

Letshego Group

COVID-19 Update

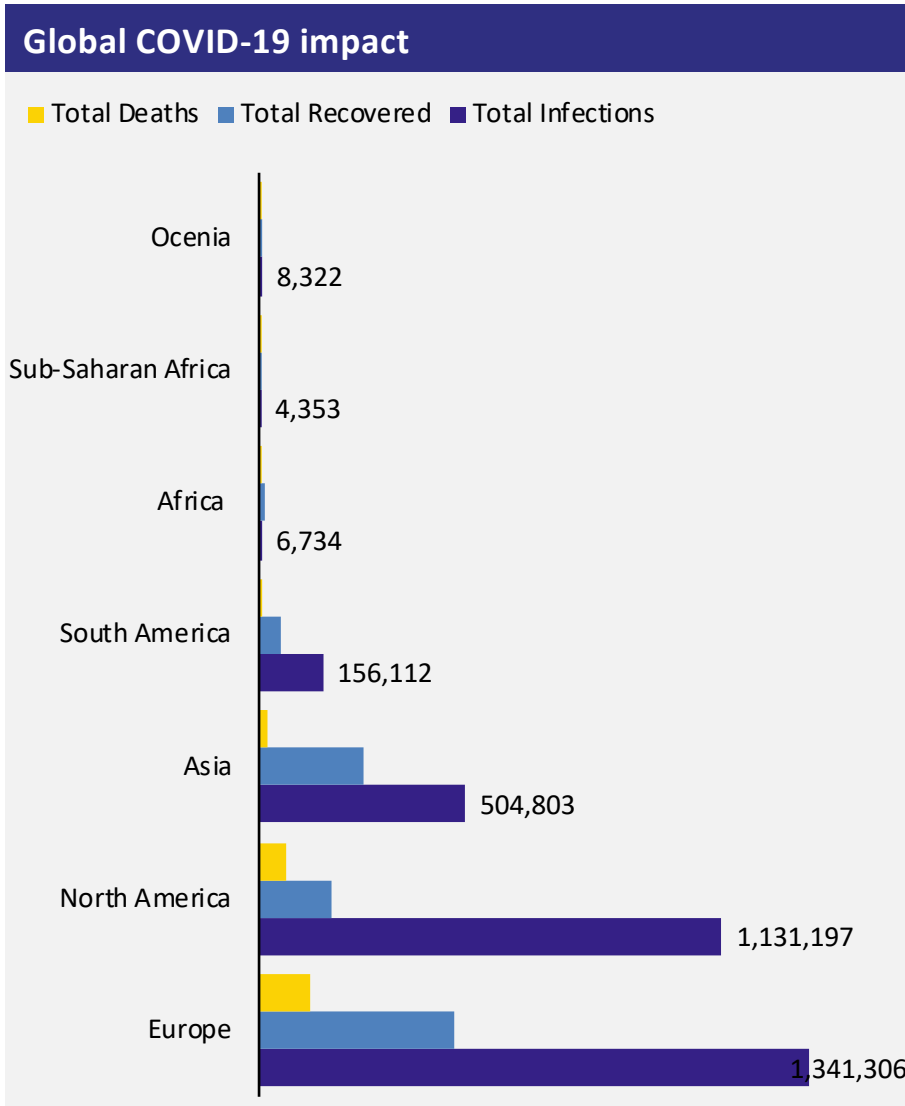
Andrew F. Okai
Group Chief Executive
30 April 2020



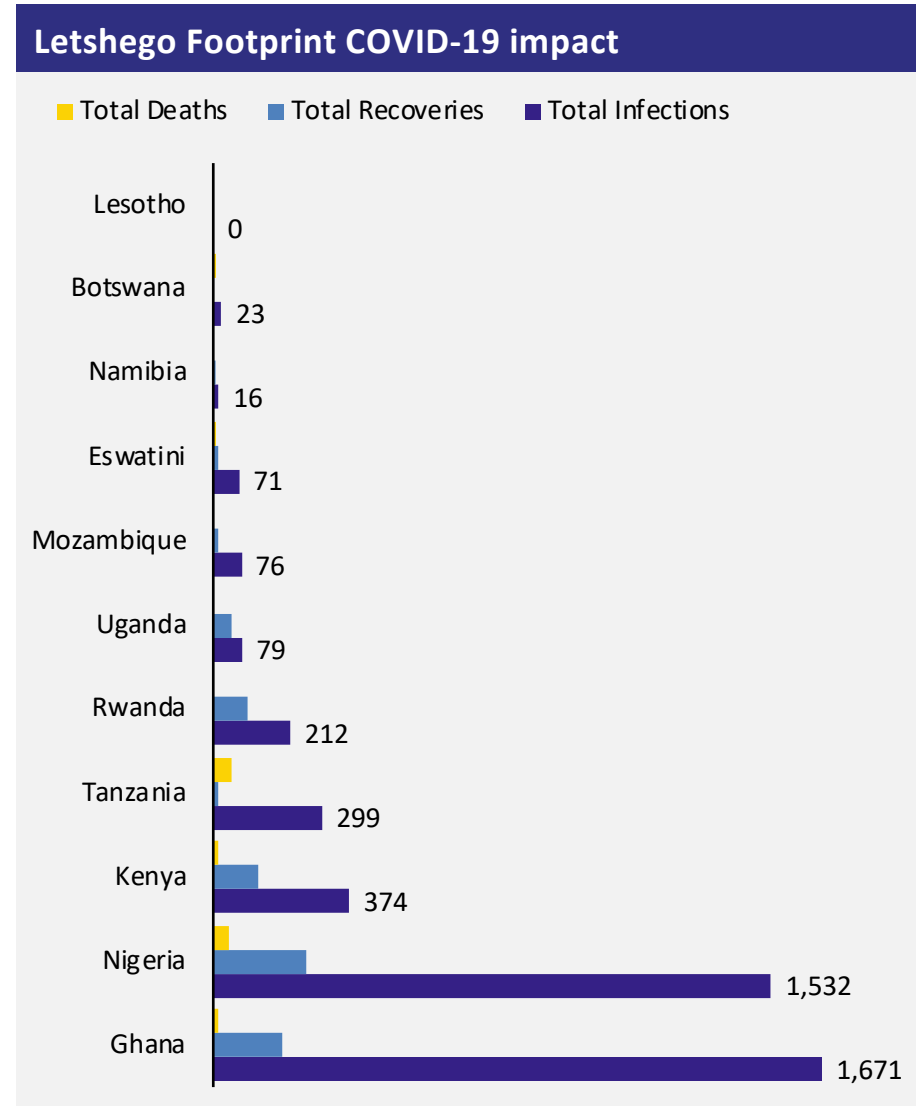
AGENDA

1	COVID-19 impact: Globally and Letshego footprint	
2	COVID-19 : Our Response	
3	Business Continuity: Impact Analysis	
4	Deduction@Source (DAS)	
5	Micro and Small Entrepreneurs (MSE)	
6	Alternative Channels	
7	Financial Performance	
8	Transition to the 'New Normal'	

COVID-19 Impact: Globally and within Letshego's footprint



<https://www.worldometers.info>



Our markets are impacted to varying degrees with majority in lockdown



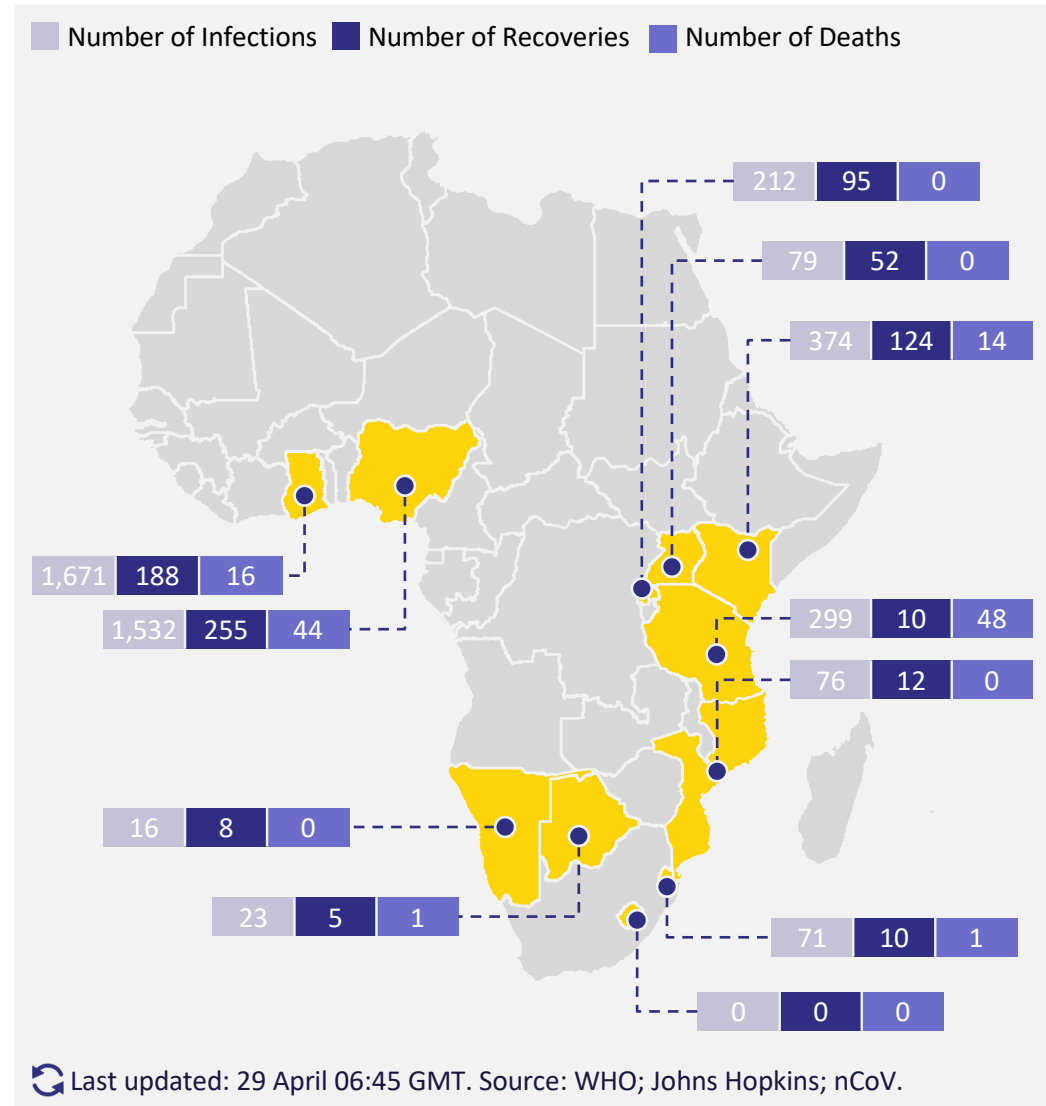
8 out of 11
Countries on lockdown

0 out of 1,863
Staff infections

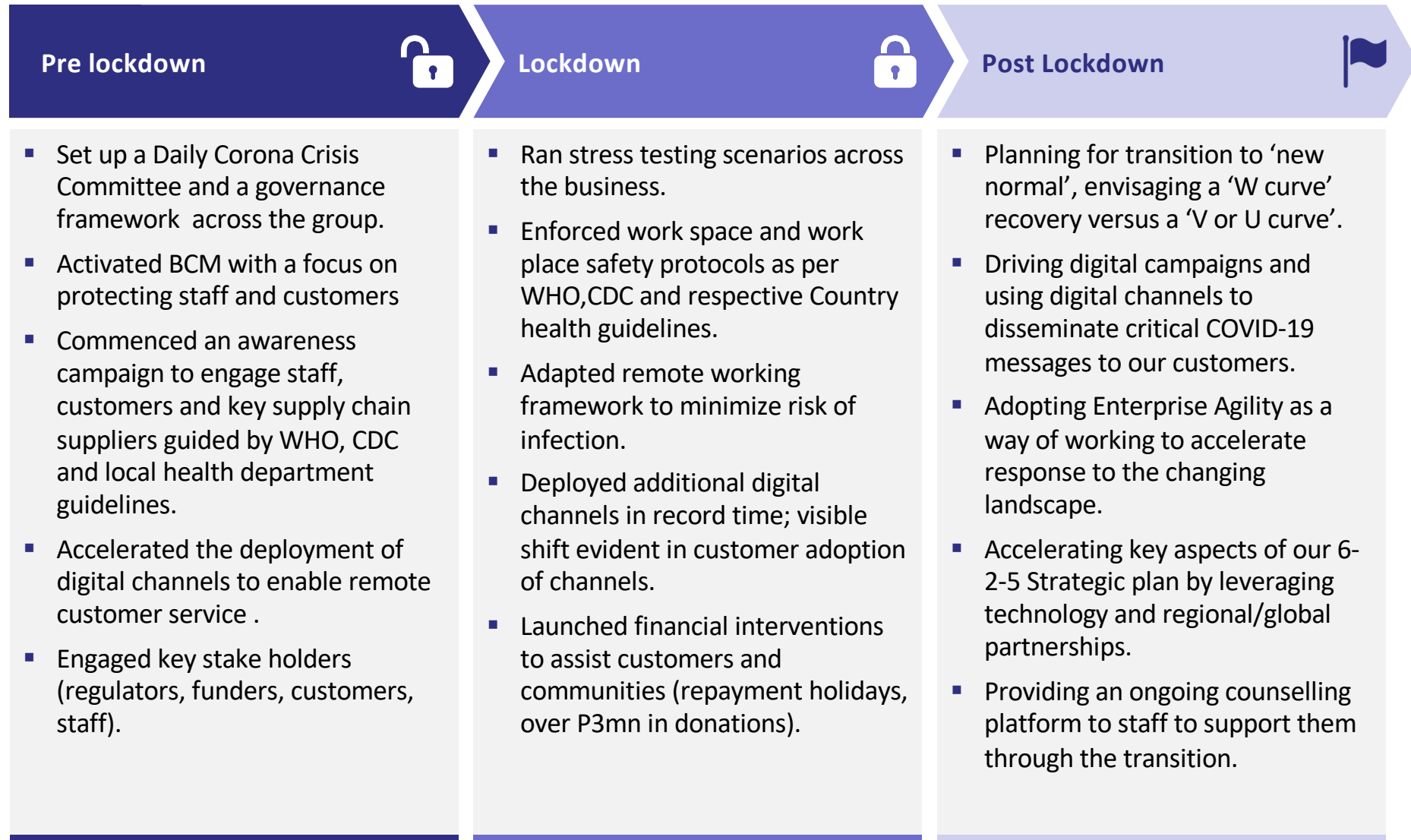
COVID 19 totals Letshego footprint

4353 Infections	754 Recoveries	124 Deaths
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Lesotho
only market without a recorded case





COVID-19: Summarised response to pandemic phases









Business Continuity: Impact Analysis

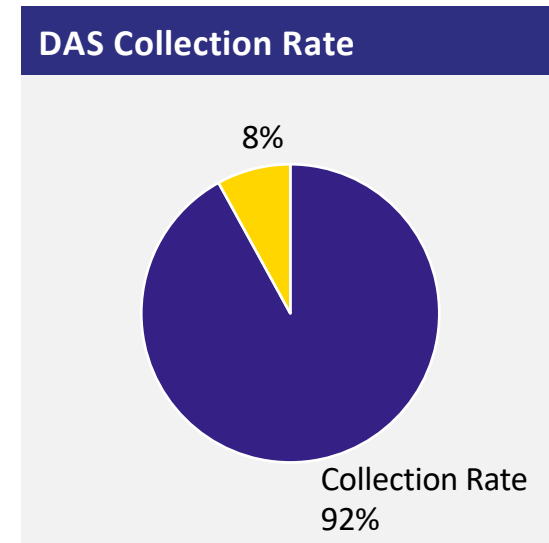
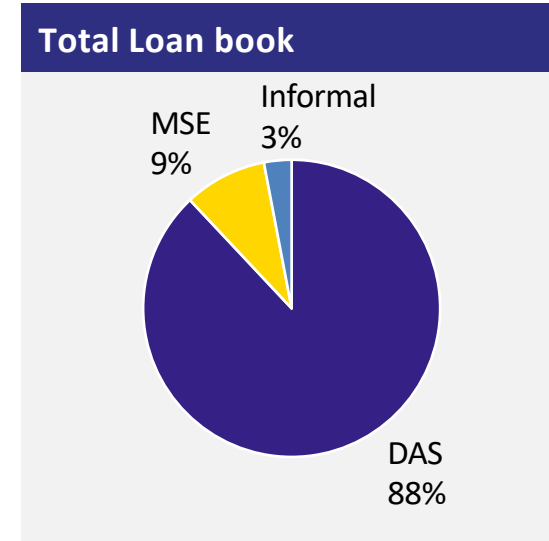
	Potential risks 	Mitigating actions 
Credit Risk 	<ul style="list-style-type: none"> Increased impairments due to inability of customers and MSE's to operate during country lockdowns 	<ul style="list-style-type: none"> Repayment holiday open to MSE customers Stress tests and sensitivity analysis with overlay of internal sales assumptions Customer forbearance programs Review of risk appetite and concentration risk
Funding 	<ul style="list-style-type: none"> Cashflow pressures Risk appetite of funders as a result of COVID-19 	<ul style="list-style-type: none"> Continuous engagement with funders on franchise strength Continuous stress testing of liquidity position Maintaining high repayment rates due to employment retention in the DAS portfolio <p><i>Letshego maintains strong capital and liquidity levels to meet payment obligations</i> (Dividend payments, operational and funding costs)</p>

Business Continuity Impact Analysis






	Potential risks 	Mitigating actions 
Operations 	<ul style="list-style-type: none"> Health and safety of staff & customers Negative impact of COVID-19 on communities 	<ul style="list-style-type: none"> COVID-19 Crisis Committee - early March 2020 Continuous engagement with staff and customers on safety precautions Remote working policy implemented Critical supplier assessments done for each market
Sales & Income 	<ul style="list-style-type: none"> Lower sales growth due to slow down in economic activity Restricted movement of persons in affected regions, affecting sales 	<ul style="list-style-type: none"> Shifted business away from physical delivery channels to digital channels e.g. WhatsApp loan applications, Web applications, USSD for DAS Focusing on sales to existing customers (through top-ups)

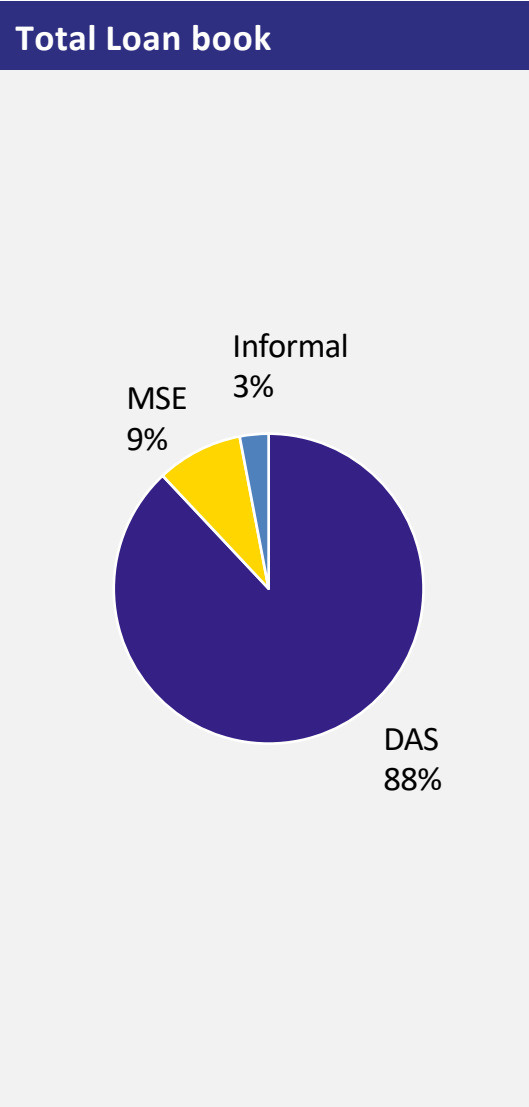
Deduction@Source (DAS) portfolio remains resilient

-  All Deduction@Source salaries continue to be paid as Governments seek to minimise retrenchments over this period
-  DAS resilient business with 2% growth of net advances
-  Even as new loans are slowing down the bulk of the business (circa 70%) is coming from loan top-ups.
-  High collection rates at 92% (97% including unallocated receipts) even during varying levels of National Lockdown
-  Loan Loss Ratios (LLRs) for DAS at 0.9%
-  Employers have option to negotiate repayment holidays within non-government sector segment



Micro and Small Entrepreneurs (MSE) portfolio under pressure Letshego

-  MSE sector is severely impacted. We have introduced a repayment holiday to support all MSE customers
-  Increased impairments expected due to inability of MSEs to operate during country lockdown periods
-  Restructuring of loans for affected MSE customers
-  Loan Loss Ratios (LLRs) at 3.3% - expected to deteriorate further on the back of specific sector risk
-  Extensive analysis of high risk sectors e.g. import/export, travel, tourism, manufacturing, trade & education.



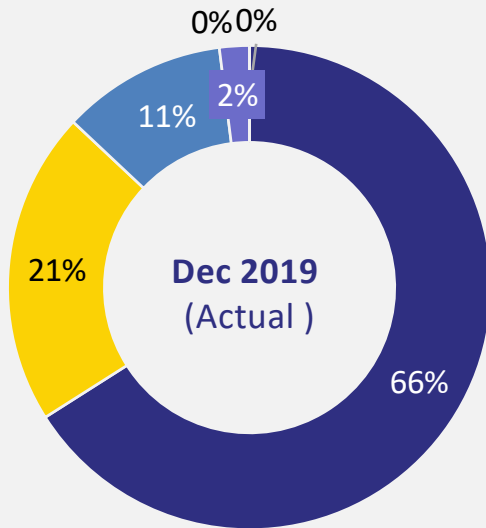
Government Responses to COVID-19 in our Subsidiaries



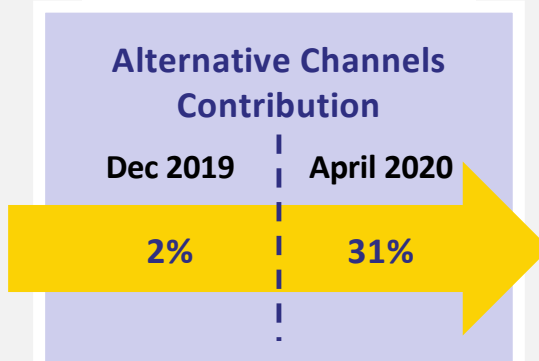
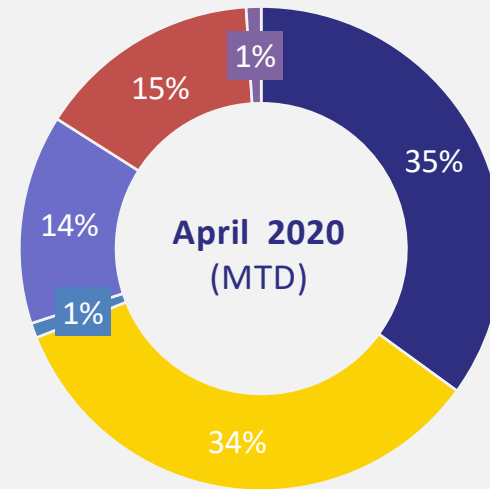
	Labour		Deferral					Financial instruments								Structural Policies			
	Wage subsidies	Training Levy Waivers	Income/ Corporate Penalty /Relief/or tax	(VAT) Deferral / Reduction	Encourage Banks to Offer Repayment Holidays	Rent/utilities/Tax/ Insurance/Pension	Encourage Banks Loan Restructuring	Loan guarantees	Revised Loan Classification /Provision Rules	Grants and subsidies to SMEs	Special Funds to Banks to borrow at preferential rates	Enhanced Collateral (Stocks/Bonds)	Central Bank Lending (LR) Rate Reduction	Cash Reserve Ratio (CRR) reduction	Liquidity Ratio Reduction	Capital Adequacy Ratio (CAR) Reduction	Special COVID-19 Funds	Fund/Purchase Medical /Water equipment Supply/Build up of Fuel/Grain/Food Reserves	Price Waiver/lower Fuel/Utilities/Mobile Money
Botswana	✓	✓	✓	✓	✓	✓	✓	✓			✓				✓	✓	✓	✓	
Ghana					✓				✓			✓	✓			✓			
eSwatini			✓				✓					✓	✓	✓			✓		✓
Kenya			✓	✓	✓		✓		✓			✓	✓				✓		✓
Lesotho												✓							✓
Mozambique								✓					✓			✓	✓		✓
Namibia					✓				✓			✓	✓	✓		✓	✓		
Nigeria			✓		✓				✓	✓		✓				✓	✓	✓	✓
Rwanda					✓				✓	✓	✓		✓				✓	✓	✓
Tanzania					✓														
Uganda			✓		✓				✓		✓						✓	✓	✓

Response to COVID-19: Alternative Channels

2019 Gross Payouts Contribution by Channel



2020 Gross Payouts Contribution by Channel



■ Branch
 ■ DSA
 ■ RO
 ■ Call centre
 ■ WhatsApp
 ■ Web



Accelerated Alternative channels - 31% contribution in April 2020 versus 2% in 2019



WhatsApp channel contributed 15% of total new loans in the month of April 2020



Aggressive digital marketing across foot print to support adoption of alternative channels

Q1 Financial performance generally in line with expectations

Financial results to 31 March 2020

The business remains profitable and resilient

Return to growth: Run rates Q1 2020 PBT ahead of Q4 2019 (albeit slightly behind Q1 2020)
Expect impact in Q2 and Q3 2020 due to COVID-19

Cost to income (CIR) ratio flat year on year, in line with expectation.

Loan Loss Ratio at 1.8% within annual target range of 1.7% -2.5%.

Net advances to customers up 2% year on year

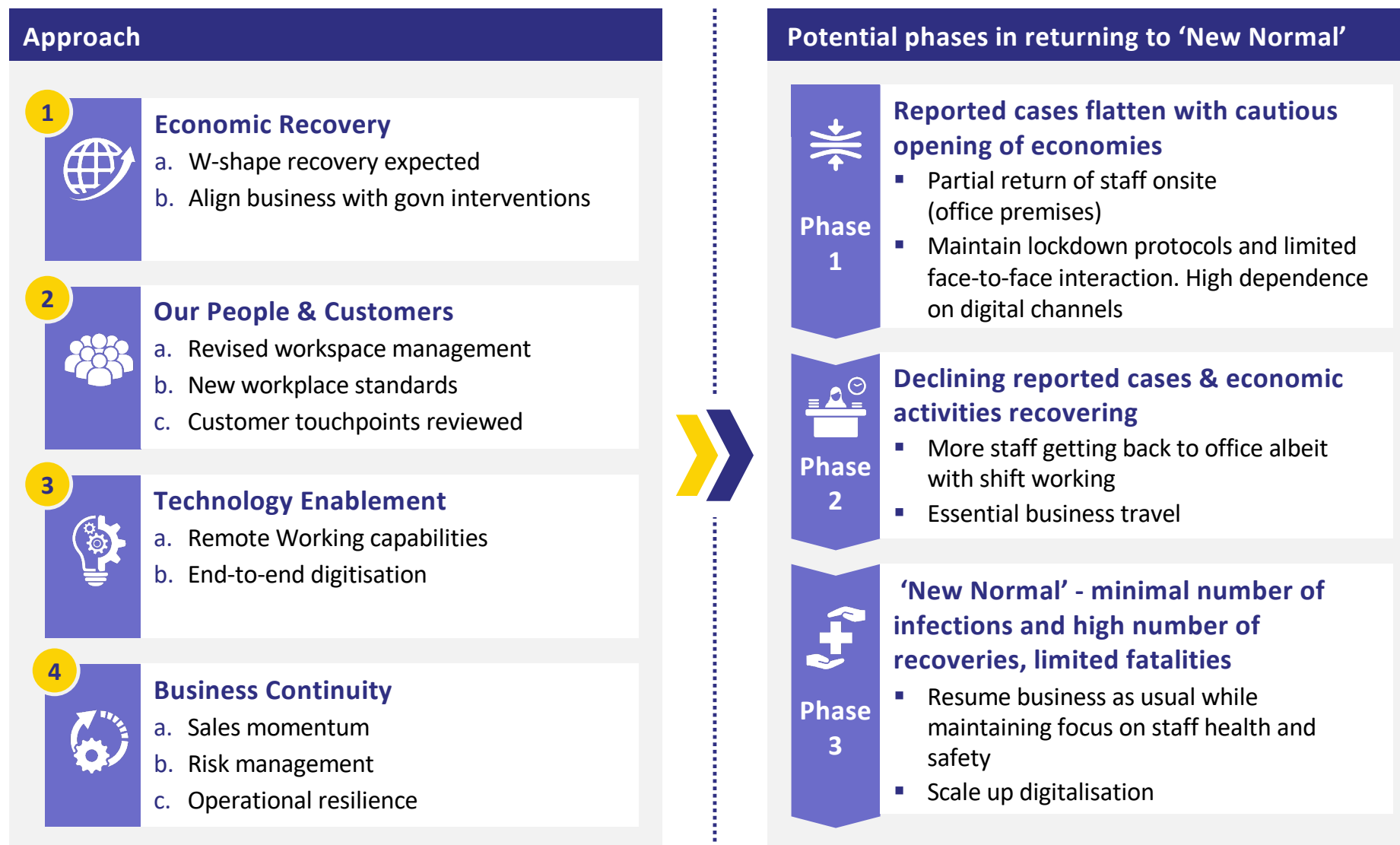
All subsidiaries well capitalised and compliant with local capital requirements

Our cash position remains strong with 20% year on year increase

	Q1 2020	Q1 2019	% Change
Loan Loss ratio (%)	1.8%	3.5%	- 48%
Total number of customers	550,000	519,326	5%
Total Retail Deposits (P' 000)	209,807	104,014	102%

*Business momentum expected to recover as the year progresses aided by digital enablement.
Stress testing results indicate LLR could peak at 2.9% in Q2, ending the year at 2.4% (worst case scenario).*

COVID-19: Transition to a 'New Normal'



6-2-5 Plan on track - Accelerating digitalisation initiatives through regional and global partnerships



Creating a world class Retail Financial services organisation

Short term: Leverage on our strengths to deepen impact

Medium /Long term : Customer ; Talent, Innovation and technology

CREATE the future organisation

- Talent mobility.
- Relentless Innovation culture.
- Digital delivery – Innovation hubs / Platform/Ecosystem thinking.

BECOME customer led

- Invest in Customer Experience.
- Leverage on emerging transformative technologies.
- Customer led, speed to market.
- Enterprise Agility as a methodology .

STRENGTHEN our foundation

- Build on core business, DAS.
- Key digital channels to improve DAS productivity.
- Diversify solutions & Funding .

Productivity Of Solutions

Transformative Technologies

Platform Thinking



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