

Letshego Holdings Limited
Incorporated in the Republic of Botswana
Registration number 98/442

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Instrument code: LHL18 ISIN: ZAG000132242
Instrument code: LHL19 ISIN: ZAG000132259
Instrument code: LHL26 ISIN: ZAG000141268
("Letshego Holdings" or "the Company" or "the issuer")

LETSHEGO HOLDINGS LIMITED GROUP FULL YEAR 2017 REVIEWED FINANCIAL RESULTS

The Board of Directors of Letshego Holdings Limited ("the Group") is pleased to present an extract of the reviewed consolidated results for the year ended 31 December 2017.
CONTINUED PROGRESS ON DELIVERY OF THE STRATEGIC AGENDA

The Group has achieved a number of key milestones in its transformation agenda towards creating Africa's leading inclusive finance group and continues to invest in expanding its African footprint and technology delivery platforms. We have delivered good growth in loans to customers and savings mobilisation is gaining momentum, albeit from a modest base. The Group achieved a 6% increase in operating profits and a 13% increase in earnings per share.

Financial highlights

- Total revenues exceeded P2.5 billion; a 15% increase on the previous year
- Yields on loans to customers and the cost of borrowings were consistent with the prior period
- Costs increased by 14% year on year – reflecting the continued investments made in our people and systems
- The cost of risk was 3.1% (2016: 2.8%); however, excluding specific once off impairments in Rwanda and Tanzania it was 2.4%
- The Group continues to tighten its impairment methodology in preparation for the adoption of IFRS9
- Profit before tax was P1,003m which is a 6% increase from 2016
- Gross advances grew by 17% to P8.2 billion (or 16% in underlying local currency terms)
- Non-performing loans impairment coverage ratio increased to 70% (2016: 62%)
- Customer savings increased to P228m (2016: P108m)
- Debt to equity ratio was 89% up from 85% in 2016
- Return on equity was 18% (2016: 16%) and return on assets 9% (2016: 9%)
- Share buy backs performed during 2016 and 2017 reduced the weighted average number of shares in issue resulting in earnings per share of 34.9 thebe (2016: 30.8 thebe), a 13% increase

Non-Financial highlights:

- Total borrowing customers increased from 300,000 to 413,000
- Savings customers closed at 154,000 up from 106,000 in the prior period
- Customers were serviced through 314 customer access points, an increase of 13% on 2016
- Letshego now has 307 third party agents as additional customer access points
- P2.7 billion (2016: P2.5 billion) was disbursed in new or top up loans
- The Group employed 1,905 (2016: 1,620) full time employees supplemented by an additional 1,287 (2016: 1,162) commission-based sales agents

Key highlights of progress with delivery of the strategic agenda during the year include:

Embracing financial inclusion: During this year, our focus has been on operationalising our solutions and ensuring new access channels are tested and piloted. Key achievements included:

- The launch of the LetsGo Blue Box agency solution in Mozambique. The LetsGo All-in-1 solution simplifies and streamlines the customer experience by delivering a solution that allows a single relationship with Letshego to save, borrow, be paid and pay as well as meet customers other financial needs such as insurance. LetsGo is the start of our offering to bring under-served customers into the formal financial sector in a responsible and sustainable manner.
- Our third party agency network has continued to expand in Tanzania and other initiatives in Nigeria and Namibia are in pilot or at advanced planning stages. At year end Letshego had 307 third party agents across Mozambique and Tanzania.
- Our educational credit solutions have delivered significant growth in this new segment. The loan portfolio was P42m at year end (2016: P nil). Tanzania, Nigeria and Kenya have over 250 schools in this portfolio. Cross selling in this ecosystem resulted in over 750 teachers taking personal deduction at source loans with a value of P14m. The schools have become savings customers in Tanzania and Nigeria. The solution was launched in Uganda during January 2018 and Ghana is scheduled for March 2018.
- The low cost housing solution loan portfolio increased from P250m to P340m during the period and remains an important part of our offering to customers.
- Short term mobile loans were introduced in Ghana during September 2017. At year end loans to over 60000 customers were made with a balance of P42m. A new mobile savings solution was introduced in Ghana in late 2017 with encouraging early signs. Mobile loans and savings offerings to new and existing customers are expected to be introduced in more countries during 2018.

Growing the franchise: Our core business of 'deduction at source lending' performed well in 2017. Acceptable growth was achieved in our three largest markets; Botswana –3, Namibia – 16% and Mozambique – 38%. Letshego Swaziland increased its loan portfolio by 64% and joined Botswana as countries that have made significant progress in growing and diversifying the non-government deduction at source businesses. Ghana was the latest market added to our regional footprint in 2017, via the successful acquisition of Afb Ghana. Ghana is already generating strong revenues in its first year of joining the Group, and we have begun the diversification of this loans only business to offering savings solutions through a mobile wallet.

In Nigeria, our 2017 pilot for deduction at source lending has proven successful. Initially, we will focus on employers in Lagos state, with particular interest in teachers who we will engage through their union. Entry to other states is being considered.

Overall, credit customer numbers increased from 300,000 to 413,000.

Our customer savings numbers increased from 106,000 to 154,000 and closed with deposits / savings due to customers of P228 million. While this is off a low base, we are encouraged by the progress made in conversion of credit customers to savings customers and 2018 will see the roll out of our LetsGo access channel in more markets.

Enhancing customer experience: Letshego remains committed to continuously reviewing and improving our solutions to enhance sustainable benefits for our customers, as well as to provide an ever-improving level of customer experience. Improvement is achieved through our market understanding, listening to customers via our ongoing social impact surveys and leveraging the latest developments in technology. Our marketing campaigns are adopting a more educational approach for our customers in demonstrating how, if effectively administered and managed, our financial solutions can reduce financial stress, and provide opportunity.

Embedding future capability: Our operational platform, 'Bancs' was introduced into Nigeria in 2017. Achieving consistency in operating systems provides obvious benefits in risk management, cost reduction, track, monitoring, delivery in solutions and customer experience. As part of integrating new subsidiaries, Oracle EBS went live in Nigeria at the end of July and the migration to Bancs took place in November. Tanzania and Ghana are now the only markets not on the standard operational platform – we are working through the detailed program plans for 2018/19.

At a Group level, 2017 included the planning phase of the Group reconciliation system that aggregates all reconciliation data and processes for the Group into the Corona/Smartstream platform. This implementation has been phased for country implementation over the coming year. We continue to invest in new and alternative credit scoring methodologies and a data analytics team have been established.

Analysis of the results for the period

This period's results show good growth and a return to improved profitability.

Loan growth was 17% in BWP terms and 16% in local currency. The quality of the loan book remains at targeted levels with the exception of Rwanda and Tanzania where we have taken additional provisions on specific segments of the loan portfolios. The loan loss ratio was 3.1% - this is higher than targeted levels (up to 3%); however, if the referenced Rwanda and Tanzania portfolio are removed the loan loss rate was 2.4%. Our coverage ratio continues to improve and we are well positioned for the introduction of IFRS 9 in 2018.

Customer deposits grew by 112% and the impact of our customer savings solutions is gaining traction. Savings customer numbers increased from 106,000 to 154,000. New funding lines were introduced resulting in a 17% increase in borrowings; the Group has a strong funding pipeline in place to support the business growth going forward.

Profit before tax of BWP1,003 million was 6% higher period on period. Operating income increased by 11% - this reflected the underlying growth in advances to customers and was supported by stable interest margins and cost of funding. Costs increased by 14% and are normalising after a period of investment in the business; this trend is expected to continue going forward.

Acquisition – Ghana

Letshego acquired a 100% shareholding in AFB Ghana Plc during January 2017. The financial results of AFB Ghana have therefore been included in these reviewed results for the year ended 31 December 2017 for the first time. The purchase consideration was P91m. AFB Ghana has over 42,000 customers, 233 members of staff and 25 customer access points. It contributed P36 million to the 2017 pre-tax profit and its loans to customer's portfolio was P346 million at end December 2017.

Funding, capital structure and dividend policy

During the year all significant funding lines that matured were successfully refinanced demonstrating the confidence that the market continues to have in Letshego. Of note was the Group's success in switching two ZAR denominated bonds that are listed on the JSE to longer maturity dates, at a reduced cost and improving the group's maturity profile. New DFI funding lines were negotiated and are being drawn down in 2018. The Group's Ba3 Moody's credit rating remained unchanged during the year.

The dividend pay-out ratio has been maintained at 50% following an internal review and the debt to equity ratio improved to 89% at year-end (2016: 85%). The Group's cash flows and funding pipeline allowed for the share buyback mandate to be exercised again in 2017 - this resulted in 24.4m shares (1%) being repurchased at an average price of P1.97 per share. We will request Shareholders at the upcoming AGM to extend the buy -back mandate.

This share buy-back programme is intended to generate returns for shareholder over and above the existing dividend policy. Since Letshego listed on the Botswana Stock Exchange in 2002 it has raised BWP646 million from Shareholders. In the same period, it has returned over BWP2 billion to Shareholders by way of dividends and share buy-backs. Of this, BWP1.4 billion has been returned since 2014.

Letshego Namibia – IPO on the Namibian Stock Exchange (NSX)

Letshego Namibia successfully listed on the NSX on 28 September 2017, with an initial market capitalisation of N\$1.9bn. As a result of the IPO, the Group's shareholding in Letshego Namibia reduced from 85% to 79%, with the Group's share of the proceeds from the listing being N\$117m (BWP87m). The Board has recommended a special dividend of 4.1 thebe per share as the distribution of the proceeds to Shareholders.

Group Structure

The Group has introduced an intermediate holding company structure in Mauritius and over time, the Group subsidiary companies are expected to be moved to that ownership structure. This will not result in any change in the ultimate ownership of the subsidiaries but will allow for a more tax efficient movement of dividends within the Group.

Board of Directors

The Board comprises of twelve Directors - seven independent non-executive Directors, three non-executive Directors and two executive Directors. Of the three non-executive Directors, two represent Botswana Insurance Holdings Limited (BIHL) and one represents African Development Partners I (ADP I). Both BIHL and ADP I have material shareholdings in Letshego Holdings Limited. Due to internal changes in these organisations, Catherine Lesetedi replaced Gaffar Hassam as one of the BIHL representatives and Runa Alam replaced Idris Mohammed as the ADP I representative. The Board thanks Gaffar and Idris for their contribution to the Group during their period on the Board and welcomes Catherine as well as Runa and looks forward to their contribution.

Prospects

Letshego continues to drive its financial inclusion strategy and strengthen its operations through investment in technology and people as well as through strategic partnerships. The Board of Directors is confident that the Group is well positioned to benefit from the growing markets in which it is active and views inorganic expansion via acquisitions as important to the acceleration of Letshego's strategy. As such it will continue to seek and review options for the Group to pursue.

Auditors' review

The condensed annual financial statements from which the financial information set out in this announcement has been extracted, has been reviewed but not audited by PricewaterhouseCoopers, the Letshego Group's external auditors. Their unqualified review report is available for inspection at the Group's registered office.

Dividend notice

Notice is hereby given that the Board has declared a final dividend of 9.0 thebe per share for the year ended 31 December 2017. Also, the Board declared a special dividend of 4.1 thebe per share as distribution of the proceeds from the Namibia IPO. In terms of the Botswana Income Tax Act (Cap 50:01) as amended, withholding tax at the rate of 7.5% or any other currently enacted tax rate will be deducted from the final gross dividend for the year ended 31 December 2017.

Important dates pertaining to this dividend are:

- Declaration date, 28 February 2018
- Last date to register, 29 March 2018
- Dividend payment date on or about, 13 April 2018

For and on behalf of the Board of Directors:

E Banda

Group Chairman

GABORONE, Wednesday, 28 February 2018

A C M Low

Group Managing Director

The reviewed financial results can be accessed below:

<https://www.letshego.com/latest-financial-results>

Debt sponsor in South Africa

The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division

Sponsoring broker in Botswana

African Alliance Securities