Letshego Holdings Limited

Building Africa’s leading inclusive finance group

Date: 1 September 2017
Strategic Update

Embracing financial inclusion
Growing the franchise
Enhancing customer experience
Embedding future capability
Outlook

1. The strategy is on track; our focus is on execution

2. In 2016/17, we made good progress in
   - Rolling out the core platform
   - Developing people
   - Building new solutions
   - Delivering organic and inorganic growth, as well as geographic diversification

3. Looking forward, we need to maintain a clear focus on:
   - Customer centricity
   - Operationalisation and monetising digital opportunities
   - Investing further in required core skill sets and transformation management

4. Profitability remains strong, we expect to return to growth this year
2017 Key highlights

Embracing financial inclusion
- Home improvement and affordable housing loans make up 5% of total loan portfolio
- Education, affordable housing and supply chain financing pilots have commenced in Tanzania and Nigeria

Growing the franchise
- Total borrowing customers increased from 300,000 to 345,000
- Ghana and Rwanda short term pilot introduced over 30,000 new customers off a new digital platform
- Approval to list Letshego Namibia on the NSX granted

Enhancing customer experience
- “LetsGo BlueBox” agency banking wins MasterCard US1mn in the foundation’s Rural Prosperity Fund (RPF) innovation competition
- Customer access points up from 278 in 2016 to 307

Embedding future capability
- Letshego Group employed 1,891 full time employees and 1,403 commission based sales agents
- Investment in people, technology and strategic partnerships continue to drive the Inclusive Finance Agenda of the Group
We completed our five year strategy refresh with local boards and country management teams

**Definition:** Providing simple, appropriate and accessible solutions to the financially under-served in a sustainable manner

*Based on customer survey:*

- Our solutions are easy to understand and use; 86% reported feeling financially empowered and 70% roll-over their loans [*Simple*]
- Our loan values range from US$5- US$50,000 and are priced competitively in each market [*Appropriate*]
- Over 75% of our customers are within 20km radius of our access points, we target a 5km radius [*Accessible*]
- Only 23% of Africans are financially included [*Under-served*]
- 80% of our portfolio demonstrate <3.5% loan loss ratios [*Sustainable*]

**Key initiatives**

- Improving life campaign
- Social impact survey
- Scorecard development
- Stakeholder engagement
Our Improving Life Campaign has shown good momentum in driving our financial inclusion agenda

- **Campaign entries 2016/2017**
  - **Botswana** 8 500
  - **Kenya** 1 500
  - **Lesotho** 1 500
  - **Mozambique** 900
  - **Namibia** 2 900
  - **Swaziland** 150
  - **Uganda** 3 000

- Majority usage from shortlisted entries are:
  - 34% - housing
  - 24% - agri-business
  - 22% - MSE business
  - 19% - education
  - 4% - healthcare

- **Campaign Commercials**
  - P700m in advances
  - P50m profit before tax

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**Education, Lesotho**

“In Letshego helped me to send my son to tertiary where he pursues a Diploma in Mass Communication”

**Agribusiness, Botswana**

“I took a Letshego loan to service my tractor. I use the tractor to plough my field where I grow vegetables for sale to my community, generating income for my family”

**Housing, Uganda**

“My Letshego loan helped me to secure a plot to build houses for rental and I managed to pay for my sister’s school fees with my rental income”

**Business, Swaziland**

“Letshego assisted me to open a grocery shop which is the only one in my area”
Ghana’s integration is progressing well

Strategy and business development initiatives

- Grow deduction at source business – non-government diversification + competitive rates
- Enhanced credit insurance arrangements
- Introduced mobile savings solution – SmartSave in pilot
- Introduced mobile lending solution
- Continued with 100% local funding
- Reduced direct and operating costs

Human Resources and Branding

- Staff induction to group policies
- Rebranding scheduled for H2 2017

Governance

- Conversion to “Savings and Loans” license in progress
- Full Rollout of ERM Framework
- Board Composition – 2 new INEDS

Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>YE 31/12/16 P’mn</th>
<th>PE 30/06/17 P’mn</th>
<th>YTD Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances</td>
<td>227</td>
<td>256</td>
<td>20% ▲</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>7</td>
<td>18</td>
<td>61% ▲</td>
</tr>
<tr>
<td>Return on assets</td>
<td>3%</td>
<td>10%</td>
<td>7% ▲</td>
</tr>
<tr>
<td>Cost of risk</td>
<td>8%</td>
<td>3%</td>
<td>5% ▲</td>
</tr>
</tbody>
</table>
Integration of Nigeria is on track

**Strategy and business development initiatives**

- Implemented Group ERMF
- Enhanced credit insurance arrangements
- Established internal audit function
- Enhanced HR, credit policies and procedures
- Education, affordable housing, agriculture finance and, deduction and source launch planned for H2 2017
- Systems migration to Group’s core IT platform will be completed within 2017

**Human Resources and Branding**

- Appointed Head of Consumer Division and Customer Experience *(on secondment from Letshego Kenya)*
- Completed rebranding

**Governance**

- Recruited Country Management Team excluding CEO
- Appointed 2 new INEDs

**Financial Performance**

<table>
<thead>
<tr>
<th></th>
<th>YE 31/12/16 P’mn</th>
<th>PE 30/06/17 P’mn</th>
<th>YTD Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Advances</td>
<td>51</td>
<td>62</td>
<td>20% ▲</td>
</tr>
<tr>
<td>No. of customers ‘000</td>
<td>5</td>
<td>6</td>
<td>20% ▲</td>
</tr>
<tr>
<td>Deposits</td>
<td>40</td>
<td>28</td>
<td>30% ▼</td>
</tr>
<tr>
<td>No. of customers ‘000</td>
<td>56</td>
<td>61</td>
<td>9% ▲</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>(8)</td>
<td>2</td>
<td>150% ▲</td>
</tr>
<tr>
<td>Return on assets</td>
<td>-</td>
<td>1%</td>
<td>N/A</td>
</tr>
<tr>
<td>Cost of risk</td>
<td>8%</td>
<td>21%</td>
<td>13% ▲</td>
</tr>
</tbody>
</table>
Tanzania’s platform is now positioned for growth

**Strategy and business development initiatives**
- Recruited Country Management Committee
- Implemented Group ERMF
- Enhanced HR, credit policies and procedures
- Centralised head office for the two businesses
- Increased access points from 5 to 13

**Human Resources and Branding**
- Completed rebranding
- Rebranding scheduled for H2 2017

**Governance**
- Full Board of Directors appointed

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**Financial Performance**

<table>
<thead>
<tr>
<th></th>
<th>YE 31/12/16 P’mn</th>
<th>PE 30/06/17 P’mn</th>
<th>YTD Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Advances</td>
<td>97</td>
<td>126</td>
<td>30%</td>
</tr>
<tr>
<td>No. of customers *000</td>
<td>6</td>
<td>5</td>
<td>17%</td>
</tr>
<tr>
<td>Deposits</td>
<td>43</td>
<td>50</td>
<td>7%</td>
</tr>
<tr>
<td>No. customers</td>
<td>38</td>
<td>39</td>
<td>3%</td>
</tr>
<tr>
<td>No. of agents</td>
<td>103</td>
<td>236</td>
<td>39%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>(10)</td>
<td>(3)</td>
<td>70%</td>
</tr>
<tr>
<td>Return on assets</td>
<td>(7%)</td>
<td>(3%)</td>
<td>4%</td>
</tr>
<tr>
<td>Cost of risk</td>
<td>6%</td>
<td>11%</td>
<td>5%</td>
</tr>
</tbody>
</table>
In Mozambique, our own agents’ capability is gaining traction as an access channel for the MSE and informal segments.

- LetsGo BlueBox is a technology-driven agency banking model, provided “in a blue box” for ease of use and transport by third party agents appointed by Letshego Mozambique.

- Running off a rechargeable solar powered battery, the combination of tablet and SMART mobile phone loaded software allows for agents to biometrically authenticate customers for onboarding and account opening.

**Drivers for agency network / locations**

- Corridors with high population and therefore potential customers
- Informal traders’ markets with high footfall
- Key strategic partner footprint with focus on women’s groups, farmers and pensioners
- Districts with close proximity to Maputo to enable easier travel and logistics during the test and learn phase
## Savings mobilisation in Namibia has commenced

<table>
<thead>
<tr>
<th>LetsGo account centred</th>
<th>Financial ecosystem integrations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Namclear and PAN membership in-hand and tested</td>
<td>• MasterCard licenced, cards issuance UAT in progress</td>
</tr>
<tr>
<td>• MasterCard licenced, cards issuance UAT in progress</td>
<td>• MobiPay with WiCode provide mobile wallets</td>
</tr>
<tr>
<td>• MobiPay with WiCode provide mobile wallets</td>
<td>• Automated reconciliations system being implemented</td>
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<table>
<thead>
<tr>
<th>Existing customer conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Use organic data to promote LetsGo and our solutions</td>
</tr>
<tr>
<td>• Special offers based on performance, loyalty, employment</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Test and learn approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Targeted “mini” campaigns testing appetite, behaviours</td>
</tr>
<tr>
<td>• Individual customer value propositions and feedback</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Integrated solutions and mktng.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Savings / LetsGo incorporated into everything (financial literacy)</td>
</tr>
<tr>
<td>• Cross-sell solutions through Improving Life campaign</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People: capacity, focus and skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Namibia “LetsGo” team working with Group steerco</td>
</tr>
<tr>
<td>• Clear targets, built into KPAs and performance evaluation</td>
</tr>
<tr>
<td>• ALM and scenario modelling</td>
</tr>
</tbody>
</table>

### 55,000+ customers

- Relationship pricing offers
- Promotions
- Competitions

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**More information:**

- **Financial ecosystem integrations**
- **Existing customer conversion**
- **Test and learn approach**
- **Integrated solutions and mktng.**
- **People: capacity, focus and skills**

**Savings mobilisation in Namibia has commenced**

- **LetsGo account centred**
- **Financial ecosystem integrations**
- **Existing customer conversion**
- **Test and learn approach**
- **Integrated solutions and mktng.**
- **People: capacity, focus and skills**

**LetsGo**

**Botswana Ghana Kenya Lesotho Mozambique Namibia Nigeria Rwanda Swaziland Tanzania Uganda**
**Identified risks/ challenges are being managed prudently**

<table>
<thead>
<tr>
<th></th>
<th>Funding Risk</th>
</tr>
</thead>
</table>
| 1 | • Tap local currency debt capital market opportunities  
  • Accelerate launch of deposit mobilization  
  • Leverage ESG credentials to attract Impact/ DFI lenders |

<table>
<thead>
<tr>
<th></th>
<th>Sovereign Risk</th>
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<tbody>
<tr>
<td>2</td>
<td>• Geographic diversification of portfolio</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Foreign Exchange Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>• Active management of net open positions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Interest Rate Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>• Enhancement of ALM capability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Transformation Risk</th>
</tr>
</thead>
</table>
| 5 | • Regulatory – stakeholder engagement  
  • People - training  
  • Systems – information security capability                                                |
1H 2017 Results
Good growth in challenging environment

Growth
- Loans and advances to customers up 19%
- All countries recorded double digit growth in portfolios
- Appreciation of the Mozambique Metical (14%) and ZAR (6%) lifted Southern Africa’s performance

Loans and advances 19%

Revenue Mix
- 17% increase in interest income
- Yields and cost of funding generally consistent with prior period
- New revenue lines introduced via digital channels

Interest Income 17%

Efficiency and Profitability
- Profit Before Tax up 2%
- Ghana contribution to growth and profitability
- Cost to income above internal target of 35%
- ROE 18% up 2% from year end

Cost to Income 40%

Asset Quality
- Impairment charge increased from 2.8% to 3.3% due to introduction of PD and LGD impairment methodology across the group
- Once off provision taken against section of Rwanda portfolio

Impairments 3.3%

Capital and Liquidity
- Debt:Equity increased to 94%
- CAR at 49% from 48%
- Cash reserves on hand of more than USD 50 million

Debt to Equity Ratio 94%
Good growth from all countries contributed to good performance

<table>
<thead>
<tr>
<th>Letshego's market penetration as at 30 June 2017</th>
<th>Government employees ('000)</th>
<th>Current Loan book</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%</td>
<td>181</td>
<td>226</td>
<td>98%</td>
<td>2%</td>
<td>31%</td>
<td>10%</td>
</tr>
<tr>
<td>Kenya</td>
<td>4%</td>
<td>700</td>
<td>45</td>
<td>36%</td>
<td>64%</td>
<td>6%</td>
<td>14%</td>
</tr>
<tr>
<td>Lesotho</td>
<td>15%</td>
<td>50</td>
<td>40</td>
<td>100%</td>
<td>-</td>
<td>6%</td>
<td>32%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>22%</td>
<td>300</td>
<td>90</td>
<td>100%</td>
<td>-</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Namibia</td>
<td>51%</td>
<td>100</td>
<td>175</td>
<td>100%</td>
<td>-</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>0%</td>
<td>3400</td>
<td>6</td>
<td>-</td>
<td>100%</td>
<td>1%</td>
<td>24%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>0%</td>
<td>200</td>
<td>7</td>
<td>-</td>
<td>100%</td>
<td>1%</td>
<td>(61%)</td>
</tr>
<tr>
<td>Swaziland</td>
<td>14%</td>
<td>42</td>
<td>31</td>
<td>100%</td>
<td>-</td>
<td>4%</td>
<td>96%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>9%</td>
<td>500</td>
<td>49</td>
<td>75%</td>
<td>25%</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>Uganda</td>
<td>13%</td>
<td>300</td>
<td>30</td>
<td>55%</td>
<td>45%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Ghana</td>
<td>10%</td>
<td>600</td>
<td>25</td>
<td>96%</td>
<td>4%</td>
<td>4%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>724</strong></td>
<td><strong>88%</strong></td>
<td><strong>12%</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td><strong>19%</strong></td>
<td><strong>16%</strong></td>
</tr>
</tbody>
</table>

Financial Results
Overall loan growth in double digits and good diversification progress

- Ghana loan book circa P256mn has supported portfolio growth in 2017 with non-government DAS and MSE loans continuing to diversify the overall portfolio
- Non government segment stable at 12% of overall loan portfolio
- Housing loans now 5% overall portfolio
- New informal segment entered pilot phase in 2017

![Portfolio Growth (P’mn)](chart)

![Group Portfolio Mix](chart)

![Financial Results](chart)
We continue to strengthen coverage ratios and improve group Portfolio At Risk

Asset Quality and Provisioning

- Impairment Cost increased from 2.8% to 3.3% due to introduction of PD and LGD impairment methodology across the group
- NPL coverage increased to 61% during H1
- Overall provision coverage is 5% of gross loans
- Significant investment continues to be made in Collections and Recoveries capability as well as Credit Policy reviews, further reducing Formal Segment Impairment cost. We have, however, realized increasing defaults in Tanzania and Rwanda MSE
- The Group is in the process of aligning its methodology in preparation of IFRS 9 requirements for the 2018 reporting period

<table>
<thead>
<tr>
<th></th>
<th>FY 15</th>
<th>FY 16</th>
<th>H1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>2.1%</td>
<td>2.3%</td>
<td>1.1%</td>
</tr>
<tr>
<td>MSE</td>
<td>4.3%</td>
<td>7.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Group*</td>
<td>2.3%</td>
<td>2.8%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 15</th>
<th>FY 16</th>
<th>H1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>36%</td>
<td>50%</td>
<td>52%</td>
</tr>
<tr>
<td>MSE</td>
<td>128%</td>
<td>178%</td>
<td>108%</td>
</tr>
<tr>
<td>Group*</td>
<td>51%</td>
<td>54%</td>
<td>61%</td>
</tr>
</tbody>
</table>

*excludes Rwanda

Impairment Provisions

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>BWPm</td>
<td>4,436</td>
<td>5,687</td>
<td>6,312</td>
<td>6,690</td>
<td>7,366</td>
</tr>
</tbody>
</table>

Cost of Risk

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Loss rate</td>
<td>0.94%</td>
<td>0.83%</td>
<td>1%</td>
<td>0.42%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Net Write-off %</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>1.80%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Impairment raised</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
The group is adequately capitalized to meet current and future growth needs, with improved ROE

Funding
- Robust funding pipeline including new borrowings from non traditional sources of funding

Share Buy Backs
- Approval to buy back up to 5% shares to be held as Treasury Shares refreshed at AGM

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

Security
- Addition of **Letshego Swaziland loan book into SSA** has improved security buffer

Capital Adequacy
- CAR 2017 (49%), 2016 (47%)

Debt: Equity
- 94%

Dividends
- Dividend pay out ratio unchanged at 50% of PAT

**Principle sources of Debt Funding**

**Maturity profile – Funding Liabilities**
Over the years Letshego has applied a number of different levers to ensure consistent delivery of strong returns for shareholders

- SinceLetshego listed on the Botswana Stock Exchange it has raised BWP646 million from shareholders
- Letshego has returned BWP1, 9 billion to shareholders by way of dividends and share buy-backs. Of this BWP1, 2 billion has been returned since 2014
Key Metrics

**Basic Earnings per Share**

- Jan 2014: $5.00
- Dec 2014: $10.00
- Dec 2015: $15.00
- Dec 2016: $20.00
- June 2017: $25.00

**Dividend per Share (thebe)**

- Jan 2014: $6.00
- Dec 2014: $6.00
- Dec 2015: $6.00
- Dec 2016: $6.00
- June 2017: $6.00

**Shareholders’Fund:Debt to Equity**

- Jan 2014: $1,000
- Dec 2014: $2,000
- Dec 2015: $3,000
- Dec 2016: $4,000
- June 2017: $5,000

**Profit after tax (P’M)**

- Jan 2014: $700
- Dec 2014: $800
- Dec 2015: $900
- Dec 2016: $1,000
- June 2017: $1,100

**Gross Advances and Impairment**

- Jan 2014: $200
- Dec 2014: $400
- Dec 2015: $600
- Dec 2016: $800
- June 2017: $1,000

**ROA vs ROE vs PAT**

- Jan 2014: $100
- Dec 2014: $200
- Dec 2015: $300
- Dec 2016: $400
- June 2017: $500