LETSHEGO AFRICA HOLDINGS LIMITED

2023 Annual Results Presentation

Presented by

Aupa Monyatsi
Group Chief Executive

Gwen Muteiwa
Group Chief Financial Officer

01 Strategy and Operational Review

Group Chief Executive Officer

Aupa Monyatsi

Strategy Overview

Execution on Plan 5 of Our 6-2-5 Strategy Remains Resilient despite Macroeconomic Headwinds

1 Product Diversification

- Mobile Lending income increased by **307%** vs. 2022, reaching **P541m** in Total Revenue.
- Strong growth in Global Franchise Agreements with leading MNOs and Fintechs on Balance Sheet as a Service opportunities.
- Insurance revenue increased by **46%** vs. 2022 to reach **P363m**.
- **Customer Deposits grew 37% y-o-y to over P1.5 billion.**

2 Digitisation

- **Over 3.5 million** registered users, up 218% from 2022.
- Digital Mall user base reached over **477,000 active customers** in 2023.
- Over 89% of traditional customer base have been successfully migrated to the Digital Mall.
- **Migrated 8 subsidiaries to Cloud** enabling increased scale of operations.
- IT Investments made to curb inherent Cybersecurity threats.

3 Geographic Rebalancing

- Total Operating Income **up 18% to P762m** in East and West African Markets.
- Interest Income **up 12% to P2.2 billion** in Southern African Markets.
- Stronger balance sheet and revenue contribution from DAS and Mobile Loans, following deliberate actions to derisk from MSE portfolio.

4 Execution Engine

- Automation and Target Operating Model restructuring in H2 resulting in greater operating efficiencies going forward
- New Talent acquired to leverage and optimise income generation from investments in Technology capabilities.
- Innovation through Agile ways of working to bolster test and learn methodology and practice.

5 Sustainable Stakeholder Value

- Strong balance sheet growth supported by well capitalised subsidiaries
- Strong regulatory relationships in all markets.
- Strong ESG Agenda.
- Despite positive fundamental business performance, several once-off items negatively impacted our financial performance.
- We remain optimistic about sustaining and increasing business momentum across all lines.

Strategic and Operational Overview

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Accelerated Execution of Product Diversification Strategy

Mobile Loan Performance

Live in **8** Markets

11 Fintech/MNO Partners

Over **12.5m** Loans Issued

P541m Total Revenue

Insurance Highlights

6 Product Types

2 New Products Launched

Over **105k** Individual Policies

P362m Fee Income

Digital Mall Uptake

89% Migration and Uptake by DAS and MSE Clients

Over **3.5m** Registered Users

Over **477k** Active Users

P400m Revenue Generated

Strategic Overview: Sustainability

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World Class ESG practices are core to Letshego's Purpose, Business and Pan-African Operations

Impact Financing

- Over 50% of Letshego's customer base are **Women or Women Owned Businesses.**
- Letshego Nigeria launched **First Solar Financing Solution.**
- **Affordable Housing** went green with affordable grey water and solar power assets.

Sustainability Framework

- Tactical strides made to develop Robust Sustainability Framework that encompasses the **multi-stream of benefits social and environmental governance** achieves for our regional operations, stakeholders and communities
- Accessing **sustainability-linked funding instruments** to **diversify funding**, increase access to **new capital** and **demonstrate our impact** financing credentials

Global Standards

- Letshego Botswana eligible for **Membership in 2X Challenge** – international forum for investors and investees to track financial **Support to Women and Women Owned Businesses.**
- Letshego Nigeria won AfDB AFAWA Award for the extending the reach of its **Financial Solutions to More Women.**
- Letshego Uganda won Digital Awards for **Customer Financial Inclusion.**

Governance

- **Group Sustainability Committee Established** to track and manage ESG and Impact financing strategy, risk management and reporting.
- Letshego takes its Environmental & Social Risk Management System from policy into daily business operations with formal training, workshops, updating of policy and guidelines along with post implementation by expert consultant to assure success.

2023 Review: Strong Growth on Core and New Business

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Letshego Africa Showed Resilient Growth from Core Operations across Traditional and New Business Lines

Core Business Highlights

DAS Loan Book
P11,872m — 5% up
2022: P11,332m

Mobile Loans Book
P803m — 90% up
2022: P421m

Customer Deposits
P1,537m — 37% up
2022: P1,121m

Insurance Revenue
P363m — 46% up
2022: P249m

2023 Income Performance

Interest Income
P3,425m — 9% up
2022: P3,146m

Non-Funded Income
P514m — 17% up
*Excluding FX Gains
2022: P439m

Operating Income: South
P1,890m — 1% down
2022: P1,910m

Operating Income: East & West
P758m — 17% up
2022: P647m

2023 Review: Navigating a Challenging Operating Environment

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2023 Macroeconomic Headwinds

Rising Inflation

- Several African countries grappled with rising inflation.
- Most notably, Ghana (+50%) and Nigeria (+25%).
- Most Letshego Africa operating countries recorded average inflation outside target range, incl. Botswana and Mozambique.

Interest Rate Hikes

- Letshego bore the full year impact of interest hikes from 2022 and 2023 to counter rising inflation.
- Floating debt, new debt and rollover funds repriced higher leading to reduced margins
- Interest Expenses rose faster than interest income growth.

Constrained Macroeconomic Growth

- SSA economy grew 2.5% vs 3.6% in 2022.
- Letshego entities recorded balance sheet and top-line earnings growth in all major geographies, driven largely by core DAS product.

2023 Key Challenges

Change in ECL Stage 3 Discounting

- During the year, our auditors changed their professional view and judgement on discounting of Stage 3 ECLs.
- In prior periods, Letshego had discounted ECLs across all three stages. In 2023 their view was that discounting should not be applied at Stage 3 ECLs.
- Management agreed to the adjustments for prudence.

Individual Lending Portfolio

- Our leading market, Botswana, still faces challenges with portfolio deterioration on the discontinued test-and-learn open market lending product.

Ghana Hyper-Inflationary Adjustment

- The Ghanaian economy was judged to be a hyper-inflationary, leading to a income write-downs and other downward accounting adjustments, eroding what was rather a very strong year.

Currency Depreciation

- Operating entities posted good growth in local currency terms but was more muted when translated to BWP.

Agenda

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02 Financial Review

Group Chief Financial Officer
Gwen Muteiwa

Key Performance Highlights: Balance Sheet

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Balance Sheet Grew against Key Metrics Despite Challenging Macroeconomic Context

P14,346m
9% **Gross Advances**
2022: P13,132m

P13,488m
7% **Loans and Advances**
2022: P12,655m

P18,110m
8% **Total Assets**
2022: P16,719m

P9,626m
20% **Borrowings**
2022: P8,028m

P673m
19% **Retail Deposits**
2022: P565m

P1,538m
37% **Customer Deposits**
2022: P1,121m

Balance Sheet Summary

Strong Performance Driven by Core Product Demand and New Product Introductions

Assets (BWP'000s)	**31 Dec 2023**	**31 Dec 2022**	**Δ%**
Cash and similar instruments	1,401,824	1,020,771	37%
Investment securities	866,718	692,101	25%
Financial assets at fair value	963,648	1,222,076	-21%
Advances to customers	13,487,892	12,654,857	7%
Other Assets	1,390,010	1,129,883	23%
Total assets	**18,110,092**	**16,719,688**	**8%**
Liabilities	**31 Dec 2023**	**31 Dec 2022**	**Δ%**
Financial liabilities at fair value	980,519	1,201,095	-18%
Customer deposits	1,537,984	1,120,827	37%
Borrowings	9,626,301	8,027,840	20%
Other Liabilities	1,045,402	784,375	33%
Total liabilities	**13,190,206**	**11,134,137**	**18%**
Equity	**31 Dec 2023**	**31 Dec 2022**	**Δ%**
Stated capital	917,909	899,571	2%
Other Reserves	3,559,146	4,217,103	-16%
Equity Attributable to Parent	4,477,055	5,116,674	-13%
Non-controlling interests	442,831	468,877	-6%
Total Shareholders' Equity	**4,919,886**	**5,585,551**	**-12%**
Total Liabilities and Equity	**18,110,092**	**16,719,688**	**8%**

Commentary

1

Strong Loan Book Growth:

- Asset Base grew 8%, led by 7% growth in Loans and Advances, bolstered by Letshego's Flagship DAS product, with growing contribution from Mobile Loans.

2

Growing Customer Deposits:

- Customer Deposits grew 37%. Retail deposits contribute 43% of all customer deposits.
- Further Growth expected through increased uptake of payments products and Digital Mall on the Retail end.

3

Borrowings:

- Borrowings grew by 20% to support:
  - Subsidiary liquidity buffers following strong customer demand for core loan products
  - To facilitate growing requests for Balance Sheet as a Service solutions from Fintech/MNO partners .

Funding Update

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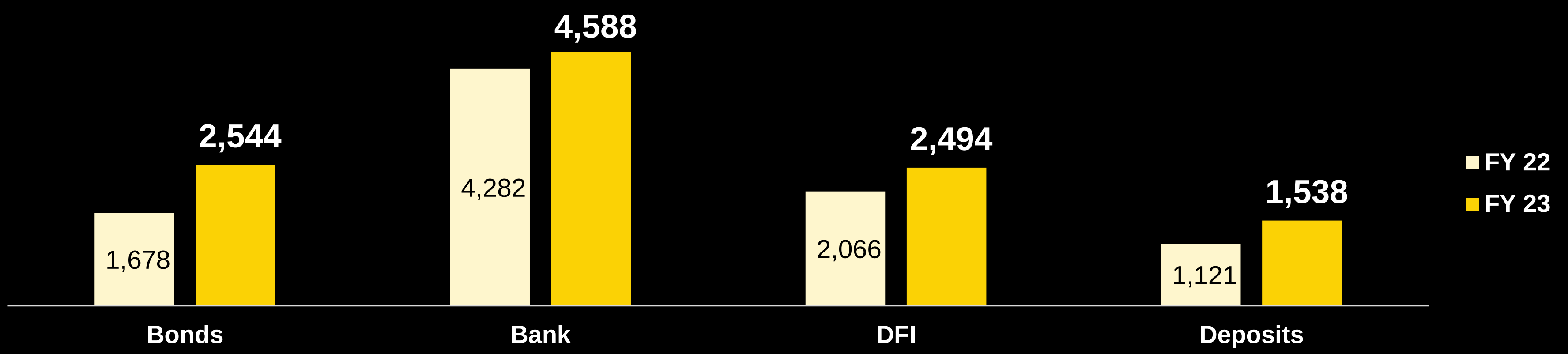
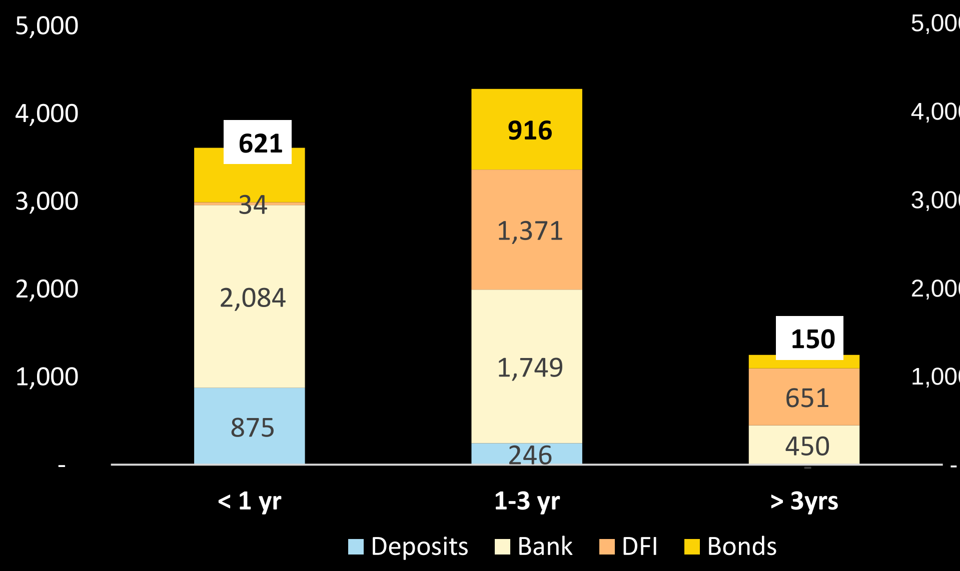
Positive Progress On Deliberate Balance Sheet Restructuring Efforts to Unlock Greater Efficiencies

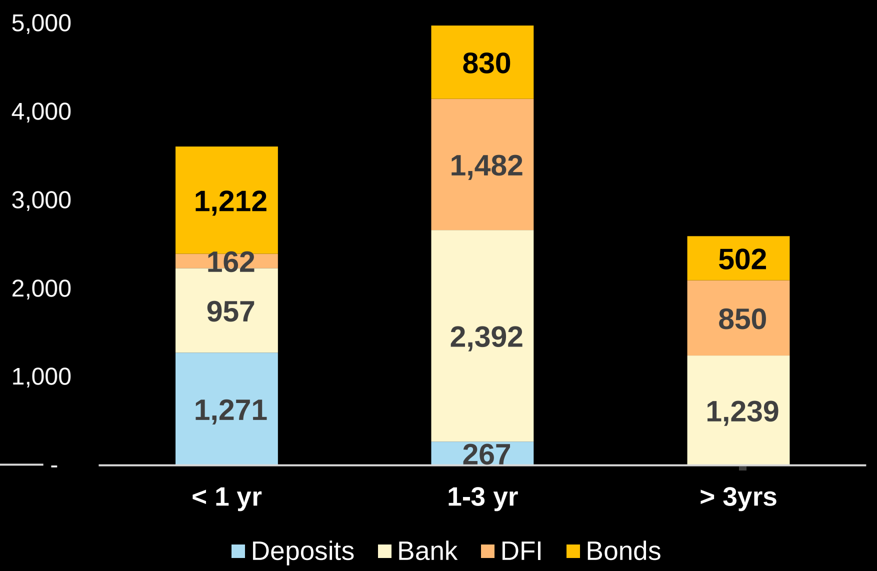
Funding Profile (BWP'm)



Funding Term Structure (BWP'm)



2022



2023

Key Highlights

- **New debt of P3.6bn raised**, rollovers of P2.6bn executed during FY 2023.
- **Increase in Local Funding and in Local Currency Disbursement of P5.8bn** (P3.3bn New; P2.5bn Rollover) vs P2.5bn in 2022 (P1.4bn New; P1.1bn Rollover)
- **Total borrowings (incl Deposits) across the Group increased by P2.02bn (22% increase)**.
- **SSA** (Security Sharing Agreement) has been **Successfully Unwound**, releasing **P3.5bn in assets.**
- **Landmark Bond Issuance in Mozambique** with record corporate value of P307m
- **Extended Funding Term Structure** in line with extended term loan durations, >3yr bucket increased by P1.34bn.
- **Deposit base increased by 37% to P1.5bn**

Significant Income Statement Items

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Impact of Exceptional Items on Profitability

Exceptional and Once-Off Items

P128m
Ghana Inflation Adjustments

P296m
ECL Impairments

P70m
Restructuring Costs

2023 Profit Summary

P758m
6%
Normalised Profit Before Tax

P122m
82%
Actual Profit Before Tax

(P149m)
142%
Actual Loss After Tax

Significant Accounting Adjustments

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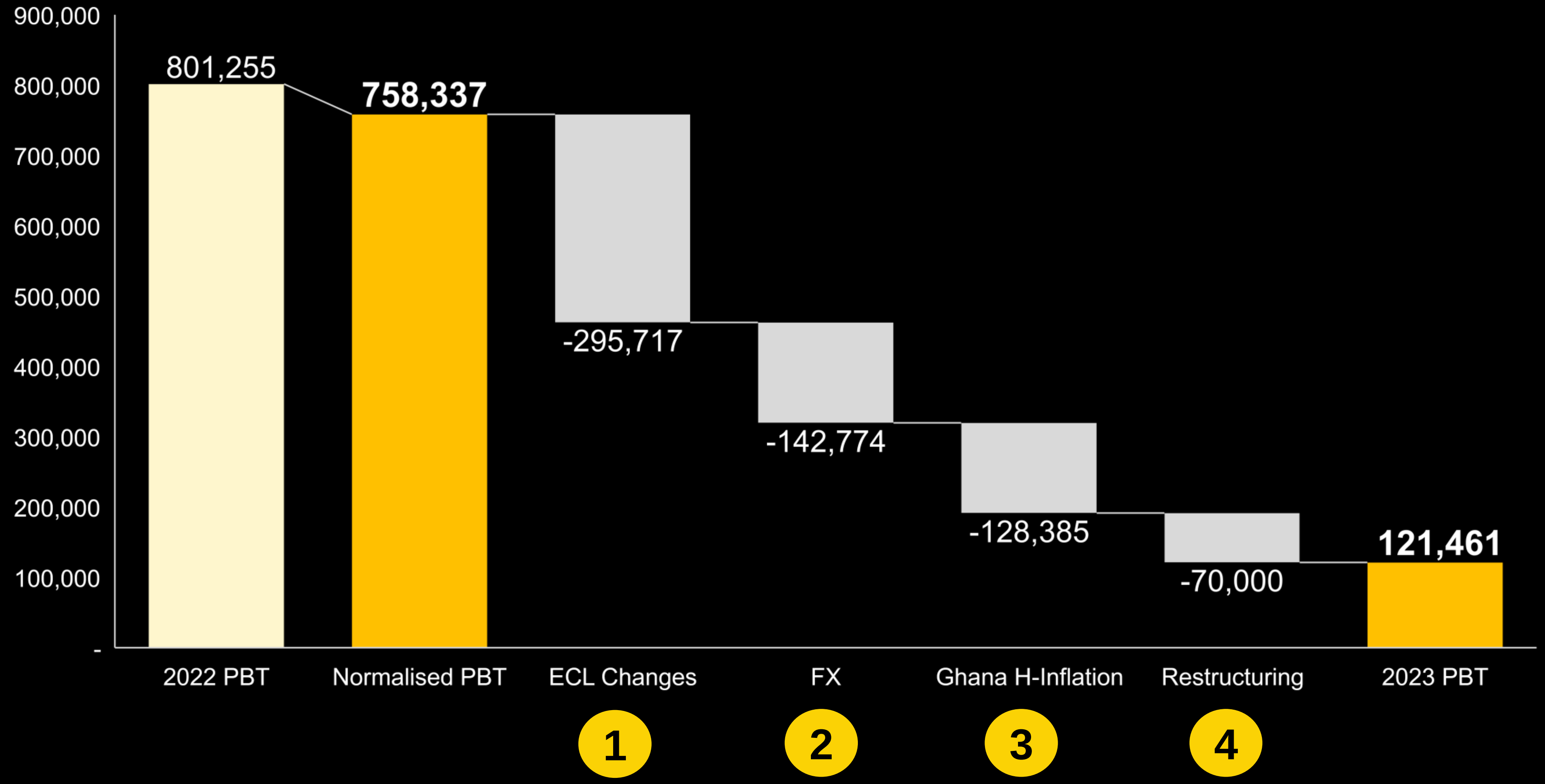
Buoyant Underlying Performance before Adjustments

Impact of Extraordinary Items on PBT Performance
(BWP’000s)



Extraordinary Items Explained

1. P296m increase largely due to removal of Stage 3 ECL discounting as required by External Auditors.
Outlook: Increased Collection efforts in 2024 .

2. P143m impact of swing from prior year FX gain to loss in current year.

3. P128m ‘Net Monetary Loss’ due to inflation-adjusted accounting - Ghana.
Outlook: Ghana inflation is on a declining trend. Inflation adjusted accounting could be phased out in 2025/26

4. P70m Restructuring Expenses
Outlook: Once-off item that will not recur in 2024

Key Performance Highlights: Income Statement

Letshego

Buoyant Performance Supported by Strong Consumer Demand Despite More Challenging

P3,425m

9% **Interest Income**

2022: P3,146m

P1,690m

23% **Interest Expense**

2022: P1,377m

P1,722m

2% **Net Interest Income**

2022: P1,756m

P514m

17% **Non-Funded Income**

2022: P439m

P1,659m

20% **Total Operating Expense**

2022: P1,386m

P2,237m

2% **Operating income**

2022: P2,286m

Income Statement Summary

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Strong Top-Line Performance Driven by Strong Customer Demand for Core Lending Products

	Income Statement (BWP'000s)	FY 2023	FY 2022	Δ%
1	Interest Income	3,424,947	3,145,672	9%
2	Interest Expense	(1,702,674)	(1,389,202)	23%
	Net Interest Income	**1,722,273**	**1,756,470**	**-2%**
	Net Fee and Commission Inncome	258,231	277,420	-7%
	Other operating income	256,141	251,937	2%
	Operating Income	**2,236,645**	**2,285,827**	**-2%**
	Expected credit losses	(456,591)	(216,076)	111%
	Net Operating Income	**1,780,054**	**2,069,751**	**-14%**
	Employee costs	(611,604)	(585,939)	4%
	Other operating expenses	(1,046,989)	(799,927)	31%
3	**Total Operating Expenses**	**(1,658,593)**	**(1,385,866)**	**20%**
	Profit before taxation	**121,461**	**683,885**	**-82%**
	Taxation	(270,260)	(332,311)	-19%
	(Loss)/Profit for the Year	**(148,799)**	**351,574**	**-142%**

Key Messages

1

Interest Income:

- Strong top-line growth driven by strong core DAS business and increasing contribution from mobile loans.

2

Interest Expense:

- Interest expense increased due to increased borrowings and policy rate hikes.
- Significant interest movements experienced especially in Mozambique.

3

Operating Expenses:

- Operating expenses increased due to:
  - Loss on Net Monetary Position – **P145m**
  - Restructuring Costs – **P70m**
  - Net Foreign Exchange Loss – **P52m**
  - Once-Off Consultancy – **P21m**
  - OpEx less Above Once-Off Costs – **P288m**
- **Normalised OpEx is 1% down** vs. 2022 without above Once-Off Costs (P288m)

Credit Quality: Expected Credit Losses (ECLs)

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Strengthened Coverages in line with increases in Stage 3 Provisions and After correction of Stage 3 Discounting

Group Consolidated ECL Coverage as at 31st December 2023

Gross Advances	Dec-21	Jun-22	Dec-22 Restated	Jun-23	Dec-23
Stage 1	10,994	11,111	11,229	11,527	12,142
Stage 2	678	722	1,006	596	755
Stage 3	768	979	896	1,162	1,472
Total	**12,439**	**12,812**	**13,132**	**13,286**	**14,346**

ECL	Dec-21	Jun-22	Dec-22	Jun-23	Dec-23
Stage 1	131	141	107	158	118
Stage 2	110	95	47	23	39
Stage 3	323	377	323	256	700
Total	**564**	**613**	**477**	**437**	**858**

Coverages	Dec-21	Jun-22	Dec-22	Jun-23	Dec-23
Total Coverage	**4.5%**	**4.8%**	**3.6%**	**3.3%**	**6.0%**
Stage 3 coverage *	73%	63%	53%	38%	58%

**Stage3 Coverage = Total ECL / Stage 3 ECL*

Credit Quality: Income Statement

Loan Loss Ratios by Region

Financial Year	Southern Africa	East and West	Group
2018	1.8%	9.8%	**4.1%**
2019	0.2%	5.8%	**1.7%**
2020	1.0%	-1.5%	**0.3%**
2021	0.5%	-1.1%	**-0.1%**
2022	0.2%	0.6%	**0.5%**
2022**	0.1%	0.4%	**0.2%**
2023	2.9%	3.8%	**3.3%**
2023*	2.2%	1.3%	**2.0%**

Commentary

- **LLR at 3.3% up from 0.2% the previous year** (restated 2022).
- **Normalized LLR at 2.0%.**
- **Collections challenges on Individual lending** product adversely impacting Botswana portfolio, driving up LLR to 3.3% and 2.9% in Southern Africa. This is expected to be remediated through the various collection and recoveries strategies.

Ghana Update: Turnaround Market Highlight

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The Underlying Business in Ghana is Strong and Growing. We are Optimistic about Macroeconomic Recovery.

Country Highlights
Constant Currency (CCY) | 2022 GHS/BWP Rates

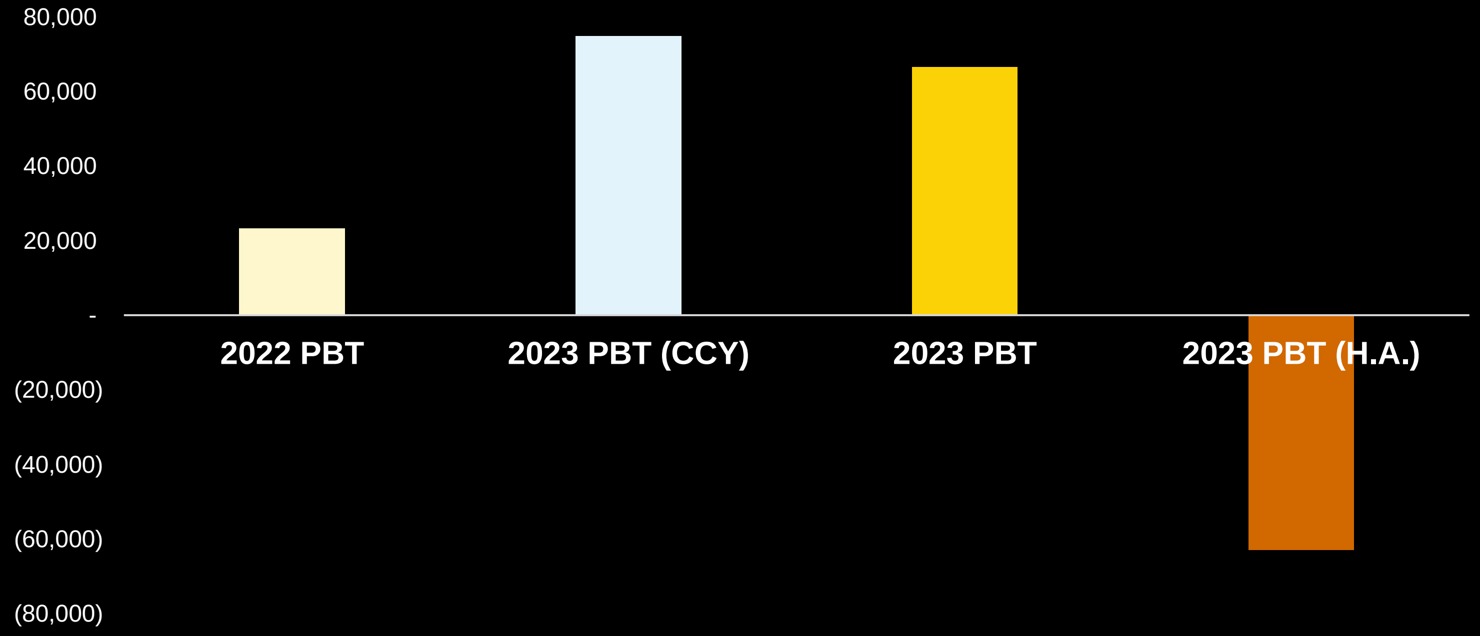
33% **P1,465m**
Gross Advances
2022: P1,053m

1,007% **P232m**
Customer Deposits
2022: P21m

28% **P306m**
Mobile Loan Net Adv.
2022: P240m

128% **P162m**
Mobile Loans Revenue
2022: P71m

Impact of Hyperinflationary Accounting



Macro Outlook

Key Metric	2022	2023	2024	2025
Inflation	54.1%	23.2%	13.5%	12.2%
Exchange Rates GHS:USD	8.58	12.00	11.40	12.39
Policy rates	27.0%	30.0%	22.0%	17.0%

- We continue to closely monitor Ghana and other economies and are prepared with contingent plans should situation worsen.
- Based on the above positive trends and solid LCY underlying business performance, we expect a turnaround in BWP terms in Ghana.

Agenda

03

Looking Ahead

Group Chief Executive Officer
Aupa Monyatsi

Looking Ahead

We are Focused on Increasing Execution Capability to Deliver on Our Key Strategic Priorities

We are Pleased About

1 Buoyant DAS-led Growth

- Growing demand in main DAS markets in H2.
- Strong sales momentum in Q4 carrying over into 2024.

2 Non-Funded Income Growth

- New Mobile Lending and Balance Sheet as a Service partnerships in pipeline in existing and new markets.
- Continued strong demand and income growth from Insurance products.

3 Strong Customer Deposit Growth

- Customers continue to respond well to new transactional products and corporate solutions from lending arrangements.

We are Accelerating Execution On

1 Collections and Recoveries

- Optimising business to claw back on increased provisions realised in 2022 and 2023.

2 Capital Efficiency and Treasury Management

- Continued focus on maximising capital efficiencies and optimising balance sheet and funding structure.

3 Cost Rationalisation

- Ongoing efforts to reevaluate investments in operating environment and overall Cost structure given subdued macroeconomic growth.

4 Assessing Geographic Presence

- Various strategic actions underway to protect business against macroeconomic and geopolitical risk of certain operations.

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Thank You

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