

Letshego Holdings Limited

Group Annual Results Full Year 2020

3 March 2021

Andrew F Okai
Group Chief Executive

FULL YEAR RESULTS 2020



Financial Highlights

- Economic Outlook
- COVID-19 Overview
- Financial Performance



Plan 6

- 5 Conversation Update
- Digital Adoption
- New hires

STRATEGIC OUTLOOK



Plan 2

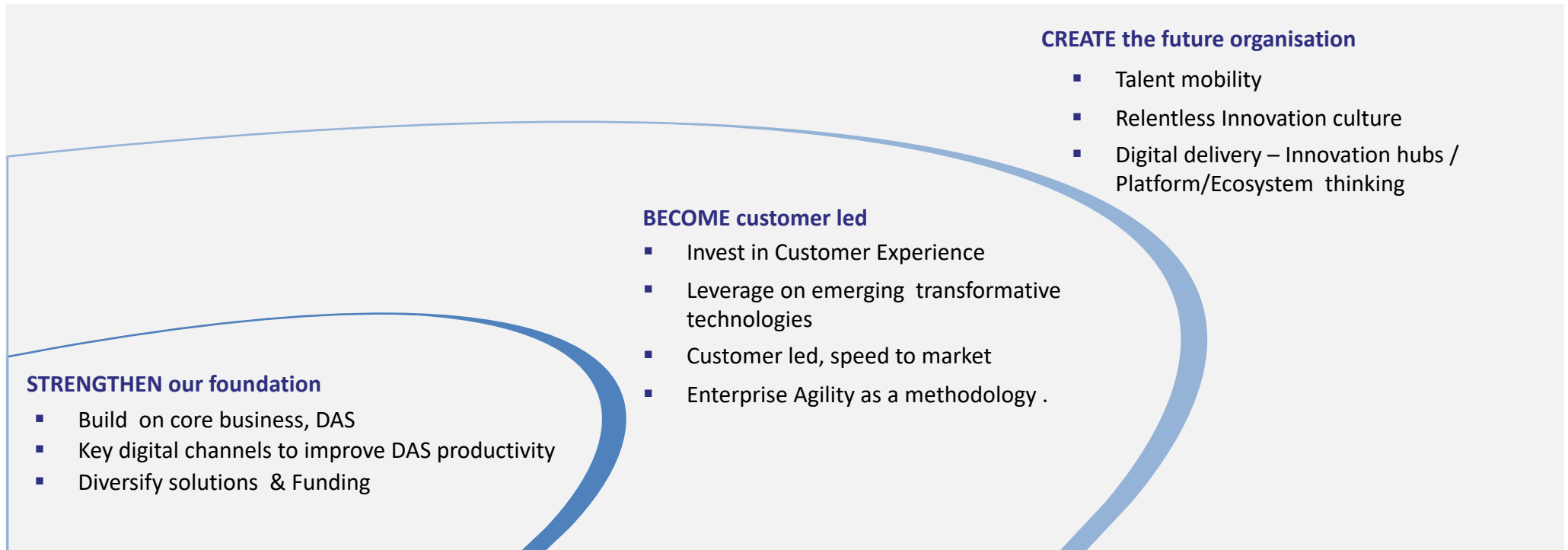
- Accelerating our digital platform
- Measuring Plan 2

Our 6-2-5 Plan: 'Return to growth'

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



PRODUCTIVITY OF SOLUTIONS

TRANSFORMATIVE TECHNOLOGIES

PLATFORM THINKING

6
Months

2
Years

5
Years

Strong business resilience and effective risk management, resulting in robust financial performance

Progress on Geographic Rebalancing in Plan 6

Successful delivery of Plan 6 within 6-2-5 delivered above P1billion PBT

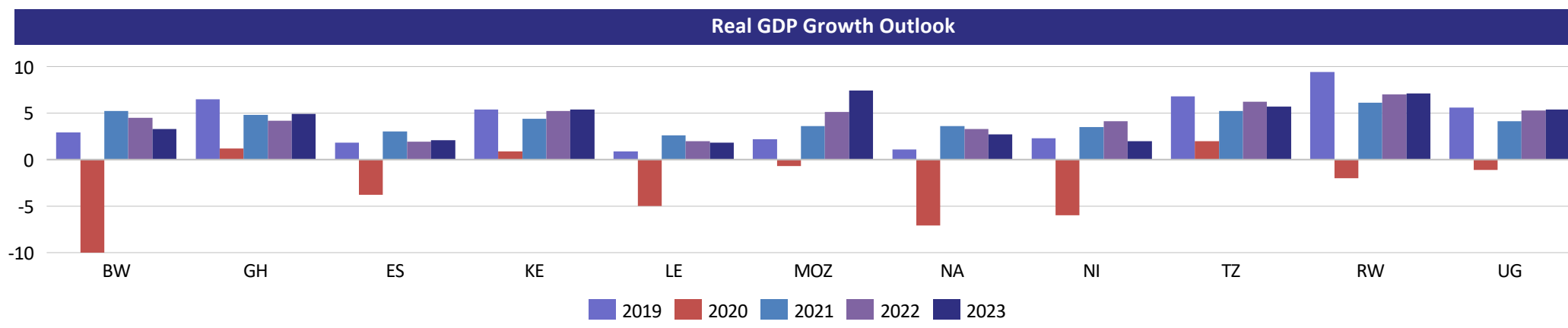
Initiated Plan 2 (2021; 2022), investment phase to pivot towards a Digital First business

Return to 50% dividend ratio in H2 indicates positive business outlook, and focus on shareholder value

'LetsGo' digital platform phase 1 concluded and in pilot and Plan 2

Momentum in COVID-19 planning prioritises the lives and livelihoods of our people, customers and communities





Global economy expected to expand by 4% in '21, assuming widespread availability of COVID vaccine in '21



Uneven recovery across our markets with Southern (BW, NA, MOZ, LE, ES) expected to exceed 2019 output while, East & West markets (excluding NI) are unlikely to return to '19 levels before '22. **K-shaped recovery likely in certain countries**



While output in SSA contracted by an est. 3.7% in '20 the region is forecasted to rebound moderately to 2.7% in '21



Pandemic projected to cause per capita incomes to decline by 0.2% in '21, setting Sustainable Development Goals (SDGs) further out of reach in many countries in the region



Expected investor caution toward SSA given the region's weaker macroeconomic landscape



Risk of social unrest likely to be limited to specific areas, where it might affect business confidence



Most of Letshego countries are under partial Lockdown, with curfews in some. No country is on full lockdown albeit some occasional regional movement restrictions within the countries.



YTD 106 out of 1844 (0.06%) staff infections with 95% recovery rate (5 employees currently infected and recovering well)



COVID-19 totals Letshego footprint

511,229

Infections

397,468

Recoveries

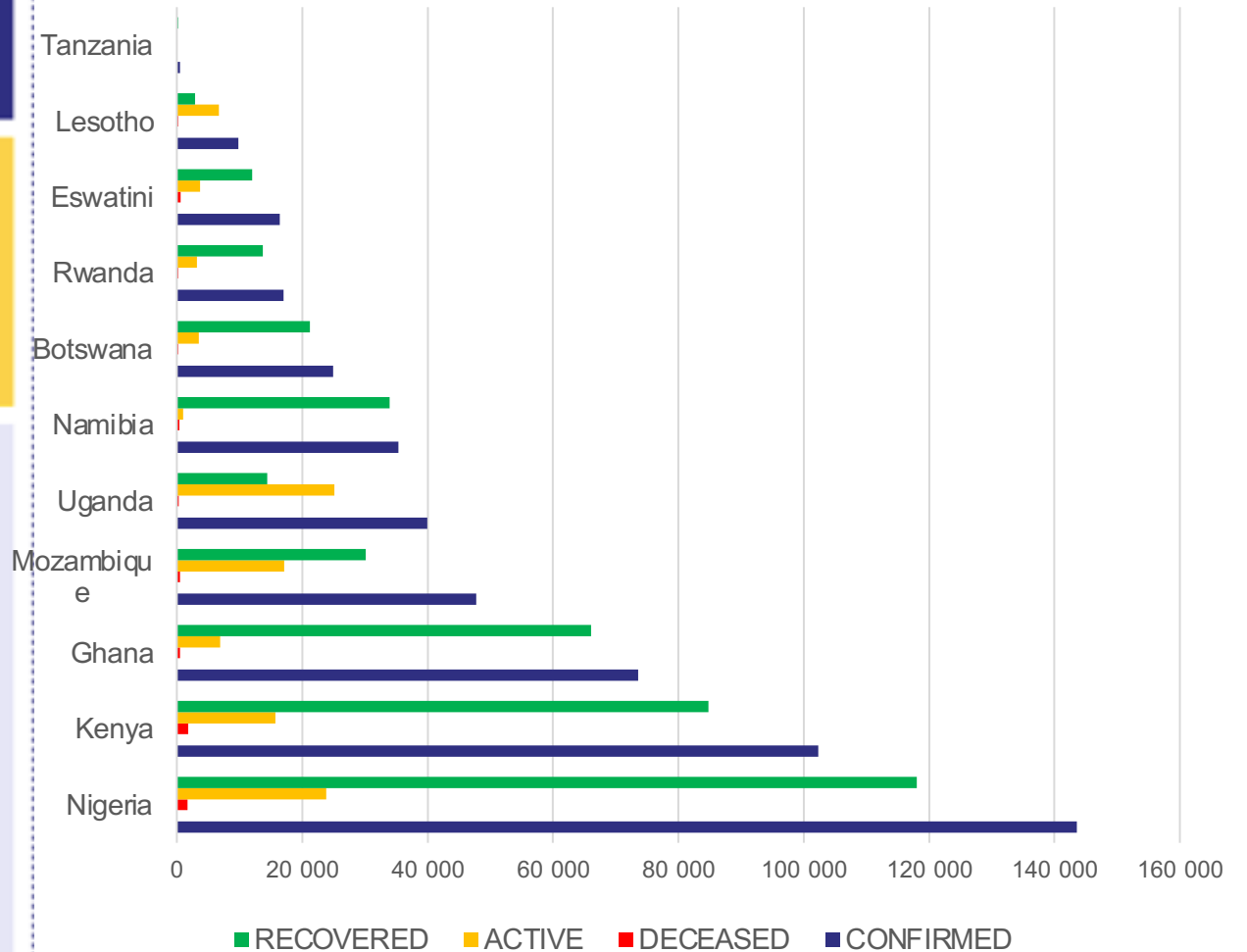
6,494

Deaths



Letshego has in place comprehensive BCM plan and COVID management plans executed through the Corona Crisis Committee

COVID impact on Letshego Footprint



FINANCIAL HIGHLIGHTS







Gwen Muteiwa
Group Chief Financial Officer

Income Statement Highlights Full Year 2020



Net Interest Income	Impairment Charge	Profit before Tax
<p>FY 2020: P1.86bn</p> <p>FY 2020: P2.05bn</p> <p>↓ 9%</p>	<p>FY 2020: P26mn</p> <p>FY 2019: P 169mn</p> <p>↓ 85%</p>	<p>FY 2020: P1.03bn</p> <p>FY 2019: P1.138bn</p> <p>↓ 9%</p>
Cost to income	Loan loss ratio	Return on equity
<p>FY 2020: 50%</p> <p>FY 2019: 45%</p>	<p>FY 2020: 0,3%</p> <p>FY 2019: 1,7%</p>	<p>FY 2020: 13%</p> <p>FY 2019: 17%</p>

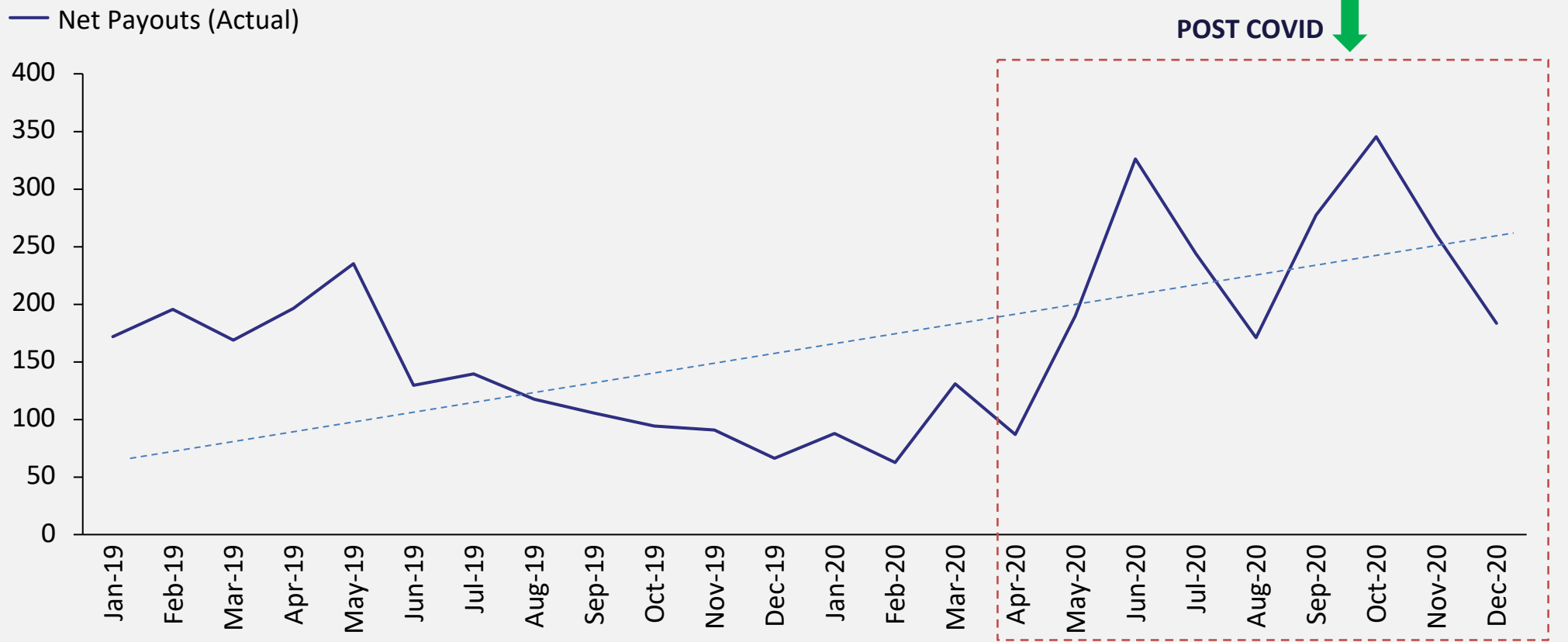
Income Statement Commentary

	FY 2020	FY 2019	Change %	Key Messages
Net interest income	1,861	2,051	(9%)	 <p>Net interest income better than expected against backdrop of COVID-19 impact, demonstrating business resilience.</p>
Non funded income	284	333	(15%)	
Operating income	2,145	2,384	(10%)	 <p>NFI reduction due to lower transactional volumes, and Namibia regulatory adjustment. NFI showed recovery in line with other business streams which was reflected by a 50% growth in the second half of the year.</p>
Operating costs	(1,089)	(1,077)	(1%)	
Pre - provision profits	1,056	1,307	(19%)	 <p>Operating Expenditure largely flat, increasing by only 1%. Other operating expenditure down 4% year on year. Staff costs up 9% due to once off exit costs and finalisation of the recruitment of senior executives.</p>
Expected credit losses	(26)	(169)	85%	
Profit before tax	1,030	1,138	(9%)	 <p>Credit impairment charge reduced by 85% , supported by improvement in mobile loan impairments which reduced by P105m YoY and an 8% increase in collection and recoveries.</p>
Tax charge	(399)	(411)	3%	
Profit after tax	631	727	(13%)	 <p>ETR up to 39% from 36% at 31 December 2019, due to lower profit before tax and prior year adjustments. Without prior year adjustments, ETR would have been 37%. Actual tax charge is down 3%</p>
 Basic Earnings per Share (thebe)	27.1	30.7	(12%)	

DAS Business showed resilience despite advent of the pandemic



Overall DAS Performance



39% New Customers (FY 2020)

32% YOY Growth Net Payouts

13% YOY Growth Net Advances

98% Collection Rate (2019: 98%)

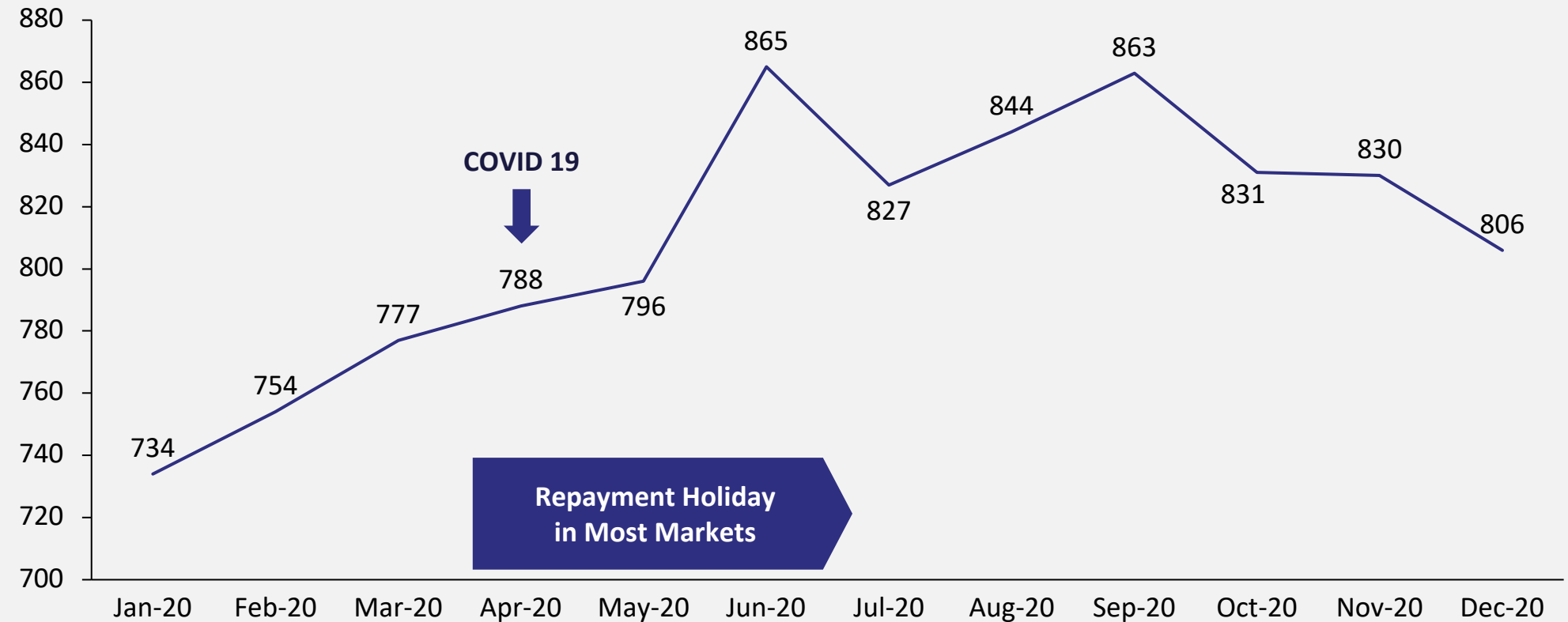
15% YOY PBT Decline

Challenging H1 for MSE showing recovery in H2

MSE book grew from January to May with a spike in June.

Net loan book growth (BWP 'M)

(BWP Millions)



16.5% YOY decline customer numbers

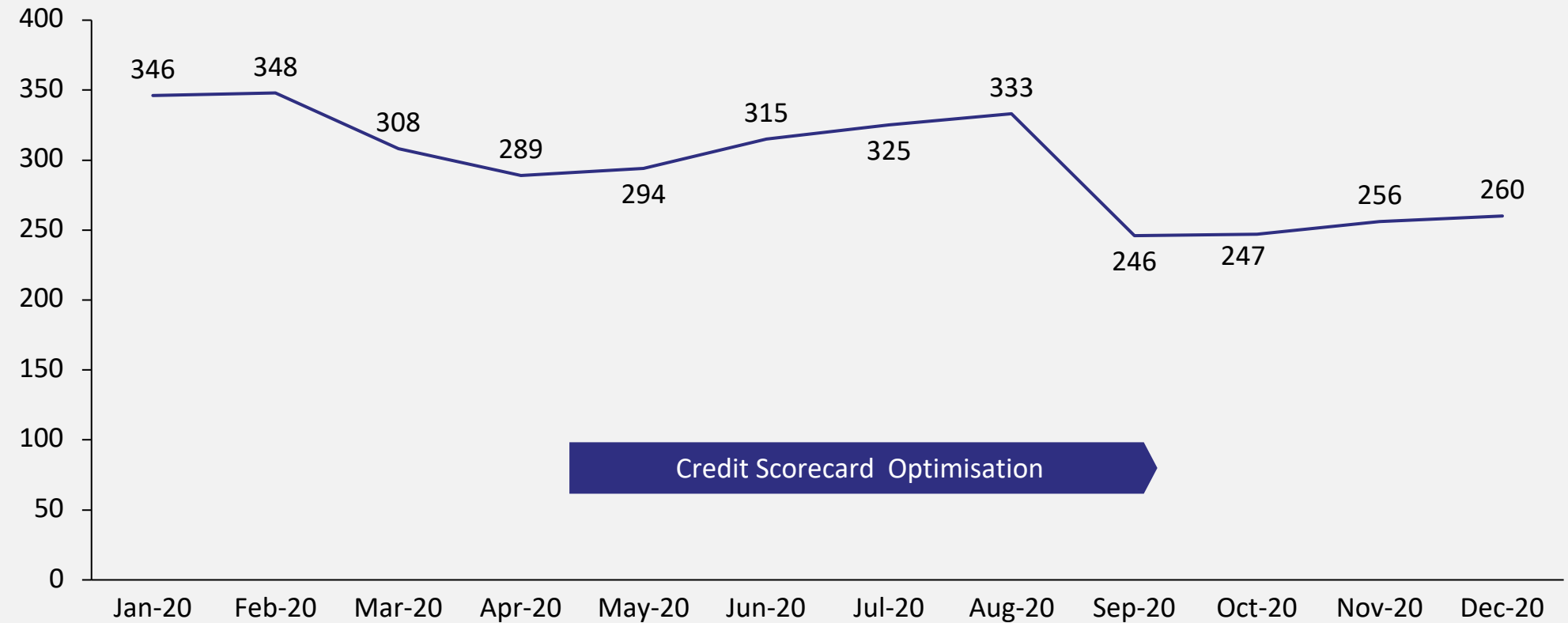
1% Increase in disbursements

6% Net loan book growth

99% YOY PBT increase

Overall Mass Mobile Performance

Net Advances



8% YOY growth
Net Advances

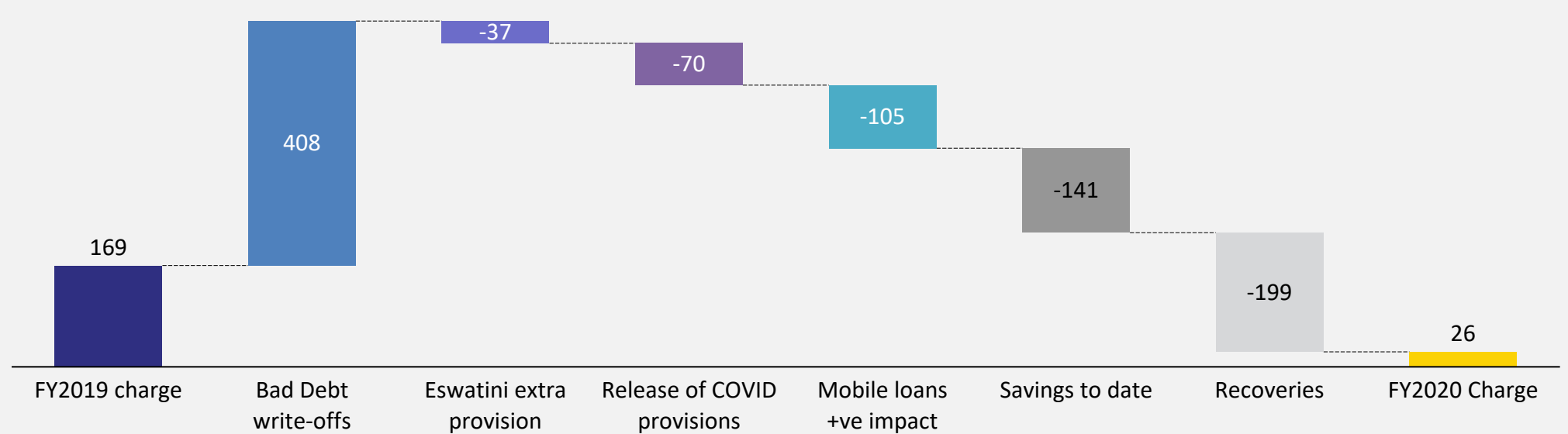
>100% Impairment provisions
improvement

453% YOY PBT
increase

Credit Impairment Charges: Effective risk management, satisfactory performance in a difficult pandemic period



FY 2020 Impairment Charge Bridge



FY2020 Impairment Charge is favourable by 85% in comparison to same period last year (FY2020: P26mn ; FY2019: P169.1mn)

Annualised loan loss rate (LLR) for FY 2020 is 0.3% compared to 1.7% at FY2019

Turnaround strategy in mobile lending resulted in Ghana Qwikloans impairment charge reducing by 110% as compared to same period last year (FY2020: negative P9.3m ; FY2019: P96mn)

COVID-19 (C-19) provisions: Stress testing led to staging amendments and therefore additional provision taken on MSE portfolios (9% of total book). MSE businesses still facing headwinds from C-19 restrictions . C-19 provisions reduced from P86mn at HY2020 to P16m at FY 2020

Specific provision taken in Eswatini in H12020 reversed at the back of normalisation of collections in H2'2020

Forward Looking Provisions: All macro economic outlook variables stretched to downside in our ECL models. These include CPI, unemployment rate ,GDP and Inflation

Effective tax rate for the year at 39%

Key drivers and tax components

Effective tax rate 39% (FY2019: 36%)



Lower operating income due to COVID-19 impact

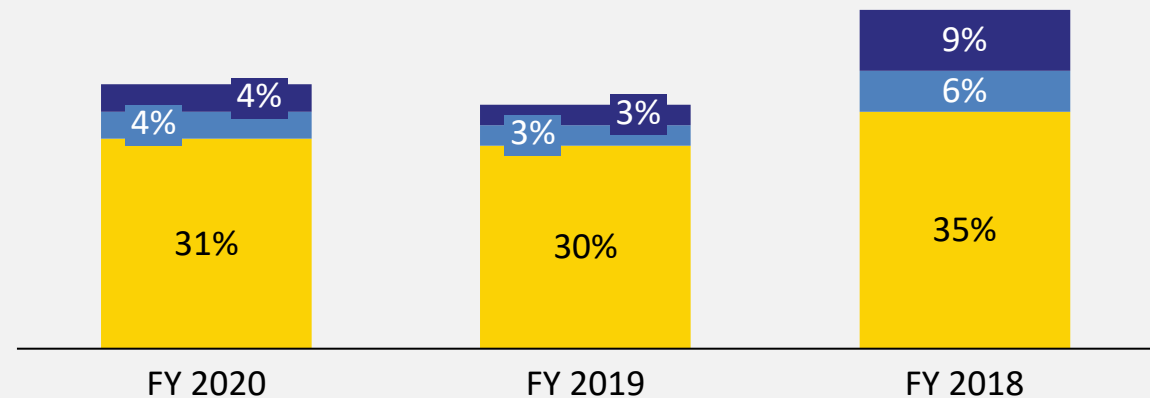


Higher extraction on dividends from the subsidiaries to the Hold Co



Expected to normalise over a one to two year period

■ Inter Group tax costs ■ Baseline tax charge
■ Dividends from subsidiaries



Group Tax optimisation

Tax rate optimisation continues, with a focus on:



Establishing a Group Tax department



Tax compliance and reporting






Tax audit management



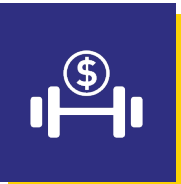

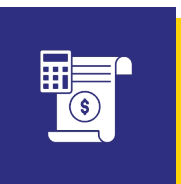



Transfer pricing regulations



Inter-Group tax costs

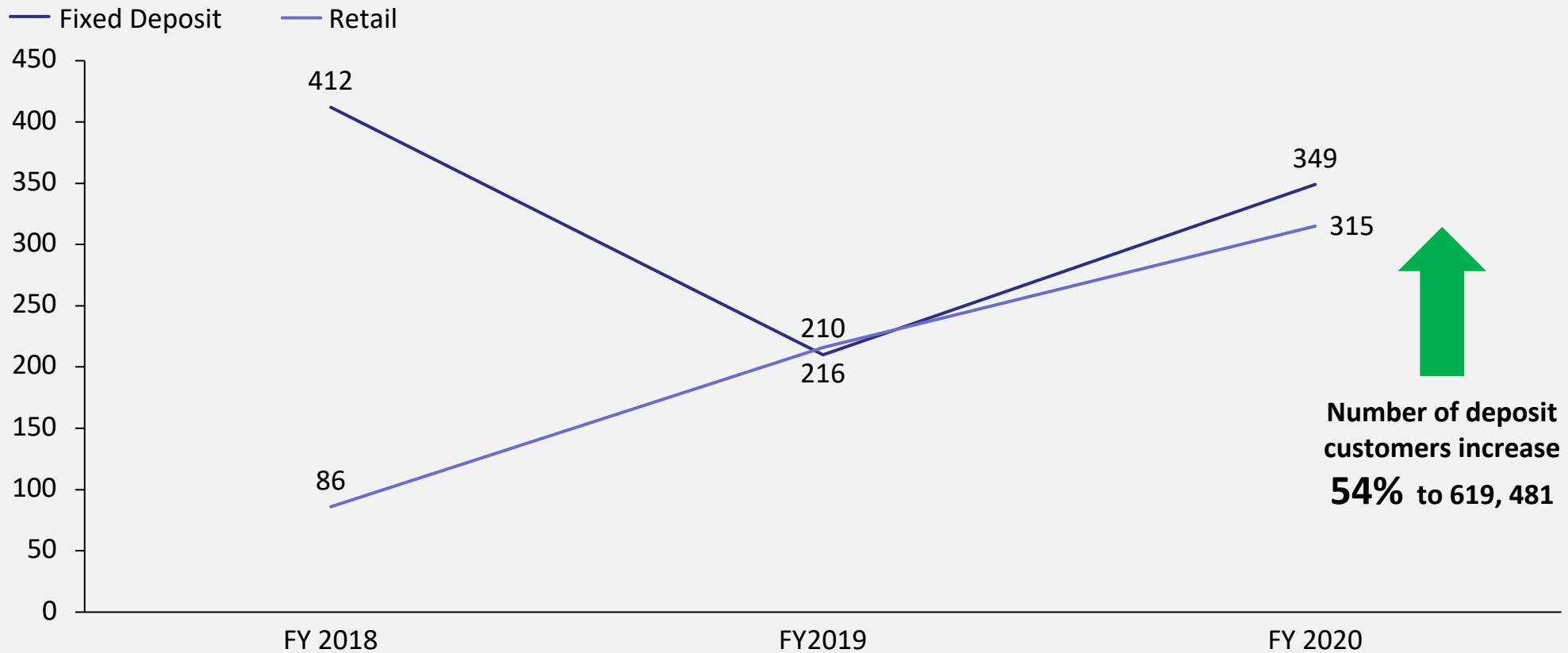
Total Assets	Net Advances	Customer deposits								
<p>FY 2020: P12.2bn</p> <p>FY 2019: P10.9bn</p> <p style="text-align: right;"> 12%</p>	<p>FY 2020: P10.2bn</p> <p>FY 2019: P9.1bn</p> <p style="text-align: right;"> 12%</p>	<p>FY 2020: P664mn</p> <p>FY 2019: P427mn</p> <p style="text-align: right;"> 56%</p>								
Debt to Equity	Capital Adequacy	Strong growth in H2 of 2020								
<table border="1"> <tr> <td>FY 2020</td> <td>118%</td> </tr> <tr> <td>FY 2019</td> <td>108%</td> </tr> </table>	FY 2020	118%	FY 2019	108%	<table border="1"> <tr> <td>FY 2020</td> <td>35%</td> </tr> <tr> <td>FY 2019</td> <td>36%</td> </tr> </table>	FY 2020	35%	FY 2019	36%	<p>8.3t FY 2020 final dividend</p> <p>7.7t FY 2019 final dividend</p>
FY 2020	118%									
FY 2019	108%									
FY 2020	35%									
FY 2019	36%									

Balance Sheet commentary

	FY 2020	FY 2019	Change %	Key Messages
Cash & Cash equivalents	1,044	1,036	1%	 <p>Cash and cash equivalents up 1% year on year and 5% of this relates to statutory cash reserve for six of the deposit licensed subsidiaries</p>
Net advances to customers	10,162	9,071	12%	
Other Assets	1,020	804	27%	 <p>Net advances to customers up 12% year on year. Solid payouts growth from June 2020 and acceleration of digital capabilities.</p>
Total Assets	12,226	10,911	12%	
Customer deposits	664	427	56%	 <p>Customer deposits increased by 56% and this was driven by mass micro saving (MMS) customer in Tanzania and Mozambique.</p>
Borrowings	5,650	4,967	14%	
Other liabilities	1,123	896	25%	 <p>Borrowing up 14% following focus for subsidiaries to leverage local currency funding with longer tenor.</p>
Shareholders' Funds	4,372	4,230	3%	
Non-controlling interest	418	391	7%	 <p>Shareholders' funds strong at P4.372bn - up 3% year on year.</p>
Total Liabilities & Equity	12,226	10,911	12%	
 Debt to Equity ratio	118%	107%		

Deposit values increase 56% year on year

Deposit Values Growth



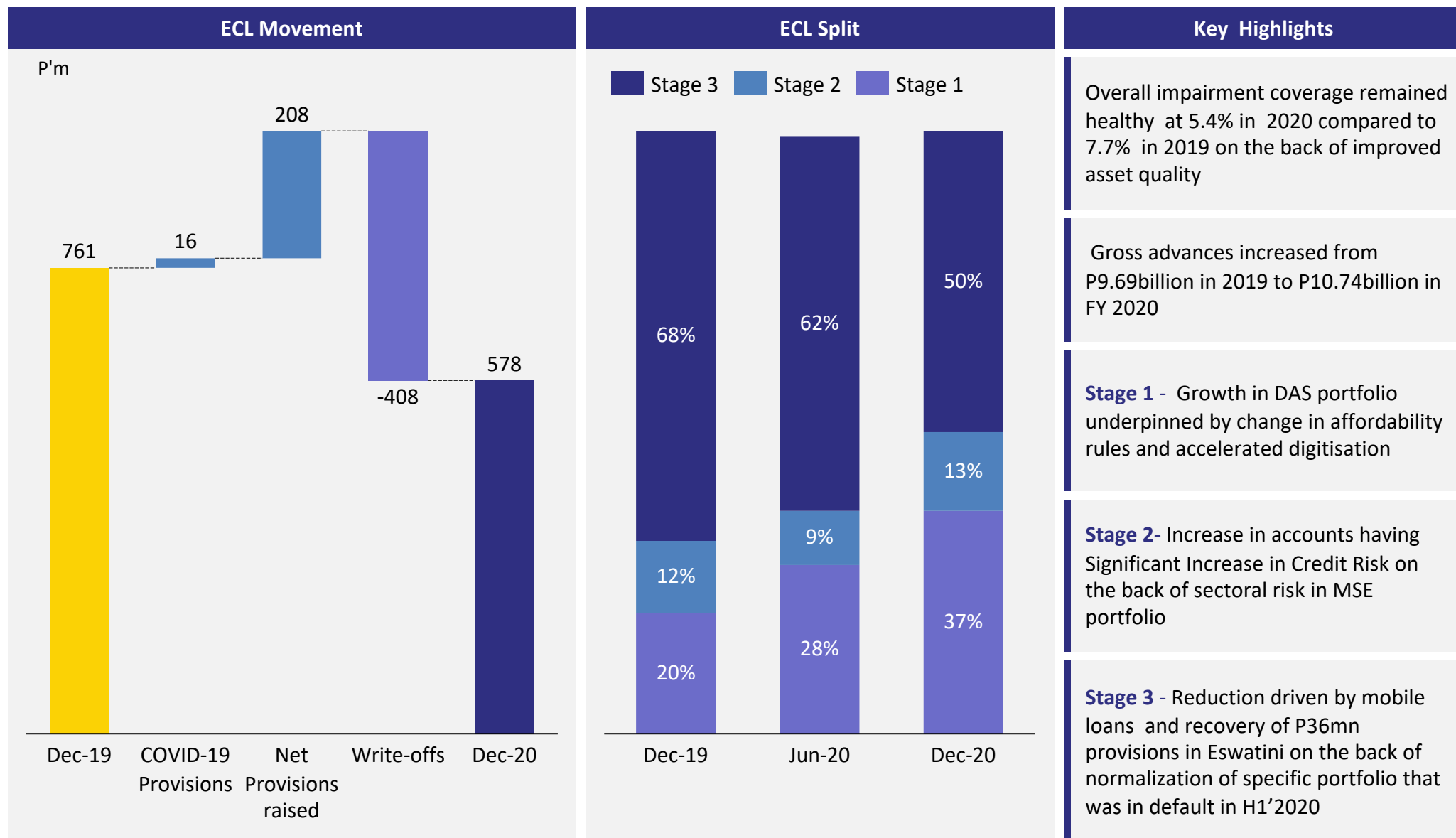
-31% Interest expense on deposits 31% YOY

46% Total retail deposit increase YOY

66% Fixed Deposit increase YOY

56% Total deposit increase YOY

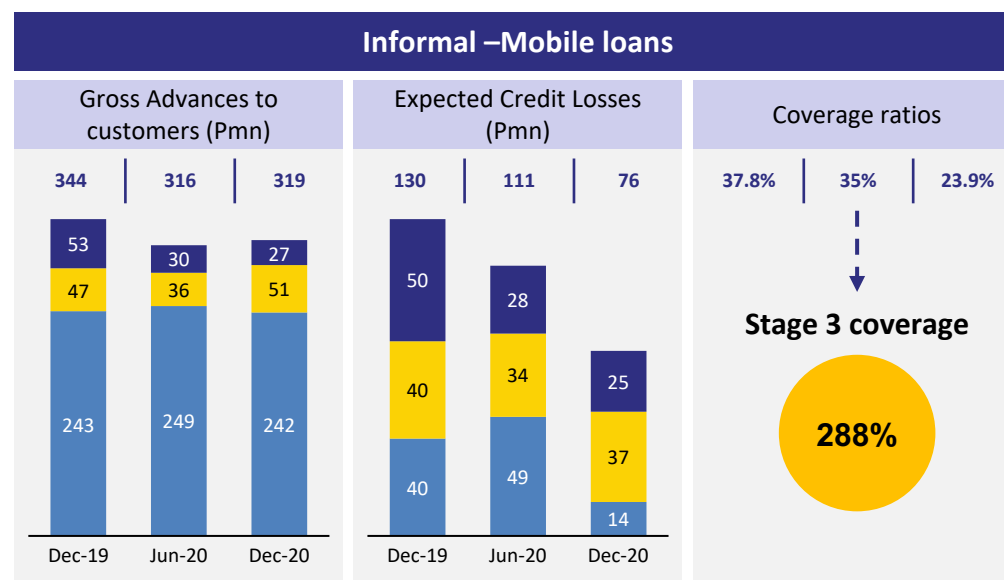
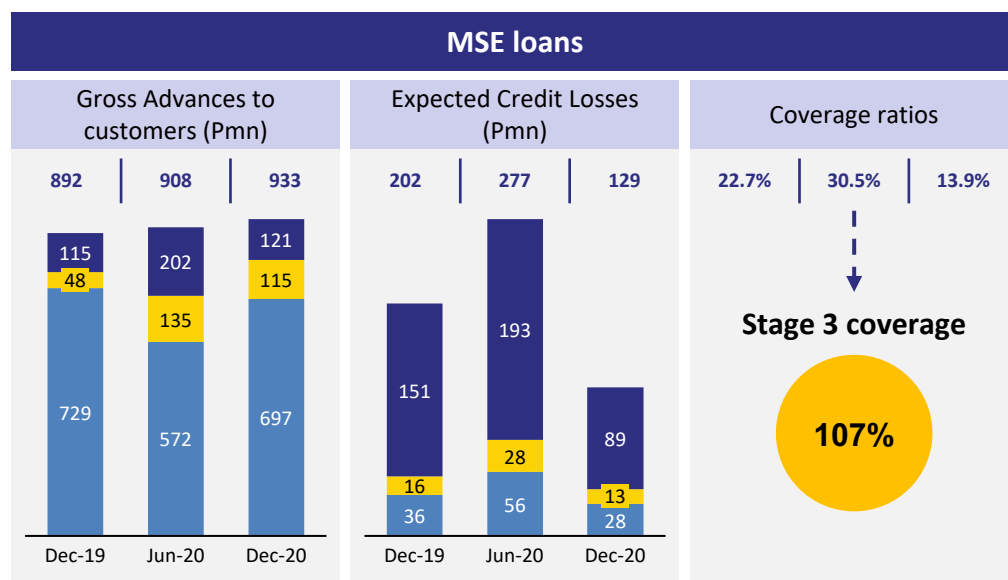
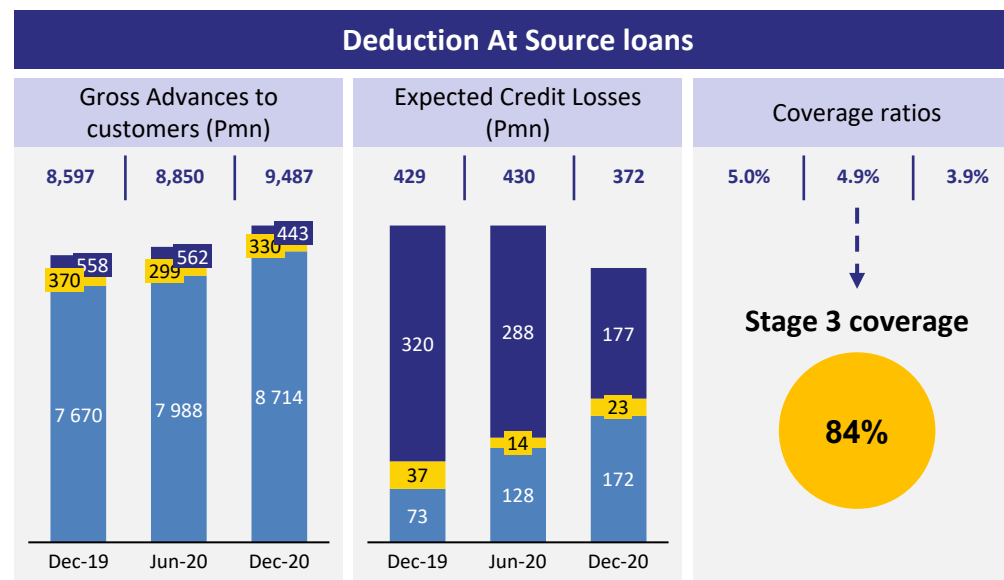
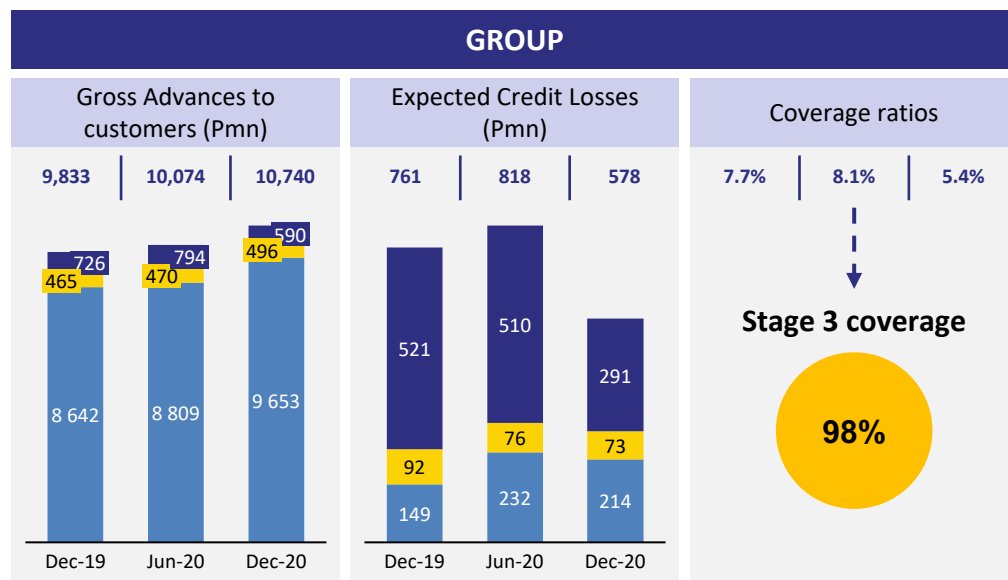
Expected Credit Losses (ECL): Stable impairment coverage despite downside macroeconomic environment at the back of Covid-19



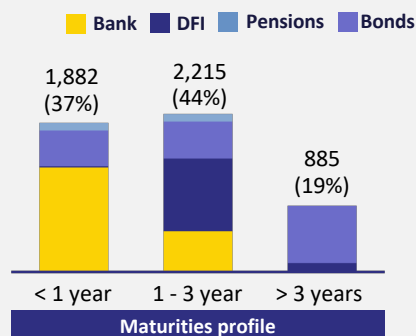
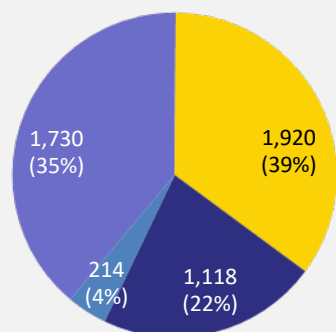
Strong coverage ratios across all portfolios : Resilient FY 2020 performance despite pandemic



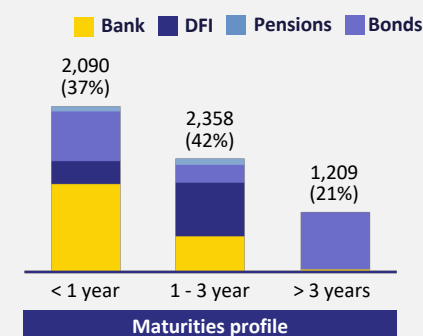
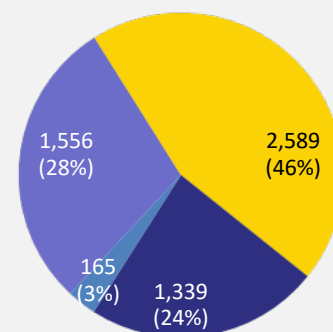
Stage 3 Stage 2 Stage 1



December 2019



December 2020



Funding

- Continued interest from DFI and Impact Funds with over \$50m facilities agreed during the year across the Group.
- Concluded P2.6bn of rollovers and new facilities with improved terms
- 65% of new facilities with maturities >2yrs to reduce liquidity mismatch
- Increased borrowings at subsidiaries by P453mn (14%) reducing FX exposures
- Optimisation of SPV by removal of Eswatini. Secured borrowings at 53% (FY2019: 45%) Reduced structural subordination of Group debt.
- Reduced cost of borrowings

Credit Rating

- Ba3 (Outlook Stable) issuer rating affirmed by Moody's
- Ba2 Corporate Family Rating (CFR) assigned

Deposit Mobilisation

- Strong deposit growth recorded with 56% increase in year on year deposits
- Retail deposits increased by 46% to P315m (FY2019: P216m)
- Fixed deposits increasing by 66% to P 349m (FY2019: P210m)
- Deposit customers increased by 54% to 619,481 (FY2019: 402,298)

Liquidity Coverage Ratio

- 53% FY2020 ; 31% FY2019
- Cash reserves on hand P1 bn as at 31 Dec 2020

Maintained strong capital levels to support loan growth and buffer economic headwinds



Regulatory capital

- Group maintains a CAR which is higher than minimum regulatory capital requirements for regulated entities across all our operations
- CAR 2020: 35% (FY2019: 36%)
- Subsidiaries adequately capitalised

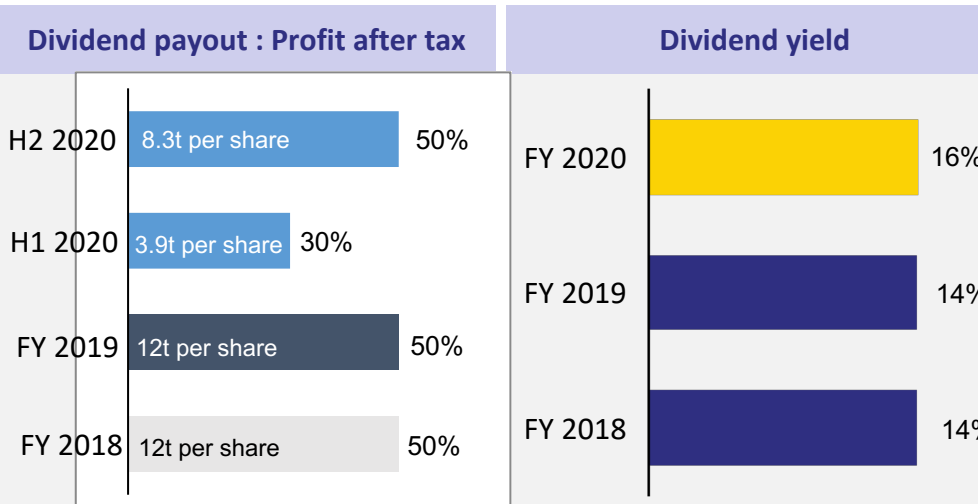
Capital Adequacy Ratio



Dividend policy

- Dividend pay out ratio of 50% on H2 PAT (H1 2020: 30%)
- Dividend yield at 15% for 2020

Dividend Policy

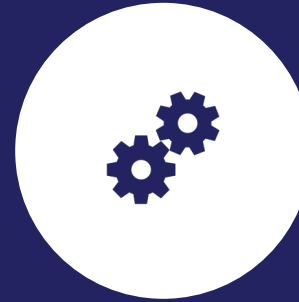


FULL YEAR RESULTS 2020



Financial Highlights

- Economic Outlook
- COVID-19 Overview
- Financial Performance



Plan 6

- 5 Conversation Update
- Digital Adoption
- New hires

STRATEGIC OUTLOOK



Plan 2






- Accelerating our digital platform
- Measuring Plan 2

Strategy

Andrew F Okai
Group Chief Executive

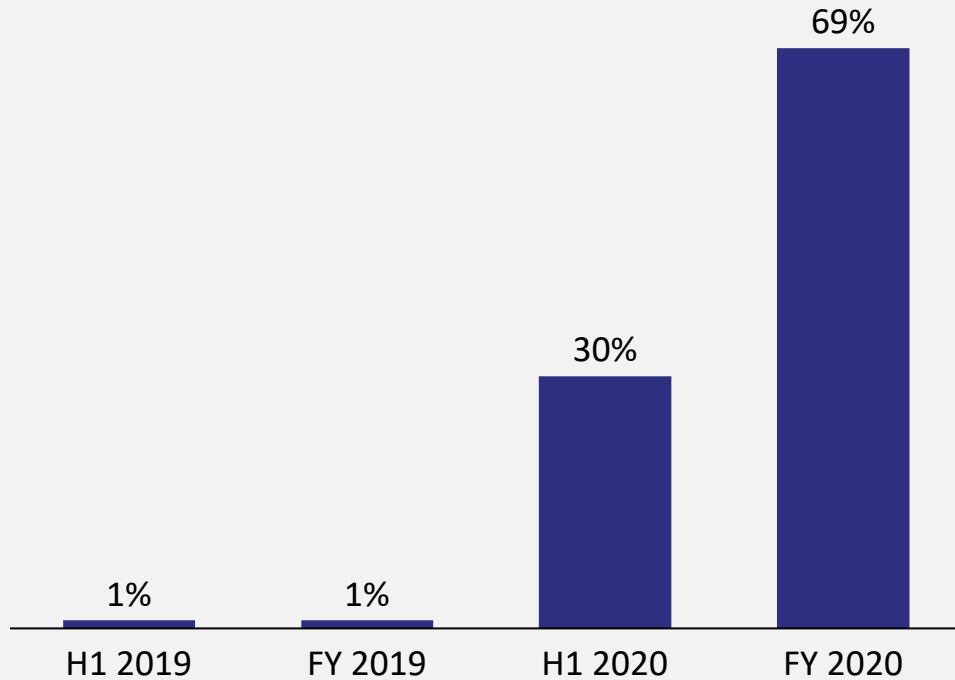


Plan 6 Highlights

<p>1</p>  <p>Product Diversification</p>	<ul style="list-style-type: none"> • Achieving over P1 billion in PBT • YoY DAS Net Payouts grew by 32% to an all-time high of P2.5 billion • Deposits from customers increased by 56% to P664 m • MSE PBT increased by 99% and Green solutions pilot in Ghana • Mass mobile PBT increased by 453%.
<p>2</p>  <p>Digitalisation</p>	<ul style="list-style-type: none"> • Digital Adoption increased to 69% in December 2020. (FY 2019 : Less than 1%) • Customers transacting across all of our digital lending and non-lending channels, increased by 53% to 539,828 (FY 2019: 352,564).
<p>3</p>  <p>Geographic Rebalancing</p>	<ul style="list-style-type: none"> • PBT contribution to the group, from East and West markets grew from 18% in 2019 to 26% in 2020. • Ghana PBT growth was over 600% year on year
<p>4</p>  <p>Enterprise Agility</p>	<ul style="list-style-type: none"> • 26 employees completed an international certification in Agile Working • 40 people working with partners using agile to implement the digital platform . • Speed of delivery of our digital channels in all markets within 6 weeks during pandemic. • Building our new digital platform within 6 months for implementation in 2021.
<p>5</p>  <p>Sustainable Shareholder Value</p>	<ul style="list-style-type: none"> • EPS of 26.4 thebe (FY 2019: 29.2 thebe), a decrease of 10 • ROE was 13% down from 16% for FY 2019: 16% and return on assets 5% (FY 2019: 6%). • Funding from our new programmatic approach for social impact programs i.e. Green solutions assists Letshego to de-risk the business, particularly on MSE lending.

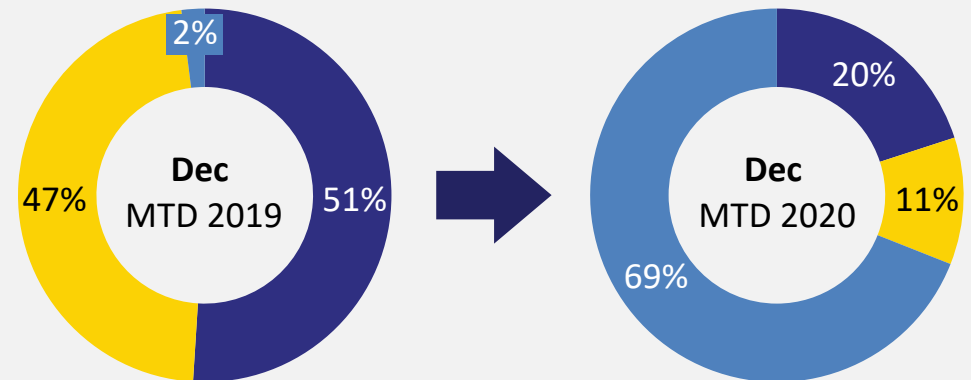
Digital adoption increases to 69%

Growth of Digital adoption



Channel contribution (%) to Loan Sales

Branch DSA WhatsApp, Web & Call Centre



WhatsApp, Web implemented in March supported by Call centre are fastest growing channels



69% Digital Adoption

P3,1b from Digital Loan application

Strategic skills acquisition – Recent appointments



Richard OCHIENG
Group Chief Risk Officer



Purity KIBAARA
Head, Group Market/Business Risk



Chris HUGHES
Head, Group Business Transformation



Monkgogi MOGOROSI
Head, Group Product Management



Chawada MOSEKI
Head, Group People Transformation



Nigel QUARTEY-PAPAFIO
Head, Group Partnerships



Mariam A BUAHIN
Head, Group Digital Marketing

FULL YEAR RESULTS 2020



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Plan 6

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STRATEGIC OUTLOOK

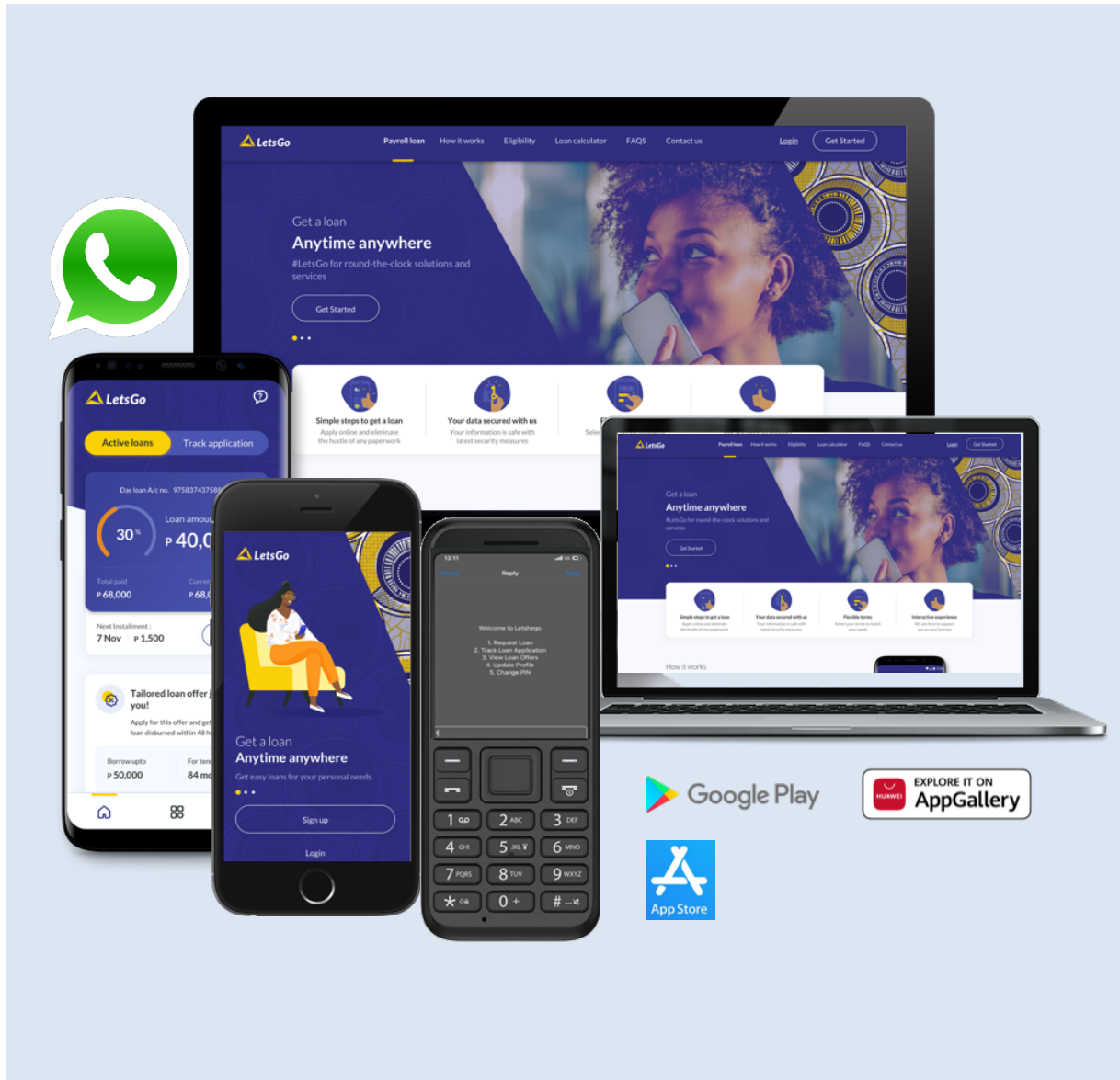


Plan 2

- Accelerating our digital platform
- Measuring Plan 2

Plan 2 : Accelerating 'LetsGo' digital

Progressing in building a comprehensive, world-class, multichannel digital platform



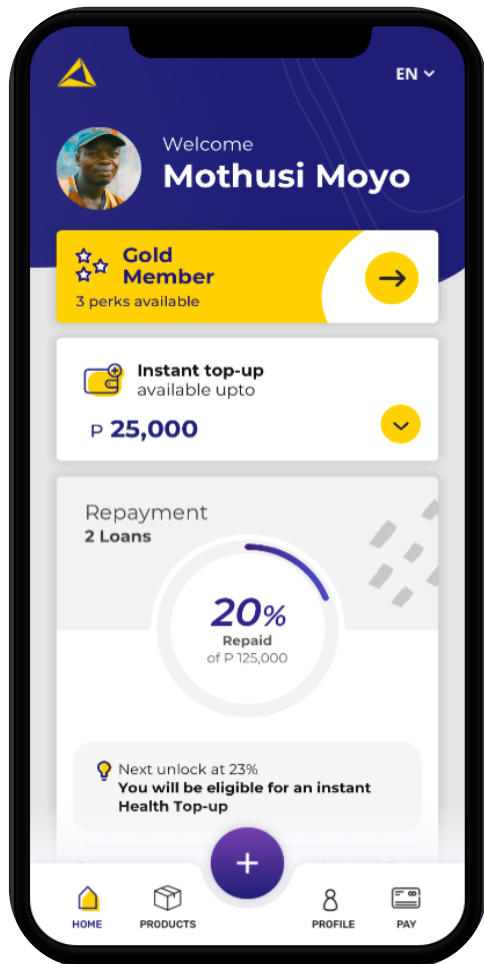
<p>Pilot</p>	 <p>1st Phase concluded in February 2020 Controlled customer Pilot in Botswana & Nigeria</p>
<p>E2E</p>	 <p>Integrates End to End capabilities Pivot from traditional to Digital first</p>
<p>Ecosystems</p>	 <p>Enable access to current & new ecosystems Partners Differentiated products.</p>
<p>EAC</p>	 <p>Target 1 Million Enterprise Active Customers (EAC) by end 2023</p>

Delivering on this roadmap will mean significantly transforming Letshego Group

A winning platform...

... next 2 years (PLAN 2)

... new ways of working



1 million

Enterprise Active Customers (EAC) by 2023

On track strategic 80% by 2024

70%

Digitisation

On track strategic 80% by 2024

>15%

Return on Equity

On track strategic 20% by 2024

Agile

ways of working embedded into the organisation

pivot to a

Digital First

organisation

people first **culture** to sustain change over time

1. **2020 portfolio stability and resilience** was enabled by strengthening of our core segment offers ; supported by de-risking business which improved our asset quality
2. **Economies are likely to follow a ‘K-shaped recovery** due to the disparate recoveries. We expect subdued business recovery throughout 2021, but activity should pick up in 2022.
3. **Plan 2 is the Investment phase of our strategy execution roadmap-** continue to build our platform and integrate to partners and deliver our *Beyond Banking* proposition
4. **Agile Enterprise Methodology** fast tracking delivery, outputs and efficiency
5. Our **people first culture** will pivot from a traditional business to a **digital first, world class** financial services organisation supporting **mass, middle income individuals and MSEs**

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