

Letshego Holdings Ltd

COVID-19 Update

Version 2 June 2020

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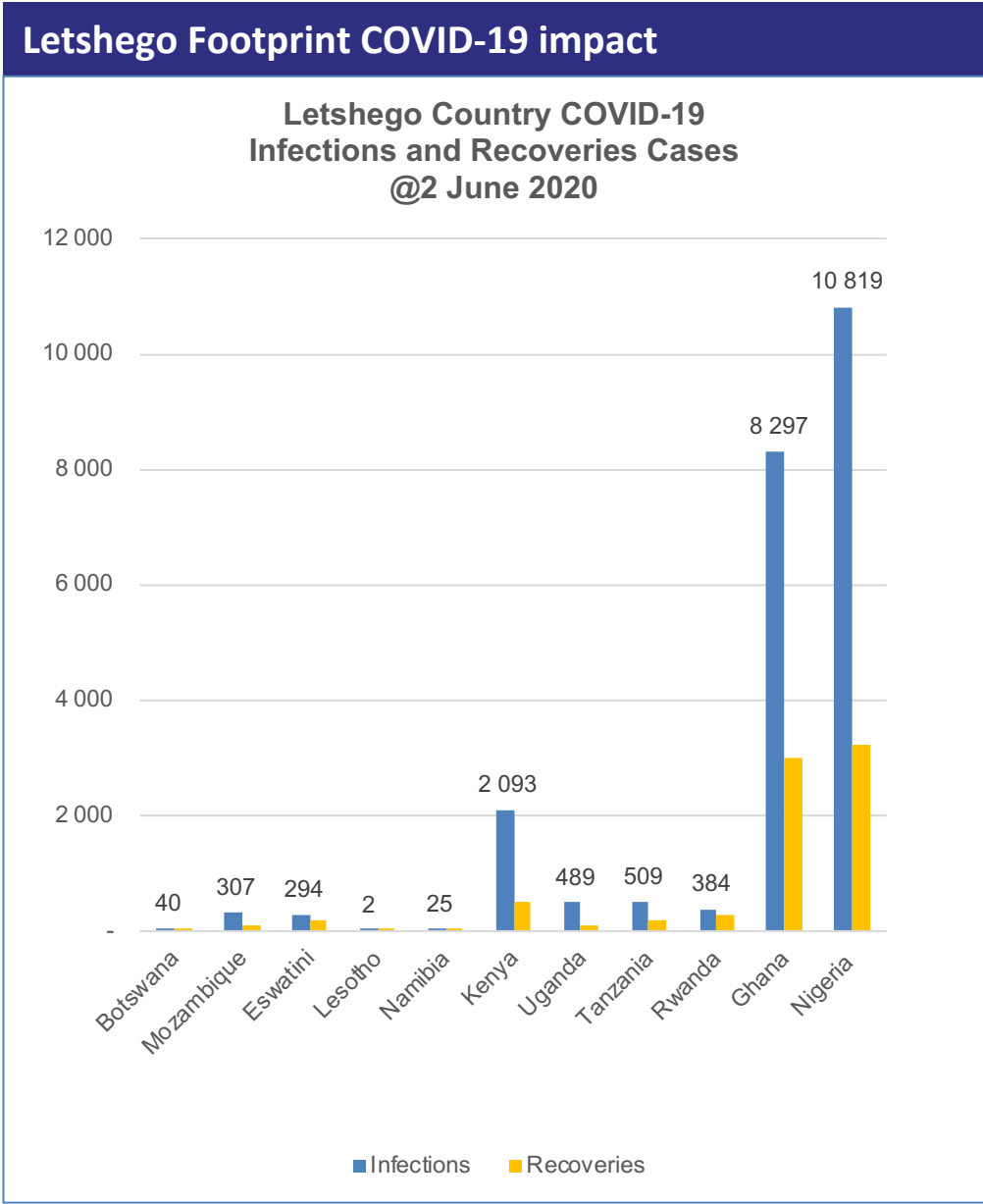
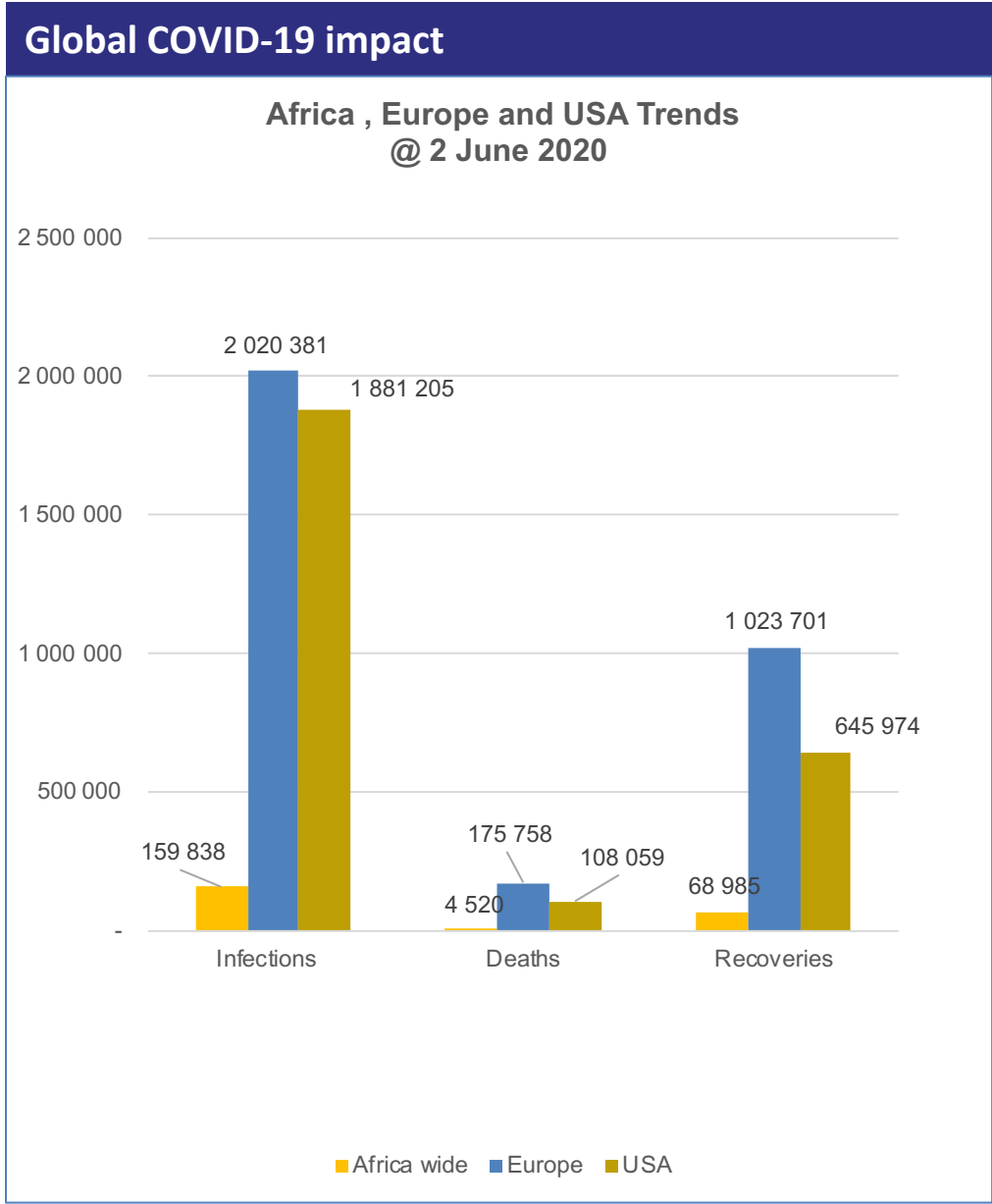
7 Financial Performance



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



SOURCE: <https://www.worldometers.info>

Our markets are impacted to varying degrees with majority in lockdown



8 out of 11
Countries on various levels of lockdown




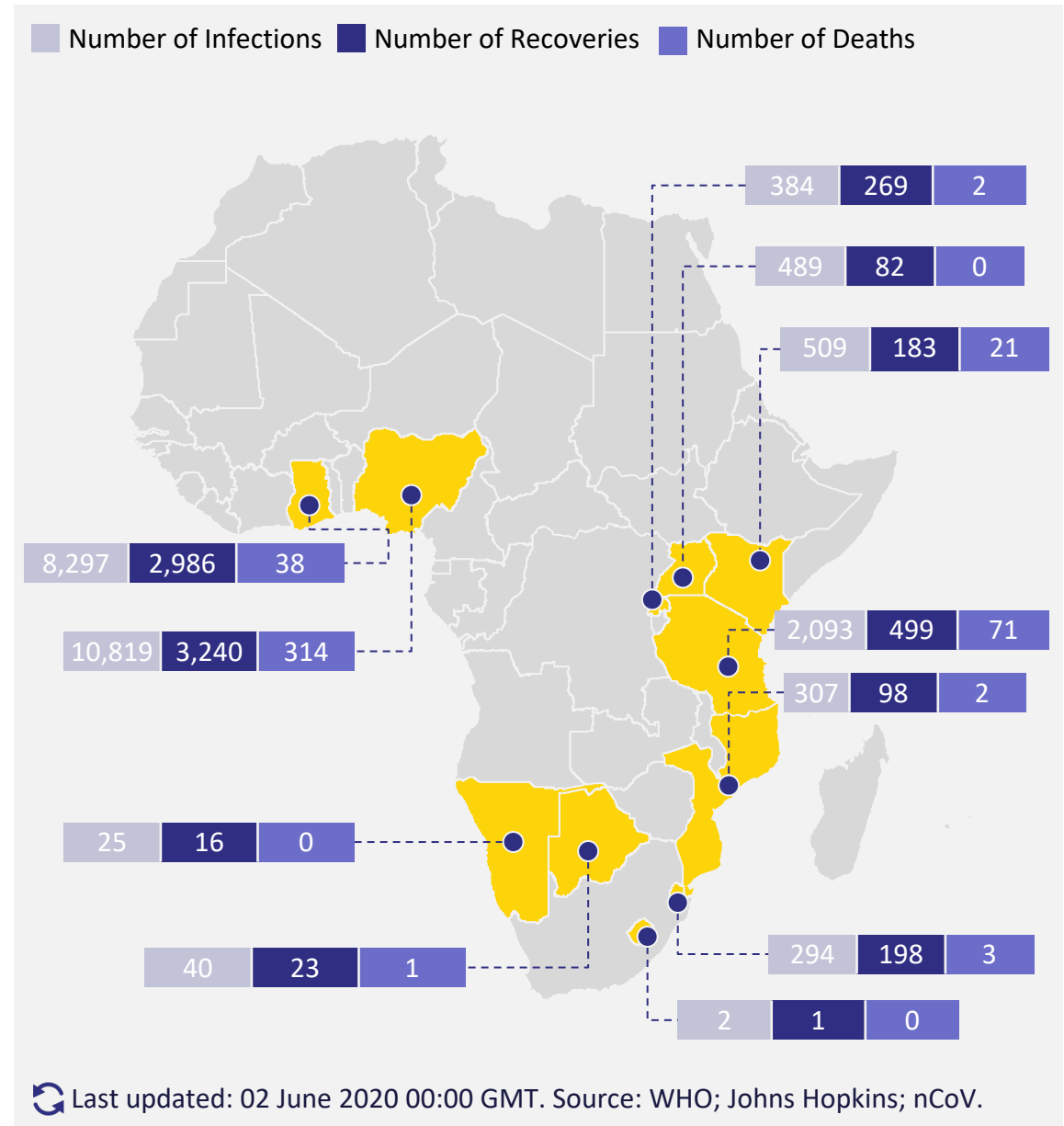
9 out of 1,863
Staff infections



COVID-19 totals Letshego footprint

23,259	7,595	452
Infections	Recoveries	Deaths

Lesotho latest market to record cases

COVID-19: Summarised response to pandemic phases



Pre lockdown

- Set up a Daily Corona Crisis Committee and a governance framework across the group.
- Activated BCM with a focus on protecting staff and customers
- Commenced an awareness campaign to engage staff, customers and key supply chain suppliers guided by WHO, CDC and local health department guidelines.
- Accelerated the deployment of digital channels to enable remote customer service .
- Engaged key stake holders (regulators, funders, customers, staff).

Lockdown

- Ran stress testing scenarios across the business.
- Enforced work space and work place safety protocols as per WHO, CDC and respective Country health guidelines.
- Adapted remote working framework to minimize risk of infection.
- Deployed additional digital channels in record time; visible shift evident in customer adoption of channels.
- Launched financial interventions to assist customers and communities (repayment holidays, over P3mn in donations).

Post Lockdown

- Planning for transition to 'new normal', envisaging a 'W curve' recovery versus a 'V or U curve'.
- Driving digital campaigns and using digital channels to disseminate critical COVID-19 messages to our customers.
- Adopting Enterprise Agility as a way of working to accelerate response to the changing landscape.
- Accelerating key aspects of our 6-2-5 Strategic plan by leveraging technology and regional/global partnerships.
- Providing an ongoing counselling platform to staff to support them through the transition.

Potential risks



Mitigating actions



Credit Risk

- Increased impairments due to inability of customers and MSE's to operate during country lockdowns

- 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

- Cashflow pressures
- Risk appetite of funders as a result of COVID-19

- 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

*Letshego maintains strong capital and liquidity levels to meet payment obligations
(Dividend payments, operational and funding costs)*

Business Continuity Impact Analysis

Potential risks



- Health and safety of staff & customers
- Negative impact of COVID-19 on communities

Mitigating actions



- 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

Operations



- Lower sales growth due to slow down in economic activity
- Restricted movement of persons in affected regions, affecting sales

- 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)

Sales & Income



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

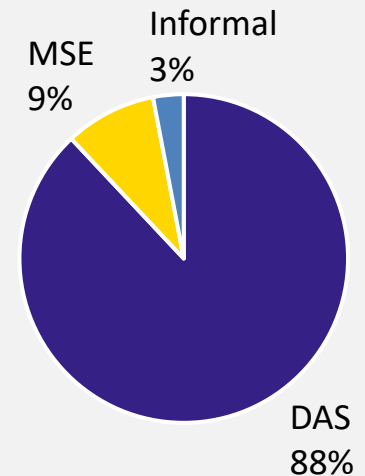


Loan Loss Ratios (LLRs) for DAS at 0.9%

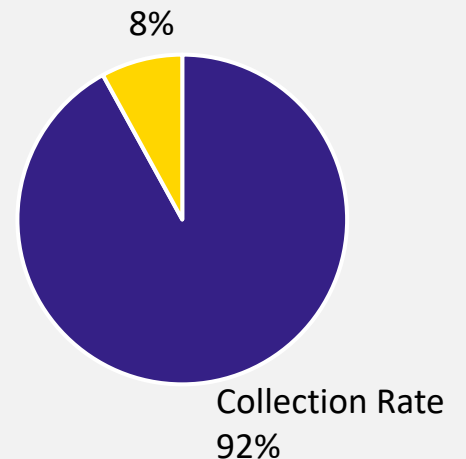


Employers have option to negotiate repayment holidays within non-government sector segment

Total Loan book



DAS Collection Rate



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

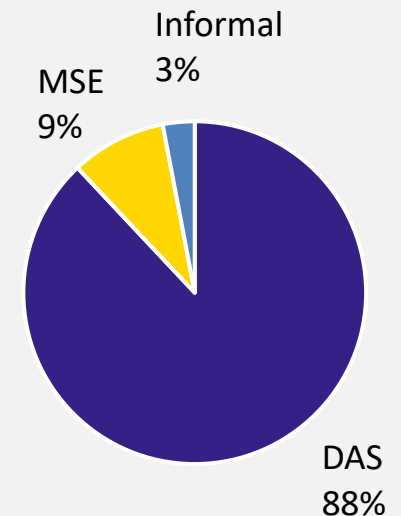


Loan Loss Ratios (LLRs) at 3.3% - expected to deteriorate further on the back of specific sector risk



Extensive analysis of high risk sectors e.g. import/export, travel, tourism, manufacturing, trade & education.

Total Loan book

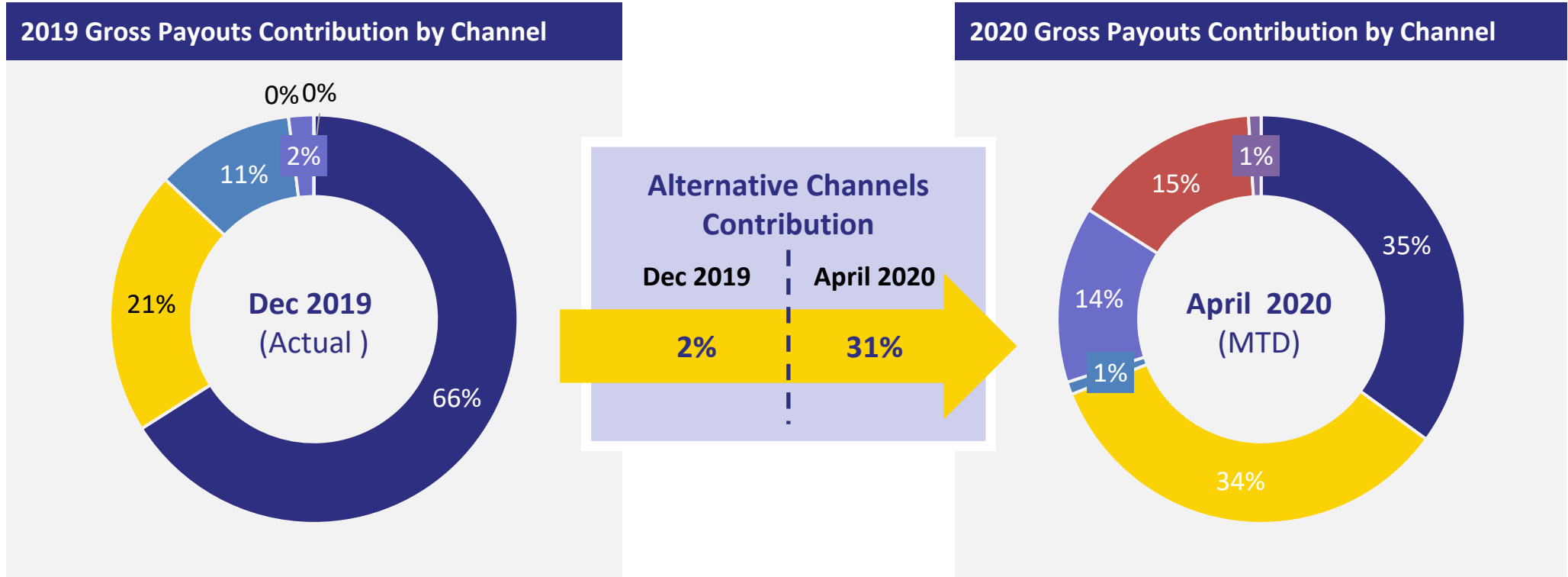


Government Responses to COVID-19 in our Subsidiaries



	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



■ 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'

Approach

1



Economic Recovery

- W-shape recovery expected
- Align business with gov'n interventions

2



Our People & Customers

- Revised workspace management
- New workplace standards
- Customer touchpoints reviewed

3



Technology Enablement

- Remote Working capabilities
- End-to-end digitisation

4



Business Continuity

- Sales momentum
- Risk management
- Operational resilience



Potential phases in returning to 'New Normal'



Phase
1

Reported cases flatten with cautious opening of economies

- Partial return of staff onsite (office premises)
- Maintain lockdown protocols and limited face-to-face interaction. High dependence on digital channels



Phase
2

Declining reported cases & economic activities recovering

- More staff getting back to office albeit with shift working
- Essential business travel



Phase
3

'New Normal' - minimal number of infections and high number of recoveries, limited fatalities

- Resume business as usual while maintaining focus on staff health and safety
- Scale up digitalisation

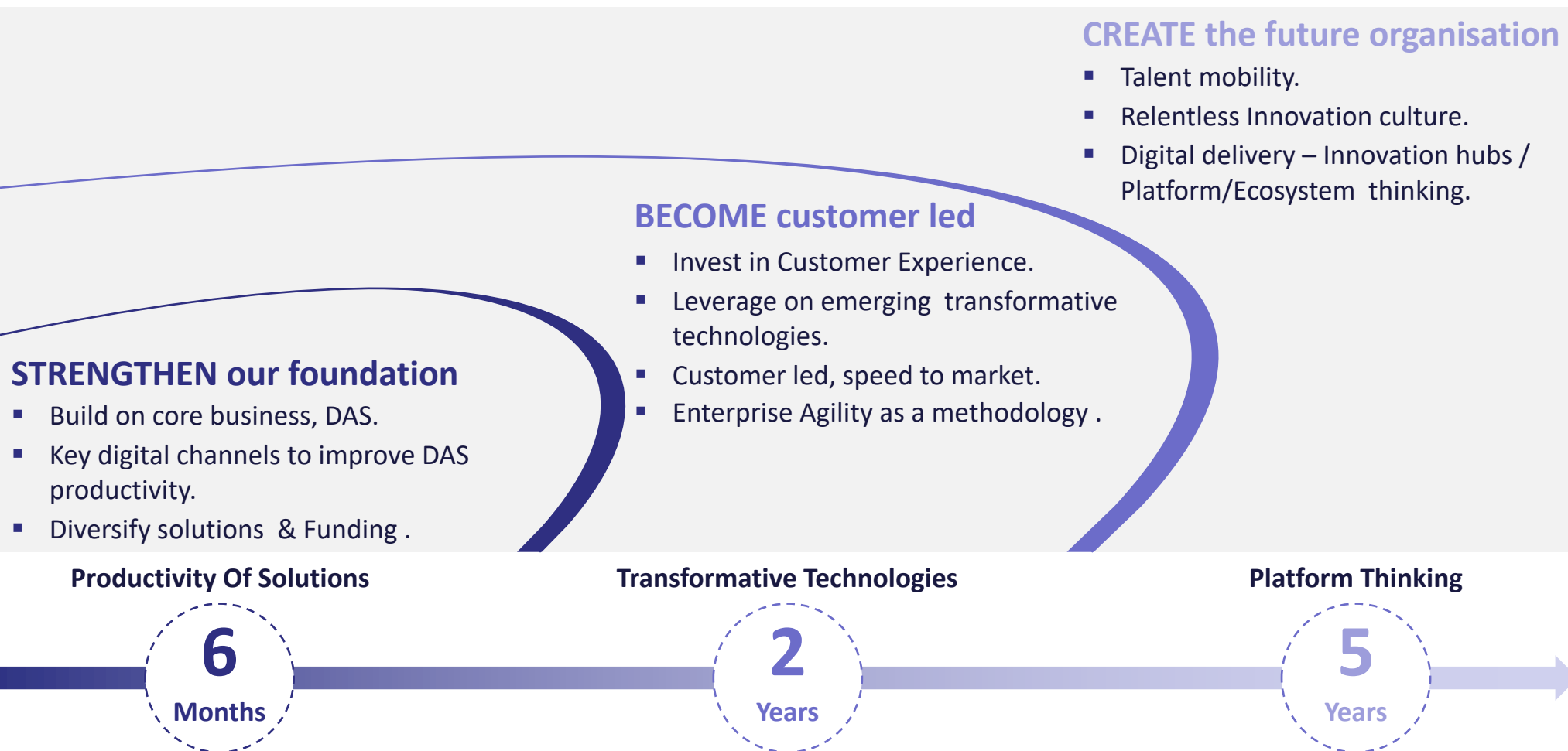
6-2-5 Plan on track - Accelerating digitalisation initiatives through regional and global partnerships



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



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