Letshego Holdings Limited

Building a leading African inclusive finance group

Date: 3 March 2017
Strategic Update

Embrace Financial Inclusion
Grow The Franchise
Enhanced Customer Experience
Embed The Future Capability Model
Outlook

1. We are creating a unique niche across Africa in a time of disruption and rapid changes.

2. We have made significant progress in refocusing the group in the last three years; however, short term investment is still required to enhance customer experience, build new solutions, embed technology capability and develop people.

3. Execution of the digital transformation journey will be critical for success – collaborating with strategic partners is integral.

4. We are committed to creating an equity story that creates long term shareholder value.
2016 Key highlights

Embrace Financial Inclusion
• Became AFI’s first African private partner
• Obtained MasterCard principal licenses in Mozambique and Namibia
• Piloting Agency Model ‘Blue Box’ in Mozambique

Grow the Franchise
• Obtained Namibia Banking license
• Integrated Tanzania and Nigeria (2015 acquisitions)
• Completed Ghana acquisition
• Developed key Fin Tech and other strategic relationships

Enhanced Customer Experience
• Launched refreshed brand in 10 markets
• Launched education solution in Tanzania
• Launched Agri solution in Uganda
• Home loans and home solutions (water tanks, solar power) rolled out in Kenya, Uganda and Rwanda

Embed the Future Capability Model
Access Anytime, Anywhere
• Implemented core IT system and Oracle in East Africa (now in 9 countries)
• Standardised Enterprise Risk Management framework rolled out in all countries in line with international best practice
We continue to engage financial inclusion policy makers across our footprint

- **Advocacy on key policy considerations**
  - Upliftment of the financially underserved and disadvantaged in Africa

- **Social**
  - Committed over two thirds of annual social investment budget to “Lets Care” – group wide project addressing non-communicable diseases

- **Financial Literacy**
  - Collaboration with DPSM in Botswana on 3 year literacy programme
  - Trained central and local government employees in Uganda on financial management
  - Conducted community based empowerment workshops in Tanzania

- **Accreditation**
  - High levels of compliance to IFC performance standards
  - Aligned towards SMART principles with accreditation to follow

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**Emerging partnerships**

- **Global Network of Financial Policy Makers**
  - 1st African Private Sector Partner 2016

- **MasterCard**
  - Principal Issuer in Mozambique and Namibia 2016

- **Incorporating ESG & Inclusive Finance into a Sustainable Growth Strategy**
  - 2016

- **Shaping the Sustainable Development Agenda**
  - Discussions Ongoing

- **Advancing financial inclusion to improve the lives of the poor**
  - Discussions Ongoing

- **Promoting access to financial tools and resources by low income women**
  - Discussions Ongoing

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**Let'shego**

Botswana  Ghana  Kenya  Lesotho  Mozambique  Namibia  Nigeria  Rwanda  Swaziland  Tanzania  Uganda
We launched the Improving Life Campaign to encourage productive loan usage

- Annual group-wide flagship campaign
- 2016 pilots: Botswana, Namibia, and Swaziland
- Currently running in Botswana, Uganda, and Mozambique
- High customer uptake (Namibia)
  - 2900 entries in 80 days
  - Majority usage: affordable housing, agribusiness, education, general business
Early success in fully integrating Letshego Bank Tanzania into the Group. Letshego Micro Finance Bank Nigeria has been more challenging.

- Focus has been on building a strong foundation, skills development and establishing operational controls
- Two key appointments to management team remaining
- All staff trained and upskilled to group standards
- Rebranded to Letshego Micro-finance Bank Nigeria during August 2016
- Improvement of the loan portfolio has been the focus

### Letshego Bank Tanzania

<table>
<thead>
<tr>
<th></th>
<th>FY 15 (P’mn)</th>
<th>FY 16 (P’mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBT</td>
<td>(22)</td>
<td>(10)</td>
</tr>
<tr>
<td>Advances to Customers</td>
<td>49</td>
<td>97</td>
</tr>
<tr>
<td>Customer Access points</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>3rd party Agents</td>
<td>-</td>
<td>103</td>
</tr>
<tr>
<td>Loan Customers</td>
<td>7386</td>
<td>5713</td>
</tr>
<tr>
<td>Deposit Customers</td>
<td>29085</td>
<td>37757</td>
</tr>
<tr>
<td># FTE</td>
<td>202</td>
<td>209</td>
</tr>
</tbody>
</table>

### Letshego MFB Nigeria

<table>
<thead>
<tr>
<th></th>
<th>FY 15 (P’mn)</th>
<th>FY 16 (P’mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBT</td>
<td>(12)</td>
<td>(8)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>70</td>
<td>51</td>
</tr>
<tr>
<td>Customer Access points</td>
<td>28</td>
<td>26</td>
</tr>
<tr>
<td>Loan Customers</td>
<td>11814</td>
<td>5338</td>
</tr>
<tr>
<td>Deposit Customers</td>
<td>70000</td>
<td>56010</td>
</tr>
<tr>
<td># FTE</td>
<td>315</td>
<td>237</td>
</tr>
</tbody>
</table>
A second acquisition in West Africa has increased our market presence and upside in overall profitability.

- Top management team in place
- Rebranding and integration planned for 2017
- Convert license to savings and loans
- Loan portfolio quality review in 2017

<table>
<thead>
<tr>
<th>License Type</th>
<th>Year</th>
</tr>
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<tbody>
<tr>
<td>a1b Finance House License</td>
<td>2016</td>
</tr>
<tr>
<td>Letshego Namibia Commercial</td>
<td>2016</td>
</tr>
<tr>
<td>Letshego Mozambique Commercial</td>
<td>2016</td>
</tr>
<tr>
<td>National Micro-finance Bank</td>
<td>2015</td>
</tr>
<tr>
<td>advans Commercial Banking License</td>
<td>2015</td>
</tr>
<tr>
<td>Letshego Micro-finance Bank</td>
<td>2014</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>a1b</th>
<th>FY 15 (P’mn)</th>
<th>FY 16 (P’mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBT</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Advances to Customers</td>
<td>192</td>
<td>250</td>
</tr>
<tr>
<td>Customer Access points</td>
<td>22</td>
<td>26</td>
</tr>
<tr>
<td>Loan Customers</td>
<td>50,900</td>
<td>60,000</td>
</tr>
<tr>
<td># FTE</td>
<td>193</td>
<td>243</td>
</tr>
</tbody>
</table>
Kenya’s eloan marks the start of our mobile solution roll out

- Total number of loans disbursed since launch < 72,000
- Total value of loans disbursed since launch < BWP25mn

**Mkopo Chap Chap features**

- Pre approved credit
- TAT 1 minute
- Loan amount $10>$50
- Mpesa registered
- Loan tenor 1>30days
- Works on any mobile handset
- Emergency loan
- Access anytime, anywhere
Mozambique’s LetsGO Blue Box agency offering is moving to pilot

- Received grant funding from Mastercard Foundation
- Enables third party agents to register rural customers into a financial ecosystem in a simple, quick and affordable manner

**Let'sGO Blue Box Benefits**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Interest bearing accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account opening</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>Micro-loans</td>
</tr>
<tr>
<td>Withdrawals</td>
<td>Micro insurance</td>
</tr>
<tr>
<td>Transfers</td>
<td>Digital payments</td>
</tr>
</tbody>
</table>

### Items Included in the Blue Box

1. Solar panel
2. LED lights
3. Power bank
4. Tablet/smartphone
5. Biometric printer
6. Cash box
7. FM speaker
8. Marketing material
Kenya, Uganda and Rwanda have been migrated to Group’s core banking platform (now 9 out of 11 countries)

Core Banking System

- Transactional accounts
- Savings accounts and Fixed Term Deposits
- Deduction at source
- MSE
- Housing (construction and outright purchase)
- Agricultural loans

Eloan functionality
- Internet banking
- USSD
- Call Centre functionality

Customer Solutions

Let'sBorrow
Let'sPay
Let'sLive
Let'sSave

Botswana Ghana Kenya Lesotho Mozambique Namibia Nigeria Rwanda Swaziland Tanzania Uganda
We are committed to achieving growth, performance, and returns; however, risks/challenges remain

<table>
<thead>
<tr>
<th></th>
<th>Risk Type</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Funding Risk</td>
<td>• Local currency debt capital market opportunities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Accelerate launch of deposit mobilization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Leverage ESG credentials to attract Impact/DFI lenders</td>
</tr>
<tr>
<td>2</td>
<td>Sovereign Risk</td>
<td>• Geographic diversification of portfolio</td>
</tr>
<tr>
<td>3</td>
<td>Foreign Exchange Risk</td>
<td>• Active management of net open positions</td>
</tr>
<tr>
<td>4</td>
<td>Interest Rate Risk</td>
<td>• Enhancement of ALM capability</td>
</tr>
<tr>
<td>5</td>
<td>Transformation Risk</td>
<td>• Regulatory – stakeholder engagement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• People - training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Systems – information security capability</td>
</tr>
</tbody>
</table>
FY 2016 Results
Satisfactory performance in a difficult environment

**Growth**
- Modest growth in loans and advances to customers (6%)
- Continued geographical, segment and solution diversification
- Depreciation of MZN reduced loan book by P437mn (6%)

**Revenue Mix**
- 12% increase in interest income
- Margins consistent with prior period
- Continued diversification of revenues

**Efficiency and Profitability**
- Profit Before Tax 9% lower than prior year
- Cost to income above internal target of 35%
- ROE 16% down 3% from prior period

**Asset Quality**
- Elevated impairment charge (2.8%) due to once off items
- Overall cost of risk still at acceptable levels
- Growth in loan book has not compromised quality

**Capital and Liquidity**
- Debt:Equity increased to 85% and is approaching optimal level
- CAR at 48% from 54%
- Cash reserves on hand of USD 50 million

**Loans and advances** 6%

**Interest Income** 12%

**Cost to Income** 38%

**Impairments** 2.8%

**Debt to Equity Ratio** 85%
# Robust growth in key markets

## Letshego’s market penetration as at 31 December 2016 (2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Government employees ('000)</th>
<th>Current Loan book USD mn</th>
<th>Consumer Lending %</th>
<th>MSE Loans %</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>20% 21%</td>
<td>181</td>
<td>209</td>
<td>99%</td>
<td>1%</td>
<td>34%</td>
<td>4%</td>
</tr>
<tr>
<td>Kenya</td>
<td>4% 2%</td>
<td>700</td>
<td>38</td>
<td>34%</td>
<td>66%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Lesotho</td>
<td>15% 4%</td>
<td>50</td>
<td>38</td>
<td>100%</td>
<td>_</td>
<td>6%</td>
<td>63%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>22% 20%</td>
<td>300</td>
<td>68</td>
<td>100%</td>
<td>_</td>
<td>11%</td>
<td>(32%)</td>
</tr>
<tr>
<td>Namibia</td>
<td>51% 56%</td>
<td>100</td>
<td>154</td>
<td>100%</td>
<td>_</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>0% 0%</td>
<td>3 400</td>
<td>5</td>
<td>_</td>
<td>100%</td>
<td>1%</td>
<td>(26%)</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2% 0%</td>
<td>200</td>
<td>15</td>
<td>4%</td>
<td>96%</td>
<td>2%</td>
<td>(2%)</td>
</tr>
<tr>
<td>Swaziland</td>
<td>14% 3%</td>
<td>42</td>
<td>21</td>
<td>100%</td>
<td>_</td>
<td>3%</td>
<td>58%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>9% 1%</td>
<td>500</td>
<td>46</td>
<td>80%</td>
<td>20%</td>
<td>7%</td>
<td>23%</td>
</tr>
<tr>
<td>Uganda</td>
<td>13% 0%</td>
<td>300</td>
<td>29</td>
<td>56%</td>
<td>4%</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>623</strong></td>
<td><strong>89%</strong></td>
<td><strong>11%</strong></td>
<td><strong>100%</strong></td>
<td><strong>6%</strong></td>
<td><strong>14%</strong></td>
</tr>
</tbody>
</table>

## Financial Results

- Botswana
- Ghana
- Kenya
- Lesotho
- Mozambique
- Namibia
- Nigeria
- Rwanda
- Swaziland
- Tanzania
- Uganda
Still a highly profitable business despite FY 2016 challenges

- Profit before tax was P948mn, 9% lower than 2015
- On a normalized basis, excluding once off items PBT would have been flat year on year
- Yields on advances to customers and cost of external borrowings maintained despite competitive environment and higher interest costs in some countries
- Underlying costs increased by 23%
- Cost of risk was slightly lower than 2015, however, specific once off items increased the overall cost to 2.8%
- The blended tax charge increased due to more profits being generated outside of Botswana
- Limited impact of share buy back in 2016

### Group Profit Before Tax Analysis (P’mn)

<table>
<thead>
<tr>
<th>Country Change</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>4%</td>
</tr>
<tr>
<td>Kenya</td>
<td>(88%)</td>
</tr>
<tr>
<td>Lesotho</td>
<td>70%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>(38%)</td>
</tr>
<tr>
<td>Namibia</td>
<td>11%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>(96%)</td>
</tr>
<tr>
<td>Swaziland</td>
<td>21%</td>
</tr>
<tr>
<td>Tz - Faidika</td>
<td>5%</td>
</tr>
<tr>
<td>Uganda</td>
<td>3%</td>
</tr>
<tr>
<td>Holdings</td>
<td>0%</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Dec '16 Actual
- Botswana (BCL) Impairment: P22mn
- Moz impairment: P10mn
- Rwanda VAT: P11mn
- Rwanda gen. impairment: P6mn
- MZM currency Depn: P33mn
- Namibia margin: P3mn
- Total: P948mn

### Dec '16 Adjust.
- Total: P1,033mn

### Dec '15 Actual
- Botswana: P1,036mn
- Total: P1,036mn

### Growth
- P948mn: 9%
Good revenue generation, however, cost growth was higher

- Net Interest Income grew 13% year on year
- Interest Income Margin (gross and net) maintained at over 30%
- Cost of borrowing increased marginally from 10.3% to 10.6% and lower FX volatility
- Fee and other income mainly impacted by FX movements in ZAR and MZM
- Staff costs increased 22% - a reflection of strengthening of in-country and group teams in Risk, Sales and IT areas
- Operating expenses increased by 20% due to new Commission Based Agents (5%), marketing (4%), and a higher depreciation charge on assets (2%)

### FTE vs. Comm. Based Agents

<table>
<thead>
<tr>
<th></th>
<th>Change (%)</th>
<th>FY 15</th>
<th>FY 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FTE</td>
<td>2</td>
<td>1 592</td>
<td>1 620</td>
</tr>
<tr>
<td>Commission Based</td>
<td>33</td>
<td>775</td>
<td>1 162</td>
</tr>
<tr>
<td>Agents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>2 367</td>
<td>2 782</td>
</tr>
</tbody>
</table>

### Net Income (P’mn)

- FY14: 1,493
- FY15: 1,685
- FY16: 1,845

FY14-FY16 CAGR: 11%

### Operating Expenses (P’mn)

- FY14: 433
- FY15: 509
- FY16: 717

FY14-FY16 CAGR: 29%
Overall loan growth slower but, good diversification progress

- Portfolio diversification within Formal segment as well growth in non-formal segment from 2014 to 2016
- Non government segment now 10% of overall loan portfolio
- Housing loans now 9% overall portfolio
- Further segment diversification underway in agri, education and housing
- New informal segment entering pilot phase in 2017
Coverage strengthened and group Portfolio At Risk improved, once off provisions made as forward looking measures

**Asset Quality and Provisioning**

- Impairment Cost has increased from 2.3% to 2.8% (2.2% excluding additional impairment from Botswana, Mozambique and Rwanda)
- Impairment methodology for Formal Segment changed in 2015 improving coverage from 51% to 68%, further changes are being implemented in 2017 and 2018 to increase coverage to 100%
- This is to align with financial services norms in preparation for the adoption of IFRS9 in 2018

### Impairment Cost

<table>
<thead>
<tr>
<th></th>
<th align="right">FY 15</th>
<th align="right">FY 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td align="right">2.1</td>
<td align="right">2.3</td>
</tr>
<tr>
<td>MSE</td>
<td align="right">4.3</td>
<td align="right">7.7</td>
</tr>
<tr>
<td>Group</td>
<td align="right">2.3</td>
<td align="right">2.8</td>
</tr>
</tbody>
</table>

### Impairment Coverage > PAR 90

<table>
<thead>
<tr>
<th></th>
<th align="right">FY 15</th>
<th align="right">FY 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td align="right">36</td>
<td align="right">50</td>
</tr>
<tr>
<td>MSE</td>
<td align="right">128</td>
<td align="right">178</td>
</tr>
<tr>
<td>Group</td>
<td align="right">51</td>
<td align="right">68</td>
</tr>
</tbody>
</table>

### Impairment Provisions

- **Net Loans**
- **Impairment provision**
- **Impairment Coverage %**

### Cost of Risk

- **Loan Loss rate**
- **Net Write-off %**
- **Impairment raised**
Diversification of our funding profile continues

**Funding**
- BWP1,6bn of rollovers and new loans

**Share Buy Backs**
- H2 16 52,782,546 shares (BWP120,247,258)

**Credit Rating**
- H2 16 **Ba3 (stable) outlook** affirmed by Moody’s Investor Services

**Security**
- Approval obtained for transfer of 60% (sixty percent) of book debts of Letshego Namibia

**Capital Adequacy**
- CAR 2016 (47%), 2015 (54%)

**Debt: Equity**
- 85%

**Dividends**
- Maintained 50% dividend pay out ratio
- Review of current dividend policy in 2017

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**Principle sources of Debt Funding**

<table>
<thead>
<tr>
<th></th>
<th>FY 15</th>
<th>FY 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>38%</td>
<td>39%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>DFI’s</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>MTN Programmes</td>
<td>47%</td>
<td>48%</td>
</tr>
</tbody>
</table>

**Maturity profile – Funding Liabilities**

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>ST borrowings</td>
<td>803</td>
<td>1,277</td>
<td>1,250</td>
<td>1,938</td>
<td>2,769</td>
<td>3,394</td>
</tr>
<tr>
<td>LT borrowings</td>
<td>493</td>
<td>1,064</td>
<td>1,044</td>
<td>1,306</td>
<td>1,525</td>
<td>2,310</td>
</tr>
</tbody>
</table>
Key Metrics

**Basic Earnings per Share**

**Dividend per Share (thebe)**

**Shareholders’Fund: Debt to Equity**

**EPS (in thebe)**

**Profit after tax (P'M)**

**Gross Advances and Impairment**

**ROA vs ROE vs PAT**