LETSHEGO HOLDINGS LIMITED
Building a leading African financial services group

FY 2015 Results Announcement
Agenda

Strategic Update
   Diversification
   Embracing financial inclusion
   Delivering simple, appropriate and affordable solutions
   Providing access, anytime, anywhere

FY 2015 Results
   Headline performance
   Key financials
Good underlying growth, profits and shareholder returns

Profit before tax

- 2014 Reported profit: 970
- 2014 Annualised profit: 1,058
- Profit growth: 8%
- NPL: -3%
- FX impact: -7%
- 2015 Reported profit: 1,036

Loans and advances

- 2014 Reported Gross Loan Book: 5,762
- 2015 Reported Gross Loan Book: 6,563
- Botswana: 219
- Kenya: 212
- Nigeria: 117
- Tanzania: 53
- Other: 109
### Strong growth of underlying regional loan portfolio

<table>
<thead>
<tr>
<th>Country</th>
<th>Government employees ('000)</th>
<th>Current Loan book USD mn</th>
<th>Payroll %</th>
<th>Non-payroll %</th>
<th>% of Book</th>
<th>Loan growth from prior period in BWP</th>
<th>Loan growth from prior period in local currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>21% 23%</td>
<td>181</td>
<td>194</td>
<td>100%</td>
<td>34%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Kenya</td>
<td>2%</td>
<td>700</td>
<td>36</td>
<td>30% 70%</td>
<td>6%</td>
<td>110%</td>
<td>93%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>20% 17%</td>
<td>300</td>
<td>96</td>
<td>100%</td>
<td>17%</td>
<td>-4%</td>
<td>20%</td>
</tr>
<tr>
<td>Namibia</td>
<td>56% 50%</td>
<td>100</td>
<td>126</td>
<td>100%</td>
<td>22%</td>
<td>-2%</td>
<td>19%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>9% 8%</td>
<td>500</td>
<td>36</td>
<td>88% 12%</td>
<td>6%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>N/A</td>
<td>300</td>
<td>26</td>
<td>60% 40%</td>
<td>5%</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>Swaziland</td>
<td>12% 13%</td>
<td>42</td>
<td>13</td>
<td>100%</td>
<td>2%</td>
<td>-5%</td>
<td>11%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>N/A</td>
<td>200</td>
<td>15</td>
<td>100%</td>
<td>3%</td>
<td>62%</td>
<td>42%</td>
</tr>
<tr>
<td>Lesotho</td>
<td>14% 12%</td>
<td>50</td>
<td>23</td>
<td>100%</td>
<td>4%</td>
<td>32%</td>
<td>46%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>N/A</td>
<td>3 400</td>
<td>6</td>
<td>100%</td>
<td>1%</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>571</strong></td>
<td><strong>89% 11% 100%</strong></td>
<td><strong>14% 18%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Micro finance operations also continue to perform well

Regional Presence

<table>
<thead>
<tr>
<th></th>
<th>Kenya</th>
<th>Uganda</th>
<th>Rwanda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total customers</td>
<td>23k ('14: 16k)</td>
<td>12k ('14: 13k)</td>
<td>3k ('14: 2k)</td>
</tr>
<tr>
<td>Current loan book (USD mn)</td>
<td>36</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Loan growth from prior year* (%)</td>
<td>110%</td>
<td>13%</td>
<td>62%</td>
</tr>
</tbody>
</table>

*local currency

Loan Overview

- **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 dependents

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

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

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Kenya
- # of customers: 23,952
- # of customer access points: 25
- # of FTE: 218

Uganda
- # of customers: 12,625
- # of customer access points: 45
- # of FTE: 213

Rwanda
- # of customers: 3,464
- # of customer access points: 8
- # of FTE: 94
Changes in contribution to revenues and profits are a direct result of the Group’s diversification strategy.

Proportion of revenue contribution by largest countries

<table>
<thead>
<tr>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>71%</td>
</tr>
<tr>
<td>Swaziland</td>
<td>12%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
</tbody>
</table>

Proportion of profit before tax by largest countries

<table>
<thead>
<tr>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>86%</td>
</tr>
<tr>
<td>Swaziland</td>
<td>6%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>
Entry into Nigeria gives Letshego a presence in Africa’s largest economy, while in Tanzania the deposit taking licence provides the ability to provide broader financial services.

**Business overview:**
- Microfinance Bank with a national license (1 of 7 in Nigeria)
- Deposit taking capabilities
- Scalable solution with room to expand
- Good reputation

**Critical success factors:**
- Successful transition from parent company
- Capable management team and people alignment

**Business overview:**
- Microfinance Bank with deposit taking capabilities
- Scalable solution with room to expand
- Technology and channel integration in place

**Critical success factors:**
- Capable management team and people alignment
- Fully exploited synergies with Faidika for cross sell over a national footprint
Embracing Financial inclusion is the cornerstone of Letshego’s strategic agenda

**Definition**

*delivery of financial services* at affordable costs to sections of disadvantaged and low/middle income segments of society

- Over 100,000 depositor customers
- We are using our deposit taking licences to facilitate money transfer, bill payment, remittance services, as well as providing borrowings for micro and small enterprises
- This approach involves entering into strategic partnerships with third party agents and mobile operators as well as intermediaries – in Kenya this practice is well established and in 2016 we will be rolling this out to other key markets
We have taken our pioneering role in embracing financial inclusion a step further

- Letshego awarded AFI partner status December 2015
- Over 90 countries and 110 regulators are AFI members
- Letshego will contribute its intellectual capital and capacity building in the areas of commercially sustainable microfinance, digital financial services and data measurement and trend identification
Early data shows positive social impact of payroll lending

- EBS Advisory appointed to conduct Environmental and Social Due Diligence to establish compliance against four international standards
- According to in-country market research five of nine countries scored 50% or more for productive lending
- Productive lending is defined as: business, home loan, working capital, education, insurance, asset-backed

% productive use of Letshego financing:

- Mozambique
- Uganda
- Kenya
- Rwanda
- Tanzania
- Namibia
- Lesotho
- Swaziland
- Botswana

0% 20% 40% 60% 80%
We have launched a pilot of mobile and internet banking in Mozambique.

**Today**
- Consumer lending
  - Government payroll
- Micro Finance
  - Group lending
  - MSE lending
  - Low income housing

**Deposit taking**
- Full service offering

**Tomorrow**

**Customer Segments**
- Government, Low/Middle Income employees, MSE

**Solutions**
- Mobile App
- Internet Banking
- Call Centre
- Cards
- 3rd party Agents
- Field Officers
- Branch
- LETSGO Account
  - LetsPay
  - LetsBorrow
  - LetsSave
  - LetsLive

**Table**

<table>
<thead>
<tr>
<th></th>
<th>Government Employees</th>
<th>Low / Middle Income Employees</th>
<th>MSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Service</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Access, Anywhere, Anytime)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle / Asset Finance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Education Loans</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Health Loans</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Agriculture Support Loans</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Supply Chain Financing</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Working Capital Loans</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Low Income Housing Loans</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Insurance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>(From Risk Management to Value Added Services)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Enhanced branch sales and direct sales models have been rolled out in several countries.

Customer Experience has to be integrated with responsible financing for development (Financial inclusion for MSEs).

The journey ahead to a marketing led organisation:
- Understanding our customers
- Delivering to their needs
- Customer Engagement
- Anticipating their needs
- Customer Experience
- Research
- Testing
- Customer focus
Modest cost of risk reflects the Group’s cautious approach to expansion of non-payroll products

- Impairment provision methodology continues to be strengthened resulting in an overall increase in provision levels and loan loss rate
- Overall loan book quality remains within risk appetite
- Strong risk mitigation with Comprehensive Credit Insurance Cover in Namibia, Mozambique and Swaziland further improving recovery experience in those markets

### Impairment provisions

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Loans</th>
<th>Impairment provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4,436</td>
<td>27</td>
</tr>
<tr>
<td>2014</td>
<td>5,687</td>
<td>75</td>
</tr>
<tr>
<td>2015</td>
<td>6,312</td>
<td>252</td>
</tr>
</tbody>
</table>

### Cost of risk

- Loan Loss rate
- Net Write-off %
- Impairment raised

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Loss rate</th>
<th>Net Write-off %</th>
<th>Impairment raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.0%</td>
<td>2.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td>2014</td>
<td>1.3%</td>
<td>1.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>2015</td>
<td>3.8%</td>
<td>1.9%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
Increasing borrowing has improved the Group’s debt to equity, while overall cost of funding has come down

- Total borrowings increased by P831mn (43% y-o-y)
- Debt to equity increased to 66% (47% prior period)
- Average cost of debt reduced to 10.5% from 11.3%
- Successfully refinanced maturing ZAR bonds and other funding lines
FY 2015 RESULTS PRESENTATION
Satisfactory performance across the business in tough macro conditions

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

**Revenue Mix**
- Revenue over P2 bn
- Fee, commission and other income increased by 14%
- Margins consistent with prior period

**Efficiency and Profitability**
- Cost of Borrowings reduced
- Continued investment in the business
- ROE of 19% from prior period

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

**Capital and Liquidity**
- Dividend payout ratio maintained
- Cash reserves on hand of USD 50 million
- Debt to Equity increased to 66%
### FX Translation impact on selected items – IS and BS

#### Income Statement (BWP’m)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014 Annualised</th>
<th>P Change</th>
<th>YOY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue (in constant BWP)</strong></td>
<td>2 166</td>
<td>1 812</td>
<td>354</td>
<td>20%</td>
</tr>
<tr>
<td>FX Impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported Total Revenue</td>
<td>2 012</td>
<td>1 812</td>
<td>200</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Operating Expenses (in constant BWP)</strong></td>
<td>(543)</td>
<td>(471)</td>
<td>(72)</td>
<td>15%</td>
</tr>
<tr>
<td>FX Impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported Operating Expenses</td>
<td>(509)</td>
<td>(471)</td>
<td>(38)</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Profit for the period (in constant BWP)</strong></td>
<td>1 121</td>
<td>1 058</td>
<td>63</td>
<td>6%</td>
</tr>
<tr>
<td>FX Impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported profit for the period</td>
<td>1 036</td>
<td>1 058</td>
<td>(22)</td>
<td>(2)%</td>
</tr>
</tbody>
</table>

#### Balance Sheet (BWP’m)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014 Annualised</th>
<th>FX Impact</th>
<th>Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loans (in constant BWP)</strong></td>
<td>6 800</td>
<td>5 762</td>
<td>(236)</td>
<td>6 563</td>
</tr>
<tr>
<td>FX Impact</td>
<td></td>
<td></td>
<td>(236)</td>
<td></td>
</tr>
<tr>
<td>Reported Loans</td>
<td>6 563</td>
<td>5 762</td>
<td>801</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total Assets (in constant BWP)</strong></td>
<td>7 963</td>
<td>6 348</td>
<td>(501)</td>
<td>7 462</td>
</tr>
<tr>
<td>FX Impact</td>
<td></td>
<td></td>
<td>(501)</td>
<td></td>
</tr>
<tr>
<td>Reported Total Assets</td>
<td>7 462</td>
<td>6 348</td>
<td>1 114</td>
<td>18%</td>
</tr>
</tbody>
</table>
Key metrics stable