

# Letshego Holdings Limited

*Building Africa's leading inclusive finance group*

Date: 12 March 2018



# Agenda

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2017 Key Highlights

Country updates

Embedding our Future Capability Model

Update on our Social Impact scorecard

Outlook for 2018

Full year 2017 results

# 2017 Key highlights



## Embracing financial inclusion

- 250 schools, 750 teachers and 40, 000 students' lives have been impacted by our education ecosystem pilots in Kenya, Nigeria and Tanzania
- Over 15, 000 customers have opened LetsGo accounts in Mozambique
- First mobile lending solution launched in Ghana



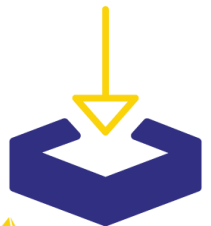
## Growing the franchise

- Growth in DAS business in Botswana, Mozambique and Namibia
- Letshego Namibia listed on the Namibia Stock Exchange
- Profit contribution from Ghana in year 1
- Refinanced R465mn of maturing bonds
- Winner of New Age Banking Summit 2017 award for 'Excellence in Microfinance Banking'



## Enhancing customer experience

- First mobile savings solution (SmartSave) rolled out in Ghana
- Launched LetsGo Blue Box in Mozambique
- Deduction at source launched in Nigeria
- Over 300 third party agents on boarded



## Embedding future capability

- Data analytics team established
- Enhanced credit collection system to complement recoveries drive
- IFRS 9 readiness underway

## Botswana has led the Group in non-government diversification

### Payroll business remains core

- Letshego has a target market primarily consisting of civil servants, whose loan repayments are secured via deduction-at-source mechanism or payroll lending
- We have had a deduction code since inception of the business
- Minimum take home pay is P1,400
- Govt is considering putting management of the Central Registry to tender

### Financial Performance

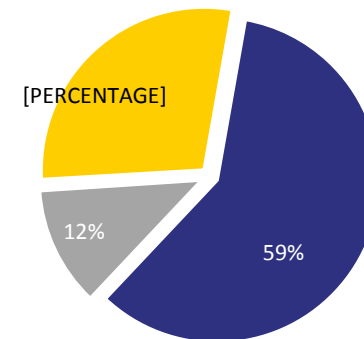
	2015	2016	2017
Advances (BWPmn)	2,148	2,388	2,466
Deposits (BWPmn)	n/a	n/a	n/a
Net disbursements to customers (BWPmn)	383	370	302
PBMT (BWPmn)	450	467	461
NPLs to av. advances	4%	3%	1%
NPL's provision Coverage	69%	85%	60%

### Overview of customer base

#### Number of customers

	2015	2016	2017
Government	28,510	28,129	25,474
Non-Government	9,466	9,785	10,316

#### 71% of customers are Gov't employees



■ CENTRAL GOVT ■ LOCAL GOVT ■ NON GOVT

# Namibia's performance was strong and 'Ekwafo Letu' was the first IPO and indigenization transaction outside Botswana

## Transaction Overview



**NAD\$182mn/** Initial  
Public Offering

**September  
2017**

- Letshego Holdings Namibia (LHN) was incorporated in 2016 as a financial sector investment holding company for Letshego Holdings Limited's banking and micro-finance businesses in Namibia
- The main purpose of the listing was to satisfy the BoN licensing conditions for granting a banking license, which require LBN to achieve a minimum of 45% local ownership within four years of the issue of the conditional license to LBN in July 2016
- Assist with the development of the NSX and the Namibian Capital Markets
- Over 3600 applications were received, of which 3,200 met the BoN's qualifying criteria of Previously Disadvantaged Namibians

### NSX Listing Offer Details

Pricing Date	September 22, 2017
Listing Date	September 28, 2017
Shares Issued	500,000,000
% Shares Offered	20%
Offer Size	N\$182,000,000
Listing Price	380c
Market Capitalization	NAD\$2,000,000,000
Lock-ups	LHL – 3 years, subject to meeting 45% local ownership by 2020
Lead Manager	IJG Advisory

### Post IPO Ownership Analysis

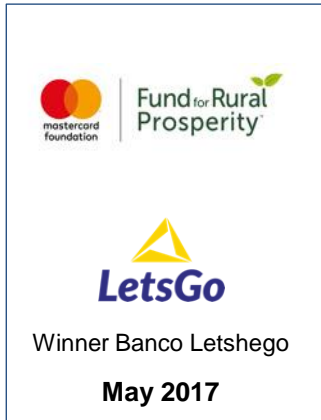
Letshego Holdings Limited	78.4%
Kumwe Investments Holding Limited	12.0%
Institutional Investors	7.5%
Retail (Public & Staff)	2.1%
<b>TOTAL</b>	<b>100%</b>
<b>NSX Free Float</b>	<b>21.6%</b>

### Financial Performance

	2015	2016	2017
Loans and advances to customers (BWPmn)	1,392	1,668	1,940
Profit before tax (BWPmn)	316	350	435

# Our agency access channel for the MSE and informal segments has shown strong growth since launch in 1H 2017 in Mozambique

## Launched LetsGo Blue Box

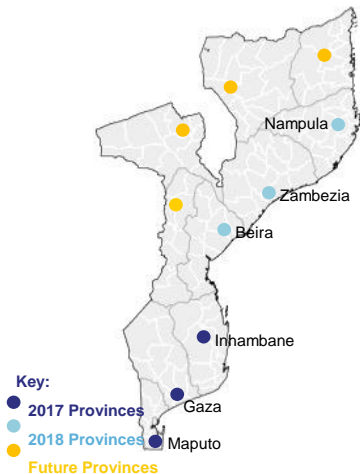


- LetsGo BlueBox is a technology-driven agency banking model, provided “in a blue box” for ease of use and transport by third party agents appointed by Letshego Mozambique
- Running off a rechargeable solar powered battery, the combination of tablet and SMART mobile phone loaded software allows for agents to biometrically authenticate customers for onboarding and account opening

## Financial Performance

	2015	2016	2017
Advances (BWPmn)	1,065	740	1,026
Deposits (BWPmn)	2	5	12
Net disbursements to customers (BWPmn)	262	151	361
PBMT (BWPmn)	172	107	75
NPLs to av. advances	1%	2%	2%
NPL's provision Coverage	15%	36%	28%

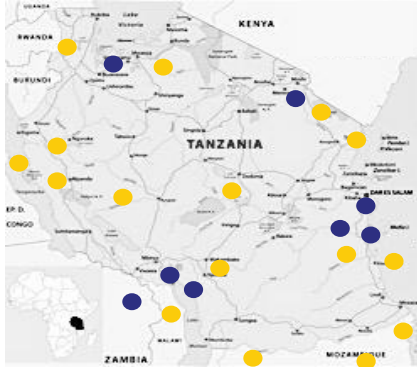
## Expanding footprint across the country



- MasterCard Foundation has committed USD1mn in grant funding to R&D
- Currently 131 active LetsGO Banking Agents in Maputo, Inhambane and Gaza
- Agency channel recorded 495% growth in H2 2017

# Tanzania now most closely represents our full inclusive finance banking approach

## Omni access channel



- Launched education ecosystem
- Integrated to 180 agents
- Increased bank's access points to 195, up from 9 in 18 months
- Deposits up 91% FY 17 P69m, FY 16 36m
- Implemented credit collections system to improve recoveries experience

● Bank branches ● Faidika branches

## Financial Performance

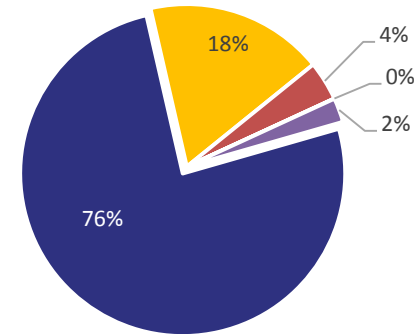
	2015	2016	2017
Advances (BWPmn)	396	532	573
Deposits (BWPmn)	31	36	69
Net disbursements to customers (BWPmn)	140	314	312
PBMT (BWPmn)	89	90	48
NPLs to av. advances	11%	13%	18%
NPL's provision Coverage	49%	68%	94%

## Overview of customer base and portfolio mix

### Number of customers

	2015	2016	2017
Borrowers	51,801	52,489	49,741
Savers	29,085	37,757	39,451

### Education & housing solutions gaining momentum



■ Formal ■ MSE ■ Education ■ Other ■ Housing

# Nigeria is ready to turn the corner aided by new solution launches

## Letshego MFB wins Excellence Banking Award

- Market recognition for “commitment to growth, transformation, and the provision of simple, appropriate and affordable financial solutions”
- Launched deduction at source
- Upgraded core banking system to Group standard
- Implemented credit and insurance cover

## Financial Performance

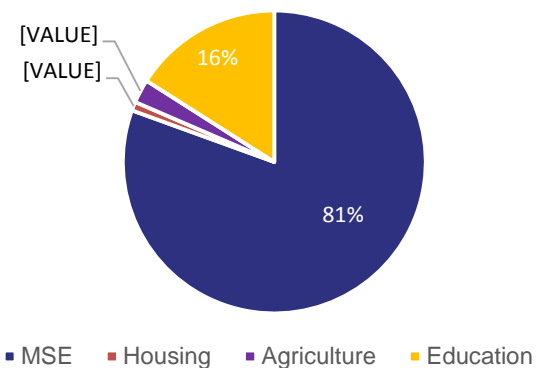
	2015	2016	2017
Advances (BWPmn)	70	51	54
Deposits (BWPmn)	80	40	24
Net disbursements to customers (BWPmn)	n/a	173	142
PBMT (BWPmn)	n/a	(8)	3
NPLs to av. advances	n/a	8%	20%
NPL's provision Coverage	n/a	287%	236%

## Overview of customer base and portfolio mix

### Number of customers

	2015	2016	2017
Borrowers	12,000	5,000	5,426
Savers	70,000	56,000	84,000

### High demand for agri, education & housing solutions





# Focus on consolidation and integration of Ghana into the Group has started to bear fruit

## Positive contribution to growth and profitability

- Launched mobile savings solution (Smartsave) + 1500 customers
- Launched mobile lending solution (Qwikloans) 46,000 customers

### AFB (Ghana) Plc



Issuer Rating BBB+(GH) | Rating Outlook Positive

### Ratings Drivers

- Growing lending business
- Increased funding independence and diversification
- Strong management

## Financial Performance

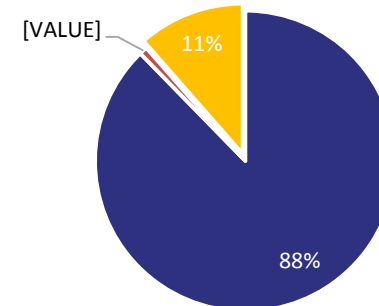
	2015	2016	2017
Advances (BWPmn)	n/a	n/a	356
Deposits (BWPmn)	n/a	n/a	23
Net disbursements to customers (BWPmn)	n/a	n/a	223
PBMT (BWPmn)	n/a	n/a	36
NPLs to av. advances	n/a	n/a	1%
NPL's provision Coverage	n/a	n/a	88%

## Overview of customer base and portfolio mix

### Number of customers

	2015	2016	2017
Borrowers	n/a	n/a	108,600
Savers	n/a	n/a	1,475

### Formal DAS - major contributor to overall loan book



■ Formal-Govt ■ Formal-Non Govt ■ Informal

## We continue to enhance our risk management processes

1	<b>Funding Risk</b>	<ul style="list-style-type: none"> <li>• Tap local currency debt capital market opportunities</li> <li>• Accelerate launch of deposit mobilization</li> <li>• Leverage ESG credentials to attract Impact/ DFI lenders</li> </ul>
2	<b>Sovereign Risk</b>	<ul style="list-style-type: none"> <li>• Geographic diversification of portfolio</li> </ul>
3	<b>Foreign Exchange Risk</b>	<ul style="list-style-type: none"> <li>• Active management of net open positions</li> </ul>
4	<b>Interest Rate Risk</b>	<ul style="list-style-type: none"> <li>• Enhancement of ALM capability</li> </ul>
5	<b>Transformation Risk</b>	<ul style="list-style-type: none"> <li>• Regulatory – stakeholder engagement</li> <li>• People - training</li> <li>• Systems – information security capability</li> </ul>







# Strong corporate governance remains a key focus area

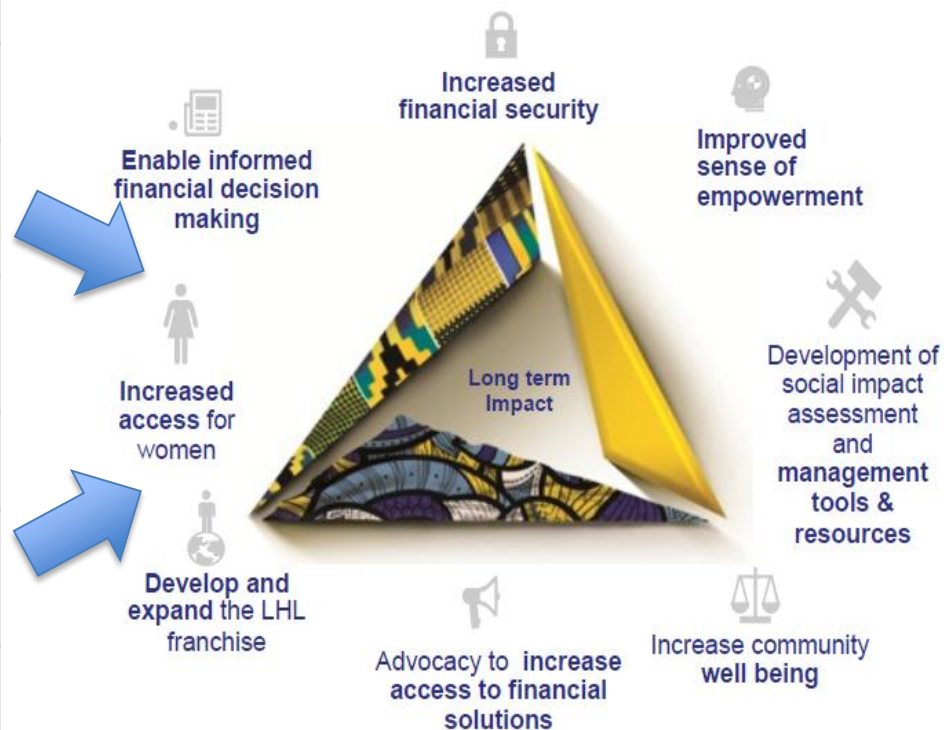


- The Group has fully adopted King III Code of Governance Principles and are broadly in compliance with King IV;
- Disclosures in the Integrated Annual Report (IAR) now include a Statement of Application of Corporate Governance Principles in line with requirements of the Botswana Accountancy Oversight Authority (“BAOA”);
- The Group Audit and Risk Committee was split into Board Audit Committee and Board Risk Committee with a view to enhance oversight of compliance and risk management;
- The Head of Group Governance, Risk, Legal and Compliance appointed 2017;
- The Internal Audit Function reports directly to the Board Audit Committee

- A refreshed and expanded scope evaluation of the Board, its Committees and the individual Directors is being performed in 1H 2018

# All countries now participate in our ESMS and contribute to our social impact scorecard

Indicator		Score 2016	Score 2017
	<b>Access</b> Increased accessibility	C	C
	<b>Affordable housing</b> Enabling and improving housing	C	C
	<b>Agri-business</b> Increased beneficial use of agri-financing	C	C
	<b>Education</b> Improved education levels	C	C
	<b>MSE business</b> Increased beneficial use of MSE financing	C	C
	<b>Improving life</b> Increased household savings	B	B



# Treatment of foreign tax credits and associated prior year restatements

## Background

Letshego Holdings Limited ("LHL") suffers withholding taxes ("WHT") in various tax jurisdictions from where it earns interest, management fees and other income. The Botswana Income Tax Act (the "Act") allows LHL to claim these WHT as credits against income tax payable in Botswana arising from such foreign income. The Act restricts such credits to the lesser of the following-

- (a) the tax payable in the other country; or
- (b) the tax charged under the Act, on such foreign income.

LHL has claimed these WHT as credits in its income tax returns in Botswana for each of the years up to financial year ended 31 December 2016. For the financial years 2014, 2015 and 2016, the Botswana Unified Revenue Services ("BURS") paid refunds to LHL in respect of such credits amounting to P15.5Mn, P43.1Mn and P59.7Mn respectively.

A recent review of LHL's tax position found these WHT claims to be inconsistent with the Act. As a consequence, LHL has adjusted its financial statements. Such adjustments are considered to be a correction of errors in accordance with "IAS 8 Accounting policies, change in accounting estimates and errors".

### Published 5 March 2018

Pula millions	2017	2016	%
Profit before tax	1,003	948	6%
Taxation	(258)	(278)	(7%)
Profit after tax	745	670	11%
Net Asset Value	4,452	4,004	11%
Return on Assets	9%	9%	-
Return on Equity	18%	16%	2%
Debt : Equity	89%	85%	4%
Earnings per share	35.0	30.8	13%

### Published 12 March 2018

Pula millions	2017	2016	%
Profit before tax	1,003	948	6%
Taxation	(322)	(338)	(5%)
Profit after tax	681	610	12%
Net Asset Value	4,270	3,886	10%
Return on Assets	8%	8%	-
Return on Equity	17%	15%	2%
Debt : Equity	93%	87%	6%
Earnings per share	31.9	28.1	13%

## Outlook

- **In 2017, we made good progress in**
  - Diversification of deduction at source business with focus on non-government segment
  - Rolling out new education financial solutions in Tanzania, Nigeria and Kenya
  - Launching agency banking in Mozambique
  - Savings mobilisation and terming out of debt maturities
  - Consolidating and integrating new acquisitions
  - Namibia IPO
  
- **We have a clear set of deliverables for 2018**
  - Core business growth in DAS, diversification to non-government
  - MSE diversification: education, agriculture and affordable housing
  - Roll out of LetsGo and savings mobilisation
  - Enhancing strategic partnerships
  - Embedding of Future Capability Model and quality growth
  - Customer centricity across all our businesses

# FY 2017 Results

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## We achieved good growth in challenging environment

### Growth

- Loans and advances to customers up 16%
- Most countries recorded double digit growth in portfolios
- Southern Africa's performance lifted by 11% appreciation of Mozambique Metical

Loans and  
advances

**16%** ▲

### Revenue Mix

- 15% increase in interest income
- Yields and cost of funding generally consistent with prior period
- New revenue lines introduced via digital channels

Interest  
Income

**15%** ▲

### Efficiency and Profitability

- Profit Before Tax increased 6%
- Ghana contribution to growth and profitability
- Cost to income above internal target of 37%
- ROE improved from 15% to 17%

Cost to  
Income

**40%** ▲

### Asset Quality

- Impairment charge increased from 2.8% to 3.1% due to introduction of PD and LGD impairment methodology across the group
- Once off provision taken against section of Rwanda and Tanzania portfolio

Impairments

**3%** ▲

### Capital and Liquidity

- Debt:Equity increased to 93% (2016: 87%)
- CAR at 48% (2016: 50%)
- Cash reserves on hand of USD 50 million

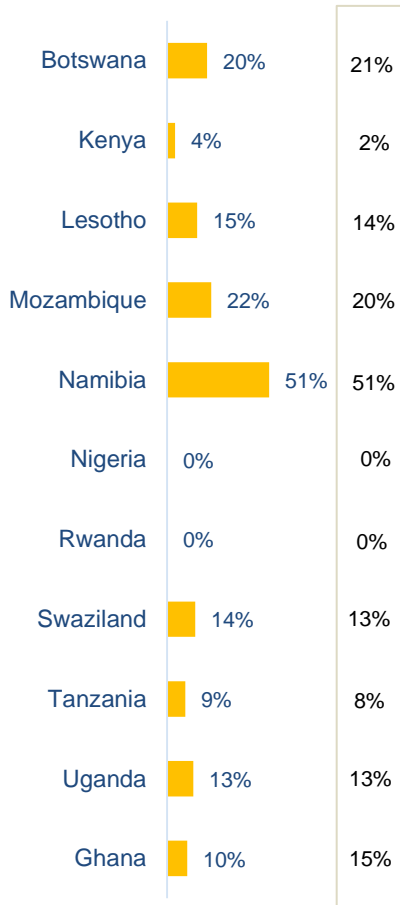
Debt to Equity  
Ratio

**93%** ▲



# Strong performance from Southern Africa offset challenges in East Africa

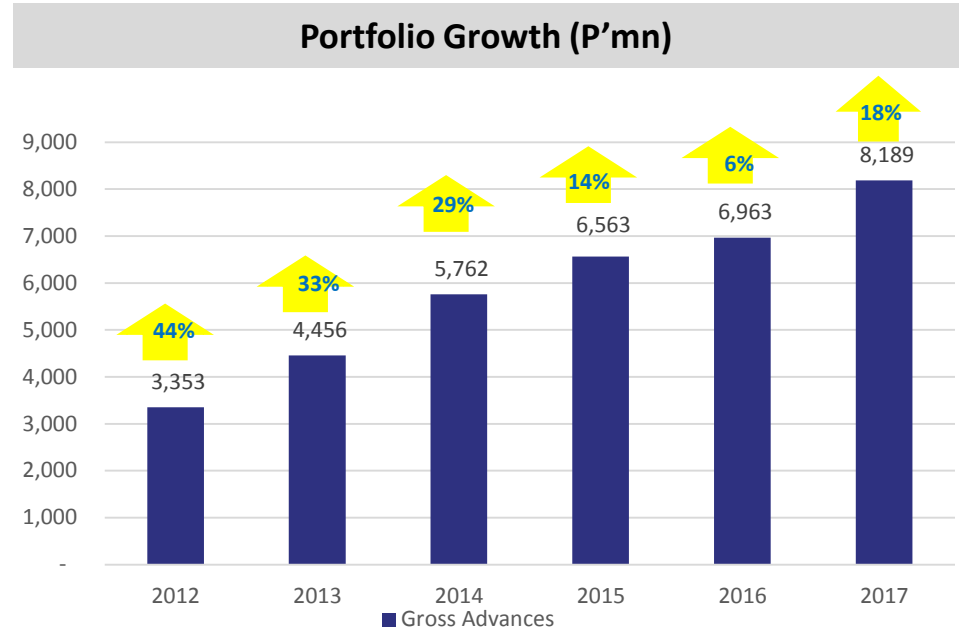
Letshego's market penetration as at 31 Dec  
2017      2016



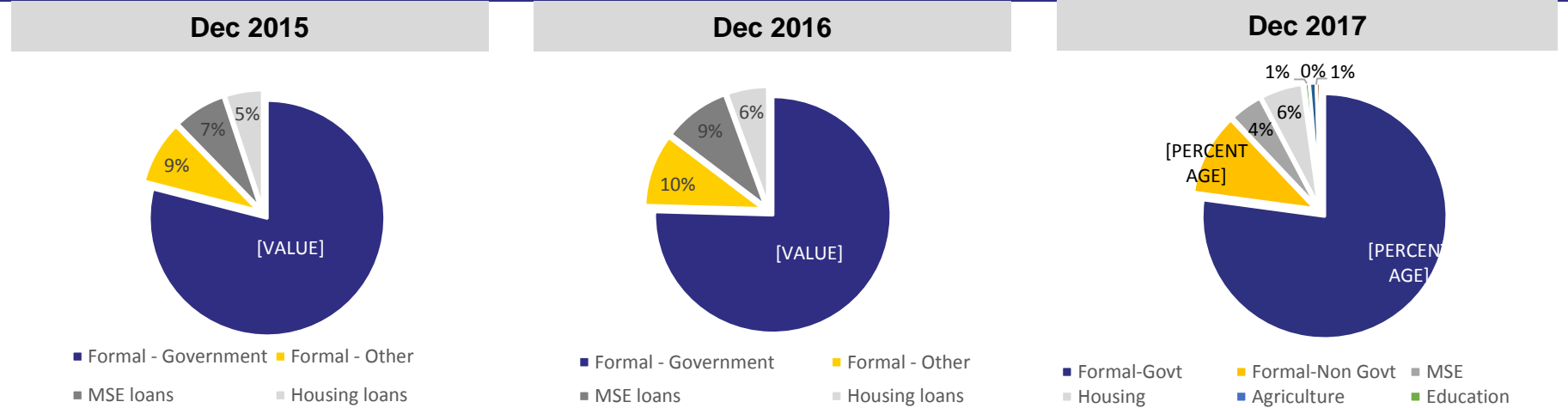
Government employees ('000)	Current Loan book	Consumer Lending	MSE Loans	Informal	% of Book	Loan growth from prior period in BWP	Loan growth from prior period in local currency
	USD mn						
181	236	98%	2%	–	30%	4%	4%
700	52	34%	66%	–	7%	26%	38%
50	41	100%	–	–	5%	(1%)	(3%)
300	103	100%	–	–	13%	40%	25%
100	195	100%	–	–	25%	16%	13%
3 400	6	1%	99%	–	1%	4%	34%
200	4	5%	95%	–	1%	(74%)	(71%)
42	38	100%	–	–	5%	64%	60%
500	48	73%	27%	–	6%	(3%)	8%
300	30	59%	41%	–	4%	(2%)	7%
600	36	86%	2%	12%	5%	n/a	n/a
<b>Total</b>	<b>790</b>	<b>91%</b>	<b>9%</b>	<b>1%</b>	<b>100%</b>	<b>16%</b>	<b>16%</b>

# Overall double digit loan growth and continued progress in diversification

- Formal DAS remains the major contributor to the overall loan book
- Botswana has led the Group in non-government diversification
- Formal non government segment stable at 11% of overall loan portfolio
- Informal launched in Ghana and currently 19% of total loan book



## Group Portfolio Mix



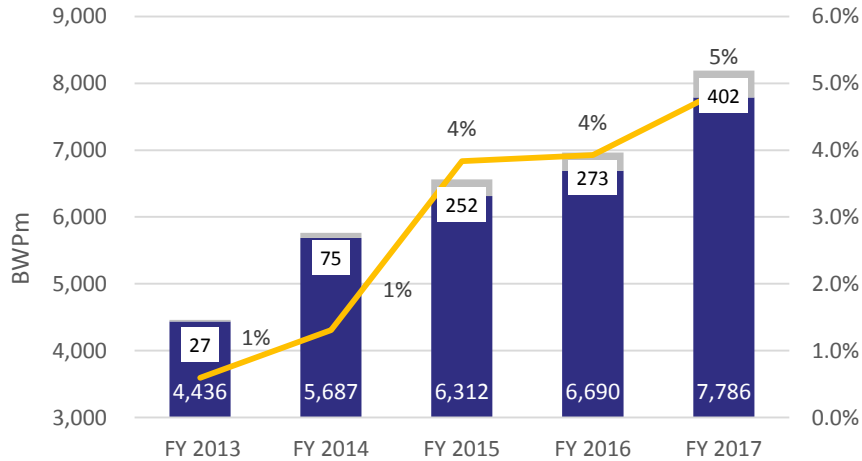
# We continue to strengthen coverage ratios and improve portfolio quality across the Group

## Asset Quality and Provisioning

- Group Impairment Cost remained flat at 3%
- NPL coverage increased to 69%
- Overall provision coverage is 5% of gross loans
- Significant investment continues to be made in Collections and Recoveries capability as well as Credit Policy reviews, further reducing Formal Segment Impairment cost
- Automation of deduction processes in Mozambique has contributed positively to collections

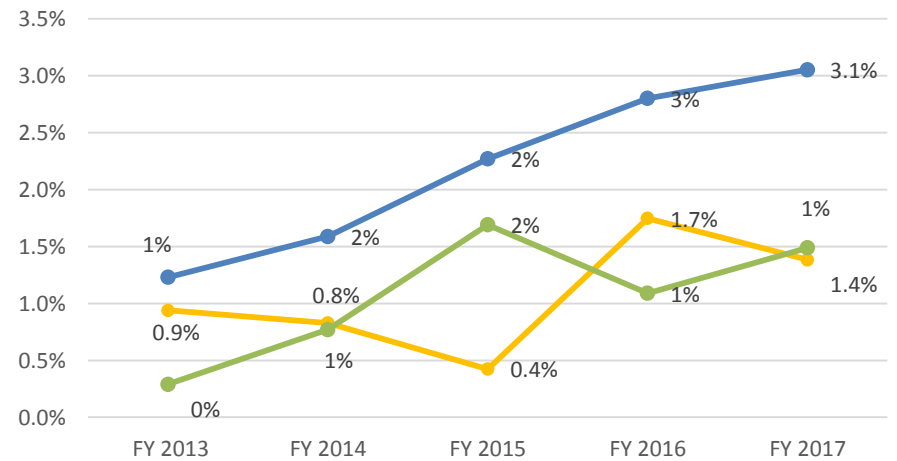
Impairment Cost				Impairment Coverage > PAR 90			
	FY 15	FY 16	FY 17		FY 15	FY 16	FY 17
Formal	2.1%	2.3%	1.8%	Formal	36%	50%	60%
MSE	4.3%	7.7%	10.4%	MSE	128%	178%	96%
Group	2.3%	2.8%	3.1%	Group	51%	62%	69%

### Impairment Provisions



■ Net Loans ■ Impairment provision — Impairment Coverage %

### Cost of Risk



— Loan Loss rate — Net Write-off % — Impairment raised

# Strong capital adequacy to meet current and future growth needs, with improved ROE

## Funding

- Strong pipeline of **MIV/ DFI funding**

## Share Buy Backs

- Bought back 24,400,000** shares for BWP48m in H2 2017
- Share buyback will continue to be an important tool to facilitate exits (cashflow permitting)

## Credit Rating

- H2 17 **Ba3 (stable) outlook** affirmed by Moody's Investor Services

## Security

- Secured property ratio is < 67%

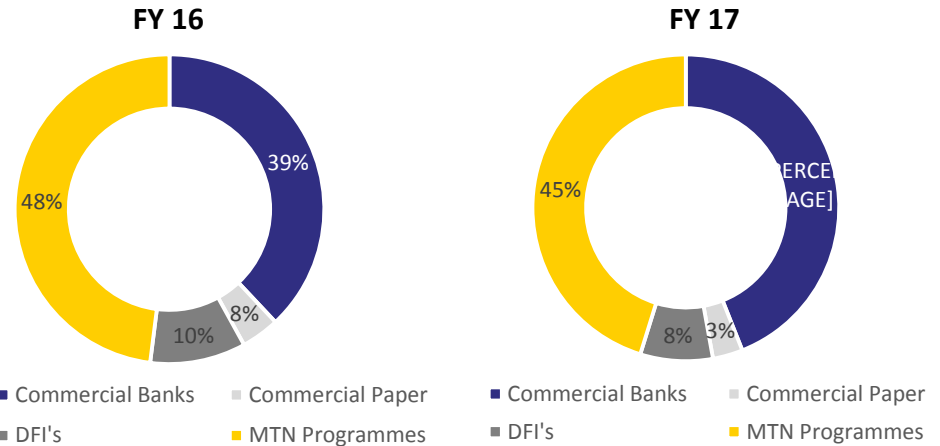
## Capital Adequacy

- CAR 2017 (48%), 2016 (50%)

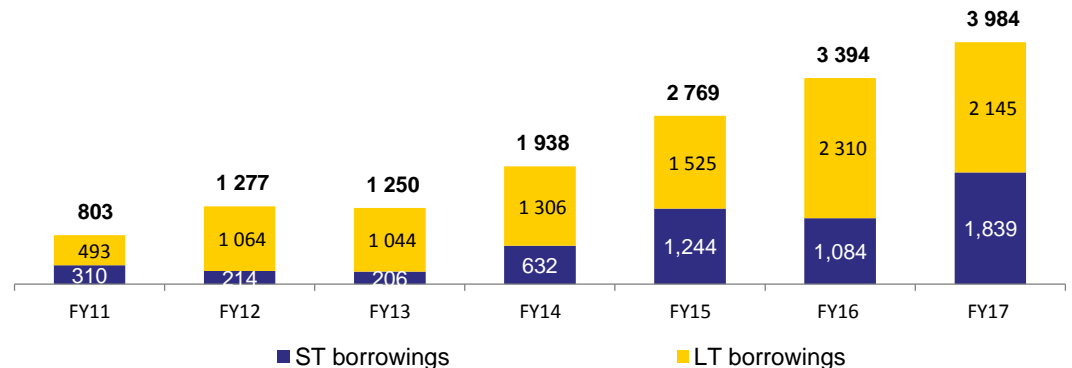
## Dividends

- Dividend pay out ratio unchanged at 50% of PAT
- Special dividend from Namibia IPO

## Principle Sources of Debt Funding



## Funding Split



# We have extended our debt maturity profile and improved our liquidity risk

## Deferred Maturity profile

- BWP881mn, 22% of total external borrowing maturing in < 2021

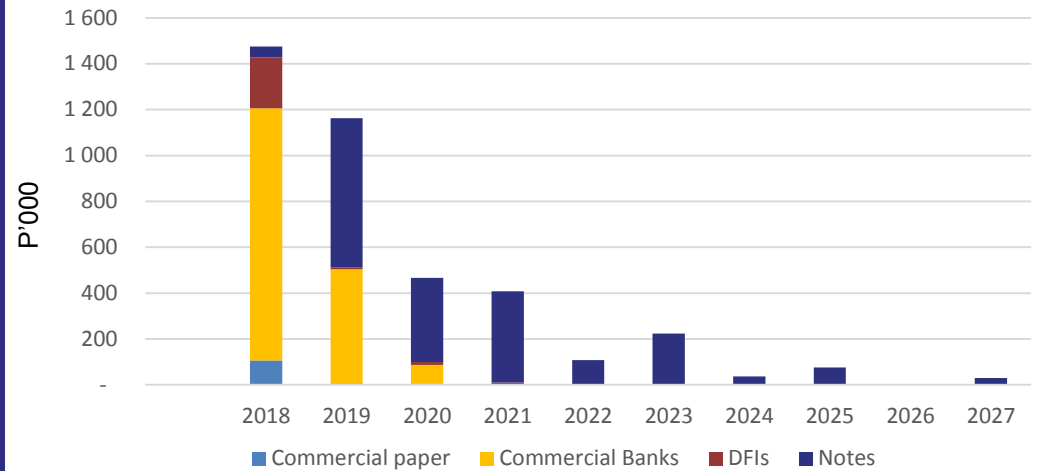
## Liquidity Coverage Ratio

- 22% YE 2017, 19% YE 2016
- liquidity gap < 12 months is positive
- Cash reserves on hand of USD50mn

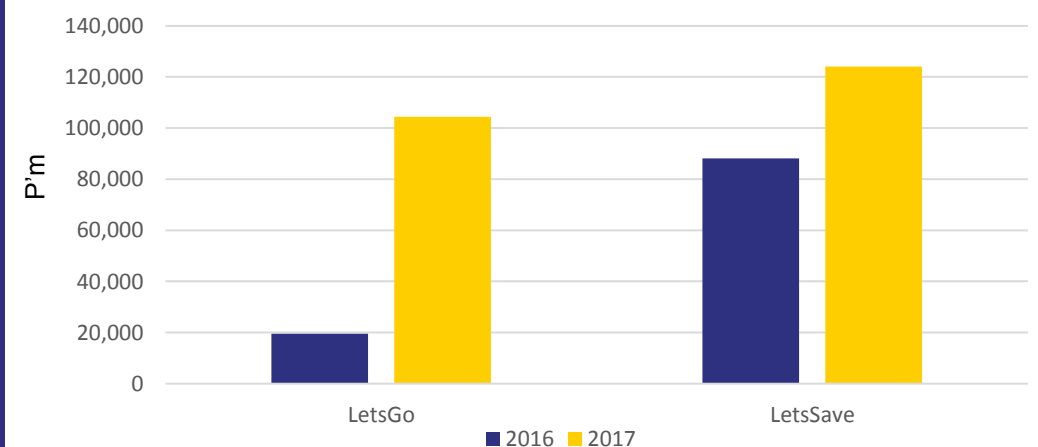
## Deposit Mobilisation

- 6 countries have deposit taking licenses
- CASA growth of 47% yoy
- Tanzania doubled its savings customers
- 15,100 Lets Go accounts opened in Mozambique
- Ghana opened over 1,500 accounts in Q4

## Maturity Profile – Funding Liabilities



## Deposits – Mix and Growth



# Received strong market support for buyback and issue of new notes

## Transaction Overview



Inward listed bond –  
Buyback and issue  
of new bonds

**ZAR465mn**

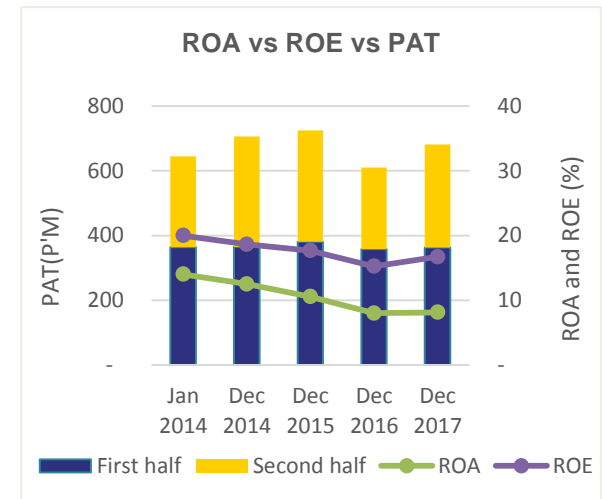
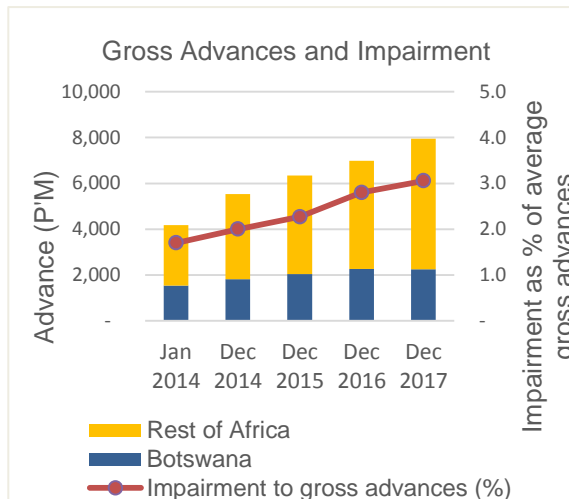
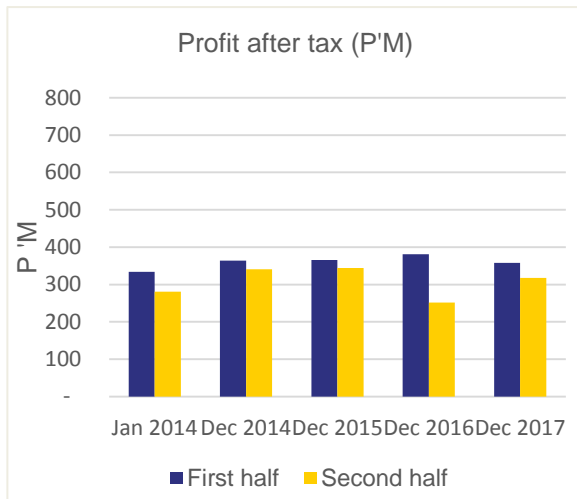
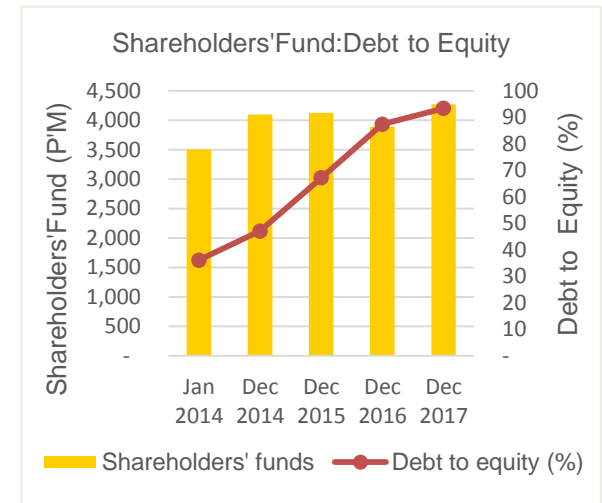
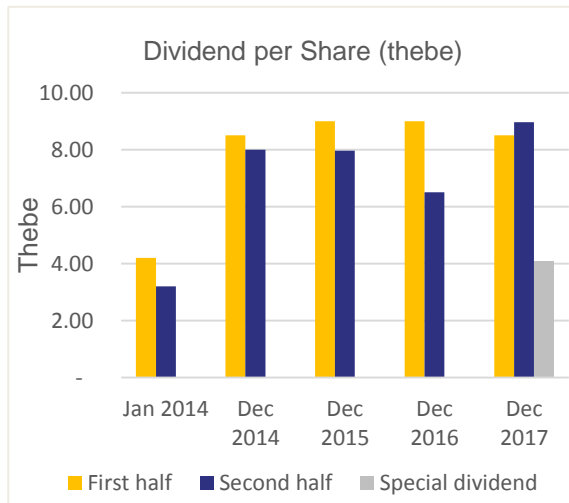
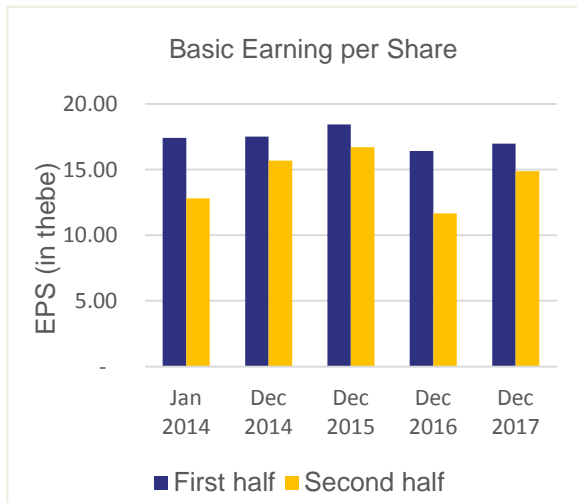
**December  
2017**

- Letshego Holdings Limited appointed RMB as Sole Lead Arranger to assist with switching the LHL17 and LHL18 bonds maturing in November 2018 under its dual listed BWP2.5bn/ZAR2.5bn Medium Term Note Programme
- The objective of the transaction was to assist Letshego with liquidity management and extending its debt maturity profile. Existing bondholders were not given an option to early redeem the bonds for cash thus limiting potential liquidity constraints
- Letshego successfully switched approximately 90% of the LHL17 and LHL18 notes with a nominal of ZAR325mn and ZAR140mn respectively
- The old notes were switched into the LHL27 (3 year, 2 months) and LHL28(4 year, 2 months) for a nominal ZAR432mn and ZAR33mn respectively

Buyback		
	LHL17	LHL18
Issuer	Letshego Holdings Limited	
Security	Fedrox (Proprietary) Limited	
Issue date	14 Dec 15	14 Dec 15
Maturity date	14 Nov 18	14 Nov 18
Buyback/ issue amount	ZAR325mn	ZAR140mn
Initial issue price	3m JIBAR+550bps	3m JIBAR+450bps

New		
	LHL27	LHL28
Issuer	Letshego Holdings Limited	
Security	Fedrox (Proprietary) Limited	
Issue date	13 Dec 17	13 Dec 17
Maturity date	13 Feb 21	14 Nov 18
Buyback/ issue amount	ZAR432mn	ZAR33mn
Initial issue price	3m JIBAR+450bps	3m JIBAR+590bps

# Key Metrics



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