Letshego Holdings Limited
Building a leading African financial services group
Agenda – FY 2014 Results Presentation

“strong performance, growth, and returns to shareholders”

• Strategic Update
  – Grow the franchise
  – Building capabilities
  – Roll out of new operating model
  – Balance sheet management

• FY 2014 Results
  – Headline performance
  – Key financials
We have a clearly defined Vision and Strategy

**Strategic intent**
A leading African financial services group

**Brand promise**
Your preferred partner – committed to improving lives

**Uniqueness**

- **Simple**
  - Customer experience
    - “A unique offering”

- **Appropriate**
  - Innovation
    - “In everything we do”

- **Responsive**
  - Risk management
    - “An holistic approach”

- **Accessible**
  - People Commitment
    - “Where individuals make a difference and teams succeed”

- **Inclusive**
  - Stakeholder engagement
    - “Leveraging for value”

- **Ethical**

**Sustainable competitive advantages**

- **Simple**
- **Appropriate**
- **Responsive**
- **Accessible**
- **Inclusive**
- **Ethical**

**Stakeholders**

- Customers
- Government
- Regulators
- Staff
- Investors
- Communities

**Strategic Priorities**

- 2014
  - Grow the franchise
  - Build Capabilities
  - Implement a new operating model
  - Better leverage the balance sheet
  - Break-out options

- 2015

- 2016

“LHG of the future will offer simple, appropriate and inclusive solutions; flexible and convenient access; responsive and ethical credit; and support for the MSE owner to build his or her business – and all at a very low cost.”
We are focusing on three key segments

- Business (MSMEs)
  - >$15m >300 employees
  - $3m – $15m 50 – 300 employees
  - $100,000 – $3m 10 – 50 employees
  - <$100,000 <10 employees
- Personal (consumer)
  - >$2,000pm
  - $1,000 - $2,000pm
  - $100 - $1,000 pm
- Low income earners
  - Unemployed
  - Employed

## GTF - Our payroll business remains core

<table>
<thead>
<tr>
<th>Country</th>
<th>Current Loan book</th>
<th>Payroll</th>
<th>Non-payroll</th>
<th>% of Book</th>
<th>Loan growth from prior year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Loan book</td>
<td>5686</td>
<td>93%</td>
<td>7%</td>
<td>100%</td>
<td>28%</td>
</tr>
<tr>
<td>Payroll</td>
<td></td>
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<tr>
<td>Non-payroll</td>
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<tr>
<td>% of Book</td>
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</tr>
</tbody>
</table>

### Letshego’s current market penetration [prior year]

<table>
<thead>
<tr>
<th>Country</th>
<th>Current Loan book</th>
<th>Payroll</th>
<th>Non-payroll</th>
<th>% of Book</th>
<th>Loan growth from prior year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>2 005</td>
<td>99%</td>
<td>1%</td>
<td>35%</td>
<td>11%</td>
</tr>
<tr>
<td>Kenya</td>
<td>201</td>
<td>13%</td>
<td>87%</td>
<td>4%</td>
<td>139%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1 114</td>
<td>100%</td>
<td></td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Namibia</td>
<td>1 366</td>
<td>100%</td>
<td></td>
<td>24%</td>
<td>45%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>307</td>
<td>100%</td>
<td></td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>249</td>
<td>68%</td>
<td>32%</td>
<td>4%</td>
<td>25%</td>
</tr>
<tr>
<td>Swaziland</td>
<td>151</td>
<td>100%</td>
<td></td>
<td>3%</td>
<td>36%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>103</td>
<td></td>
<td>100%</td>
<td>2%</td>
<td>96%</td>
</tr>
<tr>
<td>Lesotho</td>
<td>190</td>
<td>100%</td>
<td></td>
<td>3%</td>
<td>103%</td>
</tr>
</tbody>
</table>

### Source

1. Letshego financials 2014  
2. Genesis Analytics Team Analysis, 2014
GTF - Microfinance operations growth has been strong

- **Group Lending loans**
  - Loans extended to business persons who lack traditional collateral

- **Individual or MSE loans**
  - Primary loan product (mostly secured)

- **Check-off (payroll) loans**
  - Targets employees working with both private and public companies
  - Payroll product limited to some individuals

- **School Fees loans**
  - Targets clients with school going children or dependants

- **Maji Nyumbani loans**
  - Assists individuals and communities to acquire water tanks and ensure water storage

- **Biogas**
  - Targets dairy farmers in Kenya

GTF - Microfinance operations growth has been strong

- **Kenya 139%**
- **Uganda 100%**
- **Rwanda 96%**
GTF - We have executed on diversification and exit

- Mozambique
- Tanzania
- Namibia

- Botswana
- Uganda
- Rwanda
- Swaziland
- Lesotho
- Kenya

- South Sudan

- Deposit mobilisation has gone live in Mozambique (February) and Rwanda (October)
- Namibia has been granted a provisional license
- Exit of Tujijenge operations finalised in October 2014
- Disposal of interest in South Sudan scheduled for completion in Q1 2015
BC - Our customer centric approach has increased the customer base by 11% to 265,265 customers.
BC - Our infrastructure investment has positioned us well for future growth

Core banking solution from TCS BaNCS

- Improved business flexibility
- Faster development
- Launch and distribution of products to market
- Easier access for customers

Single Multi-Functional Account
- Loan Accounts
- Savings Account
- Current Accounts
- Fixed Term Deposits
### Board Committees

<table>
<thead>
<tr>
<th>Main Board</th>
<th>Status - INED/NED/EXD</th>
<th>No of Committees of Membership</th>
<th>Main Board</th>
<th>Group Audit &amp; Risk Committee</th>
<th>Group HR Committee</th>
<th>Group Investment Committee</th>
<th>Group Nominations Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>J A Burbidge (Chairman of Main Board and GNC)</td>
<td>INED</td>
<td>1</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>C Low (Group Managing Director)</td>
<td>EXD</td>
<td>1</td>
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<tr>
<td>I M Mohammed</td>
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<td>4</td>
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<tr>
<td>G Hassam</td>
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<td>H Karuhanga</td>
<td>INED</td>
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<td>✓</td>
<td>✓</td>
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<td>✓</td>
</tr>
<tr>
<td>J de Kock</td>
<td>INED</td>
<td>2</td>
<td>✓</td>
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</tr>
</tbody>
</table>

**Summary of new composition**

<table>
<thead>
<tr>
<th>INED</th>
<th>5</th>
<th>3</th>
<th>2</th>
<th>2</th>
<th>3</th>
</tr>
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<tbody>
<tr>
<td>NED</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>EXD</td>
<td>1</td>
<td></td>
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</tbody>
</table>

**Key Terms**

- **INED**: Independent Non-Executive Director
- **NED**: Non-Executive Director
- **EXD**: Executive Director
- **C**: Chairman of Board/Committee
- **50/50 Balance to be addressed when new appointments agreed**
- **Compliant with King III**

**BC - Our governance processes are aligning with King III**
BC - Lethego’s credit rating was reaffirmed in an environment where financial services ratings were being down graded

![Moody's Rating](image)

**Issuer Rating**

- Stable
  - Ba3

**Ratings Drivers**

- Established niche
- Sound asset quality
- Diverse funding profile
- Good profitability and solid capitalisation

*Source: Moody’s Investors Service Credit Opinion December 2014*
OM - We are embedding the new operating model

**Group**

- Brand and marketing
- Payroll and microfinance expertise
- Central funding and foreign exchange management
- Governance and risk management
- Audit and assurance services
- Group will set policy, standards, procedures and control requirements.

**Country**

- Origination, distribution and service
- Local currency funding
- Central bank requirements will determine other in country support functions

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**Customer experience**
- Sales model adoption, initiative roll outs and standards implementation
- Cross sell
- Marketing and product launches
- Pricing
- Branch and alternative channel delivery management
- Brand

**Risk management**
- Credit and collections risk
- Local balance sheet and Liquidity risk
- Technology & Operations risk
- Vendor & outsourcing risk
- BCM/DR plans
- Premises and Security risk
- Health & Safety
- AMI/FTN and other financial crime risk
- Transformation execution risk

**People development**
- Recruitment
- Talent Development
- Training
- Attrition Management
- Reward and Compensation
- Diversity and Inclusion
- Performance management

**Stakeholder engagement**
- Customer relationship deepening
- Government relationships
- Regulator compliance
- Staff engagement and empowerment
- Investor and shareholder relations
- Community and CSR activities
- Reputation management
BSM - We have diversified our sources of funding and lowered our overall cost of funds

Principal Sources of Funding

- Commercial bank funding still an important part of core funding
- Number of relationship banks increased to 6
- Market conditions permitting there is capacity to issue more senior unsecured debt under BWP and ZAR DMTN
- Ongoing Private Placements under Mozambique DMTN
FY 2014 RESULTS PRESENTATION
We have delivered a strong set of results for 2014:

**Growth**
- Strong growth in loans and advances to customers
- Continued geographical diversification
- Continued diversification from payroll lending

**Revenue Mix**
- Overall increase in revenue
- Margins consistent with prior period
- Continued diversification of revenues

**Efficiency and Profitability**
- Return on assets remains very competitive
- Cost to income 29%
- EPS up 20%

**Asset Quality**
- Overall impairment charge within target levels
- Low cost of risk
- Growth in loan book has not compromised quality

**Capital and Liquidity**
- Continued strong capital adequacy ratio
- Cash reserves on hand of USD 30 million
- Debt to Equity increased to 47%

**Key Figures**
- Loans and advances: 28%
- Operating Income: 26%
- EPS: 20%
- Impairments: 2%
- Debt to Equity Ratio: 47%
All key metrics trends are positive