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Waterloo Investment Holdings Limited

Directors:

Caroline van Scheltinga	<i>(Chairman and Chief Executive Officer)</i>
Stewart Howard	<i>(Director and Chief Financial Officer)</i>
Dean Boyce	<i>(Deputy Chairman and Director)</i>
Peter Gaze	<i>(Director)</i>
Margaret Osius	<i>(Director)</i>
Philip Osborne	<i>(Director)</i>

2 August, 2017

Dear Shareholder,

Consolidation and subdivision of share capital

1. Introduction

On 2, August 2017 the Board announced details of the reorganisation of the Company's share capital. The Company has approximately 1,050 shareholders with approximately 750 shareholders holding fewer than 2,000 Ordinary Shares each. Ordinary Shares held by such small shareholders represent, in aggregate, approximately 0.1% of the 496,285,521 Ordinary Shares currently in issue.

By consolidating its share capital, the Company believes that certain of the costs inherent in maintaining a shareholder base of over 1,050 shareholders will be reduced and an exit will be provided to small shareholders whose holding will be acquired by the Company. The Board considers that it is in the best interests of the Company and its shareholders to reorganise the Company's share capital in such a way as to provide a cash payment per Ordinary Share, free of regulatory restrictions and dealing charges, for their entire shareholding to all holders of fewer than 2,000 Ordinary Shares. This Capital Reorganisation is described in more detail below.

2. Capital Reorganisation

For the reasons set out above, the Board has decided that the Consolidation should be effected and that the fractional entitlements of shareholders which will arise should be purchased by the Company and held in treasury by the Company's direct subsidiary Waterloo Treasury Limited (WTL) with the proceeds being remitted to the relevant shareholders.

The Company originally made an application to and received approval from the Bermuda Stock Exchange for partial relief from Restricted Marketing, together with its application for the existing Ordinary Shares to be listed on the Bermuda Stock Exchange. In the Bermuda Stock Exchange's letter of 28 June 2012 confirming such approval, the Bermuda Stock Exchange stated that the Company's Ordinary Shares:

1. may be sold by "existing" non-Qualified Investors;
2. may not be sold to "new" non-Qualified Investors;
3. may not be sold to "existing" non-Qualified Investors unless such trade would make them Qualified Investors; and
4. may be traded outside the BSX subject to all the above being met.

The Board is aware that, given these restrictions, it can be difficult for shareholders to sell very small shareholdings and that dealing charges, including the charges associated with establishing a brokerage account with a Trading Member of the Bermuda Stock Exchange, might make selling small shareholdings uneconomic. The Board is also aware that it can be difficult for shareholders to acquire additional Ordinary Shares in an amount which would make them a Qualified Investor. Maintaining a large shareholder base is also expensive for the Company and considered by the Board to not be in the best interests of shareholders as a whole.

The Board has, therefore, sought to make arrangements to give the holders of very small shareholdings cash in consideration for their Ordinary Shares without those shareholders incurring dealing charges. This document provides the details of these arrangements.

Consolidation

The Directors propose to consolidate every 2,000 Ordinary Shares of US\$0.50 par value each into one Consolidated Ordinary Share of US\$1,000.00 par value. Following the Consolidation, resulting fractions of the Consolidated Ordinary Shares will be aggregated and purchased by the Company and held in treasury by WTL (the **Treasury Shares**) with the proceeds being remitted to the relevant shareholders. Please refer to paragraph 4 for more details regarding payment and new share certificates.

Subdivision

Following the Consolidation and the Share Purchase, it is proposed that each Consolidated Ordinary Share and each Treasury Share be subdivided into 2,000 New Ordinary Shares of US\$0.50 par value each.

Effect of the Capital Reorganisation

The effect of the Capital Reorganisation is that Shareholders holding fewer than 2,000 Ordinary Shares on the Consolidation Record Date at market close on the BSX (Hamilton, Bermuda) on 4 August 2017 will receive a cash payment equal to US\$0.50 for each Ordinary Share (being the price per share at which the 21 July 2016 share offering and 24 March 2017 share buyback by the Company were completed), which they previously held.

Holders of more than 2,000 Ordinary Shares on the Consolidation Record Date will likewise receive a cash payment equal to US\$0.50 (being the price per share at which the 21 July 2016 share offering and 24 March 2017 share buyback by the Company were completed) for each of their Ordinary Shares which become a fraction of a Consolidated Ordinary Share when their holding is divided by 2,000 and will retain the balance of their shareholding.

For example, a holder of 4,500 Ordinary Shares would receive: (i) following the Consolidation (which will occur immediately after close of trading on the Bermuda Stock Exchange on the Consolidation Record Date), 2 Consolidated Ordinary Shares in respect of 4,000 Ordinary Shares together with a cash payment in respect of 500 Ordinary Shares; and (ii) following the Subdivision (which will occur prior to commencement of trading on the Bermuda Stock Exchange on the Subdivision Record Date), would retain 4,000 New Ordinary Shares.

Cash payments of less than US\$25.00 will not be distributed to holders of Ordinary Shares but will instead be aggregated and held for the benefit of the Company.

The Directors anticipate that the Capital Reorganisation will reduce the number of shareholders from the present level of approximately 1,050 to around 300. This will reduce the Company's costs on an ongoing basis. The major shareholder in the Company, Lord Ashcroft KCMG PC, currently owns through his combined beneficial holdings approximately 94% of the share capital of the Company, and will continue to hold approximately 94% of the share capital of the Company following the Capital Reorganisation.

3. Approval of the Capital Reorganisation and Share Purchase

In accordance with clause 12 of its Memorandum, the Company may amend its Articles by a resolution of its directors. In connection with the Capital Reorganisation, the Board passed a resolution on 1 August 2017 to amend the Company's Articles (the **Amended Articles**) to include provisions allowing the Company to purchase fractional entitlements of its Ordinary Shares without the consent of each shareholder (such a provision is usual for a listed company to include in its Articles) and to sign instruments of transfer for the fractional entitlements to Ordinary Shares on behalf of each shareholder.

A copy of the Amended Articles will be available on the Company's website www.wihl.com.

In addition to approving the Amended Articles, on 1 August 2017 the Board resolved to consolidate the Ordinary Shares on the basis of one Consolidated Ordinary Share for every 2,000 Ordinary Shares (the Consolidation to take effect as at the Consolidation Record Date) and to amend the Company's Memorandum to reflect the consolidation of the Ordinary Shares. This was done in accordance with the Amended Articles.

Subject to the Registrar of Corporate Affairs in the British Virgin Islands approving the amendments to the Memorandum and the Amended Articles, and in accordance with section 59 of the Companies Act 2004, clause 7.2 of the Company's Memorandum and Regulation 3 of the Company's Amended Articles, on 1 August 2017 the Board also authorised the purchase by the Company of the fractional entitlements arising pursuant to the Consolidation and for the fractional entitlements to be held in treasury by WTL. In addition, the Board determined pursuant to section 56 of the Companies Act 2004 and Regulation 3.2 of the Amended Articles that the directors are satisfied, on reasonable grounds, that immediately after the Share Purchase the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due. The Share Purchase will be funded out of the Company's existing distributable resources. The consideration for the Share Purchase is not expected to exceed US\$400,000. The Share Purchase is expected to complete on the first Business Day following the Consolidation Record Date.

On 1 August 2017, the Board further authorised, subject to the Consolidation and the Share Purchase being successfully completed, the subdivision of each Consolidated Ordinary Share and each Treasury Share on the basis of 2,000 New Ordinary Shares for every Consolidated Ordinary Share or Treasury Shares and resolved to amend the Company's Memorandum to reflect the subdivision of the Consolidated Ordinary Shares and the Treasury Shares. Subject to the Registrar of Corporate Affairs in the British Virgin Islands approving the amendments to the Memorandum, the Subdivision shall take effect on the Subdivision Record Date, being three Business Days after the Consolidation Record Date.

Holders of Ordinary Shares shall continue to be entitled to acquire or dispose of Ordinary Shares until the Consolidation Record Date (and if such holders thereby come to hold in excess of 2,000 Ordinary Shares on the Consolidation Record Date such holders will receive Consolidated Ordinary Share(s) as referred to above).

4. Payment and new share certificates

Cash payments due to shareholders for any fractional entitlements shall be made in UK pounds sterling to shareholders with a registered address in the United Kingdom and in US dollars to all other shareholders by cheque. The exchange rate for the conversion of cash payments from US dollars to UK pounds sterling shall be calculated by reference to the middle market spot rate for UK pounds sterling to US dollar exchange on the Consolidation Record Date as published in the Financial Times on the Business Day following the Consolidation Record Date.

The cheques and share certificates in respect of the New Ordinary Shares will be dispatched on or around 18 August 2017. No share certificates will be issued in respect of entitlements to the Consolidated Ordinary Shares. Old share certificates in respect of the Company's Ordinary Shares (prior to the Capital Reorganisation) should either be destroyed or returned to the Company.

If you have any questions, please call Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Yours faithfully,

Caroline van Scheltinga
Chairman and Chief Executive Officer

Definitions

Bermuda Stock Exchange or BSX	a market operated by The Bermuda Stock Exchange
Board or Directors	the directors of the Company
Business Day	a day on which banks are open for business in both the British Virgin Islands and London
Capita Asset Services	a trading name of Capita Registrars Limited
Capital Reorganisation	the Consolidation and the Subdivision
Companies Act 2004	the BVI Business Companies Act 2004, as amended from time to time
Consolidated Ordinary Shares	consolidated ordinary shares of US\$1,000.00 par value each in the capital of the Company in issue following the Consolidation, prior to the Subdivision
Consolidation	the consolidation of every 2,000 issued Ordinary Shares into one Consolidated Ordinary Share
Consolidation Record Date	Market close on the BSX (Hamilton, Bermuda) on 4 August 2017
New Ordinary Shares	ordinary shares of US\$0.50 par value each in the capital of the Company in issue after the Capital Reorganisation
Ordinary Shares	ordinary shares of US\$0.50 par value each in the capital of the Company in issue before the Capital Reorganisation
Qualified Investor	in accordance with Regulation 1.1 of Section 1 of the BSX Regulation, an investor who has truthfully completed an Investor Suitability Declaration and either: (1) makes an investment of not less than US\$100,000; or (2) otherwise meets one of the suitability tests set out in the Investor Suitability Declaration
Restricted Marketing	the restriction of marketing of securities on the Bermuda Stock Exchange to Qualified Investors
Share Purchase	the purchase by the Company of the fractional entitlements arising on the Consolidation
Subdivision	the subdivision of each Consolidated Ordinary Share of US\$1,000.00 par value each into 2,000 New Ordinary Shares of US\$0.50 par value each
Subdivision Record Date	9 August 2017 (being three Business Days after the Consolidation Record Date)