

LETSHEGO HOLDINGS LIMITED
Incorporated in the Republic of Botswana Co. 981442 (the "Company")



NOTICE TO ALL SHAREHOLDERS

STRATEGY UPDATE

Letshego Holdings Limited ("LHL" | "the Group" | "Letshego") was incorporated in 1998, is headquartered in Gaborone and has been publicly listed on the Botswana Stock Exchange (BSE) since 2002. Letshego is an inclusive finance focused Group with microfinance banking and consumer lending subsidiaries across eleven countries in sub-Saharan Africa.

Overview

As a result of the ongoing COVID-19 pandemic, 2020 has been an historic year for private and public sector businesses across economies the world over. However, despite ongoing headwinds related to the pandemic, Letshego Group has shown strong business resilience.

From the outset of the pandemic, Letshego has reiterated its commitment to prioritising the health and wellbeing of its customers and people, while maintaining business continuity through the launch and enhancement of digital access channels and systems, all while tempering its risk appetite for the ensuing business conditions.

Business Performance and Resilience

In the second half of the year, Letshego's financial performance is projected to show an improvement on the first half, in both operating income and profit before tax, while the effective tax rate should remain in the same range.

In line with our Transformation Strategy, the Group continues to invest in digital platforms and systems. As a result, costs are expected to show a moderate increase from the first half of the year, propelled by the organisational re-design and digital implementation.

Overall, Letshego's performance will be driven primarily by improved payout volumes and credit portfolio performance, albeit moderated by recovering levels of non-funded income.

Continuing to de-risk our business

Asset quality remains strong through improved credit risk management and credit processes. This includes enhanced risk monitoring, frequent stress testing and the progressive digitisation of reporting and data tracking systems. Letshego's ongoing portfolio stability has been supported by positive, fiscal measures implemented by regional governments throughout the pandemic.

With the automation of Letshego's credit evaluation process, credit risk trends for the second half of the year are aligned with the Group's target risk appetite and credit performance indicators.

The collection rate is not expected to drop below the Group's targeted minimum in the upper 90th percentile range, while cost of credit risk has shown significant improvement over the course of H2. Single exposure portfolios that saw elevated risk in H1 2020, have normalised in the second half of the year.

Letshego remains well capitalised with sound liquidity buffers, and all 2020 maturity obligations are projected to be met. In October this year, despite challenging market conditions, Moody's affirmed Letshego's existing corporate family rating of Ba2, issuer ratings at Ba3/NP and outlook stable.

Progressing our Transformation Strategy

On 1 September 2020, the Group announced its Transformation Strategy, further contextualising Letshego's 6-2-5 execution roadmap (6 months–2 years–5 years).

In 'Plan 6' (June - Dec 2020) we focused on strengthening the foundations of our business, by sharpening the Deduction at Source ("DAS") model and successfully expanding our digital channel access. Adoption of alternate digital channels by customers is well ahead of expectations. From January 2021, the Group transitions to 'Plan 2' (2022 - 2023), a period that will see the implementation of more differentiated digital and automated systems, a broader product offering and increasing enterprise agility.

The Group's Transformation Strategy is guided by the '5 Conversations', namely: *Product Diversification; Digital Transformation; Geographic Rebalancing; Enterprise Agility and Sustainable Shareholder Value*:

Product Diversification and strengthening our core offering

Letshego's Transformation Strategy focuses on three customer segments: Mass and Middle Income Individuals, as well as Micro and Small Entrepreneurs ("MSE"). During the second half of the year, we have seen positive growth across all three segments.

Our DAS loans business has remained resilient, while we have seen mobile loans emerging as a potentially strong revenue stream. In the second half of 2020, Letshego strengthened its DAS offering through product enhancements and increased channel access, this was in addition to improving the structure of mass mobile products.

For MSE we launched the 'Programmatic Approach', a solution that seeks to deepen the value and product choice for this segment. This approach facilitates Letshego's expansion of its support to the education sector, as well as entry into green financing initiatives. It is backed by strategic partnerships that enable the Group to reduce the risks associated with lending to small businesses, while gaining access to specialist, technical expertise within the respective portfolios of focus. The Programmatic Approach is being piloted in Ghana and Botswana, before expanding to other subsidiaries during the first half of 2021.

Further diversification of our product suite will progress the journey towards launching non-risk products to complement our existing lending portfolio.

Accelerating our Digital Transformation

2020 has seen strong progress in digitising customer access channels to support business continuity and ensure the safety and wellbeing of our customers and people. Letshego is progressing well towards its long-term goal of achieving up to 80% digital adoption by 2025. From 2% digital adoption in February 2020, increasing to 30% mid-year, Letshego expects to conclude the year with digital adoption in the median percentile range.

Geographic Rebalancing

Geographic Rebalancing centres around the Group's focus on enabling its small to medium subsidiaries to seize local market growth opportunities, and increase their contribution to Group Profits over the medium to long term. In the second half of 2020, East and West Africa subsidiaries continued to show growth in their contribution to the Group's overall sales volumes and profits.

Enterprise Agility

Enterprise Agility is the primary methodology the Group is adopting to improve its way of working, and support the delivery of our transformation strategy within stipulated deadlines.

In the second half of 2020, employees representing each business function and subsidiary, completed an international certification in Agile Working. We are already seeing the benefits of Agile in the speed of delivery of our expanded digital access channels.

Letshego's realigned **Organisational Design** is progressing well with further executive appointments expected in Q1 2021. These appointments include the Group Chief Risk Officer and Group General Counsel and Chief Compliance Officer, subject to regulatory approvals.

A key strategic function to support our transformation is the proposed *Group Regional Shared Service Centre*, a central resource that will optimise operations and costs for all subsidiaries in the medium to long term. The initial ground work has commenced in the second half of 2020.

Sustainable Shareholder Value

Letshego's business has remained resilient, positioning the Group to achieve its long term strategic objectives and shareholder return of above 20% Return on Equity (ROE). The ongoing investments in the business and our progress in the second half of the year provide a good foundation for 2021 and beyond.

Outlook

Despite the production and gradual global roll out of vaccines, Letshego anticipates the current W-curve economic recovery trend to continue, given ongoing spikes in infection rates, as well as the recent discovery of COVID-19 variants.

As a result of the Group's digital transformation strategy, Letshego is confident in its ability to maintain business resilience and continuity, manage risks, and support the growth of new business channels and products.

Next shareholder event: Wednesday 3 March 2021

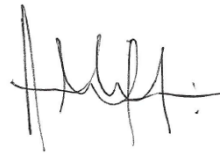
For shareholders' reference, Letshego Holdings Limited enters closed period from 1 January 2021. This Closed Period ends with the announcement of the Group's Full Year 2020 Annual Results on Wednesday, 3 March 2021.

In closing, the Board wishes to extend its sincere thanks and appreciation to customers, employees, regulators, shareholders, funders, public and private sector partners as well as members of the community for their ongoing support and collaboration in 2020. We wish our valued stakeholders a safe, healthy and happy Festive Season and prosperous New Year, and look forward to continuing our effective partnership in 2021.

On behalf of the Board,



ENOS BANDA
Group Board Chairman



ANDREW F OKAI
Group Chief Executive

Sponsoring Broker

