

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board of Directors of Letshego Holdings (Namibia) Limited ("LHN/the Group") is pleased to present an extract of the unaudited consolidated results for the half year ended 30 June 2020.

OVERVIEW OF FINANCIAL PERFORMANCE

Against the backdrop of a challenging and increasingly competitive environment, Letshego realised negative growth in both revenue and profits. These declines were mainly driven by yield compression as overall interest rates on advances declined. At the same time, revenues from cell captive arrangements declined due to higher loan write-offs as well as reduced insurance default cover premiums. Although growth in operational expenses was minimal at 3%, this was out-weighted by the significant drop in revenue.

FINANCIAL HIGHLIGHTS

- Total revenue decreased by 23% (2019: 4% increase), and Advances to customers grew by 18% (2019: 7%).
- Staff and operational expenses increased by 3% (2019: 7%), due to cost containment initiatives.
- Cost to income ratio increased to 33% from 24% in 2019, as a result of the decline in total revenue.
- Impairment charge for the period was NAD11.4m (2019: NAD9.9m), translating to a loan loss ratio (against average gross advances) of 0.4% (2019: 0.4%).
- Profit after tax was NAD148m (2019: NAD235m), a decrease of 37% (2019: 2% increase).
- Return on average equity was 11% (2019: 17%) and Return on average assets was 9% (2019: 15%).
- Earnings and headline earnings per share of 30 cents (2019: 47 cents) were achieved, a decrease of 36% (2019: 2% increase).
- As per existing dividend practice, no interim dividend is being declared.

NON-FINANCIAL HIGHLIGHTS

- Transactional LetsGo accounts increased by 59% from 12,590 as at 31 December 2019 to 19,973 as at 30 June 2020. This mirrors the growth in retail deposits from N\$43 million at 31 December 2019 to N\$65 million at 30 June 2020.
- Contributions to Covid-19 assistance amounted to N\$700,000 to the Government Relief Fund, N\$100,000 earmarked for staff assistance and N\$300,000 promised for further Covid-19 relief during the 2020 financial year.
- Letshego Namibia embarked on formal agreements with our four Strategic Social Investment partners with expected annual contributions from Letshego being N\$627,500 in 2020 and N\$878,000 during 2021.

BOARD AND EXECUTIVE CHANGES

Ms Mythri Sambasivan-George stepped down as a Director on 24 April 2020. A suitable replacement has been identified and their appointment will be announced after the relevant regulatory approvals have been obtained. Mr Gregory Madhimba who served as the Chief Financial Officer resigned effective 15 August 2020. We would like to thank him for his immense contribution to the Letshego Group and we wish him the best of success in his future endeavours.

PROSPECTS

As the COVID-19 pandemic continues to unravel, economic conditions are anticipated to remain depressed over the medium term. In the existing low interest rate environment, margins are expected to be under pressure. During this period, Letshego will focus on accelerating its digitisation agenda in order to harness operational efficiencies as well as extend its reach to its customer base while enhancing the customer experience. To ensure sustainability during these turbulent times, Letshego is focusing on strengthening its competencies in the existing core business, improving organisational agility, cost discipline and refreshing its organisational design and approach to innovation. Deposit mobilisation initiatives will continue as Letshego grows its deposit base. While the Group remains committed to delivering shareholder returns, the existing business environment calls for a more prudent approach in the preservation of capital. As such, Letshego's approach to the road ahead will be underpinned by ensuring that the Group's capital is adequate to absorb potential shocks from the operating environment.

DIVIDEND

As per existing dividend practice, no interim ordinary dividend is being declared.

For and on behalf of the Board of Directors:



Maryvonne Palanduz
Chairperson



Ester Kali
Chief Executive Officer

Windhoek, 01 September 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		30 Jun 2020	30 Jun 2019	31 Dec 2019
	% change	(Unaudited) NAD'000	(Unaudited) NAD'000	(Audited) NAD'000
ASSETS				
Cash and cash equivalents		139,406	213,107	147,586
Financial assets at amortised cost		14,518	-	13,979
Other receivables		103,779	126,590	202,409
Advances to customers	18%	3,141,168	2,662,740	2,935,341
Current taxation		13,838	22,638	23,826
Property, equipment and right-of-use assets		24,942	29,601	31,672
Deferred tax assets **		17,668	15,104	17,826
Total assets		3,455,319	3,069,780	3,372,639
LIABILITIES AND EQUITY				
Liabilities				
Deposits due to customers		66,033	14,150	43,361
Trade and other payables		95,747	54,877	50,288
Lease liabilities		10,729	12,280	14,207
Current taxation		-	-	-
Borrowings		286,630	233,574	290,772
Intercompany payables		155,480	110,022	140,952
Deferred tax liabilities **		17,485	19,303	18,959
Total liabilities		632,104	444,206	558,539
SHAREHOLDERS' EQUITY				
Share capital		100	100	100
Preference shares		-	-	-
Retained earnings		1,439,928	1,243,324	1,430,489
Capital reorganisation reserve		701,024	701,024	701,024
Equity settled share based payment reserve		1,820	1,599	2,144
Total equity attributable to equity holders of the parent company		2,142,872	1,946,047	2,133,757
Non-controlling interest		680,343	679,527	680,343
Total equity		2,823,215	2,625,574	2,814,100
Total liabilities and equity		3,455,319	3,069,780	3,372,639

**The net of the Group's deferred tax assets and liabilities was previously presented under a single line item. During 2019, the Group has disclosed the deferred tax assets and the deferred tax liabilities separately.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

		Six months ended		Year ended
	% change	30 Jun 2020 (Unaudited) NAD'000	30 Jun 2019 (Unaudited) NAD'000	31 Dec 2019 (Audited) NAD'000
Interest income calculated using the effective interest income method	-2%	310,629	316,421	625,198
Interest expense		(22,135)	(21,077)	(36,618)
Net interest income		288,494	295,344	588,580
Credit impairment release / (charge)		(11,371)	(9,867)	(9,236)
Net interest income after impairment	-3%	277,123	285,477	579,344
Fee income		2,070	850	2,102
Other operating income		33,429	130,458	229,999
Employee benefits		(36,267)	(29,925)	(63,889)
Other operating expenses		(69,306)	(72,756)	(149,954)
Operating profit before taxation	-34%	207,049	314,104	597,602
Taxation		(59,454)	(79,026)	(146,497)
Profit for the period	-37%	147,595	235,078	451,105
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the period		147,595	235,078	451,105
Weighted average number of shares in issue during the period (millions)		500	500	500
Basic earnings per share (cents)		30	47	90
Basic earnings per share - diluted (cents)		30	47	90
Headline earnings per share (cents)		30	47	90
Headline earnings per share - diluted (cents)		30	47	90
Net Asset Value per share (cents)		56,464	52,511	56,282

RATIOS

	30 Jun 2020 (Unaudited)	30 Jun 2019 (Unaudited)	31 Dec 2019 (Audited)
Return on average assets (%)	9.0%	15.4%	13.2%
Return on average equity (%)	10.8%	17.4%	15.9%
Cost to income (%)	32.6%	24.1%	26.1%
Debt to equity (%)	15.7%	13.1%	15.3%

CAPITAL ADEQUACY

	30 Jun 2020 (Unaudited)	30 Jun 2019 (Unaudited)	31 Dec 2019 (Audited)
Consolidated group capital adequacy			
Tier 1	76.2%	75.0%	95.9%
Tier 2	4.8%	20.1%	19.9%
Total	81.0%	95.1%	115.8%
Tier 1 leverage ratio	77.0%	67.8%	69.1%

COMPANY INFORMATION

Registered Address: 18 Schwerinsburg Street, P. O. Box 11600, Windhoek, Namibia
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