Letshego Group

FY 2019 Results Presentation

Returning to growth

Andrew F. Okai
Group Chief Executive
2 March 2020

Letshego

Key Messages

Our senior leadership team is largely in place

Solid 2019 Results

Our core business remains robust

Strategy continues to focus on diversification of funding base and solutions

We have commenced our journey to build a future organisation

Financial Highlights

Operational Highlights

Strategy Update

Financial highlights

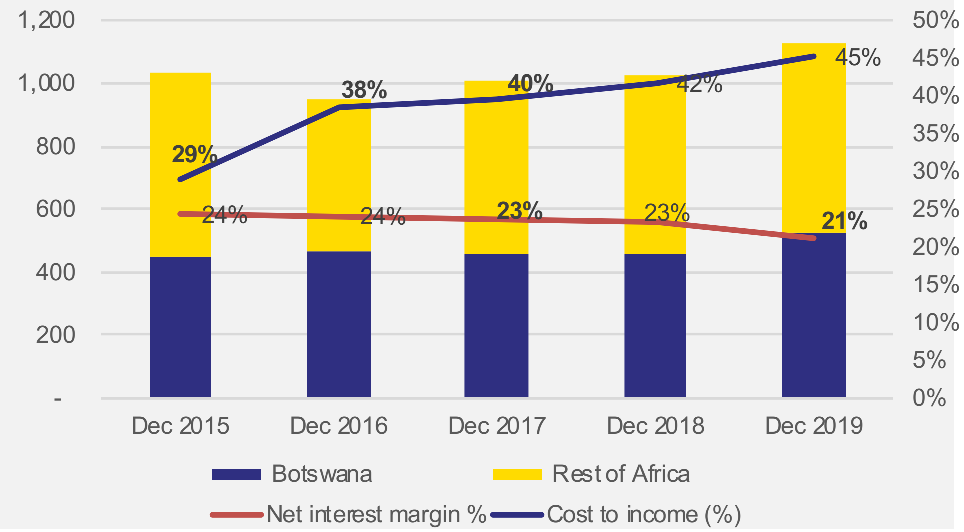
	FY 19	FY 18	% Change	
Interest Income (BWP bn)	3.0	2.7	9%	▲
Net Operating Income (BWPbn)	2.5	2.4	1%	▲
Credit loss (BWPmn)	169	361	(53)%	▲
Profit After Tax (BWPmn)	692	511	35%	▲
Cost to Income Ratio	45%	42%	3%	▼
Return on Equity	16%	12%	4%	▲
Total Assets	10.9	10.7	2%	▲
Capital Adequacy Ratio	36%	33%	3%	▲
Earnings Per Share (thebe)	29.2	20.7	41%	▲

Modest topline growth of the core business in 2019

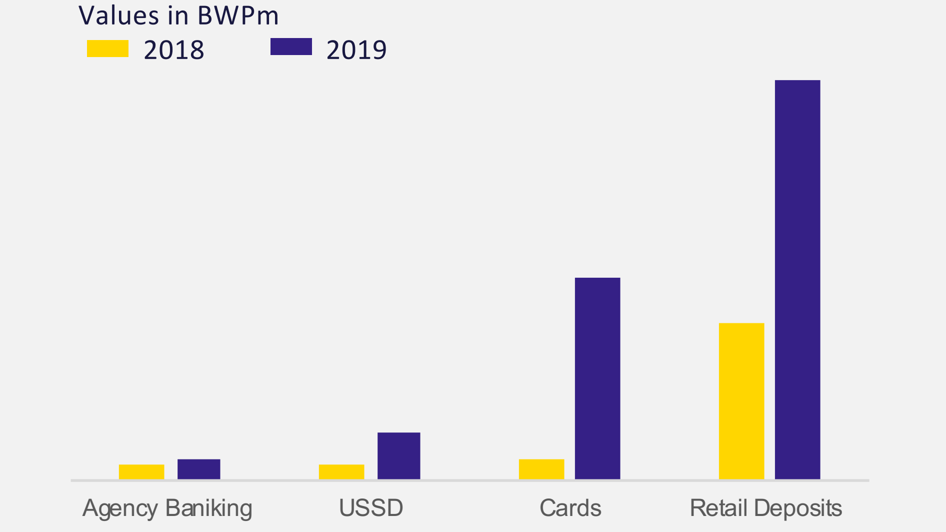
Overview of Operating Income

- Net interest income was up 1%, gross yields on loans to customers (including related credit insurance) dropped by 1%
- Borrowing costs increased by 42% - excluding IFRS adjustments on risk loans interest expense increased by 19% due to timing of refinancing and new facilities
- Operating expenses increased by 10% - this included Goodwill impairments of P38m and other impairments of P6m that are not expected to recur resulting in an increase of cost to income ratio to 45% (2018: 42%)
- Diversification of our funding and reduction of cost remain areas of focus
- There was significant growth in the volume and value of alternative digital channels

PBT , Cost to Income and Net Interest Margin



Growth in value of alternative channels & Retail deposits



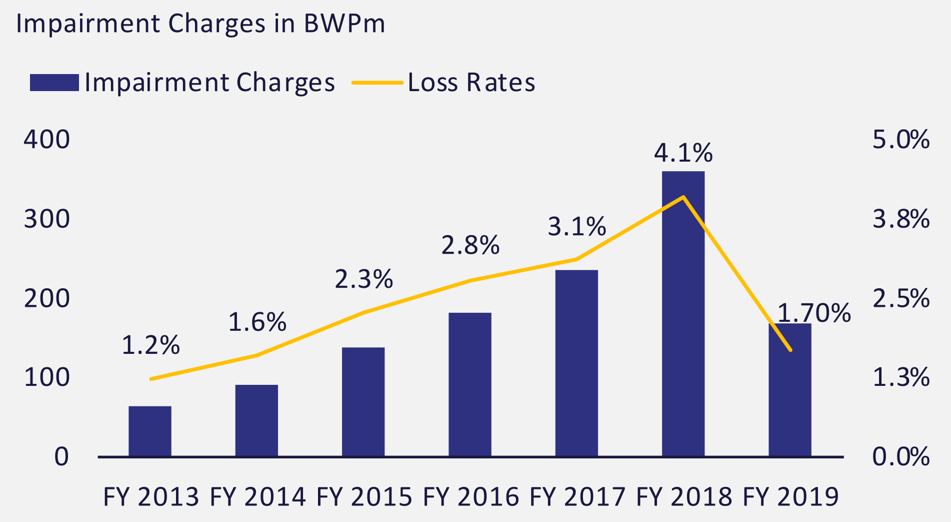
Underlying asset quality in key markets is within expected range

Asset Quality and Provisioning

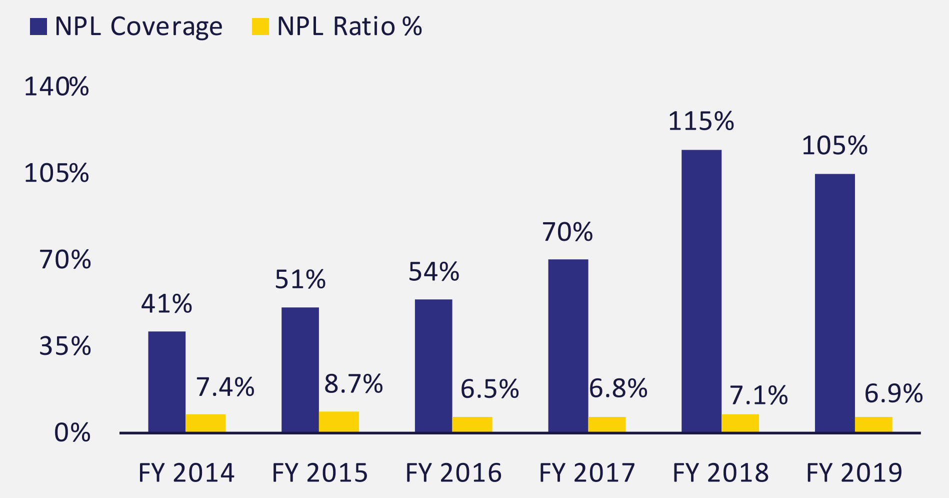
- The Group's cost of risk reduced from 4.1% (FY 2018) to 1.7% (FY 2019) on the back of tightening of affordability rules and focus on collections and recoveries
- Change in risk appetite and credit score cut off limits were introduced to address deterioration in mobile loan portfolio
- Certain one- offs did not reoccur in 2019
- Non Performing Loan Coverage Ratios have been maintained above 85% across all customer solutions
- We are fully compliant with IFRS 9 and we expect to conclude the automation of Credit scoring in 2020
- Recoveries experience continues to improve

Asset quality	2019	2018	2017
Portfolio at risk – 90 days	6.9%	7.1%	6.8%
Portfolio at risk – 30 days	10.0%	10.4%	9.9%
Loan loss rate – excluding once-off items	1.7%	2.0%	2.5%

Impairment Charges & Loss Rates



NPL Provision Adequacy



We continue to diversify our funding structure, and improve our asset and maturity profile

Letshego

Funding

- Rolled over/ refinanced 10 out of 12 maturing credit lines
- Put in place 4 new funding lines and, drew down USD89mn
- Issued ZAR100mn note under ZAR2.5BN/BWP2.5BN DMTN Programme
- Increased headroom under Security Sharing Agreement (SSA) to USD94mn (2018: USD45mn)

Deposit Mobilisation

- 50% of deposit book is retail deposits (2018: 17%)
- Mozambique continues to lead in deposit mobilization

Deferred Maturity profile

- BWP885mn or 18% of total external borrowing maturing in < 2022 (2018: 18%) (above 3 years)

Capital Adequacy

- CAR 2019: 36%, (2018: 33%)

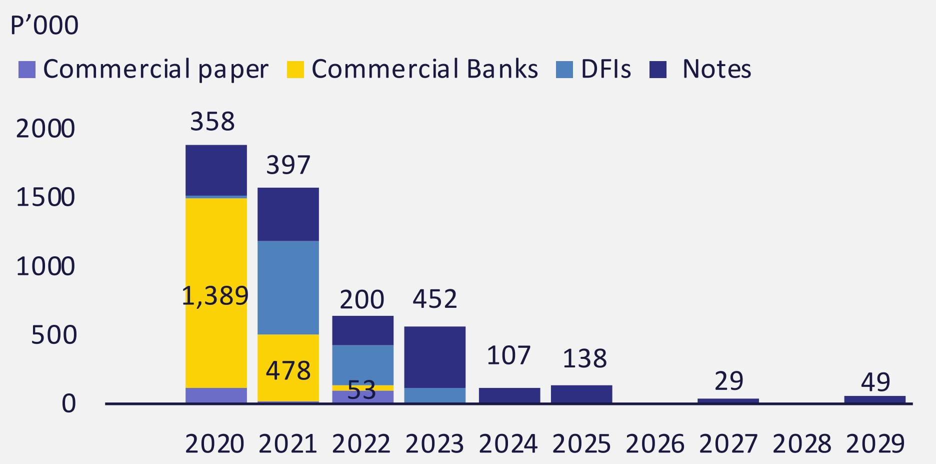
Credit Rating

- Ba3 (stable) outlook issuer rating affirmed by Moodys
- Ba2 Corporate Family Rating (CFR) assigned

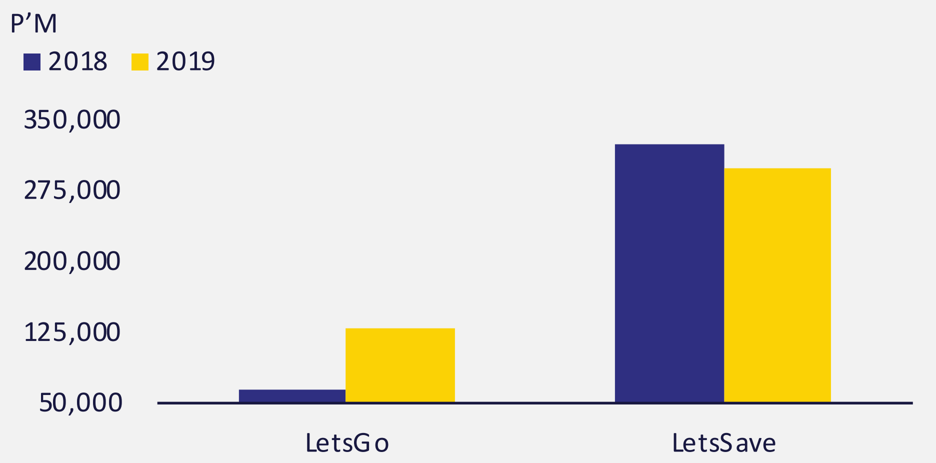
Liquidity Coverage Ratio

- 31% FY 2019, 79% FY 2018
- Cash reserves on hand +/- USD100mn

Maturity Profile – Funding Liabilities



Deposits – Mix and Growth



Maintained strong capital levels to support loan growth and buffer economic headwinds

Regulatory capital

- Group maintains a CAR which is higher than minimum regulatory capital requirements for regulated entities across all our operations

Higher capital vs ROE

- Letshego has historically been overcapitalised
- The Group continues to increase leverage to achieve a more optimal debt:equity ratio
- Long term target equity: total assets 30-35%

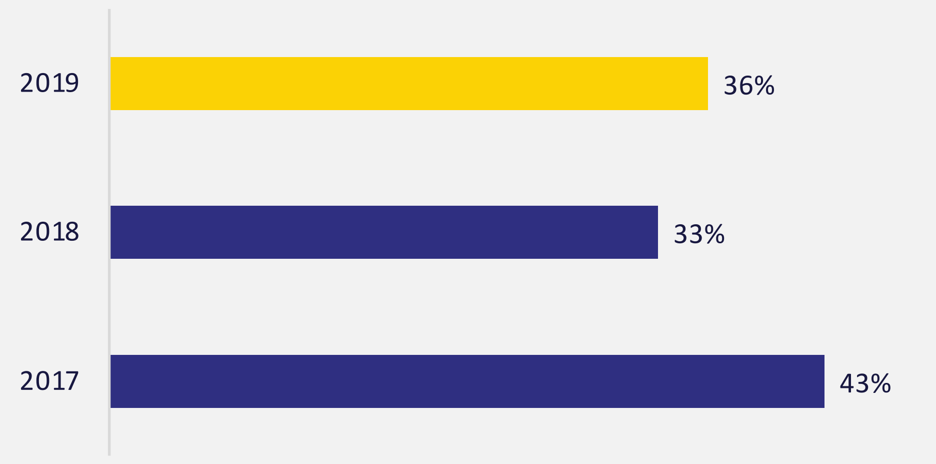
Dividend policy

- Dividend pay out ratio has been restored upward to 50% of PAT
- Dividend yield at 14%

Share buyback

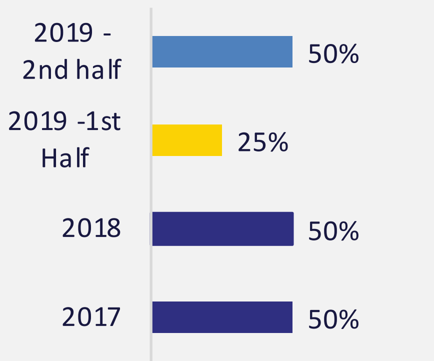
- Mandate renewed by Shareholders at AGM held on **24th June 2019.**

Capital Adequacy Ratio

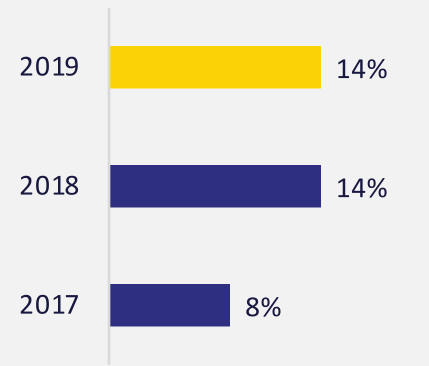


Dividend Policy

Dividend payout

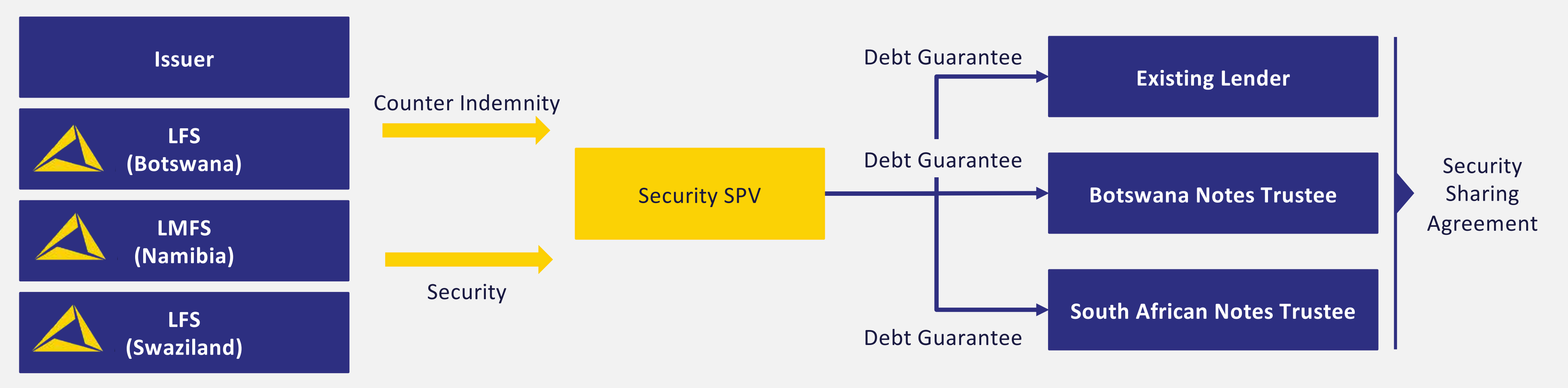


Dividend yield



Full compliance with all financial covenants / Security Sharing Agreement (SSA)

Debt Security Structure



LHL Financial Covenant Reporting for the MTN Bond Programme of Letshego Holdings Limited – LHL26, 27,28,29

	Covenant	Position as at Dec 31, 2017				Position as at Dec 31, 2018				Position as Dec 31, 2019			
					LHL				LHL				LHL
Bad Debts Ratio	10%	1%	1%	1%	n/a	2%	1%	1%	n/a	0.8%	0.3%	0.8%	n/a
Cash Collection Ratio	>85%	97%	96%	96%	n/a	98%	94%	99%	n/a	98%	99%	91%	n/a
Capitalisation Ratio	>30%	n/a	n/a	n/a	52%	n/a	n/a	n/a	42%	n/a	n/a	n/a	46%
Secured Property Ratio	<67%	n/a	n/a	n/a	49%	n/a	n/a	n/a	51%	n/a	n/a	n/a	45%

Effective tax rate reduced to below 40%

Key drivers

Components of the effective tax rate

- The effective tax rate was 39% (2018: 50%), demonstrating progress towards the target range
- Further initiatives to optimise the Group's tax structure are being explored
- We expect to normalise over a two to three year period

Components of the effective tax rate

Components of the Effective Tax Rate	2019	2018	2017
Baseline tax charge	31.0%	32.0%	29.0%
Specific tax provision (East Africa)	-	4.0%	-
Inter Group tax costs	8.0%	14.0%	3.0%
Effective tax rate	39.0%	50.0%	32.0%

Group tax optimisation

Further tax optimisation measures to reduce the ETR will be explored

Focus will be on:

- Tax compliance and reporting
- Cashflow and repatriation / Group Treasury
- Tax audit management
- Transfer pricing Regulations
- Inter Group tax cost

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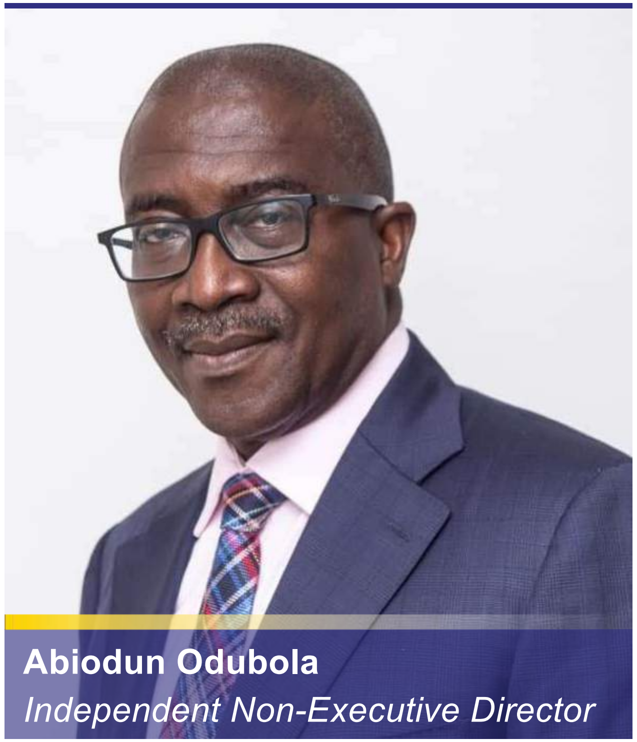
New Group Board members

Adding complimentary expertise in Fintech, Retail banking and Risk



Abiodun Odubola
Independent Non-Executive Director

- Chairperson of Risk Committee.
- Member of the Audit Committee

Philip Odera
Independent Non-Executive Director

- Member of the Audit Committee

Ronald Hoekman
Independent Non-Executive Director

- Member of Risk Committee.

Group Executives – New Appointments

Andrew Fening Okai
Group Chief Executive

Aupa Monyatsi
Group Chief Operating Officer

Gwen Muteiwa
Group Chief Finance Officer

Bella Dihutso
Group Credit Risk Officer

Mayokun Ajibade
Group Head of Treasury

Group Executives: Our existing team

Fredrick Mmelesi
Group Head Deduction at Source & Consumer Finance

Geoffrey Kitakule
Group Head SME & Secured lending & Saving mobilization

Mythri Sambasivan George
Group Chief Commercial Officer

Matshidiso Kimwanga
Acting Head of Risk, Legal and Compliance

Chipiliro Katundu
Group Head of Marketing & Customer Experience

Kamogelo Kausiwa
Group Head of Human Capital

Neville Perry
Group Head of Technology & Operations

Nkosana Ndlovu
Group Head of Audit

Operational highlights

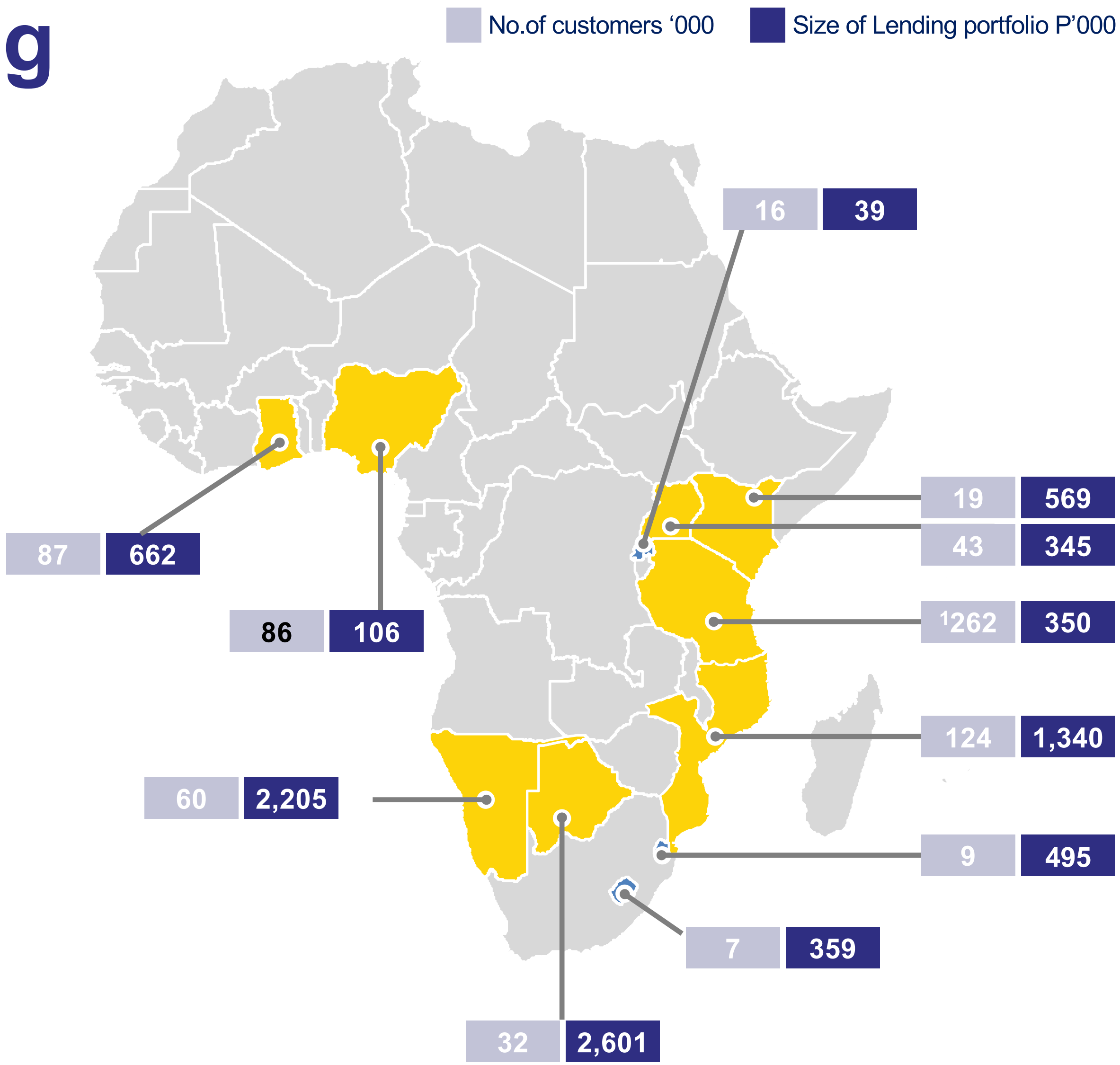
We are maintaining our Pan- African focus

11
Countries

1,863
Employees

343k
Borrowers

402k
Savers



1 Tanzania includes LBT and Faidika

2019 key developments

Letshego

Embracing financial inclusion

- Over 100,000 low value payment accounts opened in Mozambique
- First mobile lending solution launched with MNO partner in Eswatini.
- Over 342, 000 customers have opened LetsGo accounts across the group.

Growing the franchise

- Growth in DAS business in Botswana, Mozambique and Namibia
- Loan lead generation through USSD and Field App rolled out for improved efficiency
- Retail deposits was P215 million (2018: P85 million).
- Card transaction values increased to P110m (2018: P11m).

Enhancing customer experience

- Cards issued has increased to 15,579 (2018: 6,223)
- USSD registered users moved to 37,801(2018: 15,806)
- Registered agency banking customers increased to 20,500 (2018: 10,473)
- Total savings customers up to 402,298 (2018: 173,074)

Embedding future capability

- An overall credit loss rate of 1.7% for the year against 4.1% in 2018.
- YoY savings of P82m in 2019 against 2018 costs.
- The effective tax rate was 39% (2018: 50%)
- Winner of PWC award for '**Best Integrated Annual Report**' 2018

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Strategy Update

OUR PURPOSE: Improving Lives

Our strategy is tied to our purpose to improve lives and impact people, communities and economies.

Area of Focus	Customer impact …
Housing	Our loans help our customers build their dream house
Education	Our loans help our customers and their family members build a brighter future .
Youth Empowerment	Our loans help young entrepreneurs to grow their businesses and income

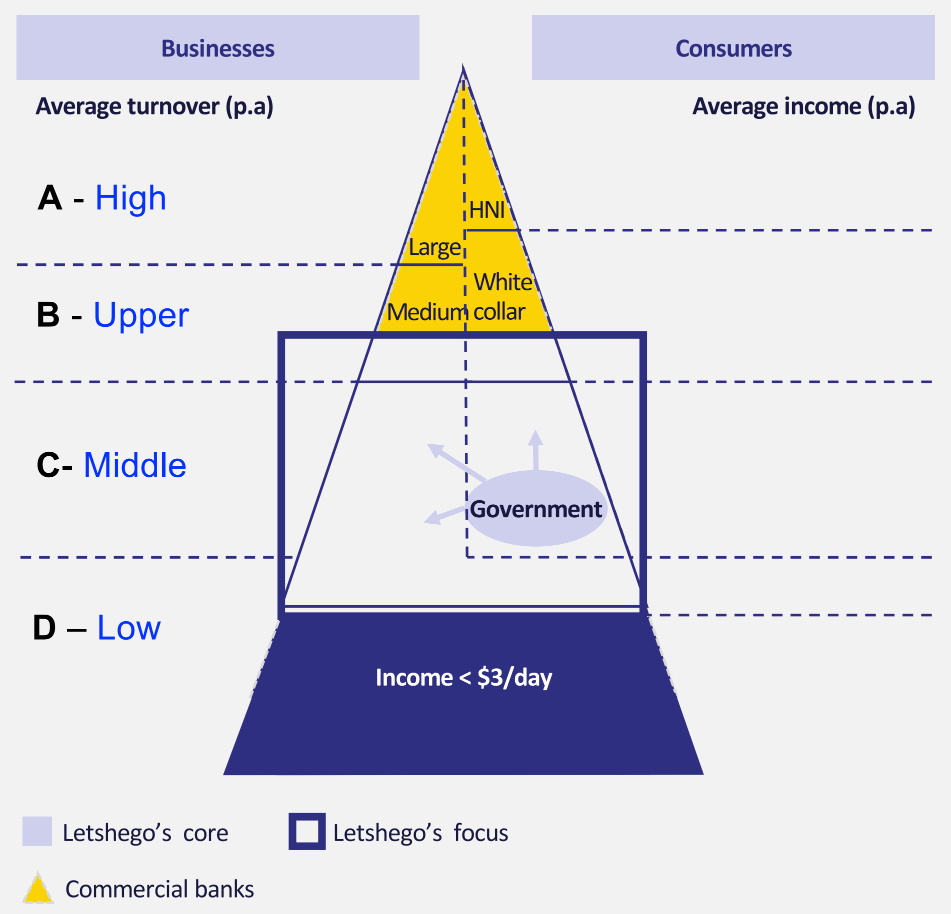
Lending, Savings and Transactions remain our core solutions

2018/19 Impact Report

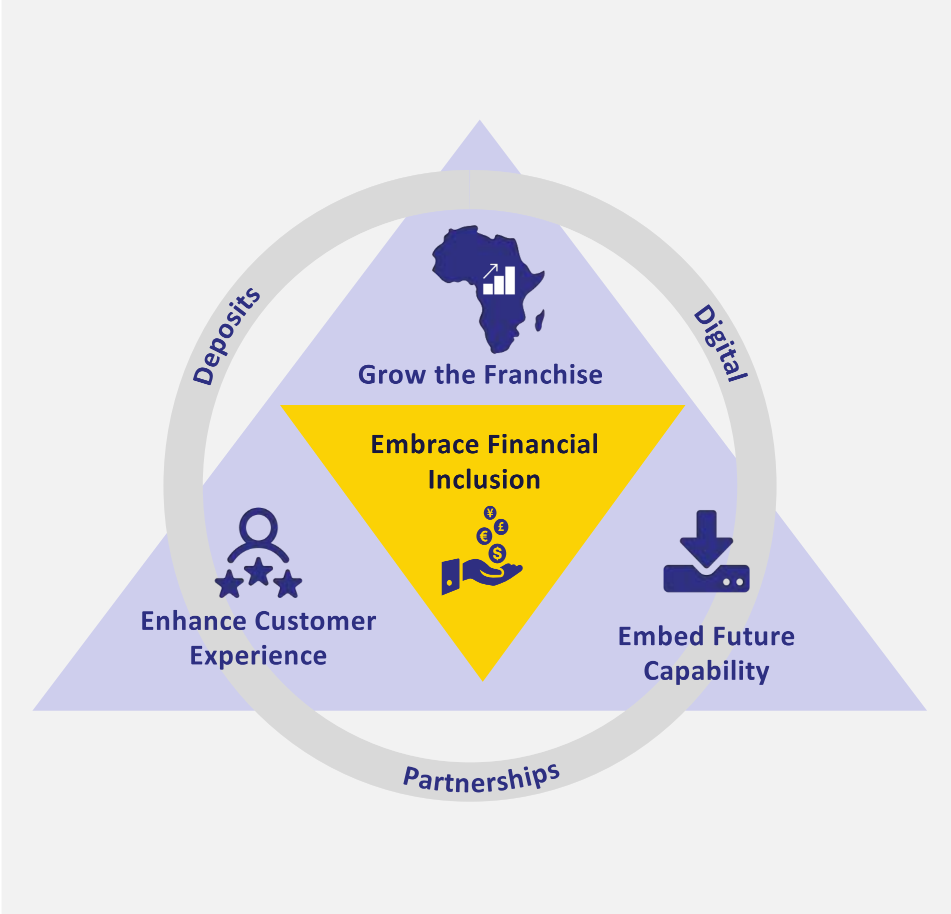
We produced our 1st Impact report 2018/ 2019 to start tracking our ESG objectives

Our strategy remains consistent

Customer base for Deduction at Source & MSE segments based on average income



Supporting the sustainability of our customers is embedded in our model



Our 6-2-5 Plan to "Return to growth"

Creating a world class Retail Financial services organisation

Short term: Leverage on our strengths to deepen impact

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

CREATE the future organisation

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

BECOME customer led

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

STRENGTHEN our foundation

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

PRODUCTIVITY OF SOLUTIONS — 6 Months

TRANSFORMATIVE TECHNOLOGIES — 2 Years

PLATFORM THINKING — 5 Years

Target and areas of focus

2020 Target areas of focus

- Top line growth in net advances to customers – minimum target 10%
- Cost to Income Ratio to remain flat
- Continuing momentum in Retail deposit mobilisation / Customer Conversion
  - Conversion of Borrowing customers to Depositing
  - Conversion from Physical to Digital channels
- Cost of Credit Risk anticipated in range from 1.7% to 2.5%
- Maintaining Dividend payout ratio of 50%

Strategy KPIs - Medium to Long term

- Link to our purpose of improving lives– Productive use of loans
- Number of Customers
- Percentage of Customers using alternative digital channels
- Financial – ROE of 20% plus
- Continued reduction in the Effective Tax Rate
- Impact from Innovation Hubs / Partnerships - Leveraging technology and strengthen our talent

Enablers

People

Technology

Funding

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