obviously doesn't affect us, but at the same time because they've got nowhere to place their liquidity they are making a number of offers into areas we previously thought they wouldn't go. We have recently seen FNB put in an executive loan scheme with Debswana which is doing prime plus 3% which is half the rate we have in the mining sector. We have got I would have thought compared to a bank a better appetite in the mining sector than they might, but they've gone in there. They have got a lot more conditions which will make it harder for someone to qualify, but at the same time it's an unwelcome development, if I can put it like that. As to size and tenure they are offering quite a standard level of unsecured loans. It is now possible to get P450,000 or $45,000 unsecured loans through a few banks on a six-year repayment profile. We do not think that is sensible lending practise, so we have not joined them at this stage.
Harry Waldemar Brown	Okay. Thank you. That was very thorough and we really appreciate the detail. Lastly, Colm, on the impairments it's good to hear that stricter rules are in place. Without those stricter rules is it possible to tell us pro forma what would have happened to impairments? So like for like with no change to your structural approach.
Colm Patterson	Yes, Harry. The impact of being a little bit more conservative in terms of our provisioning methodology was P30 million increase in our charge for the year.
Harry Waldemar Brown	Which pretty much accounts for all of the year on year change, am I right?

Colm Patterson	To an extent. Not fully, but to an extent.
Harry Waldemar Brown	It was P39 million, the change year on year. So P30 million is about three quarters.
Colm Patterson	Yes.
Harry Waldemar Brown	Cool. Thank you. Ari, any more questions in the queue?
Operator	There are no further questions from the telephone conference.
Harry Waldemar Brown	Okay. If I may, something which is an understandably popular topic when we look at Letshego is the political status of payroll lending and whether there is any structural risk to it as a concept over time. As you've mentioned in your preamble, Chris, the company does a lot of work with policymakers and so on. Could you elaborate a little bit on that, just to address this idea that payroll lending may at some point become politically unpopular or at some point will fall out of favour with policymakers? Could you put that into some context for us?
Chris Low	I think where it falls out of favour – this is taking a long-term view – is where people perceive the yields versus the costs of risk being excessive. And so it becomes popular from time to time for governments to reconsider the whole deduction scenario. And we've had discussions with them around should the number of deduction codes be limited, should there be no deduction code, should certain types of entity qualify for a deduction code. And we have tried to paint the picture of the consequences of abolishing it. In simplest terms it will put a lot of government employees in a position where they have to borrow from unregulated and potentially unscrupulous lenders who will not focus on affordability criteria, which is where we start as a responsible lender. And that stress in turn will feed through to productivity levels etc. in the workplace. So from a government perspective, take Namibia where there is only 500,000 people in the formal employment sector where 100,000 people are government employees, that is going to have quite a big impact on both the economy as a whole if there are a lot of people who are stressed financially through these corner shop lenders, as well as put pressure on the government's ability to operate. So generally that is well received. From our side clearly we do keep engaged around the area because that threat is always going to be there in some form. We consider it a low to medium risk, partially because we have taken a number of mitigating actions. The most obvious one is to obtain deposit licenses and try and convert our customers to becoming full service customers. But in the interim you cannot get a loan without a direct debit mandate, so we have alternative recourse should a customer move on from the government and therefore not pay through the deduction methodology. And we also have written agreements with the government for example in Mozambique whereby even if they were to remove the deduction code there would be a period of three years in Mozambique where it is tapered down, so we would have very limited exposure to existing loan business. Clearly new business becomes an issue, but existing business is not a threat. I will pause. I don't know whether I have addressed a number of the angles. It is quite an interesting area, one that we do get asked quite a lot of questions about, but one which we have thought through quite carefully as to the multiple options for mitigating the risk should it ever come about.
Harry Waldemar Brown	No, that's good, Chris. Thank you. Ari, any final questions?
Operator	No further questions.
Harry Waldemar Brown	Okay. Tell us a little bit if you can about the debt raising in December. What was the appetite like out there amongst the debt community?

Colm Patterson	Harry, we had the first large chunk of the Rand note programme matured in December, R475 million principally from south African based investors, although there were a few international ones. And we were pleasantly surprised that the investors bought into and understood the Letshego story and we were able to differentiate it from other purely South African issues. So we were able to raise an additional R180 million at the three to four year level. It did cost a little bit more, but that was expected given the rise in interest rates in the South African market. So from our perspective we were very pleased that there was an understanding of the Letshego story. There was continued support and appetite for Letshego debt and we were able to get that away in early December at levels of three to four years which from a maturity profile perspective was very much what we were looking for. So there has been as you know a negative sentiment in South Africa over the last year or so given certain events there. The fact that people understand Letshego and understand what we're about was quite satisfactory.
Harry Waldemar Brown	That's great. Thank you, Colm. And one last one, Chris. Just back to the more structural strategic picture, the DFIs, does their support for the business go on unchanged? Looking in your presentation there is some material there on social impact. I assume that's exactly what DFIs are looking for.
Chris Low	I mean we picked this up a while ago before my time even that they perceived payroll lending as non-impactful or non-productive, and therefore a number hesitated to lend to us because they'd been burnt with a previous similar organisation that pulled out of Africa. We have engaged EBS who are well known in this space of ESG reporting. They have now surveyed five of our countries. And we will be working to an impact scorecard where we can use relatively simple measurements to show that our lending is productive or impactful. And as we do that we will find a number of players that have held back in the past coming to the table. And hopefully a number of those players will offer us funding at either more attractive rates and where necessary we can hedge it, and/or in local currency which will help us for managing our foreign exchange risk. So it is an important plank to our strategy and we already within our pipeline, which hopefully we can report on at the half-year results, start to see some fairly major players move in as new funders.
Harry Waldemar Brown	That's great. And lastly from me – I think we will wrap up because you've been generous with your time, guys – in terms of forward looking statements and guidance for the new year what would you like to say?
Chris Low	We are confident that we have a clear plan for execution aligned with our financial inclusion agenda and we will continue to focus on growth, performance and shareholder return. But I can't give you anything less generic than that at this stage.
Harry Waldemar Brown	That was terrifically specific. Thanks, Chris. We appreciate that. Look, Ari, I think we will wrap up unless there is anybody still in the queue. And it remains for me to thank Chris, Colm and Boikanyo for being with us today. This call has been recorded. We will produce a transcript which will be available on request. Thank you everybody for joining us today.
Operator	Thank you. On behalf of Letshego and African Alliance Capital Markets that concludes today's call. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT