Letshego

LETSHEGO HOLDINGS (NAMIBIA) LIMITED

INTEGRATED ANNUAL REPORT 2021

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letshegoinvestor.com

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About our integrated report

This is the year-end report of Letshego Holdings (Namibia) Limited ('LHN', 'Letshego', or 'the Company') to its stakeholders. It is intended to give a balanced and accurate assessment of the Group's performance in the financial year under review, namely 1 January 2021 to 31 December 2021. LHN is listed on the Namibia Stock Exchange.

WHO IS THIS REPORT FOR?

The content of this report is relevant to all our stakeholders, including our staff, customers, investors, funders, strategic partners, governments, regulators and the members of the communities in which we operate.

WHAT IS OUR REPORTING BOUNDARY AND SCOPE?

The 2021 Integrated Annual Report (IAR) details how we created and preserved value for our shareholders, providers of financial capital and other stakeholder groups during the year. We provide a concise overview of our progress against our strategic objectives, considering our material matters, risks and opportunities, stakeholder concerns and the external operating environment. Where applicable, information up to the date of the report's finalisation has been included. The Group applies principles of stakeholder inclusiveness, sustainability, materiality, and completeness when assessing which information to include in the integrated report. Letshego also applies the principles of accuracy, balance, clarity, transparency, comparability, reliability, and timeliness when assessing information for this report.

The 2021 Integrated Annual Report covers both our core business operations: Letshego Bank (Namibia) Limited (LBN) and Letshego Micro Financial Services (Namibia) (Pty) Limited (LMFSN). Collectively, the entities are referred to as Letshego Holdings (Namibia) Limited (LHN).

WHAT ARE OUR REPORTING PRINCIPLES AND FRAMEWORKS?

The standards used in Letshego's annual integrated reporting align with global protocols. They also reflect key risks and opportunities and show how these factors affect our strategy, financial and non-financial performance, and the impact we have on the markets in which we operate. We have endeavoured to provide a concise, balanced, and transparent commentary on the progress we have made during the year on our strategy, performance, operations, governance, and reporting.

In preparing this report, Letshego followed the principles of the International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC), the King Code of Governance Principles for South Africa (King IV), Namcode and the Namibian Stock Exchange (NSX) Listing Requirements. In addition, Letshego also strives to adhere to the 'core' Global Reporting Initiative (GRI) Standards.

A NOTE ON DISCLOSURES

Letshego Holdings (Namibia) Limited affirms the following terms with respect to its annual integrated reporting strategy:

- Letshego adhered to the principle of non-disclosure of confidential data, such as granular data on remuneration, yields and margins, where the information is deemed to be competitively sensitive. Letshego encourages official and direct enquiries in relation to any aspect of the Company's competitively sensitive operations that may not have been publicly disclosed.
- Infographics are used to report various metrics, while retaining proprietary information.
- All monetary figures used in the report are in Namibian Dollars (N$), unless otherwise indicated.

CONTENT

Report content is guided by the International <IR> Framework (January 2021) as well as board and management reports, stakeholder concerns, market trends and key risks and opportunities.

INTEGRITY/ASSURANCE

The IAR is subjected to a thorough review process by various executives and senior management.

INTEGRATED ANNUAL REPORTING PROCESS

Our 2021 Integrated Annual Report has been compiled through a robust process as depicted below.

CONTENT

INTEGRITY/ASSURANCE

APPROVAL

IAR

FORWARD-LOOKING STATEMENTS

This report contains certain unaudited forward-looking statements and targets. These, by their nature, involve risk and uncertainty as they relate to future events and may be influenced by factors outside the Group's control. There are various factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. We cannot guarantee that any forward-looking statements will materialise, and accordingly readers are cautioned not to place undue reliance on any forward-looking statements. Letshego disclaims any intention and assumes no responsibility or obligation to update or revise any forward-looking statements, even if new information becomes available as a result of future events or for any other reason, other than as is required by the NSX Listings Requirements.

APPROVAL

The IAR approval process follows our robust governance framework, where the audit and risk committee provide oversight and recommend the report for approval by the board.

RESTATEMENTS OR CHANGES FROM THE PRIOR PERIOD

Refer to note 6 of the annual financial statements on the prior year restatement.

BOARD APPROVAL

The LHN Board of Directors acknowledges its responsibility for ensuring the integrity of the report by sanctioning its preparation and presentation.

The Board committees responsible for corporate accountability and risk management, combined assurance and integrated reporting have overseen the production of this report. They are satisfied with its accuracy, completeness and integrity and believe that it reflects our use of different forms of capital.

The Board approved the annual report on 29 March 2022.

MARYVONNE PALANDUZ

Chairperson: LHN and LBN Boards of Directors

Find this report online

The Integrated Report serves to provide a balanced and holistic summary of LHN's performance.

This Integrated Report and previous reports are available for download from our website at

www.letshego.com/namibia

Feedback on this report

In this report, we demonstrate our continuing progression along our integrated thinking and reporting journey. We welcome written comments and feedback from our stakeholders that relate to this report and other general matters. Kindly email your comments to the LHN acting company secretary, Epifania Murwira on

epifaniam@letshego.com

Spotlight on 2021

FINANCIAL PERFORMANCE

INTEREST INCOME (NAD'000)	588 524	(FY2020: 625 704)
PROFIT AFTER TAX (NAD'000)	303 229	(FY2020: 320 889)
TOTAL ASSETS (NAD'000)	5 521 437	(FY2020: 4 386 272)
NET INTEREST INCOME (NAD'000)	467 292	(FY2020: 526 954)
COST TO INCOME RATIO (%)	52%	(FY2020: 34%)
CAPITAL ADEQUACY RATIO (%)	56%	(FY2020: 85%)
CREDIT LOSS (NAD'000)	16 520	(FY2020: (43 652))
RETURN ON EQUITY (%)	11%	(FY2021: 13%)
EARNINGS PER SHARE (NAD CENTS)	61	(FY2020: 64)

ACCELERATING OUR DIGITISATION AND DIVERSIFICATION

LAUNCH OF THE
LetsGo Digital Mall
IN DECEMBER 2021

89%
OF DAS CUSTOMERS ARE NOW ACTIVE ACROSS VARIOUS DIGITAL CHANNELS

LetsGoPAY
DIGITAL ACCOUNT LAUNCHED IN NAMIBIA

Core DAS +
PRODUCT DIGITALISED

LetsGo Insure
CREDIT LIFE INSURANCE OFFERED TO PERSONAL LOAN CUSTOMERS

FINANCIAL HIGHLIGHTS

Growth in total revenue

6%

(FY2020: 0.1%)

Growth in advances year-on-year

18.6%

(FY2020: 22.9%)

despite challenging macro-economic environment

Increase year-on-year in fee income

250%

(FY2020: 223%)

from transaction volume growth in USSD, IB and Cards. Wallet, salary switching and debit order functionality expected to boost fee income further in 2022

SHAREHOLDER VALUE

Capital Adequacy Ratio

56%

(FY2020: 85%)

Dividend payout ratio for 2021

75%

(FY2020: 35%)

LIVING OUR PURPOSE

PROGRAMMATIC LENDING SOLUTIONS:
Affordable Housing launched in 2021

UPSKILLING EMPLOYEES:
157 employees trained during the reporting period

EMPOWERMENT INITIATIVES:
LetsGo Digital Mastery programme launched in 2021

DIVERSIFYING OUR FUNDING

FUNDING INCREASED TO
N$2 billion
TO FINANCE GROWTH PROJECTIONS

SUCCESSFUL MAIDEN BOND ISSUANCE ON NSX OF
N$231 million

USD50 million
IFC FACILITY SECURED FOR AFFORDABLE HOUSING

WE ARE BUILDING A #LETSGONATION TO SUPPORT AFRICA'S FUTURE.

DIGITISATION

In December 2021, Letshego launched the LetsGo Digital Mall. The platform has allowed us to reach our customers through an array of options and choices in financial and lifestyle services, including digital payments, savings solutions, rewards as well as educational and personal empowerment portals. This is in line with our product diversification and growth strategy.

PEOPLE FIRST

As we build a resilient organisation that is able to grow and thrive in a dynamic and fast-paced world, people remain our strongest asset. We continue to acquire and empower individuals with specialist skills to power a future-fit organisation. As part of this effort, key appointments were made to the management team, with positions filled in the Finance and Products and Marketing functions.

KEY DEVELOPMENTS DURING 2021

During 2021, several key events affected financial performance of the Company and were dealt with by the Board and Management to prevent the erosion of value and ensure the ongoing resilience and profitability of the business:

- The impact of COVID-19 was mitigated by adequate safety procedures for staff and customers, and enhanced digitisation of business processes
- Advances grew by 18.6% despite the challenging macro-economic environment
- Other operating income was up 44% compared to the previous year on the back of insurance arrangements
- Total operating costs, excluding the insurance for credit default on the micro lending book and management fees, grew by only 29% compared to the prior year, taking our investments in digital enablement into account
- Impairment release of N$16.5m
- Customer Deposit Mobilization continued in 2021 with growth from N$187 million at end 2020 to N$386 million at the end of 2021
- The company is progressively implementing the Digital Mall platform, which encompasses all Letshego solutions, in its aim to grow market share

LetsGo Digital Mall

In 2021, Letshego rolled out the LetsGo Digital Mall, a virtual and interactive financial services platform aimed at enhancing customer experience through easier access, improved turnaround times and increased customer choice as result of a wider range of products.

LetsGo Digital Mall enables easy access for customers to solutions and services, across multiple digital channels, including web, USSD, WhatsApp and mobile. In addition, it improves lives through easy access to a wide range of socially impactful services and solutions, micropayment and savings solutions, affordable and eco-friendly housing, education, family insurance as well as productive and green lending options.

Customers can easily download the digital platform app and register at no cost. All Letshego's solutions are available in the LetsGo Mall, including LetsGo borrow, LetsGo pay and LetsGo save. The LetsGo Mall offers simplicity, affordability and inclusivity across multiple secure channels.

With simple digital financial and 'beyond banking' solutions that are tailored to support life goals and help improve the lives of our customers, Letshego resolutely focused on changing the landscape of inclusive financial services in Africa.

All channels available

ANDROID	iOS
WEB	USSD

THE FUTURE IS HERE – POWERED BY LETSHEGO'S LETSGO DIGITAL MALL.

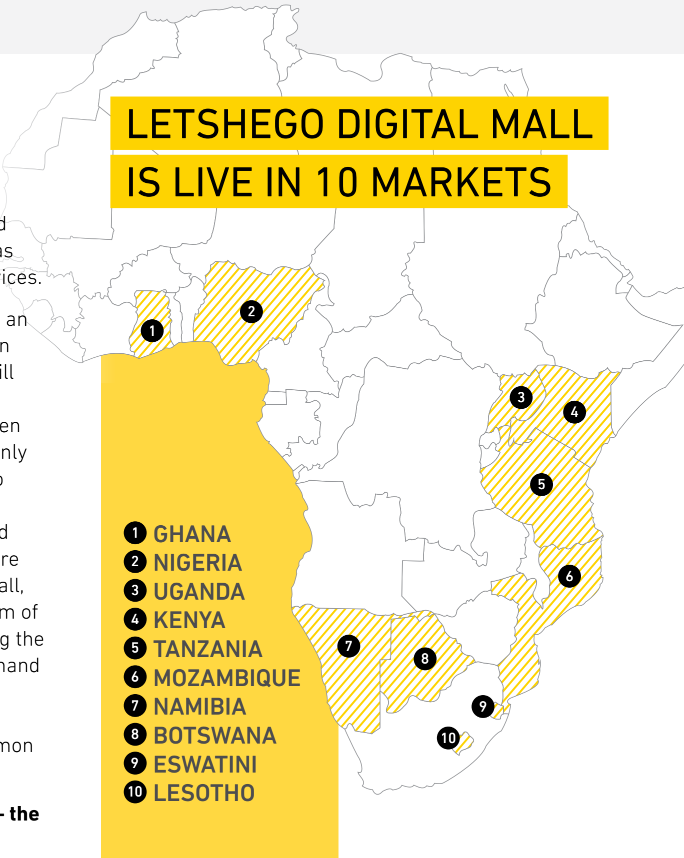
LetsGo Digital Mall was launched through a phased rollout, allowing us to increase the depth in the platform's capability, enhance our product offering and ultimately, catapult Letshego towards its vision of becoming a world-class retail financial institution that improves the lives of customers across sub-Saharan Africa.

LetsGo Mall is not just a virtual platform – it is an opportunity to unlock Letshego's current and future potential, and support our promise to improve the lives of our customers wherever they may be located, any time of day.

The Mall is anchored by robotic process automation using 'bots' to support end-to-end processing and deliver seamless transactions while maintaining real time efficiencies, security and transactional accuracy. Users can navigate through the mall's high security corridors and have access to financial as well as API driven 'beyond financial' services.

The LetsGo Mall is set to become an interconnected community known as #LetsGoNation. LetsGo Mall will be a place to celebrate Africa's uniqueness while supporting green products and solutions that not only protect our environment, but also our people. LetsGo 'prenuers is a marketplace where our small and micro entrepreneurs trade, acquire and sell products. With LetsGo Mall, Letshego is creating an ecosystem of community connectivity, matching the right suppliers with the right demand in a secure environment. LetsGo goes beyond financial services, it brings African citizens with common interests and opinions together.

This is a Mall for our continent – the #LetsGoNation.



CHAIRPERSON'S REVIEW

As we continue to be confronted with the economic fallout resulting from the ongoing COVID-19 pandemic, a constrained domestic economy and global geopolitical tensions, we are guided by our commitment to deliver financial services that meet the needs of our customers. Our purpose as an organisation has never been more relevant. This purpose serves as a compass for decision-making, helping us to find innovative ways to serve our stakeholders and ensure that we always act as a force for social good.

Maryvonne Palanduz

DESPITE THE UNIQUELY COMPLEX ENVIRONMENT IN WHICH WE OPERATE, LETSHEGO NAMIBIA DELIVERED A POSITIVE SET OF RESULTS AND MAINTAINED OPERATIONAL RESILIENCE DURING 2021.

Letshego's vision is to become a world-class financial services organisation meeting the needs of mass and middle-income individuals as well as micro-to-small enterprises (MSEs). We embrace our mantra of "improving lives" by leveraging our existing core-products and diversifying our solutions into comprehensive products that incorporate the changing preferences of our customers.

These efforts contributed to the positive growth in revenues by 6% and advances of 18.6% for the year ended 31 December 2021. The overall profit and earnings per share however decreased marginally by 5.5%, while the dividend payout ratio was 75%. Overall, our performance in the year under review clearly demonstrates that Letshego's digitalisation strategy is well-positioned to support the diversification and growth ambitions of the business, and contribute to sustainable value creation in short, medium and long-term.

OPERATING ENVIRONMENT

Low vaccination rates due to resistance from individuals on the African continent have hindered the pace of economic recovery from the pandemic. This is coupled with other factors including persistent bottlenecks in the global supply chain, low commodity prices and continued flare ups of the pandemic. As a result, economic recovery has been projected to decelerate in the medium term. As businesses close or downsize, the societal impact of wage cuts or stagnant wages, unemployment and over-indebtedness increases is now being felt. This in turn negatively impacts loan collections and the uptake of new loans. The COVID-19 pandemic has also resulted in increased competition for market share as the number of viable customers continues to decline since the start of the pandemic. Additional challenges include potential increases in portfolio at risk figures due to lack of repayment as well as an increased rate of repossession of assets from consumers as they struggle to meet their financial obligations.

STRATEGIC REVIEW

Despite the uniquely complex environment in which we operate, Letshego Namibia delivered a positive set of results and maintained operational resilience during 2021. Conditions in our operating environment presented an opportunity for us to execute a tactical plan aimed at enabling the business to weather the storm, remain competitive and continue to deliver value to customers and other stakeholders. Our executive management took the opportunity to review strategic imperatives across the organisation and embed a resilient, sustainable and inclusive business model. The bank's performance in the period demonstrates the success of these initiatives.

The Board provided ongoing strategic oversight during 2021, tracking management's progress in attaining key strategic objectives (scorecard) on a quarterly basis as embedded in the approved Annual Work Plan. This followed a review of the "6-2-5" strategy with the goal of ensuring that key performance indicators (KPIs) remain aligned to overall strategy. The review was also an opportunity for the Board to critically evaluate whether they are SMART goals. The Board is satisfied with the bank's performance and strategic execution.

REMAINING RESILIENT THROUGH EFFECTIVE RISK MANAGEMENT

As a financial services institution, it is critical that Letshego remains at pace with developments in its operating environment. In an effort to preserve value and ensure the bank is well-positioned to create sustainable value for stakeholders, the Board provided ongoing risk oversight. Leveraging and enhancing the bank's digital capabilities and experience, both from a customer and employee perspective, was key to this. Letshego also conducted ongoing and robust stress and scenario testing with a view to remaining resilient and relevant, while ensuring the health, safety and work capabilities of employees and customers through regular reviews of plans and contingencies.

GOVERNANCE, ETHICS AND BOARD PERFORMANCE

During 2021, the Board retained its focus on entrenching a culture of good governance and ethical practice, while ensuring value preservation and minimising value erosion. This enabled the bank to maintain focus on conducting operations underpinned by good governance, while delivering on financial targets and creating value for shareholders. Among some of the Board's key activities was the approval of the IFC affordable housing funding project. Management met all the conditions precedent for the initial USD30 million funding and appointed a legal panel as conveyancers and advisors for the affordable housing initiative. The Board also approved various policies and frameworks including the bank's organisational design, an organisational succession plan and staff increments and bonuses. The Delegation of authority policy was also revised and approved during 2021 while ESG matters were a standing agenda item at quarterly Board meetings. Further details on Board activities in the period under review can be found on page 66 of this report.

LOOKING AHEAD

Looking ahead, I anticipate another challenging year. The pandemic impacted an already fragile Namibian economy, and it has placed significant further pressure on existing high unemployment levels and low levels of consumer and business sentiment. We continue to see impacts on global supply chains, as well as ongoing levels of economic uncertainty, compounded by the impacts of global geopolitical tensions. Despite this tough outlook, I remain confident that Letshego will continue to build on the resilience that underpins the business, aided by the nature and diversity of its product offering the strength of its balance sheet, and the quality of its management team and workforce.

In line with the NSX directive issued in January 2022, Letshego, as a listed entity will set up a Social, Ethics and Sustainability Committee by the beginning of the 2023 financial year. This will contribute to elevated Board oversight on ESG matters.

Acknowledgements

The Board thanks the management team for leading LHN during the COVID-19 pandemic and safeguarding Letshego's staff, while simultaneously implementing the 6-2-5 strategy. Your collective performance is recognised and highly appreciated. We also thank the LHL team for their support, guidance and encouragement through an extraordinary time in Namibian and global history. Despite the complex and difficult trading environment, the Board shares the management team's optimism about Letshego's growth prospects. We endorse the leadership team's commitment to building for the future.

During 2021, the Board welcomed Ms. Kamogelo Chiusiwa as non-executive director (majority shareholder representative), Mr. Karl-Stefan Altmann as CFO and executive director and Ms. Maria Nakale as independent non-executive director. Further, the Board appointed Ms Kudzai Chigiji as independent non-executive director early in 2022. We extend a warm welcome to all new directors and look forward to their dedication and guidance. Mr. Rairirira Mbetjiha retired as non-executive director from the Board during July 2021. The Board expresses its gratitude for his dedicated and committed contribution to the Board over many years.

We are indebted to the regulators and government departments who continuously engaged with us in the interest of fairness to our customers, sound governance, and best practice. We also extend our gratitude to our customers who have remained loyal as we evolve to better service you and provide you with more value.

MARYVONNE PALANDUZ

Chairperson: LHN and Letshego Bank (Namibia) Boards of Directors

Who we are

Letshego is a Setswana word meaning 'support'. This encapsulates the Group's ability to partner with individuals by providing simple, accessible and appropriate financial and lifestyle solutions. The Letshego 'tripod' logo originates from the three-legged artifact used to support traditional cooking pots. The 'tripod' symbolises trust, self-sustenance and life improvement.

Letshego Holdings (Namibia) Limited (Letshego Namibia, LHN, the Company, or the Group) started in 2002 as Edu Loan Namibia, providing consumer and micro-lending services. In August 2008, Letshego Holdings Limited (LHL), a Botswana Stock Exchange (BSE) listed entity, acquired 100% of the company, soon after which the company re-branded to Letshego Financial Services Namibia. After obtaining a full commercial banking licence in 2016, LHN was introduced as a holding company.

As a subsidiary of the Letshego Group, Letshego Namibia has steadily grown into a leading financial services provider with diverse products that serve the low, middle income and medium and small enterprises (MSE). In addition to formally employed individuals in the public and private sectors, we have made strides in becoming accessible to the informal sector.

We focus on low to middle income earners in the economy through the provision of financially inclusive solutions. These solutions bear our hallmarks: responsive to needs of the people, simple to understand, accessible by way of innovative new channels, and above all, ethical solutions that enable savings and sustainable economic growth. In recent years, we have been engaged in its 'Improving Lives Campaign' that encourages customers to use their loan proceeds towards productive rather than consumptive lending in order to improve their lives.

Letshego Namibia's success is attributed to our commitment to upholding good corporate governance, customer experience, innovation, stakeholder engagement and people development. We demonstrate our commitment to empowering Namibian nationals by employing a truly Namibian workforce and investing in skills development.

Today, Letshego is listed company on the Namibian Stock Exchange, with a market capitalisation of N$ 1 500 billion, representing 4% of the NSX's primary listings market capitalisation.

OUR JOURNEY

2000
Edu Loan opens its doors as provider of financial assistance to support studies in the education sector

2008
LHL acquires 100% stake in Edu Loan and introduced the Letshego brand in the Namibian market as Letshego Financial Services Namibia (LFSN)

2011
LFSN doubles its customer base since LFSN acquisition (220%)

2009
15% shareholding sold to Kumwe Investments

2014
LFSN granted a Provisional Banking License by Bank of Namibia

2015
LFSN moves into new head office building in Windhoek

2017
LHN is listed on the Namibia Stock Exchange

2016
- LFSN granted full Commercial Banking License
- Letshego Holdings Namibia (LHN) incorporated as the holding company of Letshego Bank Namibia and Letshego Micro-Financial Services Namibia

2018
Letshego Namibia launches its LetsGo value proposition in Windhoek and Katutura branches

2020
Letshego Namibia accelerates digitalisation journey and WebForm applications became the de facto standard for applications of DAS loans

2021
- Letshego Namibia launches LetsGo Digital Mall
- Letshego Namibia secured USD50 million from the International Finance Corporation (IFC) to kick start the development of the Group's first affordable housing offering

Our vision board

1 VISION*

To be a world-class retail financial services organisation meeting the needs of mass and middle-income individuals

2 PURPOSE*

IMPROVING LIVES

3 MANTRA*

VALUES

- SIMPLE: Easy and clear
- APPROPRIATE: Affordable and useful
- ACCESSIBLE: Convenient and obtainable
- ETHICAL: Transparent and trusting
- RESPONSIVE: Efficient and warm
- INCLUSIVE: Positive and respectful

4 OUR STRATEGIC INTENT*

Capture 5–10% market share in all product-segment combinations across our existing markets

- Leverage our strength in the Deduction at Source (DAS) product and government employee segment to capture new market leading positions

Build 7 product offerings to deliver unique value propositions in DAS loans, non-DAS loans, savings, remittances, insurance and payments, including cards

- Build a comprehensive product offering that goes beyond financial inclusion, catering to changing consumer preferences

Serve 3 core customer segments through customer acquisition and retention strategies tailored to middle and lower income segments and MSEs through the Group's Digital Transformation strategy

- Diversify our customer segments and introduce digital as our 'new normal' to increase our reach through an end-to-end digital customer solutions

5 6-2-5 EXECUTION ROADMAP*

LEVERAGE OUR STRENGTHS TO DEEPEN IMPACT

Plan 6 (2020):

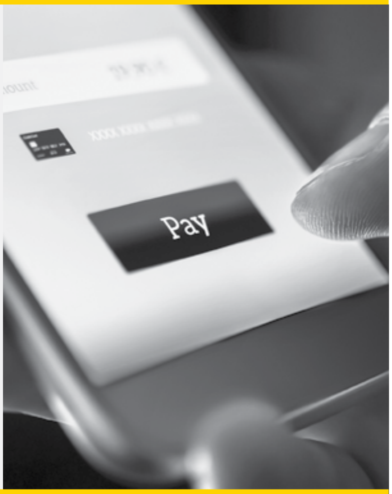
Strengthen foundation of core products

- Identify customer needs and develop acquisition strategies for all segments
- Develop compelling value proposition through tailored campaigns and strategic partnerships
- Leverage strength and know-how from core products and markets to grow deposits and MSE solutions across key markets
- Develop an end-to-end digital strategy and digitise DAS and savings journeys

Plan 2 (2020 – 2022):

Become customer-led by developing compelling product value propositions

- Expand product offering to become a full-scale retail financial services provider
- Scale-up product-specific (e.g. affordable housing) and segment-specific (e.g. agriculture loans) products, addressing the needs of each customer group
- Offer payments and insurance products in our core markets
- Digitises most customer journeys and automate manual processes



Plan 5 (2020 – 2025):

Create a future organisation

- Become a fully digitised financial institution with and end-to-end digital product offering and a leading IT architecture
- Scale-up all business lines (loans, deposits, payments and insurance) across all segments in all major markets
- Create ecosystems/marketplaces around key assets (e.g. housing, cars) to serve customers across their entire journey

6 STAKEHOLDERS*

- OUR PEOPLE
- CUSTOMERS
- SHAREHOLDERS
- GOVERNMENT & REGULATORS
- STRATEGIC PARTNERS
- COMMUNITIES

* *Objectives and Key Results to measure Execution*

Our solutions

The primary purpose of our solutions is to improve lives by offering access to credit, give customers a safe place to save, make their payments and support their way of living. The solutions encompass 5 customers journeys: lending; payments; savings, insurance and lifestyle.

VALUE STREAM 1: Lending

LetsGo borrow

PROVIDING ACCESS TO CAPITAL

Our loans are designed to meet our customers' needs, enable them to uplift themselves and their communities and make the change they need to generate a sustainable livelihood. At an affordable interest rate and accessible delivery channels, we ensure that our customers are empowered through the productive use of capital.

- Letshego offers **deduction at source (DAS)** solutions to the employed sector, both in government and non-government, and transactions to the **micro and small entrepreneur (MSE)** sector
- Our **lending** solution enables customers to apply for loans on their mobile phones, as well as develop and improve their personal credit profile by managing their loans responsibly
- During 2021, Letshego launched **programmatic lending** to accelerate social impact through Affordable Housing.

PERSONAL LOANS (DAS)

PERSONAL LOANS (NON-DAS)

PROGRAMMATIC LOANS

VALUE STREAM 2: Payments

LetsGo pay

FACILITATING SIMPLE AND SECURE PAYMENTS

Money transfers based on technology are increasingly becoming the most effective way to provide financial services and drive the continent's financial inclusion aspirations. Through the use of service outlets, unstructured supplementary service data (USSD) and mobile banking, we bring services to the fingertips of our customers and make our mark in inclusive finance.

E-WALLETS

CARDS

VALUE STREAM 3:
Savings

LetsGo save

SCALE DEPOSITS

MOBILISING SAVINGS FOR THE FUTURE

Having a savings account helps our customers to prepare for rainy days and cover future costs such as a child's education or wedding. With Letshego's savings account, our customers are guaranteed access to their money whenever they need it. We offer competitive interest rates on our savings accounts.

VALUE STREAM 4:
Insurance Products

LetsGo insure

LIFE AND SHORT-TERM INSURANCE

PROTECTING AGAINST RISKS

Our insurance products enable our customers to improve their lives by securing their wealth, fitness and wellbeing through insurance, health care and life cover. Letshego loans come with the added value of loyalty benefits, credit and life cover.

VALUE STREAM 5:
Lifestyle partnerships

LetsGo live

BEYOND BANKING

In collaboration with key partners and fintechs, Letshego's value-adding lifestyle products are intended to provide health and wellbeing, education and personal finance solutions that go beyond banking. Our inclusive one-stop portal, LetsGo, enables access to everyday facilities such as mobile data, airtime and municipal service payments, all in a secured environment.

Our commitment to extending the reach of our financial solutions is premised on digitising customer access channels while maintaining a complementary network of physical outlets. The LetsGo Digital Mall offers our customers fast and easy access, simplicity, affordability and inclusivity across multiple secure channels: mobile phone, web and USSD.

Our structure

Letshego

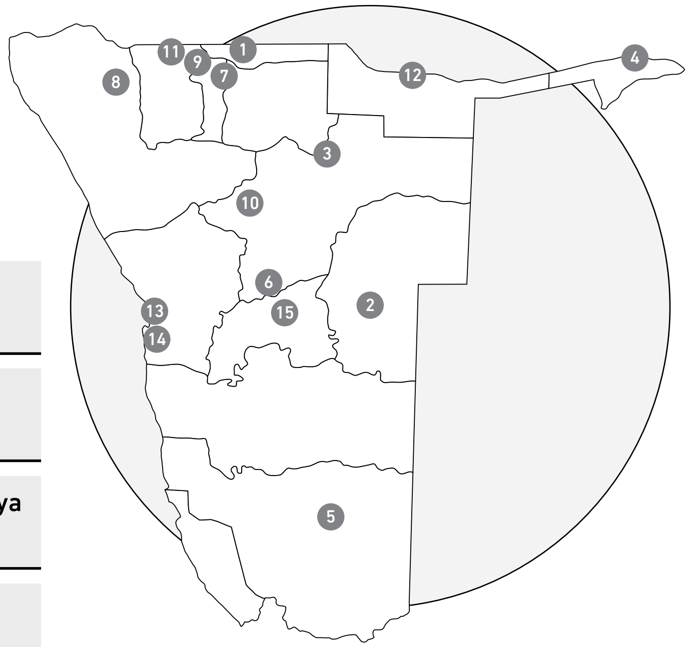
LETSHEGO HOLDINGS (NAMIBIA) LIMITED'S GROUP STRUCTURE

- LETSHEGO HOLDINGS (PTY) LTD 78.5%
- KUMWE HOLDINGS 12%
- RETAIL AND INSTITUTIONAL INVESTORS 9.5%

- Letshego Bank Namibia Ltd 100%
- Letshego Micro Financial Services Namibia (Pty) Ltd 100%

Where we operate

LHN has its headquarters in Windhoek, Namibia and was incorporated in the Republic of Namibia on 24 February 2016. We operate exclusively in Namibia through 16 customer service points across Namibia, five converted into full deposit taking branches.



1	Eenhana	Shop 17, Greenwell Complex
2	Gobabis	Shop 8, Tau Shopping Centre
3	Grootfontein	Erf 159, Hidipo Hamutenya Street
4	Katima Mulilo	Shop 3, MVA Block, Shoprite Lafrenz
5	Keetmanshoop	Shop 10, Desert Plaza, Hampie Plichta Street
6	Okahandja	Shop 18, Brumou Building, Martin Neib Street
7	Ondangwa	Shop A8, Time Square Mall
8	Opuwo	Champ Style Complex, Mbumbijazo Muharukua Street
9	Oshakati	Shop 8, GIPF Building, Sam Nujoma Road
10	Otjiwarongo	Paresis Building Centre, Mark Plein Street

11	Outapi	Unit 5, Kambwa Complex, Humbertus Shetunyenga Street
12	Rundu	Shop 2B, Northgate Building, Eugene Kakururu Street
13	Swakopmund	1st Floor, GIPF Building, Sam Nujoma Drive
14	Walvis Bay	Haus 2000, Sam Nujoma Avenue
15	Windhoek	B1 City, Katutura Main branch: 18 Schwerinsburg Street

LMFSN is made up of a network of 16 LBN service points spread across three regions: North West, North East (Erongo and Central) and South. These service points house 73 customer facing employees and three regional managers. 52 Direct Sales Agents (DSAs) are also distributed throughout the country reporting directly to a Windhoek-based regional manager.

Our value creation business model

THE RESOURCES WE LEVERAGE

1

FINANCIAL RESOURCES

The pool of funds supporting business operations, including equity finance and debt.

2

HUMAN RESOURCES

The competencies, capabilities and experience of our employees and how they innovate, collaborate and align with Letshego's objectives.

3

MANUFACTURED RESOURCES

The facilities and general infrastructure that enables Letshego to support business operations (tangible assets).

4

INTELLECTUAL RESOURCES

The intangibles that sustain the quality of our product and service offering, which provide Letshego's competitive advantage, such as our innovations, systems and reputation (intangible assets).

5

SOCIAL AND RELATIONSHIP RESOURCES

The relationships and collaborations we create with our customers, stakeholders and communities.

6

NATURAL RESOURCES

Renewable and non-renewable resources used by Letshego to function.

OUR VALUE CREATION PROCESS IS INFLUENCED BY:

OUR STAKEHOLDERS' NEEDS

The feedback our stakeholders provide enables us to mould and enhance our strategy and operations to deliver more tangible value.

OUR RISKS AND OPPORTUNITIES

Having identified Letshego's risks and opportunities, we can minimise each risk and maximise each opportunity.

OUR VALUE CREATION PROCESS IS UNDERPINNED BY:

ACCESS CHANNELS

- Branches
- Digital and mobile platforms

SUPPORT FUNCTIONS

- Human resources
- Transformative technologies

OUR OPERATING ENVIRONMENT

Letshego reviews its operating environment to identify the economic, environmental and social factors that management believes could most substantively impact the Group's ability to create value.

OUR STRATEGY

- Product diversification and strengthening our core offering
- Accelerating our digital transformation
- Regional balancing
- Enterprise agility
- Sustainable shareholder value

OUR 6-2-5 ACTION PLAN

6 **Strengthen our core business and rollout existing products to other geographies**

2 **Be customer-led and invest in transformative technology**

5 **Leverage platform thinking to create a future organisation**

DELIVERING VALUE TO STAKEHOLDERS

Our business activities ultimately enhance the lives of our employees, customers and the broader communities in which we operate, while benefitting our shareholders.

CUSTOMERS

- Simple, appropriate and accessible financial solutions

EMPLOYEES

- Superior training, skills development and career advancement opportunities

GOVERNMENTS AND REGULATORS

- Full compliance with relevant legislation, governance frameworks and industry standards

INVESTORS AND FUNDERS

- Attractive and sustainable growth strategy with a strong focus on social impact

COMMUNITIES

- Business practices that benefit Namibian communities for the immediate and long term
- Programmatic lending solutions targeted at agriculture, education, health care, and provision of affordable housing

CONTROL FUNCTIONS

- Compliance
- Risk management
- Audit

CORPORATE GOVERNANCE

- Overseeing strategic execution
- Setting the ethical tone.

MANAGING OUR RESOURCES

RESOURCES		INPUTS
FINANCIAL RESOURCES	The pool of funds supporting business operations, including equity finance and debt.	▶ N$2,7 billion equity capital ▶ N$2 billion debt capital ▶ N$386 million customer deposits
HUMAN RESOURCES	The competencies, capabilities and experience of our employees and how they innovate, collaborate and align with Letshego's objectives.	▶ 157 skilled, customer-centric people ▶ Experienced and ethical leadership team ▶ Automated/Digital Performance management system ▶ Various training courses
MANUFACTURED RESOURCES	The facilities and general infrastructure that enables Letshego to support business operations (tangible assets).	▶ 15 physical access points ▶ Call centres ▶ Online and mobile platforms ▶ IT hardware
INTELLECTUAL RESOURCES	The intangibles that sustain the quality of our product and service offering, which provide Letshego's competitive advantage, such as our innovations, systems and reputation.	▶ A deliberately shaped, agile culture ▶ A trustworthy brand that resonates with consumers ▶ Marketing campaigns and initiatives ▶ IT systems and enterprise architecture ▶ Balance sheet management ▶ Market and data analysis
SOCIAL AND RELATIONSHIP RESOURCES	The relationships and collaborations we create with our customers, stakeholders and communities.	▶ Relationships with all stakeholder groups, including 84 714 customers ▶ Sustainable business practices to meet the SDGs as well as responsible ESG practices
NATURAL RESOURCES	Renewable and non-renewable resources used by Letshego to function.	▶ Electricity ▶ Water ▶ Fuel ▶ Land

OUTPUTS	OUTCOMES
▶ Net interest income off N$467 million Operating profit: N$356 million ▶ Dividends distributed: N$192 million ▶ Operational expenditure: N$284 million ▶ Taxes paid N$56 million	We leverage financial capital to invest in our business and grow our competitive market position. This has a positive impact on human, intellectual and the social and relationship capitals.
▶ Excellent customer service ▶ N$81 million paid in salaries and benefits ▶ 157 employees trained during FY21 ▶ Talent pipeline ▶ 8.38% turnover rate ▶ Increased diversity through hiring people locally	Significant people-related investments in initiatives negatively impacts our financial capital in the short term but positively impacts our human, social and relationship capitals, which, over the longer term, enables us to have the people and capabilities required to deliver our strategy and performance targets. Our appeal as an employer of choice and our brand value, in turn, increases our intellectual capital.
▶ Infrastructure spend (branches) N$3.3 million ▶ Increased adoption of digital banking platforms ▶ Staff work from home capability	Although digital adoption is increasing because of the COVID-19 pandemic, we retained our physical access points to allow our customers face-to-face engagement. However, we have not added to our physical access points during the period under review. Automation of routine tasks through technology will prevent an increase in headcount.
Letshego is developing a range of distinctive capabilities that cannot be easily replicated by competitors – this will ensure coherent value creation. ▶ Better responses to changing consumer needs ▶ Brand reinforcement and market communication ▶ Accelerated deployment of new technologies ▶ Agile project management ▶ Effective controls and processes ▶ Improved business practices	Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human, and social and relationship capitals, but negatively impacting financial capital in the short term.
▶ Brand reinforcement and market communication ▶ Understanding our customers ▶ Networking and partnerships ▶ Focused and committed corporate social investment (over N$1 million spent in FY21)	Stakeholder-related investments and initiatives positively impacts our social and relationship capital, which, over the longer term, enables us to have the community of stakeholders that are loyal and supportive to our brand and provide our social license to operate.
▶ Responsible management of waste and emissions ▶ Focus on sustainable use of our resources ▶ Maximising digital reduces our carbon footprint	While certain business activities impact our natural capital (for example, use of fossil fuels and related emissions), these positively impact human, social and relationship and the financial capitals.

OPERATING CONTEXT

Our external operating environment

MACROECONOMIC TRENDS

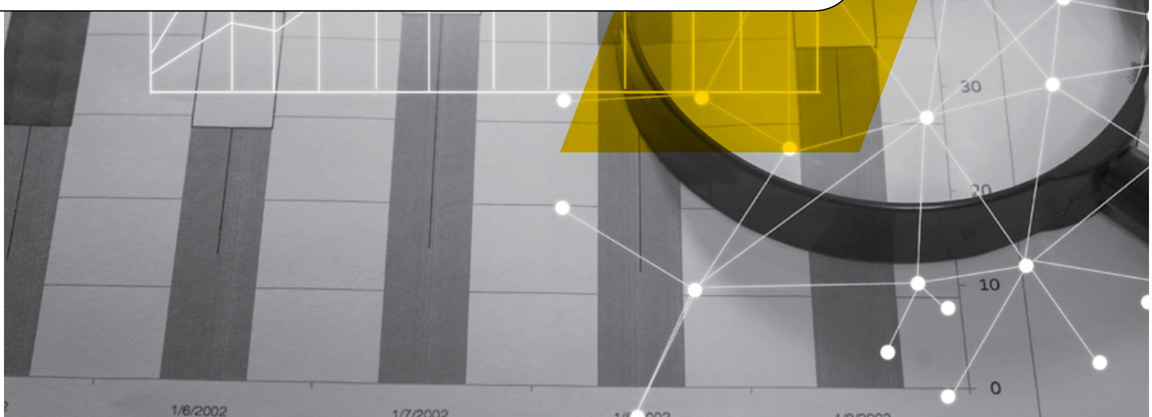
Although Namibia's economy showed signs of recovery in real terms, the COVID-19 pandemic and ensuing economic fallout continued to wreak havoc. Investment remained on a downward trend, marred by policy uncertainty and an underperforming domestic economy. Inflation risks escalated, given global commodity market developments, in particular, disruption to global markets stemming from the war between Russia and Ukraine.

In line with forecasts, the domestic economy shrank by N$11.6 billion in 2020, representing an annual contraction of 7.9% year on year. The Bank of Namibia provided monetary policy support, keeping the repo rate unchanged at 3.75% for the most part of 2021 when compared to the changes in South Africa (SARB) and in consideration of the maintenance of the peg of the Nambian Dollar to the South African Rand. However, the real-economy impact of COVID-19 remains deep given the loss of economic activity, reduced tax revenue, and diminished household and corporate income. These challenges will result in higher levels of insolvency, structural unemployment – particularly among the youth – and the disruption of global supply chains, which could mean certain industries will not fully recover.

Notwithstanding the challenging international environment, the Namibian economy recorded a modest rebound in 2021 and recovered some ground lost in 2020. Following a record contraction of 7.9% in 2020, the Namibian economy is estimated to have expanded by 2.4% in 2021, aided by supportive macroeconomic policies. This recovery was driven by mining and quarrying, coupled with positive real value addition in the wholesale and retail trades, hotels and restaurants, and information and communication sectors. This expansion can also be ascribed to base effects, following a sharp contraction in 2020 as a result of severely restrictive measures imposed in the previous year to help prevent the spread of the COVID-19 pandemic.

Namibia's headline inflation rate rose during 2021 but remained well contained. Rising from 2.2% in 2020, headline inflation averaged 3.6% during 2021, driven by increases in the transport, housing and food categories. These increases were largely caused by rising international oil prices, global supply disruptions, and low base effects.

While economic conditions are expected to remain challenging over the medium term, LHN continues to pursue competitively priced local funding lines. The bank made its inaugural debt issuance on the Namibian Stock Exchange in May 2021, while continuing to attract customer deposits. Focusing on cost discipline and capital optimisation strategies enabled the sustainable delivery of our inclusive finance agenda.



COVID-19

The COVID-19 pandemic continued to call for us to reflect on how we do business, manage stakeholder expectations, and where and how we work. We reviewed our business operations and people practices in the face of the ongoing uncertainty about a future that will be influenced by the rate of economic recovery on one side, and a redefined set of societal needs and expectations on the other.

On the health front, we worked with third-party service providers to ensure that adequate personal protective equipment (PPE) was available for our staff. All employees and clients are sanitised and screened for COVID-19 symptoms upon entering our premises. At the same time, we continued our health and wellness initiatives, including health messaging through our internal communications portal.

COVID-19 compelled Letshego to accelerate digital channels for service delivery and adopt organisational design efficiencies, enterprise agility and a collaborative culture. This transformation is enabling Letshego to deliver a performance that depicts business resilience and improvement.

Regulator	Directive	Status
Bank of Namibia		During October 2021, the bank underwent a regulatory on-site inspection, which was conducted by the Banking Supervision and National Payment Systems Departments of the Bank of Namibia.
Namfisa	Micro Lending Act	The social and financial challenge for Letshego's micro lending entity pertains to higher risk adjusted interest rates currently granted on industry practice APS affordability assessments for customers that is deemed inadequate compared to the more stringent requirements prescribed by the Micro Lending Act.

REGULATORY ENVIRONMENT

The Namibian regulatory environment continues to evolve to remain at pace with global best practice and ensure customers are treated fairly. As a financial institution that plays an important role in the overall stability of the economy and is entrusted with the financial wellbeing of our clients and members, the bank is required to continuously comply with multiple regulators and ministries such as the Bank of Namibia (BoN), Financial Intelligence Centre, Namibia Stock Exchange, Namibia Financial Institutions Supervisory Authority and the Ministry of Finance. We are also expected to adapt quickly to regulatory advances. By entrenching the highest standards of regulatory compliance, we are able to respond proactively to these changes, while retaining the flexibility to deliver on our strategic imperatives and the priorities of our stakeholders.

As a responsible corporate citizen, we are also committed to playing a role in ensuring that Namibia retains a positive reputation and is able to effectively participate in the global economy by adhering to international best practice.

The regulatory universe is continually monitored by management to identify changes and developments that may have an impact on the Group. New legislation impacting the bank is discussed at board meetings. Training sessions are held with key management in updating new legislative requirements. Ongoing monitoring is undertaken to ensure compliance of new legislation.

During the period under review, we undertook systematic regulatory impact assessments for all new legislation and also reviewed existing legislation with a view to achieving operational efficiencies and reducing the regulatory burden. In addition, we actively engaged in thought leadership around proposed regulatory changes, providing commentary and inputs to various industry bodies and regulators.

A key highlight in the period are the amendments to BID 33 issued by Bank of Namibia during October 2021. The amendments outline policy changes for the banking industry in response to economic challenges resulting from the COVID-19 pandemic. Through these amendments, BoN aims to safeguard the stability of the financial system and guard against premature withdrawal of support to the economy as a form of mitigating against the effects of the pandemic.

COMPETITIVE LANDSCAPE

Our product offering is critical to the continued success of our businesses. Products that are not relevant to our customers may result in a loss of market share, while the successful delivery of our products rely on us having the right distribution and administration capabilities. Relevant products with innovative design that supports shared-value creation align with our core purpose and differentiate our offering within a highly competitive environment.

It is for this reason that we focus on, and invest heavily in, relevant products with innovative design that align with our core purpose and differentiate our offering from competitors. We strive to create products that are both standalone and integrated and respond to the needs and priorities of our clients. We actively manage our capital requirements to ensure our products deliver according to defined expectations and required obligations. We also endeavour to put the principles of treating customers fairly at the centre of our product design and delivery.

Low brand awareness and an ongoing stakeholder perception that Letshego is merely a micro lender pose a threat to the bank's growth prospects. It is important therefore, that a concerted effort is made to ensure stakeholders recognise the shift in the bank's strategic goals and ambitions as they relate to diversification of product offering and becoming more accessible to the customer.

RELEVANT PRODUCTS WITH INNOVATIVE DESIGN THAT SUPPORTS SHARED-VALUE CREATION ALIGN WITH OUR CORE PURPOSE AND DIFFERENTIATE OUR OFFERING WITHIN A HIGHLY COMPETITIVE ENVIRONMENT.

Our key relationships

Letshego is committed to understanding and being responsive to the needs and priority concerns of our stakeholders. We take a proactive approach to our stakeholder engagement. In addition to being a risk mitigation function, stakeholder engagement seeks to create shared value through mutually beneficial partnerships.

During the year under review, we continued to develop our stakeholder engagement function. The bank's stakeholder engagement framework ensured that appropriate governance arrangements and organisational policies are in place to ensure stakeholder engagements across the Group are aligned with our organisational philosophy, brand ethos, values, material matters and overall strategic imperatives.

Principles underpinning our stakeholder engagement framework include inclusivity and equality of all stakeholders, as well as responsiveness through our decisions, actions, performance and communication. Based on these principles, we seek amicable and consensus-driven solutions in all engagements with our stakeholders.

HOW WE ENGAGED WITH KEY STAKEHOLDERS IN 2021

STAKEHOLDER GROUP

CUSTOMERS

Our customers are the reason we are in business. Our ability to deliver on our vision and strategic objectives depends on our continued ability to offer them appropriate solutions.

As competition in the banking sector intensifies, it is more important than ever that we communicate in a way that is relevant to them and offer the right solutions. By regularly engaging with our customers, we remain informed on how our products are received in the market. In this way, we are able to adapt our products and services to meet the needs of our customers as they evolve.

THEIR NEEDS AND EXPECTATIONS

- Appropriate and accessible financial solutions
- Friendly and efficient service
- Empowering information that leads to financial wellness
- Transparency
- Ethical and fair treatment.

OUR RESPONSE

- Improving our three main customer channels: cards, digital and mobile
- Safeguarding deposits, while growing returns
- Delivering excellent customer service
- Ensuring convenient access to banking, increasingly through digital channels
- Maintaining stable and secure IT systems.

HOW WE ENGAGE

- Customers have access to a variety of channels to communicate with us directly, including our modernised call centre, social media and web-based platforms as well as customer events, customer polls and surveys and DSAs.

STAKEHOLDER GROUP

EMPLOYEES

Our highly skilled and specialised employees provide the valuable expertise we need to fulfil and exceed on our commitments to stakeholders. They are a critical lever to delivering on our integrated, advice-led value proposition and the sustainability of the business. Our corporate culture is a strategic differentiator for us, and a contributing factor toward being an employer of choice. We attract, develop and retain high-performing people that deliver on our brand promise to Improve Lives.

OUR RESPONSE

- Creating and maintaining a Learning and Development Strategic Skills Framework
- Creating collaboration between LHN & People & Culture staff at Group. This has helped to provide an aligned approach to policy and procedure rollouts
- Hosting team building and culture sessions
- Improving employee engagement through service awards and regular employee engagement surveys
- Facilitating leadership development training and mentorship
- Regular communication with staff, including rollout of tools to inform and communicate the strategy to all staff.

THEIR NEEDS AND EXPECTATIONS

- Fair remuneration
- A positive work environment and organisational culture
- Defined performance expectations
- Clear communication
- Training, skills development and talent management
- Recognition and rewards
- Career paths and growth opportunities.

HOW WE ENGAGE

- We engage with employees through both formal and informal mechanisms, allowing us to obtain insight into their needs and expectations, and devise appropriate responses to these
- We conduct employee ‘town hall’ meetings and also engage our employees through newsletters, one-on-one meetings (formal and informal), team meetings and line manager discussions
- Performance management process interactions and cultural transformation sessions also allowed for consistent and meaningful engagement
- We further engage our employees through various personal development and team building initiatives including leadership training, employee incentive programmes and employee volunteering programmes.

STAKEHOLDER GROUP

INVESTORS AND FUNDERS

Our investors and funders express confidence in our sustainable business model and strategy through strategic financial partnerships that enable Letshego to deliver appropriate financial solutions for our customers, as well as facilitate investment into our operations and channels to enhance our differentiators and deliver more impactful value to our customers and communities for the longer term. In turn, we are accountable to them as we grow and realise our strategic ambitions

Investors and Funders are valued ambassadors in extending our message and value proposition to broader audiences internationally.

OUR RESPONSE

- Implementing sound business strategies aimed at delivering growth and value in the short, medium and long-term
- Proactively managing the balance sheet and ensuring capital optimisation
- Maintaining strong liquidity ratios
- Strong corporate governance structures and practices
- Formal report back at the Annual General Meeting.

THEIR NEEDS AND EXPECTATIONS

- Consistent financial performance and dividend payments
- Consistent growth in asset value
- Long-term stability
- Sound governance
- Regular reporting and transparent and timely disclosures.

HOW WE ENGAGE

- We engage our investors through formal meetings, investor roadshow, financial results and releases, website updates, shareholder and stock exchange announcements and annual integrated reporting
- We attend conferences and honour ad-hoc meeting requests and discussions with investors.

STAKEHOLDER GROUP

GOVERNMENTS AND REGULATORS

With the majority of our customer base being Government employees, Governments remain a key stakeholder both from a customer value perspective, and as a valued partner in enabling Letshego to achieve a tangle social impact in the economies where we operate.

Our regulators ensure that we treat our clients fairly and protect their information and assets, while acting in the best interests of all our stakeholders. Regulatory compliance and partnership with government also enables Letshego to provide simple, accessible and appropriate financial solutions that support national mandates to increase financial inclusion.

THEIR NEEDS AND EXPECTATIONS

- Compliance
- Capital adequacy and liquidity
- Risk and cybercrime management.

OUR RESPONSE

- Being a responsible taxpayer
- Compliance with all legal and regulatory requirements
- Active participation in and contribution to industry and regulatory working groups.

HOW WE ENGAGE

- Compliance with regulations is the minimum standard expected of Letshego. We exceed this threshold in order to deliver meaningful benefits to our customers and society
- We provide regular status updates to regulators, as and when required. This was done through a range of mechanisms including our Government Relationship Framework, shareholder and stock exchange notices, investor and funder updates and engagement events, statutory and governance reports as well as website updates.

STAKEHOLDER GROUP

STRATEGIC PARTNERS

Sustainable and effective strategic commercial partnerships facilitate Letshego's ability to deliver a differentiated customer value proposition, differentiated customer experience and ultimately, success in building a world class retail financial services organisation.

THEIR NEEDS AND EXPECTATIONS

- Alignment of individual strategies and objectives
- Maximising benefits to stakeholders
- Extending market reach.

OUR RESPONSE

- Maximising synergies when selecting partnerships
- Selecting partners that are aligned to our purpose and key objectives of providing simple, affordable and easy-to-operate solutions to our customers, with a fast rollout ability
- Sharing services with complimentary customer segments to maximise benefits to both our own and our partners customers
- Identifying partners who have an existing strong presence on the continent. This allows us to enter and extend our reach in top growth markets and is mutually beneficial to both parties.

HOW WE ENGAGE

- We engage key suppliers and partners at the outset of each relationship or partnership to ensure alignment with our plans and co-create a supply chain business continuity plan
- Letshego's internal health and safety protocols continue to be extended to onsite suppliers and contractors.

STAKEHOLDER GROUP

COMMUNITIES

We believe that thriving communities enable businesses to succeed. We engage to understand societal needs and to further align our business to meeting these needs. Communities gain indirect benefits from our operations, through which we seek to improve the lives of our customers on a sustainable basis.

THEIR NEEDS AND EXPECTATIONS

- Meaningful contribution to sustainable development
- Corporate social investment
- Financial inclusion
- Fairness and transparency.

OUR RESPONSE

We have a structured Corporate Social Investment (CSI) policy framework, supported by emergency discretionary funding through which we respond to emergencies and crises such as the COVID-19 pandemic.

HOW WE ENGAGE

- We engaged in open dialogue with relevant stakeholders and contribute to the wellbeing of the communities in which we operate through various programmes, including financial literacy, consumer education and training initiatives
- We implemented CSI initiatives aimed at responding to the most pressing issues facing the communities in which we operate. This was done in partnership with communities themselves and civil society.

Our risks and opportunities

MATERIAL RISKS (AS AT 31 DEC 2021)

We manage several key risks to our business, which if successfully managed, could also identify opportunities. We achieve this through a clearly defined risk management framework, which includes a risk-rating matrix that assesses the likelihood of certain risks and the magnitude of their impact. Our risk appetite and limits are set at business entity and Group levels, with clear accountability and reporting requirements. We apply the three-lines-of-defence model to identify and manage material risks.

In addition, we continuously embed our combined assurance model, which addresses our significant strategic, financial, operational and compliance related risks. Combined assurance offers benefits extending beyond mere compliance. It includes maximising risk and governance oversight; optimising overall assurance activities; improved reporting to the board and other committees; coordinated and relevant assurance, with an emphasis on key risks faced by the bank. It also enhances control efficiencies.

Letshego's strategic risk management enables the mitigation of risks and protects the stability of the bank. It also acts as a tool for planning systematically about the future and identifying opportunities. In addition, strategic risk management assists in effective utilisation of capital and can be used to turn strategic threats into growth opportunities. In addition, the bank's risk management activities must be dynamic and responsive to emerging and changing regulatory environments. As a result, our risk management systems need to be constantly aligned to the new regulations issued by the regulatory authorities. The bank is therefore required to continuously comply with multiple regulators and ministries such as inter alia Bank of Namibia, Financial Intelligence Centre, Namibia Stock Exchange, Namibia Financial Institutions Supervisory Authority and the Ministry of Finance.

Letshego's processes for identifying and managing risks and opportunities is discussed as part of the governance report, on page 73.

The bank's material risks for the year ended 31 December 2021 and mitigations are summarised below:

RISK	MITIGATION
Potential loss/decline of 2022 license renewal due to failure to address/close out directives by NAMFISA following the regulatory inspection report of 2021.	▶ LMFSN management engaged NAMFISA management on directives and requested a compliance extension on one of the directives. ▶ Formal written communication to NAMFISA has been sent out with respect to the above, prior to the LMFSN license renewal application for better stakeholder management and ensure compliance to regulatory requirements.
LBN to increase its local ownership by 31 December 2023 – potential inability by LBN to provide the Bank of Namibia with the required annual update by 31 July 2022 on the progress made towards achieving the local ownership requirement.	▶ LHN is currently in negotiations with LHL to establish an Employee share ownership scheme that will enable it to comply with the local shareholder requirements of Bank of Namibia as well as the Financial Sector Charter.
Possible loss of LBN personal loans deduction at source code due to expiry of current LBN personal loan deduction at source code in July 2022, and pending response on the new license renewal application submitted in line with the deduction code guidelines.	▶ Application for new license renewal on personal loans has been submitted to the Ministry of Finance for approval and final feedback is expected prior to July 2022.
Possible strategic risk could arise with the inability to roll out the home loans product as per the timelines agreed with the IFC. This may result in the possibility of losing out on the second tranche of funds from the IFC. IFC agreement states that LBN should utilise the first payment of US$30m within 12 months (by December 2022), prior to receiving the next disbursement of US$20m.	▶ Focus for LHN is to ensure that the home loans product is well promoted, to ensure that the target sales is attained. This is expected to commence with an active Home Loans roll-out campaign during early June 2022.
Digital (e-wallet) services downtimes and loss of client transaction data/history due to a cyber-attack information security incident on a third-party vendor, could negatively impact the customer onboarding process or make it challenging to retain customers due to limited services on the mall.	▶ LBN wallet customers have been informed of the outage and are kept up to date on the progress of restoring services. Ongoing engagements remain in place with the vendor regarding the restoration of our – e-wallet services and avoid repeats of similar instances in future. LBN will continue to assist customers via our alternative available channels such as USSD (cellphone banking) and branch-banking services.

OUR TOP OPPORTUNITIES

DIGITALISATION

- Introduced affordable housing
- Grow deduction book for customer segments outside government employees
- Focus on transactional banking – access to 48 901 customers
- Credit scoring to facilitate debit order deduction personal loans.

DIVERSIFICATION

- Diversification of products remains an area of improvement for LBN but one that is fast getting traction. LBN has made progress in ensuring that we established a fully-fledged credit department and considered several lending products to augment our current credit portfolio. The following opportunities have been identified for the bank:
  - Bank of Namibia approved our Wallet product and Digital Mall and both are now live
  - We have secured 11 915 enterprise active customers by Q1 2022
  - The bank will continue driving digital transaction revenue.

IMPACT FUNDING

- Secured US$50 million in IFC funding
- Products structure and design completed in November 2021
- Product pilot launch completed in December 2021 and roll out in Q1 2022.

Strategic review

At Letshego, we continue to focus on the drivers of value creation and leveraging our strategic foundations that have been beneficial during the COVID-19 pandemic and will support delivery of our strategy, which is centred on customer-focused digitalisation. The bank is aiming to enhance our digital capabilities and features in order to remain competitive and grow our market share. The bank is well positioned for growth.

PRODUCT DIVERSIFICATION

- The affordable housing solution was successfully introduced during 2021 as an additional product.
- The bank introduced a credit scored loan solution, together with direct integration with credit bureaus for all DAS personal loans.

ACCELERATING OUR DIGITAL TRANSFORMATION

- Digital Mall pilot testing commenced in the last month of 2021, setting the foundation for our Digital Transformation.

REGIONAL REBALANCING

- Letshego is evolving branch representation from physical outlets to digital presence capability becoming the de facto standard of work
- During 2021, one branch was converted into a deposit taking branch.

ENTERPRISE AGILITY

Our digitalisation strategy required of Letshego to embark on an agile transformation path. This has translated a radical shift in daily practices, mind-sets, attitudes and ways of thinking. It also necessitated a shift in our organisational culture. While we have experienced some remarkable successes, we acknowledge that any major change in a large organisation will encounter some form of resistance.

- We continued to strengthen our Risk Management Framework and culture
- Revised our organisational design to align with our Digital Transformation agenda, setting the foundation for the Target Operating Model.

SUSTAINABLE SHAREHOLDER VALUE

- Letshego aims to create sustainable value for those who invest in our business.

GROUP CHIEF EXECUTIVE REVIEW

The Namibian economy is expected to experience positive growth in 2022, though at a much slower pace than the global economy. According to the Bank of Namibia, real GDP growth is projected to peak at 3.4% in 2022 and 3.7% in 2023, driven by broad-based recovery across all sectors. Key drivers include improvements in diamond mining operations, tourism and manufacturing related industries.

While forecasts for the domestic economy are optimistic, we will remain alive to the economic challenges of a constrained fiscal environment which has contributed to subdued credit affordability, over indebtedness, unavailability of affordable housing.

Despite this challenging operating environment, Letshego Namibia achieved a strong financial performance, with growth in advances of 18.6% compared to the prior year. Other operating income lifted by 44% due to Insurance income structures that were set up in April and Sept 2020. Fee income increased mainly due to increase in USSD, IB and Cards transaction volumes. The wallet, salary switching, and debit order functionality remains a priority to further boost fee income in 2022. Customer deposit mobilization continued in 2021 with growth from N$187 million at end 2020 to N$386 million at the end of 2021.

The Group also made significant strides in diversifying our funding, with a successful maiden bond issuance of NSX of NAD 231 million. In addition, 2021 also saw Letshego Namibia secure an USD 50 million IFC facility to underpin the roll out of our Affordable Housing offering. Namibia's launch of the Digital Mall is expected to further boost our product diversification strategy.

Dr Ester Kali

DESPITE THIS CHALLENGING OPERATING ENVIRONMENT, LETSHEGO NAMIBIA ACHIEVED A STRONG FINANCIAL PERFORMANCE, WITH GROWTH IN ADVANCES OF 18.6% COMPARED TO THE PRIOR YEAR.

SUPPORTING OUR CUSTOMER BASE DURING TOUGH ECONOMIC TIMES

Given the majority of Letshego's customers are employed by the government, the lack of salary increments during the past years negatively impacted customer affordability. Furthermore, the current economic environment means more customers are increasingly constrained. During 2021, this translated into a reduction in the uptake of loans advances on the one hand, and an increase in loan defaults, on the other. As a result, our NPL ratio increased slightly from 3.4% in Dec 2020 to 4.0% in Dec 2021.

The factors described above led to the accelerated introduction of innovative, competitively priced product offerings that meet changing customer preferences and priorities. Our focus during the year under review was therefore on offering unique value propositions to customers in order to gain market share. We also placed greater emphasis on early arrear recoveries and repayment arrangements with customers. Furthermore, we introduced an automated credit scoring solution and direct integration to registered credit bureaus for all loans being on-boarded. We believe this will improve the overall quality of the portfolio.

In addition, the bank continued to pursue competitively priced local funding lines. This resulted in our inaugural debt issuance on the Namibian Stock Exchange in May 2021. We also secured a USD 50 million IFC facility for Affordable Housing. This has opened doors to smart partnerships with local town councils, developers and employers in order to deliver affordable housing products. The economic conditions are expected to remain challenging over the medium term.

CREATING SUSTAINABLE VALUE THROUGH DIGITALISATION

When the COVID-19 pandemic first broke out, it impaired the ability of our customers to access our physical branch network. This gave us impetus and motivation to accelerate our digitalisation agenda. The pandemic helped us embrace the digital future that we had envisaged in our strategic planning. Having launched our Digital Mall towards the end of 2021, we believe that we are now better placed to service our customers digitally during 2022 and beyond. The introduction of the Digital Mall enables the bank to expand its digital agenda and ensure that customers transact in the most efficient manner. It also allows customers the opportunity to explore world class services, and access these products from any location at any time. Further, customers will benefit from other value-added services, such as healthcare, which will be available on the Digital Mall in 2022.

PEOPLE AND ORGANISATIONAL CULTURE

We prioritise the health and wellbeing of our staff. Key initiatives during the period under review included the provision of vaccines, regular health checks sponsored by the company, financial assistance in the form of loans and an online psychological support line. With regards to training and development, management and leadership development training is an ongoing initiative at Letshego. As part of these efforts, all staff members were enrolled onto the Coursera online learning platform during 2021, allowing staff to pursue further education and pace their own professional development. Study loans were also made available to staff at reduced rates.

During 2021, Letshego participated in the `Best Company by Deloitte` survey, an initiative aimed at measuring employee engagement. Survey results showed that our people know what is expected from them, have a meaningful work experience and can act authentically at work. Letshego achieved an overall engagement score of 62.9% which represents a significant improvement from the preceding year.

While we are cognisant that there may be another wave of COVID-19 infections during the winter of 2022, we believe that the lessons drawn from 2021 will help us anticipate the challenges and respond appropriately as we continue to prioritise the health and wellbeing of our staff. During 2020, we responded decisively to the COVID-19 pandemic by enabling our employees to work remotely. These arrangements continued in 2021. Furthermore, we introduced a cohort program, dividing our employees into teams to work on a rotational basis such that we reduce the impact and the spread of infections amongst our staff. Although we had generally low to moderate rates of staff infections of about 34% as at December 2021, we regrettably had one fatality, losing a beloved staff member to COVID-19 during the year. May her caring soul rest in eternal peace.

RISK AND OPPORTUNITIES

The Group's approach to managing operational risk is underpinned by a belief that risk is best managed at inception, based on its Enterprise-wide Risk Management Framework (ERMF). This practice cuts across the Three Lines of Defence to increase the efficiency and effectiveness of the bank's resources, minimise losses and utilise opportunities. It is against this background that during 2021, we embarked on an exercise to perform a detailed review of our ERMF. Following the review exercise, the Country Management Committee approved frameworks and policies to support the new framework. Subsequent to this, all new frameworks and policies were recommended to the Board, and final approval was received in March 2022. Until final approval of the new frameworks and policies during March 2022, the bank was still subject and compliant to frameworks and policies approved during 2021.

LOOKING AHEAD

Our strategy is centred on customer-focused digitalisation, therefore, in the coming financial year, we will focus on enhancing our digital capabilities and features to ensure we appeal and solve for the customer. We will also adopt Robotic Process Automation for repetitive tasks while at the same time redeploying resources to customer engaging activities for an enhanced customer experience. Furthermore, we will continue to expand our product offering as we aim towards becoming a full-scale retail financial services provider. This will include initiatives such as scaling-up our affordable housing solutions targeted at the rural and mass to middle income market segments as well as augmenting our Digital Mall offering. The aim is to create an ecosystem that serves customers across their entire journey with the bank.

While growing the deposit base has been satisfactory, this remains a key long-term imperative to unlocking sustainable value. As such, management will continue to drive initiatives aimed at deposit mobilisation.

Additional areas of focus include system stability with a view to improving response times and reducing downtime. This will be done as part of our broader digitalisation strategy. We will also retain focus on increasing our competitiveness in the marketplace in through a superior product offering, competitive interest rates and appropriate segmentation. As we do this, we will remain at pace with development in our regulatory environment, in particular, the Micro Lending Act.

Acknowledgements

I want to thank and congratulate our employees and my executive team for the tremendous work you have done during this complex period and for rising to the challenges as we navigated yet another eventful year. It is a privilege to work with you. I also extend my sincere gratitude to our Board of Directors for your continued counsel as we navigated the ups and downs of 2021. To our customers, thank you once again for trusting us with your financial journey. We look forward to our continued partnership.

ESTER KALI
CEO: LHN and Letshego Bank (Namibia)

THE INTRODUCTION OF THE DIGITAL MALL ENABLES THE BANK TO EXPAND ITS DIGITAL AGENDA AND ENSURE THAT CUSTOMERS TRANSACT IN THE MOST EFFICIENT MANNER. IT ALSO ALLOWS CUSTOMERS THE OPPORTUNITY TO EXPLORE WORLD CLASS SERVICES, AND ACCESS THESE PRODUCTS FROM ANY LOCATION AT ANY TIME.

Strategy at a glance

FIVE TRANSFORMATIONAL CONVERSATIONS

To accurately explain the depth and reach of the strategic changes that will drive Letshego over the next years, we have compiled our transformational strategy into five pillars, or "conversations", that support the changes taking place at Letshego.

These five strategic conversations are the most material matters regarding Letshego that our shareholders and stakeholder need to consider when considering Letshego's future prospects.

Letshego

1	**PRODUCT DIVERSIFICATION**	Broadening product offering
2	**DIGITALISATION**	Digital transformation
3	**GEOGRAPHIC REBALANCING**	Collective contribution – Diversification
4	**ENTERPRISE AGILITY**	Agile way of working Culture transformation
5	**SUSTAINABLE SHAREHOLDER VALUE**	EPS ROE Social impact – purpose driven

Letshego's strategy remains consistent in providing access to simple and appropriate financial solutions to emerging consumers, in line with our brand promise to Improve Lives. Our vision is clear, to become a world class retail financial services organisation. How do we get there? Our 6-2-5 plan provides the framework to achieve our strategic objectives for the short, medium and long term.

6-2-5 'RETURN TO GROWTH' ROADMAP

We crafted a plan with milestones and goals to guide our transformational strategy. This plan is called the 6-2-5 Strategic Roadmap, based on the phases of the project.

6 **Plan 6** constituted the first six months of the roadmap and ran between June and December 2020. It focused on returning Letshego to stability by strengthening our core business (i.e. DAS) and laying the foundation for diversification and digitalisation. We achieved our targets for Plan 6, many of them ahead of schedule.

2 **Plan 2** commenced in 2021. It set out our medium-term goals for the next two years, to be completed by the end of 2022. Plan 2 centres around building the capabilities and platforms that will make Letshego a digital-first organisation.
As such, much of our energy will be expended on the technology and processes that enable Agile across the Group.

5 **Plan 5** includes our long-term goals up to the end of 2025. In this phase of the strategic roadmap, scaling up, particularly on the digital front, is the main focus.

The end result will be a transformed organisation with a brand new way of working and the skills and capabilities it needs to thrive into the future.

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

CREATE the future organisation
- Talent mobility
- Relentless Innovation culture
- Digital delivery – Innovation hubs/ Platform/Ecosystem thinking

BECOME customer led
- Invest in Customer Experience
- Leverage on emerging transformative technologies
- Customer led, speed to market
- Enterprise Agility as a methodology.

STRENGTHEN our foundation
- Build on core business, DAS
- Key digital channels to improve DAS productivity
- Diversify solutions & Funding

PRODUCTIVITY OF SOLUTIONS — 6 months

TRANSFORMATIVE TECHNOLOGIES — 2 years

PLATFORM THINKING — 5 years

Letshego's second phase of our 6-2-5 strategic execution roadmap, entitled 'Plan 2', commenced in 2021. The duration of this second phase is two years and is characterised by:

- developing a compelling value proposition with broadened product offering
- deepening the Group's investment into differentiating digital and technological enhancements
- spurring momentum in end-to-end automation of processes, systems and platforms
- securing strategic milestones in platforms and products that enable a step change in tangible value for new and potential customers.

Plan 2 is an exciting time for Letshego. Our transformation becomes tangible and we start delivering a new and fully digital organisation. At the end of 2022, we will transition into Plan 5.

PLAN 2 AND OUR FIVE TRANSFORMATIONAL CONVERSATIONS

PRODUCT DIVERSIFICATION

Product diversification provides the impetus for expanding into new markets and building our customer base as we focus on our non-core services. Our product categories include digital lending, other lending, payments and saving as well as insurance. Deposit mobilisation and increasing transactional revenue are key to strengthening our banking capabilities.

During 2021, the bank introduced an affordable housing product along with a credit scoring system for our deduction at source personal loans. To that end, our home loan business requirements document was approved by the appropriate governance structures, and the product was successfully piloted to staff members during November 2021. However, prior to marketing and availing the product to the public, LBN has decided to monitor the performance of the home loan in our live core banking system to identify and mitigate any post production issues.

DIGITALISATION

The Fourth Industrial Revolution is here, and it brings tremendous opportunity to engage with our customers through digital channels. Digital onboarding initiatives offer customers a quick and convenient way to sign up for Letshego products, while our digital and card transactions are monitored as we encourage our clients to use these channels. We aim to increase the number of Enterprise Active Customers (EAC) and improve our digital transaction fee income.

REGIONAL REBALANCING

As we seek to deepen our customer base across the entire country, including the more rural areas, we have divided Namibia into three regions:

- North | West
- Central South
- North | East | Erongo

Regional customer growth targets are based on each region’s capacity.

ENTERPRISE AGILITY

The Agile mindset infuses every area of our operations, making Letshego Namibia more flexible and with faster response times on key deliverables. This enables us to respond to market trends quickly while enhancing the customer experience. Simplifying our processes through robotic process automation (RPA) and implementing the changes to our organisational design are some of the milestones for this journey. We track our employee satisfaction scores to make sure our people are on board with the changes taking place.

SUSTAINABLE SHAREHOLDER VALUE

Ultimately, Letshego needs to be financially sustainable and provide value to those who invest in our business. We aim to increase profits and return on equity (ROE), reduce our Cost to Income Ratio (CIR) and improve our Loan Loss Ratio (LLR). On the cost front, internal cost savings campaigns and competitions are driving cost awareness among our staff contingent, while automation initiatives help to reduce overtime.

PERFORMANCE

Key financial metrics

OVERVIEW OF FINANCIAL PERFORMANCE

Financial performance for the year ended December 2021 was resilient, despite the ongoing effects of the COVID-19 pandemic. Our performance was underpinned by disciplined strategic execution of prudent risk management and regulatory compliance, among other critical factors. Furthermore, Letshego adopted organisational design efficiencies, enterprise agility and a collaborative culture to continue operations under COVID-19 market conditions while embracing digital channels in service delivery. This has allowed the Group to remain resilient and attain its growth ambitions. This is seen in the positive growth in revenues of 6% and advances of 18%. Supporting this growth, coupled with insuring the micro lending book, has increased costs by 55.7%. The overall profit and earnings per share however decreased marginally by 5.5%.

FINANCIAL HIGHLIGHTS

- Total revenue increased by 6% (2020: 0.1%)
- Advances to customers grew by 18.6% (2020: 22.9%)
- The credit impairment charge decreased from N$43 million in 2020 to (N$16 million) in 2021 due to improvement in the IFRS 9 impairment indicators during the current financial year
- Staff and operational expenses increased by 55.7% (2020: 10%), due to insuring the micro lending book for credit default insurance
- Cost to income ratio increased to 52% from 34% in 2020, due to insuring the micro lending book for credit default insurance
- Profit after tax amounted to N$303.2 million (2020: N$320.8 million), a decrease of 5.5% (2020: 20% decrease)
- Return on average equity was 11% (2020: 13%) and return on average assets was 6% (2020: 8%)
- Basic and Headline earnings per share 61 cents (2020: 64 cents) – a decrease of 5.5% (2020: 20% decrease)
- The bank remains well capitalized with a capital adequacy ratio of 59% (2020: 72%)
- Customer Deposit Mobilization continued in 2021 with growth from N$187 million at end 2020 to N$386 million at the end of 2021
- Borrowing base locally increased to N$2 billion to finance growth and decrease reliance on parent funding
- Successfully raised USD 30 million funding from the IFC to grow its affordable housing product
- Exited the shared security arrangement with Fedrox (Pty) Ltd in Q2 of 2021 resulting in none of Letshego's loan books being pledged as security.

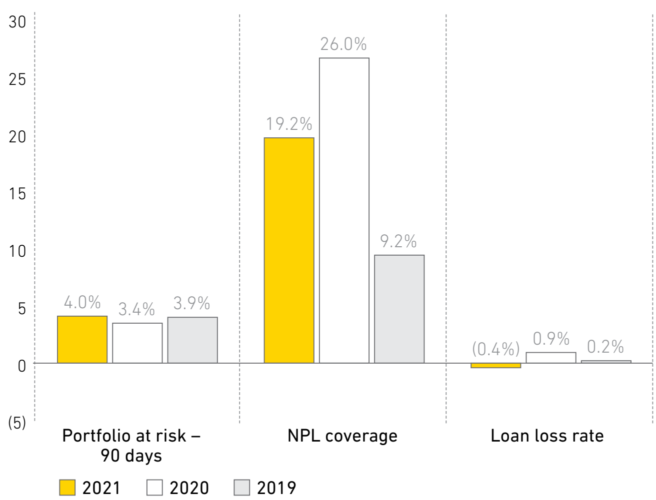
In-depth scenario analyses have shown that the bank is able to remain resilient under various high-stress scenarios, with sufficient liquidity and solvency to weather the uncertain conditions. Capital ratios are above targeted levels. Our liquidity buffers have remained within the targeted range.

The dashboard below summarises the bank's financial performance as at 31 December 2021.

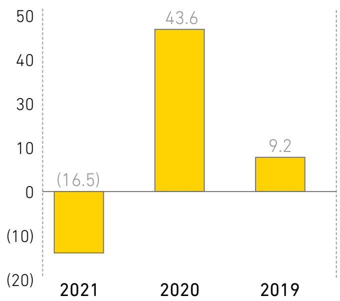
	2021	2020	% Variance	RAG
Profit after tax (N$'000)	**303 229**	320 889	-6%	
Cost to income	**52%**	34%	-18%	
NFI: total income	**29%**	20%	9%	
Net Advances (N$'000)	**4 278 481**	3 608 616	19%	
PAR >90 days	**4%**	3%	-1%	
Savings (N$'000)	**386 069**	187 893	105%	
Debt to Equity	**80%**	55%	25%	
Return on Assets	**6%**	8%	2%	
Return on Equity	**11%**	13%	2%	
FTE	**157**	152	3%	

Worse than prior year | Slightly below prior year | Improvement from prior year

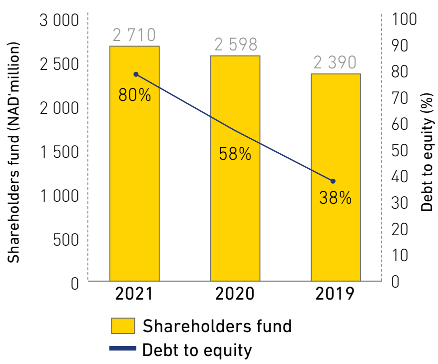
ASSET QUALITY



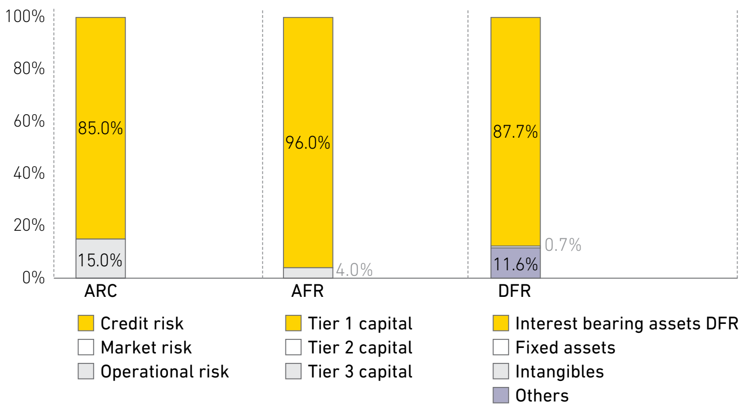
IMPAIRMENT CHARGES (NAD'million)



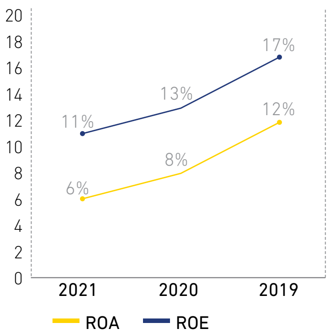
SHAREHOLDERS FUND • DEBT TO EQUITY



CAPITAL POSITION AS AT 31 DECEMBER 2021

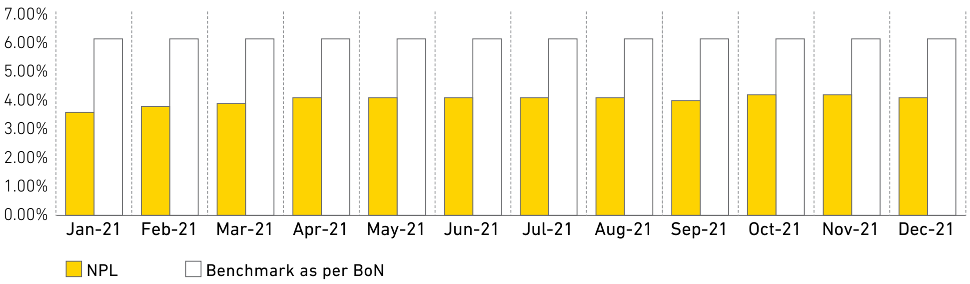


ROA vs ROE

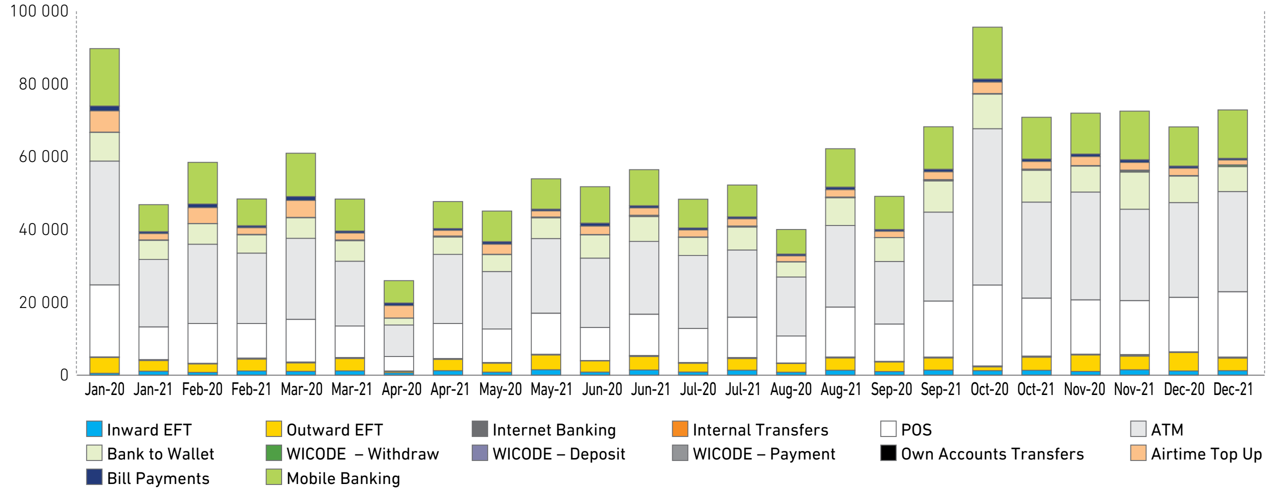


OVERVIEW OF FINANCIAL PERFORMANCE *continued*

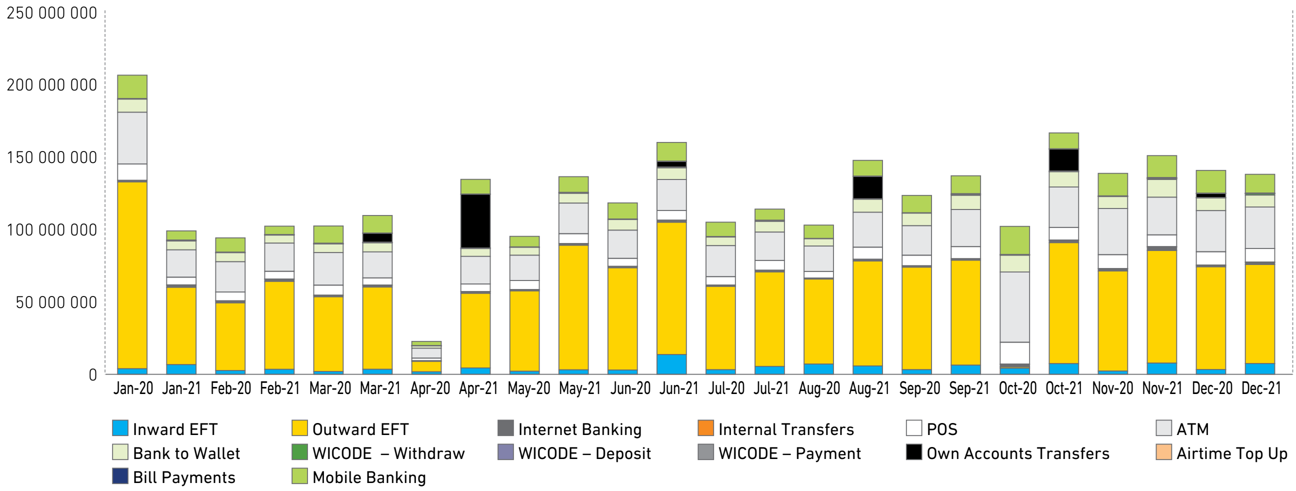
2021 NPL %



COMPARISON 2020 VS 2021 N$



YEAR TO DATE VALUE OF TRANSACTIONS COMPARISONS



Portfolio review

The primary purpose of our solutions is to provide customers with access to credit finance and a safe place to save and make their payments.

Letshego, being a commercial bank licensed by the Bank of Namibia, is integrated into the Namibia National Payments System (NPS), allowing LBN to offer MasterCard debit cards that are functional at any local bank ATM and Point-of-Sale (POS) device linked to the local switch (Namswitch offered by Namclear). Further to that, the bank offers its customers mobile banking through its USSD platform, as well as digital banking via its banking app, known as the LetsGo Digital Mall. The LetsGo Digital Mall enables our customers to perform transactions digitally from their mobile devices and the web without having to visit a physical Letshego branch. The LetsGo Mall also enables our customers to conveniently access a host of value-added (VAS) services and products, thereby enhancing their experience.

We are proud to provide arguably the fastest service delivery in the industry, especially in terms of onboarding. Our products are also priced at some of the best rates in the market, providing customers with value for money. Our digital innovations, introduced in 2020, promise to speed up our turnaround times even more, while the LetsGo LetsGo Digital Mall will see our services delivered in an easy and transparent manner.

By digitalising our customer journey, we will eliminate the need for customers to physically visit our branches. This will enhance our reach and the customer's ability to access our solutions beyond normal business hours. The customer will be better served and will benefit from holistic financial services that improve their lives.

LENDING

Letshego's principal financial solutions are unsecured short-term and long-term loans ranging from N$1 000 to N$300 000. These loans are tailored to suit customer needs, featuring competitive interest risk-adjusted interest rates and value-added services such as funeral and life insurance cover. Customers can take out a new loans, which they can "top up" when needed, or consolidate existing loans.

While we cater to customers in both the private and public sector, 95% our current customers are government employees that benefit from our DAS capability. This implies that, even though the loans are technically unsecured, we benefit from the enhanced security of the loan repayment being made before the salary is paid out to the customer. We have been impacted by lack of wage increases among government employees resulting from prevailing economic conditions. In response to this, we have broadened our offering and begun expanding our customer base.

DEDUCTION AT SOURCE (DAS)

Net advances within our DAS portfolio grew by 18.6% in 2021 when compared to the previous year, and the DAS portfolio continues to be the main driver of business growth. Our total borrowing customers increased to 58 741 in 2021 from 50 421 in 2020. In 2022, we will expand our loan offerings to include home loans, short-term loans, and overdraft facilities.

"BY DIGITALISING OUR CUSTOMER JOURNEY, WE WILL ELIMINATE THE NEED FOR CUSTOMERS TO PHYSICALLY VISIT OUR BRANCHES."

PROGRAMMATIC LENDING

During 2021, we expanded our programmatic lending portfolio through the introduction of home loans. We also grew our deduction book by focusing on customer segments outside government employees. Further, we enhanced our transactional banking offering with a view to increasing our revenues. We also enhanced our credit scoring capabilities to enable us to facilitate debit order deductions on personal loans.

LOYALTY PRODUCTS

Our loyalty product allows customers to top up their existing LMFSN loan in the bank and benefit from lower interest rates available. The product targets existing government officials and employees of selected parastatals and private entities, in which the sum of principal debt of all active loans linked to the customer's profile is more than N$100 000. To qualify, the customer is required to conclude two or more separate loan contracts that the sum of the principal value of the existing active loans (whether it be in LMFSN or LBN plus the value of the top-up being applied for) should exceed a combined principal debt value of N$100 000. Should these criteria be met, the existing active loans in LMFSN will be settled and a top-up loan will be created under the LBN payroll solution. The product is aimed at growing the LBN loan book and to provide customers with cheaper lending.

"OUR LOYALTY PRODUCT ALLOWS CUSTOMERS TO TOP UP THEIR EXISTING LMFSN LOAN IN THE BANK AND BENEFIT FROM LOWER INTEREST RATES AVAILABLE."

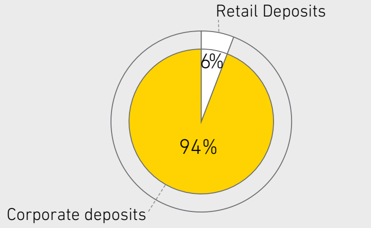
SAVING

We provide deposit facilities, including demand accounts, saving accounts, and call and term deposits. Transaction facilities enable customers to make payments to suppliers, pay bills or receive payments from other bank accounts. These facilities are delivered through card services, agency banking, and USSD and mobile banking.

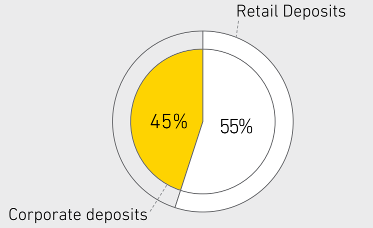
In 2021, we are proud to have increased our deposits by 106% as we move towards strengthening our non-core offerings.

Indicators	2021	2020	2019	2018	2017
Savers	38 062	27 216	12 472	2 135	109
Value of retail deposits (N$'m)	24.5	102.6	37.7	3.7	0.2
Value of corporate deposits (N$'m)	361.5	85.2	12	81	110

RETAIL VS CORPORATE DEPOSITS 2021



RETAIL VS CORPORATE DEPOSITS 2020



PAYMENTS

Indicators	2021	2020	2019	2018	2017
		ACCESS POINTS			
Cash handling branches	5	4	4	2	2
Non-cash handling branches	11	12	12	14	14
		ACCESS POINTS			
Cards in issue	44 494	26 076	10 874	1 995	
Digital transactions (USSD and cards)	529 897	567 911	227 185	17 990	

INSURANCE

Letshego Namibia's insurance offering is deeply imbedded in our existing product offering. In 2022, we are exploring new insurance products to add to the Digital Mall to enhance the customer experience.

Our people

INTRODUCTION AND OVERVIEW

Letshego aims to be a leading financial institution on the African continent. We achieve this by continuously delivering market-leading products and solutions that positively and powerfully impact our customers, the communities we serve and society at large. Our employees are central to our continued success. As such, we seek to create value for our employees. We achieve this by embedding compelling employee experiences, providing employees with opportunities to make a meaningful contribution to the business and by connecting our employee experience to our purpose and brand. This commitment underpins our people strategy and will drive innovation and skills development in the coming years.

TOTAL NUMBER OF EMPLOYEES
as at 31 December

157

2020: 152

EMPLOYEE TURNOVER

8.38%

2020: 6.6%

OVERALL EMPLOYEE GENDER PROFILE

MALE	FEMALE
40%	60%
2020: 39%	2020: 61%

EMPLOYMENT STATUS

PERMANENT	TEMPORARY
157	46
2020: 154	2020: 22

GENDER SPLIT BY LEVEL OF SENIORITY

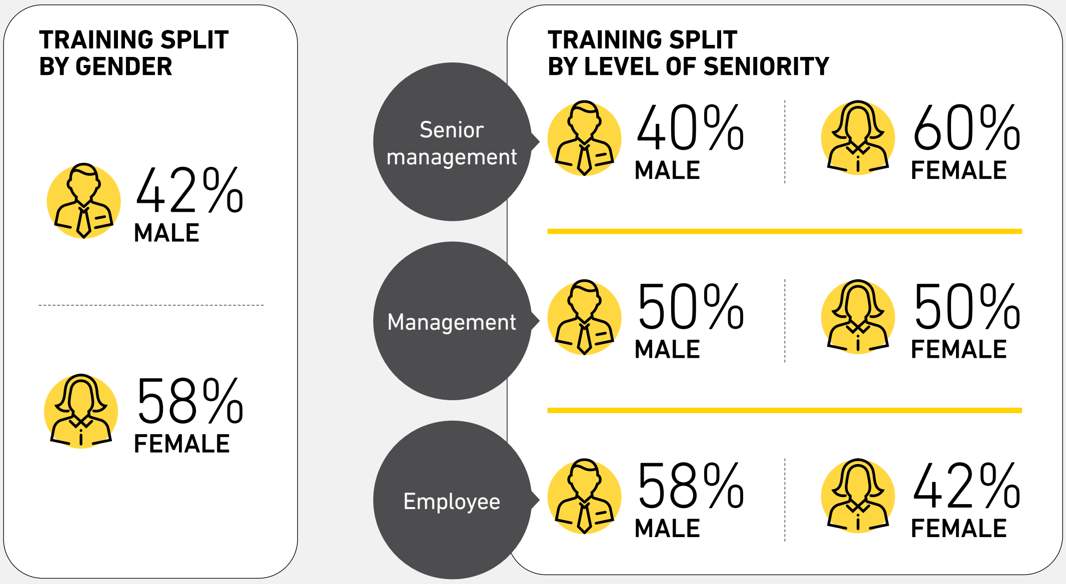
	MALE	FEMALE
Senior management	44% (2020: 50%)	56% (2020: 50%)
Management	41% (2020: 37%)	59% (2020: 63%)
Employee	41% (2020: 39%)	59% (2020: 61%)

OVERALL EMPLOYEE AGE PROFILE

<25	25-50	>50
3%	91%	6%

ATTRITION RATE COMPARED TO INDUSTRY RATES

BENCHMARK BANKING	% ACHIEVED AS AT DECEMBER 2020	% ACHIEVED AS AT DECEMBER 2021
5%	6.68%	8.38%



EMPLOYEE VALUE PROPOSITION

At Letshego, we recognise that even the best strategy cannot be executed successfully without a motivated and happy workforce. We therefore seek to create a climate where individuals are able to develop and succeed, while empowering our staff to make effective operational, tactical and strategic decisions.

TRAINING AND DEVELOPMENT

Skills shortages and competition for critical competencies are rising globally, particularly for technology-related roles. Furthermore, the use of mobile, social and analytical tools is permeating the length and breadth of every function across businesses today. Unlike in the past, the impact of these digital technologies and tools is felt not just in the IT department, but throughout the entire organisation. As part of its effort to drive an innovative and passionate working culture, Letshego has brought on board an e-learning platform that gives staff access to over 4 000 courses, helping staff to improve their skill-sets and drive our business to the next level.

During 2021, our training focused on Leadership and Management development through Gordon Institute of Business Science (GIBS), equipping Letshego to take advantage of the changes taking place as well as self-paced learning via an Online Learning Platform – Coursera, which was launched in May 2021. Coursera offers approximately +-4500 free courses to all permanent staff members, from world renowned Universities such as Yale, Harvard and other prestigious international universities.

As part of our 6-2-5 Transformation strategy, the bank identified 5 conversations that will guide our 6-2-5 execution roadmap. Among these is Enterprise Agility & Corporate Culture as detailed on page 36 of this report. Over the past year, we have exposed our employees to several Enterprise Agility Coaching Courses which formed the foundation for developing and implementing an Enterprise Agility transformation journey for each business function. Moreover, our people have the autonomy to learn at their own pace and apply what they have learned in their everyday workings.

PERFORMANCE MANAGEMENT

We and recognise the value of providing opportunities for employees to make a meaningful contribution to the attainment of our strategic goals. We also aim to support our employees to reach their full potential. Our approach to performance management is underpinned by trust and accountability. While at least two annual performance reviews by every employee's supervisor are mandated by our company policy, we encourage employees to initiate monthly performance reviews as an ongoing progress-tracking mechanism. During 2021, we introduced a top of the range digital performance management system, which is an objective setting methodology that assist teams to set measurable goals. OKR is a simplistic black- and-white approach that uses specific metrics to track the achievement of a goal.

WORK CULTURE AND COMPANY ETHICS

We recognise that even the best strategy cannot be executed successfully without a motivated and happy workforce. We therefore seek to create a climate where individuals are able to develop and succeed, while empowering our staff to make effective operational, tactical and strategic decisions. Our organisational culture is premised on our purpose and corporate values.

During 2021, we focused on keeping our employees productive, motivated, engaged and connected. Work-life balance and human connection are essential to maintaining employee satisfaction and achieving our business outcomes. However, the disruption of COVID-19 caused stress for our people and the change management process is a complex one. While our employee satisfaction survey in 2020 showed a low engagement score, we have an impact plan in place to close the lowlights identified. Our employee engagement survey showed a positive result in 2021, the engagement score moved from 39% to 63%. We continue to monitor the identified lowlights and close the gaps one at a time.

Extensive remote working brought about by the COVID-19 resulted in a unique set of challenges, including, but not limited to reduced teamwork, collaboration, increased isolation, and the lack of meaningful connections with others. In response, to this we changed our focus and direction by turning to teams as the preferred unit for meeting our strategic digitalisation objectives. As such, we Letshego formed cross-organisational 'superteams' and `squads`, which not only added new value to the business, but whose diversity accompanied by technologies unlocked new operational efficiencies across the organisation. By adopting an agile methodology and focusing on team work, Letshego has noted improved collaboration between subsidiaries, enhanced project visibility and the ability of our employees to adapt to change. The latter has translated into increased team productivity and improved team morale as is evidenced by our latest engagement survey results.

HEALTH AND WELLNESS

The wellness of our employees is an important aspect which extends beyond health. During 2021, we continued to take a proactive approach to managing the impact of COVID-19. As part of this effort, we maintained ongoing communication with employees and delivered health messaging through our internal communications channels. Additional initiatives included the provision of vaccines, regular health checks sponsored by the company, financial assistance in the form of short-term loans and an online psychological support line.

Measuring our social impact

As a leading financial services organisation, we understand that our ability to do business and create sustainable value in the short, medium and long-term is linked to the wellbeing of society and the communities in which we operate. We strive to positively contribute to society and impact the communities in which we operate by increasing access to simple and appropriate financial solutions for emerging customers. This aligns with the national government's mandate to encourage productive use of loans, ultimately increasing income potential, employment levels and sustainable economic development within local communities

We recognise that interdependent sustainability issues such as social justice, environmental stewardship and inclusive development will play an increasingly important role in shaping this system. We need to redouble efforts to create sustainable shared value in a manner that drives more equitable societal outcomes. While we may not know exactly how to enable this rapid transition, we will continue to use frameworks such as the SDGs, <IR> Framework, ESG and the UNPRI to guide our strategic efforts. The bank will also continue to work with sector experts, our customers and governments to take the required collective action towards inclusive and sustainable socio-economic development.

OUR APPROACH TO CREATING SOCIAL IMPACT

Worldwide, poverty remains an obstacle to achieving sustainable development and improved well-being of people. Microfinance has become an effective tool for poverty alleviation, based on the principle that the poor can initiate their own development out of poverty, given the starting capital to do so. When invested in income-generating activities, starting capital can lead to a higher income and additional positive effects, such as an increase in an individual's well-being.

It is for this reason that Letshego has developed a comprehensive suite of financial products tailored to the African consumer. Our goal is to promote a savings culture, increase our borrowing facilities, while enabling rural economies by financing agri-business. In addition, through our offering, we promote affordable housing, gender equality and access to education. Lastly, through the use of digital technologies, we enhance financial inclusion and help transmit remittances.

WE RECOGNISE THAT INTERDEPENDENT SUSTAINABILITY ISSUES SUCH AS SOCIAL JUSTICE, ENVIRONMENTAL STEWARDSHIP AND INCLUSIVE DEVELOPMENT WILL PLAY AN INCREASINGLY IMPORTANT ROLE IN SHAPING THIS SYSTEM. WE NEED TO REDOUBLE EFFORTS TO CREATE SUSTAINABLE SHARED VALUE IN A MANNER THAT DRIVES MORE EQUITABLE SOCIETAL OUTCOMES.

DEFINING OUR TARGET AUDIENCE AND INTENDED IMPACT FOR SOCIETY AND THE COMMUNITIES WE SERVE

We target the following sectors through our comprehensive offering geared towards making a positive impact on our customers and the communities in which we operate:

Housing

Letshego provides increased access to finance for affordable housing and is building economic infrastructure for a productive housing market for all. This contributes to inclusive growth, by building asset wealth, facilitating job creation, equitable economic growth, reduced levels of poverty and improved living conditions.

Agribusiness

According to the African Development Bank, small-holder farms account for nearly 80% of farms and contribute up to 90% of food production in sub-Saharan Africa alone. Despite this, agricultural financing remains largely unmet for 70% of Africans involved in agriculture. This creates a clear opportunity for us to contribute to sustainable development, including food security, poverty reduction, gender equality, decent jobs and economic growth, industrial innovation, and reduction in inequality.

Remittances

Remittances have increased in recent years, representing one of the main external inflows of income into some developing economies. In some cases, money sent home by migrants competes with international aid as one of the largest financial inflows to developing countries.

Education

Education drives progress. It is essential for breaking the poverty cycle. For women and other minority groups, education can be a powerful asset in the leveraging of civil rights, providing the confidence for self-representation. It is an indicator of life outcomes such as employment, income, and social status, and is a strong predictor of wellbeing.

Digital financial services

Digital financial inclusion entails the deployment of digital solutions responsibly, at a cost affordable to customers, and which remains sustainable for providers. Digital financial services open the possibility to reach billions of new customers in the financially excluded and underserved populations, signalling a high-speed shift in access to formal banking services. Formerly excluded and underserved customers are moving from exclusively cash-based transactions to formal financial services using mobile phones or other digital technologies. This shift is happening rapidly with the launch of new technologies.

Gender equality

An estimated 70% of the world's poor are women and disadvantaged in accessing credit and other financial services. This is despite the fact that women on average contribute larger portions of their income to household consumption than their male counterparts. Achieving gender equality is therefore not just about fairness or morality. It is an economic imperative. Helping women fully participate in the economy not only promotes growth; it diversifies economies, reduces income inequality, mitigates demographic shifts and contributes to financial sector stability. By increasing women's access to financial services and microfinance, Letshego contributes to gender justice, non-discrimination, and the reduction in inequalities.

A PROGRAMMATIC SUSTAINABLE DEVELOPMENT FRAMEWORK

Our purpose guides our strategy, behaviours and actions towards the delivery of long-term value for our stakeholders. We use our Programmatic Approach to focus our efforts and identify business opportunities and risks as well as cost savings as illustrated.

Our Programmatic Approach is built on our commitment to the wellbeing of Namibia. We ask ourselves which initiatives deliver the most impact in Namibia to determine what our programmes should be. As part of this effort, we referenced the UNSDGs before deciding to focus on:

- Housing mortgages, which are generally overlooked but make a huge impact
- Education, which underpins development. We aim to support both the people who are providing education as well as the aspiring learners
- Health and wellness as the underlying basis of social and personal productivity.

The selection of high impact programmes is the starting point that will help Letshego to attract appropriate funding partners going forward. We identify strategic partners that are most likely to create mutual benefits. One such partner in the year under review was the International Finance Corporation (IFC), who are providing a US$50 million financing facility in order to extend access to affordable housing finance for over 4 000 Namibians. This offering will be available through our Digital Mall in due course. We are currently finalising the partnerships and funding agreements that will underpin our first solutions in health and agriculture.

PROGRAMMATIC LENDING CUSTOMER VALUE PROPOSITION

HOUSING

- Affordable housing
  - – Purchase (house and plot)
  - – Construction
  - – Pension backed
  - – Turnkey
- Green building
- Debt consolidation

EDUCATION

- Working capital
- Tech loans

HEALTH

- Working capital
- Short-term loans

AGRICULTURE

- Input financing
- Working capital

EMBEDDING SUSTAINABLE VALUE CREATION THROUGH ESG

The ongoing evolution and formalisation of our approach to ESG matters is driven by the developmental component of our mandate. We are committed to being a good, proactive corporate citizen, as demonstrated by our environmental, social and governance (ESG) activities and impact in the period under review. Our sustainability journey continues to mature as we remain abreast of global sustainability developments.

Environmental impact

Unsustainable consumption of the planet's natural capital has significantly compromised the conditions that make human progress and the benefits of advanced civilisation possible. This places our prospects as a species at great risk. Fundamental changes are now mandatory to save the planet and ensure the prosperity of both current and future generations. As the world transitions towards cleaner and low-carbon economies, Letshego is committed to playing a role in fostering a culture of ethical business practice and doing so in a manner that generates sustainable returns to all stakeholders. It is for this reason that we have developed our Green Affordable House and Green Lending initiatives.

Governance and ethical leadership

The success of our journey depends on strong leadership who are committed to ethical practice and driven by the principles of integrity and accountability. We proactively engage with our regional teams to ensure good governance. We prioritise embedding best practice, governance, knowledge and skills transfer at all levels of the organisation.

60 DECIBELS 2021 SOCIAL IMPACT SURVEY

We are proud of the progress we made towards ensuring meaningful social return on investment through our operations, projects and initiatives. Letshego takes the view that there are more opportunities for us to enhance our sustainability approach and ensure a more integrated Group-wide strategy. In 2021 we commissioned a social impact survey for this reason. Conducted by 60 Decibels, the exercise allowed us to measure, monitor and evaluate our contribution to socio-economic development and sustainable value creation for all our stakeholders.

60 Decibels is a global, tech-enabled impact measurement company that brings speed and repeatability to social impact measurement and customer insights. The survey results provide genuine benchmarks of impact performance, enabling Letshego to understand its impact and set performance targets. With better data, Letshego can get even closer to its purpose.

This survey report presents feedback from 201 customers across Letshego Namibia's loan customer base. All data was collected through phone surveys conducted in local languages.

PORTFOLIO PERFORMANCE: SNAPSHOT

Letshego is doing well in improving the lives of its customers. There is an opportunity to improve customer satisfaction and reach more underserved customers.

Access Access to timely, low-cost, low-risk loans can be the difference between financial resiliency and financial crisis for households.	▶ A typical Letshego customer in Namibia is a 42-year-old, living in a peri-urban area, in a household of seven ▶ 53.6% of our customers are male, while 46.3% are female ▶ 60% of customers say they're accessing a loan for the first time, and 81% of customers could not easily find a good alternative
Business Impact Financial inclusion, in the form of micro loans can help invest in existing enterprises and start new businesses.	▶ 18% of clients say their business income is 'very much increased' because of Letshego ▶ 8% of clients reported an increase in the number of paid employees since receiving their loans.
Household Impact Timely loans help clients cover planned and unplanned expenses such as medical costs school fees, and household improvements.	▶ 87% say their quality of life has improved, with 59% reporting significant improvements ▶ Top self-reported outcomes for customers who say quality of life improved: – 26% mentioned ability to cover bills and expenses – 24% reported an ability to afford a house/property – 22% talked about the ability to solve financial problems ▶ Loans have the biggest positive effect on home improvements and quality meals ▶ 65% report their repayments as not a problem, and 72% never have to cut consumption to make repayments.
Management and understanding Providing clients with information and education regarding the terms of their loan helps ensure clients are making informed decisions regarding the costs/benefits of their loan and helps clients better manage their loan repayments and competing household expenses.	▶ 65% report their repayments as not a problem, and 72% never have to cut consumption to make repayments ▶ 97% agree with the statement that Letshego puts the interest of the customer first ▶ 44% of clients understand 'all' of Letshego's terms & conditions ▶ 23% say their ability to manage their finances has 'very much increased,' but financial stress has only decreased for 28% of clients.
Resilience Improving clients' incomes, enabling increased saving, and providing timely emergency loans all help ensure clients are able to cope with unforeseen shocks.	▶ Letshego aims to create sustainable value for those who invest in our business.

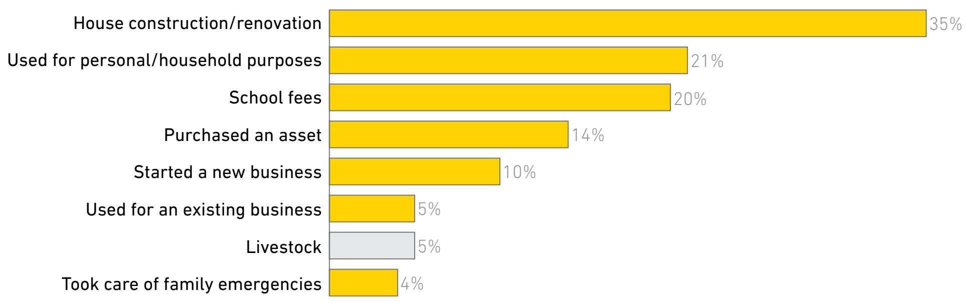
PRIMARY LOAN USAGE ANALYSIS

35%
OF LOANS ARE USED FOR HOME CONSTRUCTION/ RENOVATION

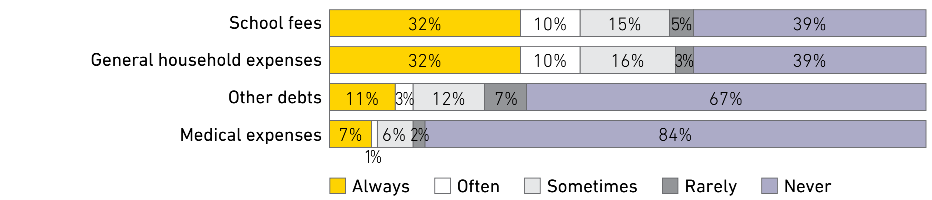
10%
USED THE LOAN TO START A NEW BUSINESS

32%
OF CLIENTS 'ALWAYS' USE THEIR LOAN TO COVER SCHOOL FEES AND HOUSEHOLD EXPENSES.

PRIMARY LOAN USAGE
Q: What did you use your loan for? (n=201)



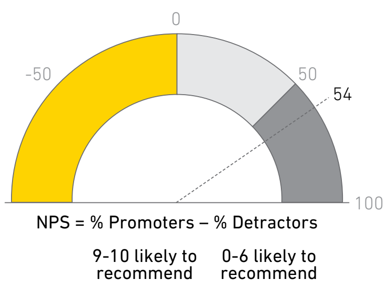
% USING LOAN FOR ...
Q: Thinking about your loan(s), how often have you used some of it to pay for ...? (n=201)



NET PROMOTER SCORE® (NPS)

Letshego in Namibia has a NPS of 54, which is considered excellent score.

Q: On a scale of 0-10, how likely is it that you would recommend Letshego to a friend, where 0 is not likely and 10 is extremely likely? (n = 201)



CONTRIBUTION TO UN SDGS

The United Nations Sustainable Development Goals (SDGs) set a clear long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030.

In line with our solution offering and strategic focus on Youth, The Green Economy, Housing and Education, we align with 11 out of the United Nation's 17 Sustainable Development Goals (SDGs).

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

NO POVERTY

1 NO POVERTY

Our focus areas and impact

We provide finance for housing, health and agri-business. This promotes equal rights and equitable access to economic resources, including ownership and control over land. Overall, it reduces levels of inequality in society since it supports gender equality, skills enhancement, income generation, increased levels of security, health, self-confidence and human dignity.

ZERO HUNGER

2 ZERO HUNGER

Our focus areas and impact

We provide finance for agri-business. By supporting agriculture and sustainable livelihoods, we contribute to food production, food security and the goal towards zero hunger.

GOOD HEALTH AND WELLBEING

3 GOOD HEALTH AND WELL-BEING

Our focus areas and impact

We aim to contribute to the attainment of a better standard of living for our customers and the communities in which we operate. We achieve this through health financing as well as supporting sustainable livelihoods through the provision of innovative financial products.

QUALITY EDUCATION

4 QUALITY EDUCATION

Our focus areas and impact

We aim to contribute to the attainment of a better standard of living for our customers and the communities in which we operate. This entails breaking the cycle of poverty and creating opportunities for individuals to develop themselves and become productive members of society. Education can make an important contribution towards this objective.

GENDER EQUALITY

5 GENDER EQUALITY

Our focus areas and impact

Letshego fosters equality of opportunity, inclusion and a healthy workplace through our human capital policies and practices. 60% of the workforce is female. In addition, we provide financial services that are aimed at fostering gender justice. This is based on the belief that microfinance services positively influence women's decision- making power and enhance their overall socio-economic status. These services can significantly contribute to gender equality and promotes sustainable livelihoods and better working conditions for women.

DECENT WORK

8 DECENT WORK AND ECONOMIC GROWTH

Our focus areas and impact

We contribute to this through skills and enterprise development programmes as detailed in the Human Capital (page 46) and Social Relationship Capital (page 49) sections of this report. In addition, women's empowerment through microfinance is key for promoting Decent Work, and is central to facilitating equitable, inclusive, and sustainable development.

SUSTAINABLE CITIES AND COMMUNITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

Our focus areas and impact

Letshego provides increased access to finance for affordable housing and is building economic infrastructure for a productive housing market for all. This contributes to inclusive growth, by building asset wealth, facilitating job creation, equitable economic growth, reduced levels of poverty and improved living conditions.

HOW WE ARE GOVERNED

Letshego is committed to conducting its business ethically and in compliance with all applicable laws and regulations. Our operations are underpinned by good governance and our objectives remain rooted in King IV principles. At the heart of all governance practices is our commitment to ethical business conduct and sustainable value creation. Governance is framed by policies, standards and processes designed to safeguard regulatory compliance, enable growth and support overall sustainability across the bank. We are constantly reviewing these practices to ensure that we consistently act in the best interests of our stakeholders.

Our ability to attract private finance and to partner in signature infrastructure developments is contingent on our robust approach to corporate governance. Our long-term success is underpinned by the imperative of strong leadership and good governance. We have earned the trust of our investors and partners through our integrity, transparency, accountability and the demonstrable ethical values that our business is built on. Good governance is central to living our values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

Our role in ensuring good governance extends beyond our internal structures and processes. In upholding our partnerships with our investors and protecting our own interests as a responsible investor, we actively monitor the quality of governance within our companies.

Our leadership

BOARD OF DIRECTORS

MARYVONNE PALANDUZ

Chairperson of LHN and LBN Boards

ESTER KALI

Executive Director (Chief Executive Officer) for LHN and LBN

KARL-STEFAN ALTMANN

Executive Director (Chief Financial Officer) LHN, LBN and LMFSN

(appointed to the Board on 17 August 2021)

ROSALIA MARTINS-HAUSIKU

Independent Non-Executive Director

SVEN BLOCH VON BLOTTNITZ

Independent Non-Executive Director

MANSUETA-MARIA NAKALE

Independent Non-Executive Director

(appointed to the Board on 31 August 2021)

KUDZAI CHIGIJI

Independent Non-Executive Director

(appointed to the Board on 1 February 2022)

KAMOGELO CHIUSIWA

Non-Executive Director

(appointed to the Board on 12 July 2021)

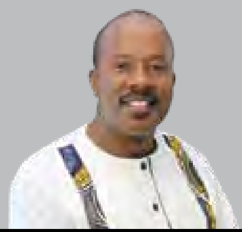
EXECUTIVE MANAGEMENT TEAM

ESTER KALI

Chief Executive Officer for LHN and LBN

JACO KRUGER

Principal Officer for LMFSN and Head of Sales & Distribution



O'RUTE UANDARA

Chief Operations Officer

DIANA MOKHATU

Head of People & Culture

JAMES DAMON

Head of Credit

ALETTA SHIFOTOKA

Chief Risk and Compliance Officer

GRACE NTULI

Head of Internal Audit

(joined Letshego in April 2021)

KARL-STEFAN ALTMAN

Chief Financial Officer

(joined Letshego in July 2021)

AYESHA TJIUEZA

Head of Marketing & Product

(joined Letshego in October 2021)

CHRISZELDA GONTES

Head of Legal and Governance/ Company Secretary

(resigned January 2022)

The Board of Directors

MARYVONNE PALANDUZ (50)

Chairperson Independent Non-Executive Director

Executive MBA (UCT), Fellow of the Chartered Institute of Management Accountants (CIMA UK),B. Commerce (UNISA)

- Ms. Maryvonne Palanduz has held several senior management positions in the risk and finance domains across large Namibian and South African organisations over the past 20 years. She spearheaded the implementation of innovative risk and financial intelligence solutions for MMI Retail from 2007 and in 2015 her experience and expertise were focused across the broader MMI Group to galvanise an operational risk capability and champion the Group's combined assurance model. She was chairperson of the CIMA Africa Board in 2010 and served on various international policy committees for the Institute from 2007 to 2014. She joined the Actuarial Society of South Africa in January 2017 as Operations and Finance Executive.

Board committees:
Audit, Risk & Credit Committee (stepped down from the ARC during Q1 2022)

Skills:

Management & Financial Accounting
Risk Management
Strategic Management

ESTER KALI (53)

Chief Executive Officer for LHN and LBN and Executive Director

Advanced and Credit Diploma (Institute of Bankers South Africa), MBA in Strategic Management (Maastricht School of Management), Honorary Doctorate in Financial Management (UNISA)

- Ms. Ester Kali joined Letshego Bank (Namibia) in November 2014 as Chief Executive Officer from FNB Namibia, where she held the position of Head of Retail and Business Banking. She is responsible for leading the Namibian subsidiary in developing and executing the overall country strategy in line with the Group's strategic intent and brand promise. Under her leadership, Letshego Bank (Namibia) obtained its banking license. She has over 30 years' experience in the banking industry of which 25 years consisted of various management roles. As the Executive Head of Retail and Business Banking at FNB Namibia, she was responsible for, inter alia, providing guidance and direction towards the achievement of the strategic goals and objectives of the business. She was further responsible for the development of strategies to improve operational risk management in retail banking. Ms. Kali is a respected member of the banking industry, having served as the Chairperson of the Payments Association of Namibia from August 2006 to May 2008. Moreover, she has served as a member of the Executive Committee for the Institute of Bankers Namibia from 2012 to 2014.

Board committees:
None

The CEO is a standing invitee to the Board committee meetings

Skills:

Retail & Business Banking
Risk Management
Strategic Management

ROSALIA MARTINS HAUSIKU (40)

Independent Non-Executive Director

B. Arts in Media Studies (UNAM),Master of Art in Culture, Communication and Media Studies (UKZN), Master in Business Leadership (UNISA), Certificate Programme in Finance and Accounting (WITS), Programme for Management Excellence (Rhodes University)

- Mrs. Rosalia Martins-Hausiku joined the Motor Vehicle Accident Fund in 2004 as Corporate Relations Officer and became the Manager of Corporate Affairs in 2006. Prior to becoming the Chief Executive Officer for the Motor Vehicle Accident Fund (MVA) Namibia, Mrs. Martins-Hausiku held several managerial positions over the 13-year that she has been with MVA Namibia. Mrs. Martins-Hausiku also serves as Director for the African Leadership Institute.

Board committees:
Chairperson of Remuneration Committee (RemCo)

Skills:

Communication, Media & Corporate Affairs
Financial Management
Strategic Management

SVEN VON BLOTTNITZ (52)

Independent Non-Executive Director

B Business Science (UCT); BCompt Honours (UNISA) Fellow of the Chartered Institute of Secretaries (FCIS); Chartered Accountant (Institute of Chartered Accountants (Namibia); Chartered Accountant (South African Institute of Chartered Accountants)

- Mr. Sven von Blottnitz holds the position of General Manager: Finance at Namib Desert Diamonds (Pty) Ltd (NAMDIA) since 1 June 2017, having previously been the Chief Financial Officer at the Namibian Students Financial Assistance Fund (NSFAF) as of August 2015. Prior to joining NSFAF, he served as the General Manager of Finance and Administration at the Namibia Training Authority. He is a finance professional with more than 20 years of diverse industry experience in Accounting & Auditing, Banking, Oil & Gas and Education sectors, as well as Retirement Fund Administration, having previously worked as Country Finance Manager at Vivo Energy Namibia (previously Shell Namibia), as Chief Financial Officer of Standard Bank Namibia, where he was also responsible for the management of Treasury and the Global Market Operations as well as ALCO, as Group Company Secretary and Compliance Officer of FNB Namibia Holdings, Manager Treasury and Manager Financial Controlling at Commercial Bank of Namibia and Audit Manager at Coopers & Lybrand after completing his articles there. He has over 11 years of diverse banking experience. He served as Chairman of the Standard Bank Namibia Retirement Fund and the Shell Namibia Retirement Fund. He currently serves as board member on the Public Accountants' and Auditors' Board and is President of the Windhoek Residents & RatePayers Association.

Board committees:
Chairperson of Audit, Risk & Credit (ARC) Committee

Skills:

Chartered Accountant
Chartered Secretary
Treasury Management

MANSUETA-MARIA NAKALE (51)

Independent Non-Executive Director

Certificate in Project Management (University of Stellenbosch), Masters in Business Administration (University of Stellenbosch), Masters in Corporate Financial Management (University of Cape Town), Bachelor of Commerce – Accounting & Economics (UNISA)

- Ms. Nakale has over 20 years' experience in the financial sector with specialisation in investment management and financial sector supervision. She possesses extensive knowledge on corporate governance, strategy formulation and implementation, investment management and strong ability to interpret legislative instruments.
- She has held several directorships in both the private and public sectors over the past 17 years, these being the former Chairperson of the NamPower Board, Guinas Investments (Pty) Ltd and Fides Bank. She also served as an Independent Non-Executive Director at Namport and the Central Procurement Board of Namibia.
- She held senior executive positions in both the private and public sectors.

Board committees:
None

Skills:
Investment Management
Project Management
Strategic Management

KUDZAI CHIGIJI (34)

Independent Non-Executive Director

Masters in Business Administration (Oxford University), Masters in Development Finance (University of Cape Town), Bachelor of Science – Actuarial Science & Statistics, Qualified Actuary – Fellow of the Institute of Actuaries (UK & RSA)

- Ms. Kudzai Chigiji is a qualified actuary with experience in life insurance, healthcare, digital product development, management consulting and banking.
- She currently is the Deal Lead for Ishe Africa and CEO of ATG Consulting and Sertifyd.
- Her previous work experience includes digital analytics with Wesbank South Africa and actuarial consulting with Deloitte South Africa.

Board committees:
Audit, Risk & Credit Committee member

Skills:
Actuary
Digital Product Development
Life Insurance
Management Consulting

KARL-STEFAN ALTMANN (45)

Chief Financial Officer for LHN, LBN and LMFSN
Executive Director

Chartered Accountant (Nam & SA)
Certificate in Theory of Accounting (CTA) (UNISA)
Bachelor of Accounting (University of Stellenbosch)

- Mr. Karl-Stefan Altmann has over 20 years' experience in the Accounting field of which 12 was at Senior & Executive Management level in the banking sector. He also has experience in Corporate & Investment Banking and Treasury.
- Mr. Altmann previously held executive roles at Nedbank Namibia and senior management roles at ABSA Namibia and Deloitte Namibia.

Board committees:
None

The CFO is a standing invitee of the Audit, Risk and Credit Committee

Skills:

Chartered Accountant
Corporate & Investment Banking
Treasury Management

KAMOGELO CHIUSIWA (47)

Non-Executive Director

Bachelor of Arts Social Sciences – Majoring in Public Administration (University of Botswana)

- Ms. Chiusiwa is a seasoned human resources professional with over 22 years of experience in the field. Currently, she serves as the Group Chief People and Culture Officer at Letshego Holdings Limited.
- She is proficient in the areas of Strategic Management, Organizational Development & Change, Talent Management, Coaching and Reward Management.
- Other positions held in the past include:
  - General Manager Human Resources – Botswana Power Corporation (2016-2019)
  - Head of Human Capital – Botswana Postal Services (2011-2015)
  - Head of Human Resources – Standard Chartered Bank Botswana (2008-2011)

Committee memberships
Remuneration Committee member

Audit, Risk & Credit Committee member

Skills:

Human Resources & Organisational Development
Talent Management
Strategic Management
Reward

OUR LEADERSHIP

Our Board is the governance forum for the bank, holding company and micro finance entity. Its leadership works to create value for our shareholders and benefits all stakeholders. Our Board is committed to the principles of effective corporate governance and applies the highest ethical standards in the conduct of its business and affairs. Letshego's governance framework is informed by relevant laws and regulations, the Company's constitutional documents, the NamCode, King IV and other international corporate governance best practices. In terms of the NamCode, the Board is responsible for determining Letshego's strategic direction, performance and control. Furthermore, the Board delegates and ensures that management executes strategic decisions effectively in accordance with Namibian laws and the legitimate interests and expectations of stakeholders.

The Board actively engages management in setting, approving, and overseeing execution of the strategy and related policies. It ensures that management (i) maintains internal controls for assurance of effective and efficient operations, and compliance with laws and regulations; and (ii) does this within an ethical environment.

The Executive Committee, and its various management subcommittees, report to the Board and Board committees in accordance with their respective mandates to ensure the appropriate flow of information from the mandated executive forums to the relevant oversight forums.

The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence. In particular, the Board members have skills and experience in the areas of banking, risk and capital management, commercial, financial, auditing, accounting, actuary & insurance, digital product development, management consulting, counterparty negotiation, technology, human resources and reward, corporate communications, macro-economic analysis as well as pan-African strategic engagement.

Our Board composition emphasises Directors' independence to promote independent judgement and diverse mind-sets and opinions. All Directors are expected to exercise their judgement independently, irrespective of their status. We are confident that our financial performance closely mirrors our levels of Board diversity and recognise that diversity is a strength to the business. Differing perspectives are key in ensuring appropriate levels of oversight and achievement of objectives.

As at 31 December 2021, the representation of women on our Boards stood at 71% (2020: 60%), while country management team (CMC) had 60% women representation. The Board composition meets the requirements of the NamCode and King IV principles.

COMPOSITION AND STRUCTURE

as at 31 December 2021

LETSHEGO HOLDINGS NAMIBIA

Letshego Bank (Namibia)

Letshego Micro Financial Services Namibia

Board for LHN and LBN

Maryvonne Palanduz*
Sven von Blottnitz
Rosalia Martins-Hausiku
Kamogelo Chiusiwa
Maria Nakale
Ester Kali
Karl-Stefan Altmann

Remuneration Committee

Rosalia Martins-Hausiku
Kamogelo Chiusiwa

Audit & Risk Committee (ARC)

Sven von Blottnitz
Kamogelo Chiusiwa
Maryvonne Palanduz*

LMFSN Board

Maria Nakale
Kamogelo Chiusiwa
Baren Kruger
Karl-Stefan Altmann

** During Q1 2022, Ms. Kudzai Chigiji was appointed to the LHN/LBN board and replaced Ms. Palanduz on the Audit, Risk & Credit Committee*

Letshego Holdings (Namibia) Limited Board membership comprised of seven directors as at 31 December 2021. This includes four Independent non-executive Directors (INEDs), one non-Executive Director and two Executive Directors. The Board is supported by the Audit, Risk and Credit Committee and the Remuneration Committee. Mr. Rairirira Mbetjiha retired by rotation at the end of June 2021.

BOARD AND COMMITTEE COMPOSITION AS AT 31 DECEMBER 2021

Director	Status	Number of committees and boards served by Director	Main Board	Credit Committee (CC)	Audit and Risk Committee (ARC)	Remuneration Committee
M. Palanduz	INED	1	C ✓		✓	
S. von Blottnitz	INED	3	✓	C ✓	C ✓	
R. Martins-Hausiku	INED	2	✓			C ✓
Mansueta-Maria Nakale	INED	1	✓			
Kamogelo Chiusiwa	NED	2	✓			✓
E. Kali	EXEC	1	✓			
K-S. Altmann	EXEC	1	✓			
Summary			Total 7	Total 1	Total 2	Total 2
No. of Board members – EXEC			2	0	0	
No. of Board members – INED			4	1	2	1
No. of Board members – NED			1	0	0	1

C: Chairperson

EXEC: Executive Director

NED: Non-Executive Director

INED: Independent Non-executive Director

Compliant with King IV and Namcode

✓ Current Committee Membership

BOARD PROCESS AND OUTCOMES

BOARD EVALUATION AND MEETINGS

In line with NamCode requirements, the evaluation of the Board, its committees and the individual Directors are conducted on an annual basis. The last Independent Board assessment was independently conducted by Deloitte in 2020. Key outcomes of the independent Board assessment include the need to increase the composition, size, and diversity of the Board. The Board commissioned an external independent Board effectiveness and performance evaluation in the prior year from which improvements were identified and monitored through a tracker. In 2021, the Board conducted a self-evaluation of its activities that required members to complete an anonymous self-assessment questionnaire. Key outcomes from the board evaluation that will be prioritised in 2022 include the need for effective stakeholder engagement and board succession planning.

The Board meets at least quarterly, in addition to an annual strategy review meeting. Directors are fully briefed by the Company Secretary and are provided with all the necessary information, sufficiently ahead of the scheduled Board and Committee meetings, to enable effective discharge of their responsibilities.

ROLE OF THE BOARD

The Board provides effective leadership based on an ethical foundation and ensures that the Group is, and is seen to be, a responsible corporate citizen. An Enterprise Risk Management framework is used to align strategy and risk appetite. The Board meets at least quarterly, in addition to an annual strategy review meeting. Directors are fully briefed by the Company Secretary and are provided with all the necessary information, sufficiently ahead of the scheduled Board and Committee meetings, to enable effective discharge of their responsibilities. In addition, the Board:

- Ensures that the Group has an effective independent Audit & Risk Committee (ARC), Credit Committee (CC), and Remuneration Committee (RC)
- Oversees the governance of risk by ensuring that appropriate enterprise risk management frameworks are in place and functioning effectively
- Manages the governance of enterprise information technology
- Ensures compliance with applicable laws and adherence to non-binding rules, codes, standards and best practice; and
- Ensures that an effective risk-based internal audit function and plan is in place.

BOARD CHARTER

The Board Charter, which is aligned to the NamCode and King IV, sets out the following:

- The Board's responsibilities and functions, including safeguarding the Board's collective and individual members' independence
- Role of the Board, as distinct from the roles of the shareholders, the Chairperson, individual Board members, the Company Secretary and other executives of the Group
- Powers delegated to various Board Committees
- Matters reserved for final decision-making or approval by the Board, and
- Policies and practices of the Board with respect to matters such as corporate governance, trading by directors in the securities of the Group, declaration and conflicts of interest, Board meeting documentation, alternative dispute resolution, and business continuation/disaster recovery proceedings and procedures.

COMPANY SECRETARY

The Company Secretary provides a central source of guidance and support to the Board on matters of corporate governance legislation and regulatory compliance. She is responsible for keeping abreast of, and informing, the Board of current and new developments in corporate governance. All directors have access to the advice and services of the Company Secretary. Whenever deemed necessary, the Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the Board. If necessary, the services and guidance of the corporate sponsor and other experts are procured to ensure that the Directors have adequate insight to discharge their responsibilities effectively. The Board is satisfied that an arm's length relationship between the Board and the Company Secretary was in place. Based on the its assessment of the Company Secretary, the Board confirmed that it has received the required guidance on governance and compliance matters.

ETHICS

Our Board is responsible for establishing an ethical culture throughout the organisation and monitoring adherence to ethical codes as well as ensuring Letshego acts as a responsible corporate citizen. Our employees are required to adhere to the Code of Ethics in all daily interactions. The Board promotes the highest ethical standards. It subscribes to a culture of ethics that is underpinned by individual and collective accountability. The Group has zero tolerance for fraud and corruption. It adopts international best practice and embraces rigorous risk frameworks and institutional practices to ensure its operations are secure and stable. It mitigates the risk of fraud and corruption through a Code of Ethics that is reviewed annually.

BOARD PROCESSES

APPOINTMENTS TO THE BOARD

New Board appointments are considered by the Board, considering the appropriate balance of skills, experience and diversity required to lead, control and best represent the Company. Background and reference checks are performed before the nomination and appointment of Directors. The appointment of non-executive directors is formalised through a letter of appointment and the Board makes full disclosure regarding individual directors to enable shareholders to make their own assessment of Directors.

During 2021, the Board welcomed Ms. Kamogelo Chiusiwa as non-executive director (majority shareholder representative) and Mr. Karl-Stefan Altmann as CFO and executive director. It also welcomed Ms. Maria Nakale as independent non-executive director. Further, the Board appointed Ms Kudzai Chigiji as independent non-executive director early in 2022. Mr. Rairirira Mbetjiha retired as non-executive director from the Board in June 2021 while Mr Sheikh Jobe resigned in August 2021.

SUCCESSION PLANNING

In terms of succession planning, the Board will identify an adequate pool of candidates who can potentially be nominated as Board members for LHN. The Board further has oversight of and approves the appointment of qualified and competent executive officers to administer the affairs of the Company.

CONFLICTS OF INTEREST

The Board, both as a collective and as individual directors, has a responsibility to avoid conflict with regards to their Letshego duties and responsibilities. These include situations that involve, or may be perceived to involve, any conflict with their personal interests. The Board Charter requires Directors to declare any actual or potential conflict of interest immediately when they become aware of such situation. Prior to scheduled meetings, each Director must submit a 'declaration of interest' form, outlining other directorships and personal financial interests, including those of their related parties. Where actual or potential conflicts are declared, affected Directors are excluded from discussions and any decisions on the subject matter of the declared conflict.

Actual and potential conflicts of interest are considered in the annual assessment of director independence.

COMMUNICATION OF CRITICAL ISSUES

Critical concerns are communicated to the Executive Committee, which escalates to the appropriate Board sub-committee. The sub-committee will then communicate to the full Board through meetings and/or reports. When required, Non-Executive Directors are entitled to access the external auditors and, at Letshego's expense, can seek independent professional or expert advice on any matters pertaining to the Group. The Audit and Risk Committee has constant interaction and independent consultation with the Internal Audit function, which reports directly to the Chairman of the Audit and Risk Committee.

The Audit and Risk Committee assesses the Group's activities in line with relevant legislation and codes of best practice on matters relating to social and economic development, good corporate citizenship, ethics, sustainable development, labour and employment, consumer relations, stakeholder management, transformation, the environment, and health and safety.

KEY GOVERNANCE MILESTONES AND 2021 FOCUS AREAS

The Board Audit and Risk Committee continued to review credit related reports as part of the risk management reports submitted on a quarterly basis and make appropriate recommendations to the Board for approval.

The Board and its committees compile and review the annual work plan on a quarterly basis to ensure all relevant matters are prioritised and addressed. Members of senior leadership, assurance providers, and professional advisers are invited to attend meetings and do not form part of the quorum of any meeting.

An overview of key matters discussed by the Board are as follows:

- The Board approved the IFC home loans funding project. Management met all the conditions precedent for the initial USD30 million funding and appointed a legal panel as conveyancers & advisors for the home loans initiative. An additional USD20 million would be available if the initial amount was fully disbursed
- The business successfully exited the shared security arrangement (SSA) with Fedrox (Pty) Ltd in Q2 of 2021 resulting in none of Letshego's loan books being pledged as security. The unbundling of the SSA was one of the conditions that further enabled the maiden listing of debt on the Namibian Stock Exchange (NSX)
- The local borrowing base increased to N$ 2bn to finance growth and decrease reliance on parent funding
- Capital optimisation strategy through increasing the dividend pay-out ratio to 75% during 2021 and increasing the payment frequency to twice a year going forward
- Attaining optimal board composition through on-boarding three additional directors during 2021 and the subsequent re-structuring of the respective boards and committees
- The Board approved the revised Organisational Design in alignment with the Group OD, the Succession Plan and the staff salary increments and bonuses. The Delegation of Authority (DoA), policies and frameworks were revised and approved during 2021.

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Audit & Risk Committee (ARC)	The Audit and Risk Committee provides a forum for discussing business risk and control issues with the aim of developing relevant recommendations for consideration by the Board. The duties of the committee include evaluation of whether the bank's management has established an appropriate culture by communicating the importance of internal controls and the management of risk as well as ensuring that all Group employees understand their roles and responsibilities. Further, ARC is responsible for assessing the effectiveness of the bank's assurance functions, with particular focus on IT Governance, combined assurance arrangements, including external assurance service providers, internal audit and the finance function, and the independence and effectiveness of the Group's external auditors. ARC ensures the integrity of the annual financial statements and other external reports issued by the Group, including this Integrated Report.	**INEDS** Chairperson **NEDS** **Independent attendees** Ernst & Young (Only for AFS approval) **Management attendees** ▶ CRO ▶ CEO ▶ CFO ▶ COO ▶ HC ▶ Head of Legal & Governance/ Company Secretary **Permanent invitee** Head Internal Audit	The quorum for decisions of the Committee shall be the majority of the members of the Committee present throughout the meeting of the Committee	Quarterly

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Credit Committee (CC)	The Credit Committee formulates credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements. The CC further establishes the authorisation structure for the approval and renewal of credit facilities. It also reviews and assesses credit risk including exposures in excess of designated limits before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. In addition, CC develops and maintains the bank's risk gradings to categorise exposures according to the degree of risk of default and develops and maintains the Group's processes for measuring incurred credit losses (ICL). Lastly, CC provides advice, guidance and specialist skills to business units to promote best practice throughout the bank in the management of credit risk.	**Independent non-Executive Directors** Chairperson **Management attendees** ▶ CRO ▶ CEO ▶ CFO ▶ COO ▶ HC ▶ Head of Legal & Governance/ Company Secretary **Permanent invitee** Head Internal Audit	Majority of members present who shall vote on the matter for decision	Quarterly

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Remuneration Committee (RC)	The primary role of the Remuneration Committee is to independently review and monitor the integrity of the Group's remuneration philosophy, policy and implementation, in the context of all employees of the Group, which remuneration promotes the achievement of the Group's strategic objectives. The Committee ensures the Group remunerates fairly, responsibly and transparently. The Committee reviews the effectiveness and competitiveness of the Group's remuneration and benefits and ensures they are designed to attract, motivate, reward and retain human capital. Further, the Committee reviews annual increase pool and monitors the implementation of the bank's incentive-based schemes.	**INEDS** Chairperson **NEDS** **Management attendees** ▶ CEO ▶ CRO ▶ HR ▶ Head of Legal & Governance/ Company Secretary	A quorum shall be constituted by the attendance of two members attending the meeting either in person or via electronic media. Members joining via electronic media will constitute a quorum as if they were in attendance personally. Decisions shall be made by the majority of the votes, in case of an equality of votes, the chairperson shall have a second or casting vote.	Quarterly

EXECUTIVE MANAGEMENT COMMITTEES

The Executive Management Committee (EXCO) comprises of Executive Management who are responsible for the day-to-day operations of LHN. LHN has formed management committees to assist the EXCO in executing their role on behalf of the Board. These committees include the Asset Liability Committee (ALCo), Risk Management Committee (RMC), Procurement Committee (ProCo), Management Credit Committee (MCC) and the Information Technology Management Committee (ITMC). The management committees report functionally to the EXCO.

EXCO is aligned with the company's values and ethical standards. The day-to-day management of the bank is vested in the EXCO, subject to the delegated powers of authority approved by the Board. The Executive Management team leads the implementation of the bank's strategy, policies and operations. The management committees report functionally to the EXCO. The composition of each committee and its purpose is outlined in the table below.

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Executive Management Committee (EXCO)	▶ Delivers on the LHN business strategy against the country's collective agenda and budget, and reports on such progress to the regional heads as well as escalating any significant risks or issues on a timely basis ▶ Monitors external developments in the country's operations and internal risk issues arising to ensure that appropriate actions are taken to protect the reputation and franchise of LHL and to mitigate potential financial losses ▶ Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement, underpinned by exemplary governance and effective cost control ▶ Provides unified leadership on key strategic and other business initiatives ▶ Promotes and implements an effective risk management framework that encapsulates setting of risk appetite, management discipline, anticipation and compliance across the country, and escalating any significant issues to regional heads and the Head of Risk and Assurance, as appropriate ▶ Ensures that LHN is operating according to the highest standards of regulatory compliance and best practice as defined by external regulations and internal policies and procedures respectively, including banking and labour laws and anti-money laundering (AML) legislation, KYC, ALM and any other regulatory requirements ▶ Approves and recommends to LHL all new products and service offerings.	Ester Kali – Chief Executive Officer (LBN and LHN) Jaco Kruger – Chief Executive Officer (LMFSN)/Head of Sales & Distribution Karl-Stefan Altman – Chief Financial Officer O'Rute Uandara – Chief Operating Officer Chriszelda Gontes – Head of Legal & Governance/Company Secretary Diana Mokhatu – Head of People & Culture Aletta Shifotoka – Chief Risk & Compliance Officer James Damon – Head of Credit Grace Ntuli – Head of Internal Audit Ayesha Tjiueza – Head of Marketing & Product	Majority of EXCO members	Monthly

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Asset Liability Management Committee (ALCo)	▶ Overall authority for market risk is vested in the ALCo. The ALCo sets up limits for each type of risk in aggregate and for portfolios, with market and liquidity risks being primary factors in determining the level of limits set for trading portfolios ▶ The ALCo is the monitoring body for compliance with these limits and is assisted by Management in its day-to-day monitoring activities, which include monitoring changes in the Group's interest rate exposures, including the impact of the Group's outstanding or forecast debt obligations ▶ Is responsible for setting the overall hedging strategy of the Group. Management is responsible for implementing that strategy by putting in place the individual hedge arrangements ▶ Views interest rate in the banking book to comprise of the following: ▶ Re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and repricing (for floating rate) of the Group's assets and liabilities, and ▶ Yield curve risk, which includes the changes in the shape and slope of the yield curve ▶ Monitors and manages risks in adherence to the bank's risk appetite and meets on a monthly basis to analyse the impact of interest rate risk on the bank and reports directly to the BARC on a quarterly basis. The techniques used to measure and control interest rate risk by the ALCo includes re-pricing profiles, sensitivity/ scenario analysis and stress testing.	Ester Kali – Chief Executive Officer (LBN and LHN) Jaco Kruger – Chief Executive Officer (LMFSN)/Head of Sales & Distribution Karl-Stefan Altman – Chief Financial Officer O'Rute Uandara – Chief Operating Officer Chriszelda Gontes – Head of Legal & Governance/Company Secretary) Diana Mokhatu – Head of People & Culture James Damon – Head of Credit Grace Ntuli – Head of Internal Audit	A quorum for Committee meetings will consist of at least five of the standing members present or represented	At least one meeting per calendar month must be held. The Chairperson may and, at the request of the CFO, shall at any time convene a meeting of the Committee.

EXECUTIVE MANAGEMENT COMMITTEES *continued*

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Risk Management Committee (RMC)	▶ Has ultimate business responsibility for the management of all key risks and ensures compliance to all of LHN's policies ▶ Assists the Board of Directors in overseeing overall risk management ▶ Ensures that LHN possesses an efficient and effective risk management plan that covers all types of risks. In addition, the RMC is responsible for setting, assessing, reducing, monitoring and reporting risk levels for the attention of the Board ▶ Approves risk parameters, appetite and profile within the Board-approved limits and ensures appropriate accountability ▶ Promotes an appropriate control culture and sets the tone accordingly ▶ Actively scans and reviews the risk environment of LHN and implements mitigating strategies for all risks.	Ester Kali – Chief Executive Officer (LBN and LHN) Jaco Kruger – Chief Executive Officer (LMFSN)/Head of Sales and Distribution Karl-Stefan Altman – Chief Financial Officer O'Rute Uandara – Chief Operating Officer Chriszelda Gontes – Head of Legal & Governance/Company Secretary) Diana Mokhatu – Head of People & Culture Aletta Shifotoka – Chief Risk & Compliance Officer Ayesha Tjiueza – Head of Marketing & Product Ramona Coetzee – Operations Manager Richard Bastiaans – IT Manager Kanoono Tjiueza – Compliance Manager Maria Samahina – Risk Manager James Damon – Head of Credit	Four members of the RMC, of which at least two should be EXCO members, where one of the two EXCO members is from the responsible department	The Committee shall meet at least once a month on a date before the monthly LBN EXCO meetings or at such times as may be requested by the RMC Chairperson, and there may be additional meetings as necessary, if the majority of the Committee members request them.

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Procurement Committee (ProCo)	▶ Independently reviews and evaluates purchasing documentation (including bids from suppliers) and awards/recommends contracts for the procurement of goods and services by the ▶ Bank in a fair, objective, equitable, transparent, competitive and cost-effective manner and in line with sound corporate governance principles ▶ The PRoCo has to ensure that the Bank's procurement policies and procedures are properly followed in the procurement process.	Ester Kali – Chief Executive Officer (LBN and LHN) Jaco Kruger – Chief Executive Officer (LMFSN)/Head of Sales & Distribution Karl-Stefan Altman – Chief Financial Officer O'Rute Uandara – Chief Operating Officer Chriszelda Gontes – Head of Legal & Governance/Company Secretary Aletta Shifotoka – Chief Risk & Compliance Officer	Four standing members	As per the LBN procurement policy

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Management Credit Committee (MCC)	▶ Ensures compliance with the Credit Risk Policies to the extent and on the basis set out within its mandate or terms of reference ▶ Acts as a decision-making function within the defined authority as delegated by the Board CC from time to time ▶ Effectively enhances the credit discipline within LHN ▶ Ensures that Board CC expectations, directives and requirements for credit are met and implemented accordingly ▶ Actively scans and reviews the credit risk environment of LHN and implements mitigating strategies for all credit risks ▶ Provides tools to monitor, manage, and measure delivery of the credit risk objectives.	Ester Kali – Chief Executive Officer (LBN and LHN) Jaco Kruger – Chief Executive Officer (LMFSN)/Head of Sales & Distribution Karl-Stefan Altman – Chief Financial Officer O'Rute Uandara – Chief Operating Officer Aletta Shifotoka – Chief Risk & Compliance Officer James Damon – Head of Credit	Four members of the RMC, of which at least two should be EXCO members, where one of the two EXCO members is from the responsible department	The Committee shall meet at least once per month on a date before the monthly LBN EXCO meetings or at such times as may be requested by the MCC Chairperson, or a majority of the Committee members

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Information Technology Management Committee (ITMC)	▶ Ensures that the IT strategy is aligned with the strategic objectives of the organisation ▶ Ensures maximum optimisation of resources to sustain business operations in the most effective and efficient manner ▶ Ensures that expectations for IT are met ▶ Mitigates all IT risks ▶ Provides tools to monitor, manage, and measure delivery of these objectives.	O'Rute Uandara – Chief Operations Officer Richard Bastiaans – IT Manager Aletta Shifotoka – Chief Risk & Compliance Officer Ramona Coetzee – Operations Manager	Majority of EXCO members	Monthly

ATTENDANCE OF MEETINGS

The attendance of Board members at various Board and committee meetings during the year under review was as follows

Director	LHN/LBN Board Meeting	LMFSN	Audit, Risk & Credit Committee (ARC)	Remuneration Committee	Approval of Financial Statements	Strategy	Total number of meetings
Maryvonne Palanduz	4	4	4	–	1	1	14
Rosalia Martins-Hausiku	4	–	–	4	–	1	9
Sven Bloch von Blottnitz	4	–	4	–	1	1	11
Mansueta-Maria Nakale	2	2	–	–	–	2	6
Kamogelo Chiusiwa	2	2	2	2	–	1	9
Ester Kali	4	4	4	4	1	1	18
Karl-Stefan Altmann	2	2	2	2	–	1	9

* *No credit committee meetings were held as all credit aspects were dealt with during the audit and risk committee meetings.*

Board fees are as follows:

- *Annual retainer – Chairperson: N$181 280*
- *Annual retainer – Directors: N$146 000*
- *Sitting Fee – Board Chairperson: N$30 128 per meeting*
- *Sitting Fee – Directors: N$24 250 per meeting*
- *Sitting Fee – BARC members: N$22 596 per meeting for Chairman and N$18 733 per meeting for members*
- *Sitting Fee – RC members: N$15 064 per meeting for Chairman and N$12 489 per meeting for members*
- *Sitting Fee – Strategy Review Meeting: N$30 128 per meeting for Chairman and N$24 250 per meeting for Directors*
- *Sitting Fee – Special Board Meeting: an hourly rate of N$2 152.50 to be paid to Directors for attendance*

The revised board remuneration will be presented to shareholders at the Annual General Meeting 2022 for approval.

Governance enablers

IT GOVERNANCE

The Group continues to enhance its information technology (IT) governance framework as the Group's operations and sustainability are critically dependent on IT. In addition, "digitalisation" is one of LHN's strategic focus areas. LHN continues to capacitate this function aligned to the revised organisational design and global IT standards and best practice. Specifically, IT supports the Group's innovation and technological competitive advantage, the management of IT related risks, and increased requirements for control over information security. The framework addresses the following, in line with best practice:

- The IT activities and functions of the organisation are aligned, to enable and support the priorities of the Group
- IT delivers the envisioned benefits against strategy, costs are optimised, relevant best practices are incorporated, and the value created for the Group by its IT investment is maximised
- The optimal investment is made in IT and critical IT resources are responsibly, effectively, and efficiently managed and employed
- Compliance requirements are understood and there is an awareness of risk, allowing the organisation's risk appetite to be managed
- Performance is optimally tracked and measured, and the envisioned benefits are realised, including implementation of strategic initiatives, resource use and the delivery of IT services
- Synergies between IT initiatives are enabled and, where applicable, IT choices are made in the best interest of the Group as a whole

The Board has commissioned an IT Governance Task Team in Q1 2022 to strengthen board oversight, given the importance of the IT in delivering the Letshego strategy.

COMPLIANCE

The Board is responsible for overseeing the bank's compliance with specific legislation, rules, codes and standards applicable to the business across its various jurisdictions. The Board has delegated responsibility to management for the implementation of an effective governance, risk, legal and compliance framework, and processes, to the ARC, as envisaged by the NamCode. Compliance frameworks and processes are revised annually, as and when any legislative changes occur, or when otherwise necessary.

ASSETS AND LIABILITIES MANAGEMENT (ALM)

ALM is the responsibility of the Group Management Committee/ EXCO. ALM deals with the management of capital adequacy, foreign currency, maturity, liquidity, interest rate and markets, and credit risks, ensuring that the regulatory prudential ratios are maintained.

LEGAL COMPLIANCE

The Board has ultimate responsibility for overseeing the compliance with laws, rules, codes, and standards in terms of the NamCode. The Board has delegated responsibility to management of the implementation of an effective Corporate Governance Framework and processes, as envisaged by the NamCode. Through the governance and compliance function, Letshego remains resolute in implementing and embedding the Compliance and Corporate Governance Frameworks premised on the following enablers:

- Corporate Governance Framework for the holding company and its subsidiary boards
- Relevant organisation-wide policies
- Group-wide Code of Ethical Conduct and Whistleblowing Facility, and
- Commitment to the corporate strategy and brand promise
- Letshego continuously strives to review, update its policies to ensure alignment with the ever-changing business environment and strategic imperatives. It is against this background that during 2021, LHN undertook the following:
- Performed a detailed review of our Enterprise Risk Management Framework and policies
- The bank's governance framework is currently under review within LHN and at Group
- The Independent Board assessment conducted by Deloitte was completed in Q1 2021. For 2021, the Board conducted a self-evaluation that required members to complete an anonymous self-assessment questionnaire

Additional policies approved during 2021 are detailed below:

Strategic Risk Policies

- Strategic Risk Policy
- Sustainability and ESG Policy
- SSI Policy
- Reputational Risk Policy
- External Communication Policy
- Customer Complaints Policy
- Outsourcing Arrangements Policy

Financial Risk Policies

- Credit Risk Policies
- Capital/ICAAP Policies
- Liquidity Risk Policy
- Interest Rate Risk Policy
- Procurement Policies
- Accountant and Taxation Policies

Operational Risk Policies

- IT Policies
- HR Policies
- Operational Risk Policies
- Business line mapping policy (New)

Compliance Risk Policies

- Compliance Risk Policy
- AML Policy
- Legal Risk Policy
- Customer Acceptance Policy
- Gifts & Entertainment
- Conflict of Interest Policy

RISK GOVERNANCE

Our approach to risk and opportunity management

Compliance Risk Policies

Letshego subscribes to a risk philosophy that says, 'Risk is best managed at its inception'. The originators of risk events are expected to address the risks arising from such events. Hence everybody is a risk manager responsible for managing risks that arise from his/her business activities.

1ST LINE OF DEFENCE

Management oversight:

Line management is accountable and responsible for the management of risk and business performance. A key element of this line of defence is the extent of management reviews and the actions that follow. Management must use a system of self-assessment that includes RCSAs, KRIs, Performance Indicators and Risk Registers to inform them of the adequacy of risk management activities.

Risk activities include people and processes, management supervision and oversight. Line management is responsible and accountable for managing risk around business-as-usual.

2ND LINE OF DEFENCE

Management of risk and compliance:

The second line of defence (i.e., Risk & Compliance, Legal, AML) works closely with the first line of defence to monitor, report and recommend to the Country Management Committee and ARC. Key risk activities include:

- Developing and maintaining risk management policies.
- Promotion of risk awareness.
- Advising on how to manage risks.
- Monitoring of key risk and control indicators.
- Monitoring of losses.
- Performing targeted deep dives.
- Tracking remediation/risk acceptance of issues.
- Stress testing, etc

3RD LINE OF DEFENCE

Internal Audit:

Internal Audit focuses on internal risk-based audits that provide assurance over LHN's controls, risk management and governance activities, as performed in lines one and two. Internal Audit also provides assurance with line two on activities in line one, or combined assurance with Independent Assurance functions such as External Auditors and Regulators on activities in line one and two. The internal auditors report directly to ARC.

Our risk management process

The Board is ultimately responsible for ensuring that management maintains an effective risk management process. The ARC assists the Board in the discharge of its duties relating to risk and provides an independent and objective view of information presented by management on risk management. The ARC is responsible for setting measures as may be necessary to enhance the adequacy and efficiency of the risk management policies, procedures, practices and controls applied within the bank. It monitors external developments relating to risk management, including emerging risks and their potential impact and ensures that risk management standards and policies support the strategy and are well documented.

Enterprise-wide risk management framework (ERMF)

The ERM Framework outlines the approach to managing risks faced by Letshego. The ERM framework consists of sub-frameworks for Strategic, Reputational, Operational, Credit, Liquidity, Interest rate, Compliance, Anti-Money Laundering and Legal risks. These are supported by robust risk policies, risk appetite, risk tools and procedures.

The purpose of the ERM Framework is to ensure that risks faced by the bank are managed in an integrated, consistent and comprehensive manner. Our ERM Framework emphasises the five key pillars of a sound risk management framework, namely, adequate Board oversight, adequate senior management oversight, sound risk management policies and operating procedures, strong risk measurement, monitoring and control capabilities and adequate internal controls. The risk principles and methodologies outlined in the sub-frameworks are based on best practices and local regulatory requirements. The level of sophistication of processes, and internal controls used to manage risks, depend on the nature, scale and complexity of the bank's activities.

We continue to take a holistic and forward-looking view of the risks faced by the bank. Management receive monthly risk reports for effective risk monitoring through various management committees and quarterly reports are submitted to the Board Committees and the Board of Directors on a quarterly basis. The risk appetite statement is contained in the capital management policy as well as the ERM Framework.

During 2022, the ERM Framework and the capital management policy were approved by the Board and further implemented into the bank by senior management. The ERM framework and all the policies including risk appetite statement are reviewed every second year. The next board review of all policies was conducted during Q1 of 2022, where the risk appetite and new thresholds for the different risk types were reviewed for Operational risk, capital risk, credit risk, people risk, digital risk, data risk, compliance risk, treasury risk, Information Communication and Technological (ICT) risk which includes cyber risk. The proposed risk thresholds will be presented within the report, under the individual risk items. However, more details will be provided in the next ICAAP submission.

RISK APPETITE

The bank's risk appetite represents the amount and type of risk it is willing to take to achieve its strategic objectives. In assessing risk appetite and tolerances, the Board and management consider the needs and expectations of the bank shareholders, customers and employees and the desire to build a profitable, socially responsible and sustainable institution. Risk appetite further incorporates a balanced mix of quantitative and qualitative measures effected through the bank-wide risk management process, where specific risk appetite and tolerances in the form of guidelines are outlined in the ERM Framework and respective policies and procedures.

Letshego's risk appetite remained the same during the reporting period and included the following:

- Maintaining capital ratios in excess of regulatory thresholds
- Maintaining low exposure to stress events
- Maintaining stability of earnings
- Ensuring sound management of liquidity and funding risk
- Maintaining a generally acceptable regulatory risk and compliance control environment
- Maintaining a risk profile that is no riskier than that of our average peers
- Maintaining operational losses to a maximum of 20% of Gross Income per year.

MANAGING ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) RISKS

LHN has a practical process for identifying pertinent ESG risks and potential negative effects, as covered by our Key Risk Indicator Policy. This process considers ESG risks and impacts generated directly by LHN's operations, as well as those from contractors and supply chain, where possible. This will typically lead to the identification of opportunities for risk mitigation, and potential opportunities that can be leveraged for positive impact. The identification process is commensurate with the level of ESG risks and effects, and consistent with Good International Industry Practice (GIIP). Typical ESG Risk categories associated with Letshego's proposed sectors of interest include:

1. **CUSTOMER WELFARE**
2. **UNDERSTANDING, UPTAKE AND USE OF MOBILISATION PLATFORMS**
3. **COMPLEXITY OF SOLUTIONS ON OFFER**
4. **MARKET COMMUNICATION**
5. **EXECUTION AND DELIVERY INTO THE MARKET**
6. **EMPLOYEE STRATEGIC ALIGNMENT, MOTIVATION AND COMMUNICATION**

Other risk categories include Sales, Finance and Human Resources.

KEY FOCUS AREAS FOR 2022

The key risk focus areas going forward include the following:

- Talent mobility and fostering a relentlessly innovative culture
- Diversifying products and develop innovative solutions meeting customer needs across segments
- Digital delivery driving growth of client centric ecosystems offering end-to-end solutions to all customer segments
- Grow deposits base to augment funding base, improve net interest margin and optimise capital
- Strengthen assurance with Continuous Audit and Continuous Monitoring (CACM)
- Engagement by senior management and the LHN Board with LHL to ensure that annual progress on the local ownership requirement is achieved
- Ensure full implementation of Microlending Act requirements, including affordability assessments, requirement to segregate people, systems and data by LMFSN and compliance with the stipulated finance charges
- Ensure renewal of the Deduction Code for personal loans. Ensure adequate review of all procedure manuals to ensure that the processes are still relevant for the business operations and align to the policies in place.
- Review incident management process to ensure the effectiveness within the complex business environment.

INTERNAL AUDIT

Internal Audit (IA) provides independent and objective assurance to the ARC in accordance with the internal audit standards set by the Institute of Internal Auditors (IIA) and in line with Group Internal Audits (GIA's) audit methodology. The function reports to the ARC and the ARC is responsible for reviewing and approving the internal audit charter, the internal audit coverage, as well as resource and financial plans of the internal audit department. During the year under review, the ARC reviewed and approved the internal audit charter, the independence of the IA function, received quarterly reports from the Head of Internal Audit, and reviewed and approved the annual IA plan.

COMPLIANCE WITH THE NAMCODE

LHN applies the principles of the NamCode across the organisation. The principles of King IV are fully contained within the NamCode, which therefore extends our compliance to the principles of King IV. The Board is satisfied with the manner in which LHN applies the principles of the NamCode. What follows is a summary of our evaluation of where we are compliant, and if not, an explanation:

Reference	NamCode principle(s)	2021	Commentary
1. Ethical leadership and corporate citizenship			
1.1	The Board should provide effective leadership based on an ethical foundation.	Applied	Our Board Charter clearly outlines the responsibility for effective leadership based on an ethical foundation. The Board's performance with respect to this requirement will be evaluated on an annual basis.
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	Letshego Holdings (Namibia) Limited has a Strategic and Social Investment (SSI) Policy approved by the Board and remains committed towards sustainable development and improvement of lives in the communities within which Letshego Holdings (Namibia) Limited operates. Further, this policy ensures that Letshego Holdings (Namibia) Limited is a socially responsible corporate citizen and occupies a positive and impactful role in its subsidiaries and communities. Going forward, Ethics and Sustainability will be a standing agenda item for board discussion and tracking of progress.
1.3	The Board should ensure that the Company's ethics are managed effectively.	Applied	Letshego Holdings (Namibia) Limited has a code of ethics policy approved by the Board and the responsibility to oversee the performance against the principles is delegated to the Board Audit & Risk Committee. Section 5.2.2 of the Board Charter stipulates that the Board should determine and set the ethical tone of the Company values, including framework of the code for ethical conduct, ethical business principles and practices, requirements for responsible corporate citizen. Going forward, Ethics and Sustainability will be a standing agenda for board discussion and tracking of progress.
2. Boards and Directors			
2.1	The Board should act as the focal point for and custodian of corporate governance.	Applied	The Board Charter clearly set out the Board responsibilities and the Board meets at least four times per year. According to section 5.2.2 of the Charter, the Board must satisfy itself that the Company and Subsidiary Companies are governed effectively in accordance with corporate governance best practices including risk management, legal compliance management, appropriate and relevant nonbinding industry rules, codes and standards. Further, as per NSX directive, a Social, Ethics & Sustainability Committee will be formed by the start of the next financial year (2023).
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	The principle is recognised in the Board Charter and it is part of the Board's responsibility to determine the strategies and strategic objectives of the Company and ensure that the strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced. Strategy, risk, performance and sustainability are standing agenda items for board meetings.
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	Refer to principle 1.1 above.

Reference	NamCode principle(s)	2021	Commentary
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	Refer to principle 1.2 above.
2.5	The Board should ensure that the Company's ethics are managed effectively.	Applied	Refer to principle 1.3 above.
2.6	The Board should ensure that the Company has an effective and independent Audit Committee.	Applied	An independent Board Audit & Risk Committee is in place and its main objectives are outlined in the section: 'Composition of the Board and its subcommittees'. The Committee's terms of reference outline the roles, powers, responsibilities and membership. The majority of members of the Board Audit & Risk Committee are Independent.
2.7	The Board should be responsible for the governance of risk.	Applied	The Board Audit & Risk Committee whose main purpose is outlined above under composition of the Board and its subcommittees assists the Board in executing its responsibility in terms of the governance of risk. The Committee meets on a quarterly basis and top risks are considered during the meetings and reported to the Board.
2.8	The Board should be responsible for information technology (IT) governance.	Applied	The Board Charter requires the Board to assume responsibility for IT governance. The Board has delegated responsibility to the ITMC for the oversight and to ensure effective IT governance. The Board has further commissioned the IT Governance Committee to support Letshego's digitalization strategy.
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.	Applied	The Board Audit & Risk Committee assists the Board in ensuring that the Company's Governance, Risk, IT and Compliance Frameworks are maintained and that compliance to applicable laws and regulations are effectively monitored. Further, the RMC at management level will meet monthly to consider the level of adherence of the Company to rules, codes and appropriate standards.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Applied	In line with the NamCode, our Internal Audit Function reports directly to the Board Audit & Risk Committee. The Board Audit & Risk Committee approves a risk based internal audit plan at the beginning of each year and ensures that the Internal Audit function has adequate resources, budget standing and authority to enable it to discharge its functions.
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	Applied	The potential impact of stakeholders' perceptions on the reputation of LHN is recognised and highlighted in the Board Charter. According to the Charter, only individuals with sound ethical reputations will be considered for appointment to the Board. Part of the Board's mandate in the charter is to safeguard the human capital, assets and reputation of the entity.
2.12	The Board should ensure the integrity of the Company's integrated report.	Applied	This integrated annual report is approved by the Board after satisfying itself with respect to the accuracy and integrity of the report based on the recommendation from the Board Audit & Risk Committee.
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	Applied	The Board's opinion on the effectiveness of the system of internal controls is expressed in the statement of the Board of Directors forming part of the annual financial statements. This opinion is based on the recommendation of the Board Audit & Risk Committee that reviews and satisfies itself with the adequacy of the controls in place.
2.14	The Board and its Directors should act in the best interests of the Company.	Applied	The Board makes decisions giving due regard to their fiduciary duties and duty of care with an independence of mind. Further, Directors are required to declare their direct and indirect interests at each Board meeting.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	Applied	The Board considers the Company's going concern status at its interim and full year meetings. The Board continuously monitors the solvency and liquidity of the Company on a regular basis. This enables the Board to consider business rescue should the Company become financially distressed. Further, the deposit taking subsidiary (LBN) has developed a Liquidity Contingency Plan.

Reference	NamCode principle(s)	2021	Commentary
2.16	The Board should elect a Chairman of the Board who is an Independent Non-Executive Director. The MD of the Company should not also fulfil the role of Chairman of the Board.	Applied	The Board is chaired by an Independent Non-Executive Director and as covered under the section on composition of the Board and its committees above. The roles of the Chief Executive Officer and Chairperson are separate in line with the Namcode.
2.17	The Board should appoint the Company Chief Executive Officer and establish a framework for the delegation of authority.	Applied	According to the Board Charter, the Chief Executive Officer is appointed by the Board. The Executive Management operates within the defined framework for the delegation of authority from the Board via the Chief Executive Officer. The delegation of authority is reviewed regularly to ensure that it is commensurate with the level of maturity of the Company.
2.18	The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	Applied	The Board membership as at end of 2021 is comprised of seven Directors of which four are Independent Non-Executive Directors (INEDs), one Non-Executive Director (NED) and two Executive Director (EXD), being the Chief Executive Officer. The appointment of an additional independent non-executive director was concluded on 01 February 2022.
2.19	Directors should be appointed through a formal process.	Applied	The Board Charter acknowledges and sets out the Directors' appointment process. In considering whether the potential candidates are suitable for appointment, decisions are made by the Board in accordance with the criteria clearly stipulated in the Board Charter. All Non-Executive Director appointments are voted on by Shareholders at Annual General Meetings by either ratification of appointments made by the Board or by voting on the re-election of Directors who retire by rotation.
2.20	The induction of and on-going training and development of Directors should be conducted through formal processes.	Applied	The role of the Chairperson includes the need to ensure that all Directors are appropriately made aware of their responsibilities through a tailored induction programme ensuring that a formal programme of continuing professional education is adopted at Board level. While an induction program is in place and training is provided in specific areas to the Directors, ongoing training and development of Directors is conducted through a formal on-line process as well as in-person.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	Applied	The decision to appoint or remove the Company Secretary is a Board decision. The Board ensures that a competent, suitably qualified and experienced person is appointed as Company Secretary.
2.22	The evaluation of the Board, its Committees and the individual Directors should be performed every year.	Applied	A formal independent board assessment was conducted for FY21. The results of the independent assessment show the following: ▶ The need to implement succession planning & director training plan. Effective management of stakeholder engagement. Implementation of individual director performance appraisals.
2.23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	Applied	According to the Board Charter, the Board has the power to appoint Committees and to delegate its duties to such Committees as may have been set up having regard to what is appropriate for the Company. These committees review and recommend matters to the Board for final approval. The Board has created the following Committees with clearly defined terms of reference: ▶ The Board Audit & Risk Committee ▶ The Credit Committee ▶ The Asset and Liability Committee ▶ The Procurement Committee ▶ The Remuneration Committee ▶ The Information Technology Management Committee.

Reference	NamCode principle(s)	2021	Commentary
2.24	A governance framework should be agreed between the Company and its subsidiary Boards	Applied	Letshego Holdings (Namibia) Limited and its Subsidiaries have a governance framework approved by the Board and supported by respective Charters. The governance charter is currently under review at LHL level, in consultation with independent parties. The revised governance framework will be duly customized and adopted by all Letshego subsidiaries. Board Charters are reviewed every second year, to ensure better alignment with the NamCode.
2.25	The Company should remunerate Directors and Executives fairly and responsibly.	Applied	The Board is responsible for setting and administering remuneration of Directors and Executives with shareholders approving directors' remuneration at each Annual General Meeting. It has adopted remuneration practices governed by a Remuneration Policy which support the Company's growth, performance and returns strategy. the Remuneration Policy has adequate oversight of the Company's remuneration, reviews and recommends to the Board for approval.
2.26	The Company should disclose the remuneration of each individual Director and Prescribed Officer.	Applied	Full disclosure is included in this integrated annual report under Remuneration Policy section above.
2.27	Shareholders should approve the Company's remuneration policy.	Applied	At each AGM which is held annually, for the purpose of considering and adopting the annual financial statements, shareholders have a non-binding vote on the remuneration of Directors, including the basis for this remuneration.
3. Audit Committee			
3.1	The Board should ensure that the Company has an effective and Independent Audit Committee.	Applied	The Board has an independent and effective Board Audit & Risk Committee in place. All members of the Committee are suitably qualified and experienced with a majority of members being Independent Non-Executive Directors.
3.2	Audit committee members should be suitably skilled and experienced independent nonexecutive directors.	Applied	As per 3.1 above.
3.3	The Audit Committee should be chaired by an Independent Non-Executive Director.	Applied	The Board Audit & Risk Committee is chaired by an Independent Non-Executive Director.
3.4	The Audit Committee should oversee integrated reporting.	Applied	The Audit and Risk Committee Charter requires the Committee to oversee and take responsibility for the integrity of the integrated annual report.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	In line with the Audit and Risk Committee Charter, the Committee ensures that the combined assurance received from the external and internal auditors is appropriate to address all the significant risks facing the Company.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Applied	The Audit and Risk Committee Charter requires the Committee to annually review the appropriateness of the expertise and adequacy of the resources on the finance function and the experience of the senior members of management responsible for the finance function.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	Applied	The Audit and Risk Committee monitors and supervises the effectiveness of the Internal Audit function and ensures that the roles and functions of the External Audit and Internal Audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the Company's systems of internal control and reporting.

Reference	NamCode principle(s)	2021	Commentary
3.8	The Audit Committee should be an integral component of the risk management process.	Applied	The Committee Charter of the Audit and Risk Committee requires the committee to oversee the Company's risk management process.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The Audit and Risk Committee recommends to the Board which firm(s) should be appointed in the event of change of external auditor(s), their reappointment and removal. In addition, the Committee evaluates the performance of the external auditor(s) and the engagement partner is rotated at least every 5 years or such other frequency deemed to be appropriate based on the external audit firm rules to enhance actual and perceived independence.
3.10	The Audit Committee should report to the Board and Shareholders on how it has discharged its duties.	Applied	The Chairman of the Audit and Risk Committee reports to the Board at all its meetings and minutes of the meeting are provided to the Board. The Chairperson of the Committee attends the Annual General Meeting to answer questions concerning matters falling within the ambit of the Committee and appropriate disclosures are made in the IAR.
4. The governance of risks			
4.1	The Board should be responsible for the governance of risk.	Applied	The Board Charter confirms the Board's responsibility for the governance of risk and has delegated this to the Board Audit & Risk Committee. The Committee is responsible for the development and implementation of the ERM Framework including the policies, systems and processes, induction programs, and appropriate training to ensure effective governance of risk.
4.2	The Board should determine the levels of risk tolerance.	Applied	The Audit and Risk Committee assists the Board in discharging its duties relating to the setting of LHN levels of risk tolerance. The risk appetite and tolerance levels contained in the ERM Framework were approved by the Board. The Board review and approve recommendations to amend the risk appetite & tolerance levels by management committees.
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	Applied	The Board Charter established the Board's responsibility for risk governance and delegated LHN's risk management responsibilities to the Audit and Risk Committee.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	The Audit and Risk Committee assists the Board in discharging its duties relating to the responsibility to design, implement and monitor the risk management plan. The Committee approves the risk policies, strategies and plans for the effective management of risk including the establishment of risk management committees and the delegation of matters to those committees.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	Applied	The ERM Framework approved by the Board requires risk assessments to be performed on a continual basis across functions, subsidiaries, access channels, projects and new solutions.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	Letshego Holdings (Namibia) Limited has its Governance Framework, ERM Framework, Legal, Compliance and Anti-Money Laundering Framework and IT Governance Framework all approved by the Board for the effective management of risks across LHN Company and its Subsidiaries. The Board is updated quarterly on the level of embedding the risk frameworks, assessment of new or emerging risks and the tolerable level of residual risk amongst others.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	Applied	The Audit and Risk Committee ensures that management develops adequate risk responses and that the Committee considers and evaluates such responses. Risks are identified, assessed and monitored in line with the ERM framework and reported to the Committee on a quarterly basis.

Reference	NamCode principle(s)	2021	Commentary
4.8	The Board should ensure continual risk monitoring by management.	Applied	The Audit and Risk Committee approves the risk strategy and plans on an annual basis for effective implementation by Management. The Country Management Committee and other management committees such as the Asset Liability Management Committee, Risk Management Committee, Management Credit Committee, Procurement Committee and Information Technology Management Committee, will meet on a monthly basis to review the risk reports with quarterly reviews being conducted by the Board Audit & Risk Committee.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	Applied	The Board receives risk assurance reports from the Audit and Risk Committee on a quarterly basis after the committee reviews the report submitted by Management.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	A detailed risk management report forms part of the Annual Integrated Report to provide stakeholders with both adequate and accurate information on the risk management processes in Letshego and the effectiveness thereof. Further, Management provides assurance to the Board on a quarterly basis that the risk management plans are integrated in the daily activities of LHN.
5. The Governance of IT			
5.1	The Board should be responsible for information technology (IT) governance.	Applied	The Board Charter recognises the Board's responsibility for IT governance and the Audit and Risk Committee ensures that an IT governance charter and policies are established and implemented. This is supported by the Information Technology Management Committee at management level.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	Applied	Letshego Holdings (Namibia) Limited's IT strategy is integrated with the Business strategy and business processes. The Board Audit & Risk Committee is responsible for the management of performance and sustainability objectives of LHN, and ensures that IT is aligned to these objectives.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	The Audit and Risk Committee requires the Committee to ensure that management is responsible for the implementation of the structures, processes and mechanisms for the IT governance framework. This is supported by the Information Technology Management Company Committee (ITMC) and the board-commissioned IT Governance Committee.
5.4	IT should form an integral part of the Company's risk management.	Applied	The IT Governance Framework and the Enterprise Risk Management framework of LHN includes the assessment and management of all significant IT risks. IT risk management includes disaster recovery planning, cyber security, system implementation of operational controls/ policies, IT legal risks and compliance to laws, rules, codes and standards that are an integral part of LHN risk management.
5.5	The Board should ensure that information assets are managed effectively.	Applied	It is the responsibility of the Audit and Risk Committee to ensure that LHN has systems in place for the management of information that include the protection of privacy of personal information and the continual monitoring thereof, irrespective of whether this information is at rest, in transmission, or at disposal of IT Assets.
5.6	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Applied	The Board Audit & Risk Committee Charter requires the Committee to ensure that IT risks are adequately addressed, and that assurance is given to confirm that adequate controls are in place. The Board Audit & Risk Committee reviews IT risks and controls, adequacy of business continuity management (including disaster recovery plans for IT), information security, privacy and authorised access.

Reference	NamCode principle(s)	2021	Commentary
6. Compliance with laws, rules, codes and standards			
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.	Applied	Through the Audit and Risk Committee, the Board is able to address legal and compliance requirements of the institution, governed by a Legal, Compliance and Anti-money Laundering Framework. The Legal and Compliance update is a standing item in the Risk & Compliance report; in which the Board is appraised on legal and compliance risk and deliberates over the applicable legislations and the approach to the stated laws.
6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	Applied	Applicable laws are reported to the Board by the Legal and Compliance function. Any new legislation or rules which impact LHN and its subsidiaries are notified to the Board, who are advised on the legal requirement applicability and how the same is being disseminated to the applicable areas of business which are impacted.
6.3	Compliance risk should form an integral part of the Company's risk management process.	Applied	The Compliance and Anti-Money Laundering framework is a sub-set of the Enterprise Risk Management framework. The Compliance risk and AML tools that include the Compliance Risk Monitoring Plans, Compliance Risk Monitoring Reviews and AML monitoring system are applied across all the head office functions and branch networks.
6.4	The Board should delegate to Management the implementation of an effective compliance framework and processes.	Applied	A Legal, Compliance and AML framework has been approved by the Board, which addresses the implementation of compliance controls and processes. The framework enhances and complements the Enterprise Risk Management Framework. Both documents delegate to management the effective ways we tackle compliance risks.
7. Internal audit			
7.1	The Board should ensure that there is an effective risk based internal audit.	Applied	An independent Internal Audit function is in place, governed by an approved Internal Audit Charter and reports functionally to the Board Audit & Risk Committee. The Board approves the Internal Audit Plan during the first quarter of the year before implementation.
7.2	Internal audit should follow a risk-based approach to its plan.	Applied	The Internal Audit Function follows a risk-based approach in its annual audit planning that is considered and approved by the Audit and Risk Committee. The risk-based planning direct time and effort toward the risks that most affect LHN's ability to implement strategy and achieve goals. The plan is reviewed quarterly in response to changes in LHN's business drivers, significant risks, operational programs and systems.
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Applied	Internal Audit reports quarterly to the Audit and Risk Committee on its assessment of internal controls and overall control consciousness of LHN. The trend analysis of Internal Audit ratings from engagements completed over the past three years is used to assess improvement in the control environment. Also, management issue an Annual Statement on Internal Controls to the Board Audit & Risk Committee that includes its commitment to resolve LHN's Internal Audit findings.
7.4	The Audit Committee should be responsible for overseeing internal audit.	Applied	The Audit and Risk Committee is responsible for overseeing Internal Audit. The Committee approves the Internal Audit charter, the annual internal audit plan, the budget and the resource plan of the function. Also, the Committee receives communication on Internal Audit's performance and significant findings. The Committee approves the appointment, removal and remuneration of the Head of Internal Audit.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The Internal Audit function is independent and reports to the Audit and Risk Committee. The Head of Internal Audit is a permanent invitee to the Country Management Committee, has the respect and cooperation of both the Board and Management and has unrestricted access to the Board Audit & Risk Committee Chairman and members, including private meetings without management (executive sessions).

Reference	NamCode principle(s)	2021	Commentary
8. Governing stakeholder relationships			
8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	Applied	The Board Charter recognises the Board's responsibility to manage stakeholder relations and perceptions considering the potential risk to LHN reputation. The Board has put measures in place through the Board Audit & Risk Committee and the Country Management Committee to promote a culture that focuses on a unique customer experience, innovation, anticipatory risk, people commitment and stakeholder engagement to protect LHN reputation.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	Applied	The Board has delegated the effective management of stakeholder relationships to the Board Audit & Risk Committee and the Country Management Committee. To this end, the following policies were approved by the Board for implementation by management and staff: ▶ Reputational Risk Policy ▶ External Communication Policy ▶ Sustainability and Environmental, Social, Governance Policy ▶ Strategic Social Investment Policy.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Applied	The Board strives to achieve an appropriate balance between the interests of various stakeholders in its decision making. The Country Management Committee assists the Board in achieving this objective.
8.4	Companies should ensure the equitable treatment of Shareholders.	Applied	In line with the Companies Act 28 of 2004 and the Namibian Stock Exchange (NSX) Listings Requirements regarding the treatment of Shareholders, the Board is aware of its duty to ensure that all Shareholders are treated equally and equitably.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	Letshego Holdings (Namibia) Limited strives to provide complete, timely, relevant, accurate, honest and accessible information to its stakeholders whilst having regard to legal and strategic considerations. Further, independent consultants are engaged periodically to assess the level of stakeholder engagement in Letshego Holdings (Namibia) Limited and its subsidiaries.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	The Board Charter clearly addresses the issue of dispute resolution and the Board's approach in this regard. It is a policy of the Company to ensure that internal and external disputes are resolved as effectively and expeditiously as possible. To this end consideration is given in respect of each dispute whether settlement, litigation, arbitration, mediation or other forms of alternative dispute resolution would be the most effective mechanism to resolve a dispute in the best interest of the Company.
9. Integrated reporting and disclosure			
9.1	The Board should ensure the integrity of the Company's integrated report.	Applied	The Board is ultimately responsible for this integrated annual report and has put adequate measures through the Board Audit & Risk Committee to enable it to verify and safeguard the integrity of the report. The Board Audit & Risk Committee reviews and considers the financial statements and any other information in the integrated report for Board approval prior to publishing.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	In addition to LHN financial reporting, sustainability reporting is treated as part of the Strategic Social Investment initiatives in the Integrated Annual Report. Ethics & Sustainability reporting is a standing agenda for board discussion going forward.
9.3	Sustainability reporting and disclosure should be independently assured.	Not applied	The Board does not have a formal process in place to obtain independence assurance over the sustainability reporting and disclosure in this Integrated Annual Report.

Remuneration

OVERVIEW OF THE REMUNERATION PHILOSOPHY AND POLICY

Letshego aims to remunerate its Board and employees adequately, fairly, and within industry norms. NEDs' fees are fixed for two years. Generally, Directors of LHN and its subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. NEDs do not receive any fees that are related to the performance of the Group and do not participate in any share-based payments or incentives.

Generally, Directors of LHN and its subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. NEDs do not receive any fees that are related to the performance of the Group and do not participate in any share-based payments or incentives.

The Board's structure balances the directors' powers so that no individual has unfettered authority in discussions or decision-making. The distinct roles of the Chief Executive Officer, Group Chairman, and Non-executive directors are defined in the Board Charter.

The Board Charter, which is aligned to the NamCode, sets out the following:

- The Board's responsibilities and functions, including safeguarding the Board's collective and individual members' independence
- Role of the Board, as distinct from the roles of the Shareholders, the Chairman, individual Board members, the Company Secretary and other executives of LHN
- Powers delegated to various Board committees
- Matters reserved for final decision-making or approval by the Board

Policies and practices of the Board in respect of matters such as corporate governance, trading by Directors in the securities of the Group, declaration and conflicts of interest, Board meeting documentation, alternative dispute resolution, business rescue proceedings and procedures.

LONG TERM INCENTIVE PLANS (LTIP)

Executive Management of LHN comprising LBN and LMFSN are eligible to be incentivised on the LHL Long-Term Incentive Plan (LTIP), which is an equity-settled conditional incentive plan where awards are granted to key employees based on non-market conditions, namely Earnings per Share and Return on Equity of LHL. The LTIP grants incentives of between 75% and 200% of the basic salary of participants, which vest at the end of three years, based on achievement of targets. The Group also operates a deferred cash bonus scheme for selected members of the management team who do not participate in the aforementioned share scheme. The deferred cash bonus is paid over three years (50% at the end of the second year and 50% at the end of the third year) and is adjusted upwards for any increase in the Group's share price during the bonus period. The Group remuneration and incentive schemes are designed to ensure that executive and management remuneration is driven by increase in shareholder value as well as delivery of the Group's strategic objectives.

The key elements of the LTIP are:

- Calculation of grants – ranges between 75% to 200% of basic salary for participants
- Grant term – vesting is at the end of three years
- Grant targets – based on Earnings per Share and Return on Equity targets set at the start of each three-year period.

As a further retention tool, a deferred cash bonus scheme is in place for selected members of the management team who do not participate in the share scheme. The deferred cash bonus is paid over three years (50% at the end of the second year and 50% at the end of the third year). The deferred cash bonus is adjusted upwards for any increase in the Group's share price during the bonus period.

These remuneration and incentive schemes are designed to ensure that executive leadership and management remuneration are driven by increase in shareholder value as well as delivery of the Group's strategic objectives. Surveys conducted by independent consultants indicate that basic salaries paid by the Group to staff are aligned to industry and market norms. In awarding annual increases to employees, consideration is given to an employee's performance as well as the impact of inflation in the countries in which the Group operates.

LONG TERM INCENTIVE PLANS (LTIP) *continued*

	Status – INED/NED/ EXD	Main Boards (LHN/LBN/ LMFSN)	Retainer	Audit and Risk Committee	Remuneration Committee	Credit Committee	Total
M. Palanduz	INED	N$192 329	N$178 640	N$72 750	N$0	N$0	**N$443 719**
S. Von Blottnitz	INED	N$121 250	N$146 000	N$87 750	N$0	N$0	**N$355 000**
R. Martins-Hausiku	INED	N$97 000	N$146 000	N$0	N$58 500	N$0	**N$301 500**
M-M. Nakale	INED	N$63 564	N$48 667	N$0	N$0	N$0	**N$112 231**
R. Mbetjiha	NED	N$112 153	N$60 010	N$0	N$24 250	N$0	**N$196 413**
K. Chiusiwa	NED	N$0	N$0	N$0	N$0	N$0	**N$0**
E. Kali	EXD	N$0	N$0	N$0	N$0	N$0	**N$0**
K-S. Altmann	EXD	N$0	N$0	N$0	N$0	N$0	**N$0**
Total		**N$586 296**	**N$579 317**	**N$160 500**	**N$ 82 750**	**N$0**	**N$1 408 863**

Ms. Palanduz is currently the Chairperson of , LBN and LHN, and was remunerated accordingly during the year under review.
Mr. Mbetjiha retired by rotation from the Board on 30 June 2021, and therefore attended the Q1 & Q2 2021 board meetings only.
Ms. Mansueta-Maria Nakale joined the Board on 31 August 2021, and therefore attended the Q3 & Q4 2021 board meetings only.

The above Directors fees were approved by Shareholders at the Annual General Meeting held 02 July 2021.

EXECUTIVE DIRECTORS' REMUNERATION & EMOLUMENTS

Executive Directors' incentive bonuses are evaluated and recommended by the RemCo for the approval of the Board.

	As at 31 December 2020	As at 31 December 2021
Executive Directors' remuneration (N$)	2 232 180	**6 653 154 (for 3 executive directors in LHN, LBN & LMFSN)**

TOP THREE EARNERS WHO ARE NOT EXECUTIVE DIRECTORS AS AT 31 DECEMBER 2021

	For management services
Employee 1	N$1 905 320
Employee 2	N$1 821 938
Employee 3	N$1 875 520

EXECUTIVE DIRECTORS' REMUNERATION AS AT 31 DECEMBER 2021

Executive directors	Share-Based Plans	Deferred Bonus Plans	Standard Annual Bonus Plan
CEO	✓		✓
Executive Committee		✓	✓
Sales and Support Staff			✓

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited, comprising the statement of financial position at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies, other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Namibian Companies Act.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and the Group to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements are fairly presented in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Letshego Holdings (Namibia) Limited, as identified in the first paragraph, set out on pages 94 to 168, were approved by the directors on 29 March 2022 and signed on their behalf by:

MARYVONNE PALANDUZ
CHAIRPERSON

ESTER KALI
CHIEF EXECUTIVE OFFICER

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LETSHEGO HOLDINGS (NAMIBIA) LIMITED

Report on the Audit of the Consolidated and Separate Annual Financial Statements

Opinion

We have audited the consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited ("the company") and its subsidiaries ('the group') set out on pages 94 to 168, which comprise the directors' report, the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Consolidated and Separate Annual Financial Statements section of our report. We are independent of the group and company in accordance with the International Ethics Standards Board for *Accountants International Code of Ethics for Professional Accountants (including International Independence Standards)* and other independence requirements applicable to performing audits of annual financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the audit of the Consolidated and Separate Annual Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate annual financial statements.

The Key Audit Matters apply only to the audit of the Consolidated Annual Financial Statements.

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses on advances to customers The disclosure associated with expected credit losses on advances to customers is set out in the consolidated annual financial statements in the following notes: Note 3.2 - Significant accounting policies - Impairments Note 5.1.1 - Credit risk Note 10 - Advances to customers	
Expected credit losses on advances to customers We identified the audit of expected credit losses (ECL) on advances to customers as a key audit matter which required significant audit effort and the support of our specialists when considering the following: • The Group's advances to customers represents 77% of the Group's total assets; • There is a high degree of estimation uncertainty and significant judgements and assumptions are applied in estimating the ECL model on advances to customers; • Economic scenario forecasts used to estimate the ECL on advances to customers require subjective management judgement to reflect the current macroeconomic environment; In particular we have focused on the following areas of significant judgement and estimation which required the use of specialists: **1. Modelled ECL impairment loss** • The ECL is calculated on a modelled basis which incorporates observable data, assumptions and estimations. The development and execution of these model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters.	The following audit procedures, amongst others, were executed with the involvement of our internal quantitative specialists: We obtained an understanding of management's process over credit origination, credit monitoring and credit remediation and tested the relevant controls identified within these processes. **1. Modelled ECL impairment loss** • We assessed the design and implementation of the ECL model, including assessing the significant assumptions applied with reference to the requirements of IFRS 9, *Financial instruments* and have tested the operating effectiveness of management's ECL modelling controls around the assumptions used in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the model. • We reperformed the model calculations using assumptions as per the model documentation, and recalculated the PD, EAD and LGD parameters, to test the accuracy of the ECL calculations. • We compared the reperformed ECL impairments to the Group's ECL impairments per stage. • We tested the completeness and accuracy of data inputs into the model by tracing a sample of data

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2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation • These scenario forecasts are developed by the Group and require management judgement, given the uncertain macroeconomic environment, including the ongoing impacts of the COVID-19 pandemic, and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL. The judgement relates to the macroeconomic factors considered which include the Namibia CPI, Namibia GDP and Namibia Unemployment Rate.	inputs back to information sourced by management from internal systems. **2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation** • We assessed the design and implementation and tested the operating effectiveness of controls over the approval of macroeconomic forecasts used within the model. • We assessed the appropriateness of the macroeconomic scenario forecasts and probability weightings by benchmarking these against external evidence and economic data. • We performed independent review of the methodology on economic forecasts, which incorporated the estimated economic impacts as a result of the COVID-19 pandemic, to assess if the macroeconomic scenario forecasts were correctly incorporated in deriving the LGD.

Other Information

The directors are responsible for the other information. The other information comprises the company information and contents page and the directors' responsibilities and approval statement, which was obtained prior to the date of this report, and the Annual Report for the year ended 31 December 2021, which is expected to be made available to us after this date. The other information does not include the consolidated or the separate annual financial statements and our auditor's report thereon. Our opinion on the consolidated or the separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated or the separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated or the separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2021.

Responsibilities of the directors for the Consolidated and Separate Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated or the separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated or the separate annual financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group or company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

Ernst & Young
Partner – Danica Van Wyk
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Windhoek

12 April 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report to the members, together with the audited consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited ("the company") and its subsidiaries ("the Group") for the financial year ended 31 December 2021.

1. REPORTING ENTITY

Letshego Holdings (Namibia) Limited ("LHN") was incorporated in the Republic of Namibia on 24 February 2016.

2. NATURE OF BUSINESS

Letshego Holdings (Namibia) Limited is a listed public company, which operates within the Republic of Namibia. Its main business is holding its investment subsidiaries, namely Letshego Bank Namibia Limited ("LBN") and Letshego Micro Financial Services Namibia (Pty) Ltd ("LMFSN"). LHN holds 99.99% of the issued share capital in LBN and 100% of the issued share capital in LMFSN. The Group provides banking and other financial services to Namibian residents.

3. SHARE CAPITAL

There was no change in the authorised and issued share capital of the Group or company during the year under review.

4. DIVIDENDS

A final ordinary dividend of N$112.5 million (22.5 cents per share) in respect of the year ended 31 December 2020 was paid in June 2021.

An interim ordinary dividend of N$79.8 million (15.96 cents per share) (2020: nil) in respect of the year ended 31 December 2021 was declared and paid in November 2021.

5. DIRECTORS AND SECRETARY

The following persons were directors during the year under review:

Maryvonne Palanduz**	Independent Non-Executive; Chairperson
Ester Kali**	Executive
Rairirira Mbakutua Mbetjiha**	Non-executive (resigned 30 June 2021)
Sven von Blottnitz^*	Independent Non-Executive
Rosalia Martins-Hausiku**	Independent Non-Executive
Kamogelo Chiusiwa^^	Independent Non-Executive (appointed 12 July 2021)
Sheikh Jobe#	Independent Non-Executive (appointed 20 July 2021) (resigned 23 August 2021)
Mansueta-Maria Nakale**	Independent Non-Executive (appointed 31 August 2021)
Karl-Stefan Altmann**	Executive (appointed 17 August 2021)
Kudzai Chigiji*^	Independent Non-Executive (appointed 1 February 2022)

** Namibian | ^^ Motswana | ^* German | *^Zimbabwean | # Gambian

The secretary of the company, Chriszelda Gontes, resigned on 31 January 2022.

Business address:
18 Schwerinsburg Street
Windhoek
Namibia

Postal address:
PO Box 11600
Windhoek
Namibia

6. HOLDING COMPANY

As at year-end, Letshego Holdings Limited (incorporated in the Republic of Botswana) holds 78.46% of the issued share capital, while Kumwe Investment Holdings Limited holds 12% of the issued share capital. The rest of the issued share capital is held by members of the public (retail investors) as well as corporate entities.

7. FINANCIAL RESULTS

The financial results of the company and the Group are set out in these financial statements.

8. BORROWING POWERS

In terms of the Memorandum and Articles of Incorporation, the company has limited borrowing powers.

The total borrowings of the Group at 31 December 2021 are N$2 173 million (2020: N$1 430 million). Full details of the borrowings are shown in notes 15 and 16 of the consolidated and separate annual financial statements.

9. MAJOR CAPITAL EXPENDITURES

The Group made additions to its capital assets of N$8.8 million (2020: N$3 million) excluding the right-of-use assets during the financial year.

10. GOING CONCERN

The directors have satisfied themselves that the Group and the separate company is in a sound financial position and that sufficient borrowing facilities are accessible in order to enable the Group and company to meet its foreseeable cash requirements. In addition, there has been no material change in the markets in which the Group and the separate company operates and it has the necessary skills to continue operations. On this basis the directors consider that the Group and the separate company has adequate resources to continue operating for the foreseeable future and therefore deem it appropriate to adopt the going concern basis in preparing the Group's and company's financial statements for this reporting year.

11. INVESTMENT IN SUBSIDIARIES

Subsidiaries of Letshego Holdings (Namibia) Limited	Number of shares held	Issued ordinary share capital and premium N$'000	Effective holding 2021 %	Effective holding 2020 %
Letshego Bank (Namibia) Limited	999 994	100	**99.9**	99.9
Letshego Micro Financial Services (Namibia) (Pty) Ltd	1 000 000	140 100	**100**	100

Financial details of subsidiaries	Aggregate income of subsidiaries before tax 2021 N$'000	Aggregate income of subsidiaries before tax 2020 N$'000	Total investment 2021 N$'000	Total investment 2020 N$'000
Letshego Bank (Namibia) Limited	**103 354**	98 881	**1 344 154**	1 344 154
Letshego Micro Financial Services (Namibia) (Pty) Ltd	**218 311**	239 076	**570 200**	570 200

12. COMPLIANCE WITH BID-2

The Group's annual financial statements comply with the Bank of Namibia's Determination On Asset Classification, Suspension of Interest and Provisioning (BID-2).

13. MATERIAL POST REPORTING DATE EVENTS

A final dividend of 29.52 cents per ordinary share has been declared in respect of the year ended 31 December 2021 since the end of the reporting year.

No other matters which are material to the financial affairs of the Group and company have occurred between year-end and the date of approval of the consolidated and separate annual financial statements.

14. AUDITORS

Ernst & Young Namibia was appointed as external auditor in 2021 with the approval of the shareholders in accordance with the Namibian Companies Act.

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2021

		GROUP		COMPANY	
	Notes	**31 December 2021 N$'000**	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
ASSETS					
Cash and cash equivalents	7	287 048	468 253	329	59
Government and other securities	8	500 004	–	–	–
Other receivables	9.1	352 305	202 703	124 952	66 197
Intercompany receivable	9.2	–	–	200 590	78 672
Advances to customers	10	4 278 481	3 608 616	–	–
Current taxation	14.4	81 736	80 653	7 347	7 354
Investment in subsidiaries	29	–	–	1 914 354	1 914 354
Property, equipment and right-of-use assets	11	18 375	22 244	–	–
Deferred tax assets	14.3	3 488	3 803	538	–
Total assets		**5 521 437**	**4 386 272**	**2 248 110**	**2 066 636**
LIABILITIES AND EQUITY					
Liabilities					
Deposits due to customers	17	386 069	187 893	–	–
Trade and other payables	12	238 750	149 440	68 860	31 402
Lease liabilities	13	7 639	11 162	–	–
Borrowings	15	1 980 798	842 465	233 012	–
Amounts due to parent company	16	191 728	587 411	–	111 184
Deferred tax liabilities	14.3	6 882	9 367	–	–
Total liabilities		**2 811 866**	**1 787 738**	**301 872**	**142 586**
SHAREHOLDERS' EQUITY					
Share capital	18	100	100	100	100
Retained earnings		1 750 906	1 680 057	601 984	579 796
Capital reorganisation reserve	28	701 024	701 024	1 344 154	1 344 154
Statutory credit risk reserve		40 080	–	–	–
Equity settled share based payment reserve	19	2 376	2 268	–	–
		2 494 486	2 383 449	1 946 238	1 924 050
Non-controlling interest		215 085	215 085	–	–
Total equity		**2 709 571**	**2 598 534**	**1 946 238**	**1 924 050**
Total liabilities and equity		**5 521 437**	**4 386 272**	**2 248 110**	**2 066 636**

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		GROUP		COMPANY	
	Notes	**31 December 2021 Audited N$'000**	31 December 2020 Restated N$'000	**31 December 2021 Audited N$'000**	31 December 2020 Restated N$'000
Interest income	23	588 524	625 704	8 745	6
Interest expense	23	(121 232)	(98 750)	(10 425)	–
Net interest income	23	467 292	526 954	(1 680)	6
Credit impairment reversal/(charge)	10	16 520	(43 652)	–	–
Net interest income after impairment		483 812	483 302	(1 680)	6
Dividend income	25	–	–	161 562	–
Fee income	24	23 906	6 797	–	–
Other operating income	25, 6	213 535	148 568	65 855	51 825
Employee benefits	21	(80 985)	(70 429)	(30)	(3)
Other operating expenses	22	(284 465)	(164 291)	(11 757)	(2 246)
Operating profit before taxation	20	355 803	403 947	213 950	49 582
Taxation	14, 6	(52 574)	(83 058)	538	(2)
Profit for the year		303 229	320 889	214 488	49 580
Other comprehensive income, net of tax		–	–	–	–
Total comprehensive income for the year		**303 229**	**320 889**	**214 488**	**49 580**
Basic earnings per share (cents)	33	61	64	43	10
Fully diluted earnings per share (cents)	33	61	64	43	10

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital N$'000	Equity settled share based payment reserve N$'000
GROUP		
As at 1 January 2021	100	2 268
Total comprehensive income for the year		
Profit for the year	–	–
Other comprehensive income for the year	–	–
Transactions with equity holders, recorded directly in equity		
Ordinary share dividend paid	–	–
Transfer between reserves		
Share based payment transactions	–	108
As at 31 December 2021	**100**	**2 376**
As at 1 January 2020	100	2 144
Total comprehensive income for the year		
Restated profit and total comprehensive income for the year		–
Transactions with equity holders, recorded directly in equity		
Ordinary share dividend paid	–	–
Share based payment transactions	–	124
As at 31 December 2020	**100**	**2 268**
COMPANY		
As at 1 January 2021	100	–
Total comprehensive income for the year		
Profit and total comprehensive income for the year	–	–
Other comprehensive income for the year	–	–
Transactions with equity holders, recorded directly in equity		
Ordinary share dividend paid	–	–
As at 31 December 2021	**100**	**–**
As at 1 January 2020	100	–
Total comprehensive income for the year		
Profit and total comprehensive income for the year	–	–
Transactions with equity holders, recorded directly in equity		
Ordinary share dividend paid	–	–
As at 31 December 2020	**100**	**–**

Statutory credit risk reserve N$'000	Retained earnings N$'000	Capital reorganisation reserve N$'000	Ordinary shareholders' reserve N$'000	Non-controlling interest N$'000	Total equity N$'000
–	1 680 057	701 024	2 383 449	215 085	2 598 534
–	303 229	–	303 229	–	303 229
–	–	–	–	–	–
–	(192 300)	–	(192 300)	–	(192 300)
40 080	(40 080)				–
–	–	–	108	–	108
40 080	**1 750 906**	**701 024**	**2 494 486**	**215 085**	**2 709 571**
–	1 471 668	701 024	2 174 936	215 085	2 390 021
					–
–	320 889	–	320 889	–	320 889
–	(112 500)	–	(112 500)	–	(112 500)
–	–	–	124	–	124
–	**1 680 057**	**701 024**	**2 383 449**	**215 085**	**2 598 534**
–	579 796	1 344 154	1 924 050	–	1 924 050
–	214 488	–	214 488	–	214 488
–	–	–	–	–	–
–	(192 300)	–	(192 300)	–	(192 300)
–	**601 984**	**1 344 154**	**1 946 238**	**–**	**1 946 238**
–	642 716	1 344 154	1 986 970	–	1 986 970
–	49 580	–	49 580	–	49 580
–	(112 500)	–	(112 500)	–	(112 500)
–	**579 796**	**1 344 154**	**1 924 050**	**–**	**1 924 050**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	GROUP		COMPANY	
		31 December 2021 Audited N$'000	31 December 2020 Restated N$'000	**31 December 2021 Audited N$'000**	31 December 2020 Restated N$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit before taxation		**355 803**	403 947	**213 950**	49 582
Adjusted for:					
– Net interest income	23	**(467 292)**	(526 954)	**1 680**	(6)
– Dividends received	25	**(204 568)**	(148 568)	**(227 418)**	(51 825)
– Depreciation	11	**15 451**	15 108	**–**	–
– Impairment allowance on advances	10	**(24 343)**	42 926	**–**	–
– Equity settled share based payment transactions	19	**108**	124	**–**	–
Movement in advances to customers	10	**(645 522)**	(716 201)	**–**	–
Movement in other receivables	9.1	**(149 602)**	(294)	**(58 755)**	(15 985)
Movement in trade and other payables	12	**89 310**	97 931	**37 458**	31 106
Movement in customer deposits	17	**198 176**	144 532	**–**	–
		(832 479)	(687 449)	**(33 085)**	12 872
Interest received		**588 524**	625 704	**8 745**	6
Interest paid – customer deposits	23	**(13 357)**	(4 766)	**–**	–
Net tax paid	14.4	**(55 827)**	(82 068)	**7**	(152)
Net cash flow (used in)/generated from operating activities		**(313 139)**	**(148 579)**	**(24 333)**	**12 726**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment (excluding right-of-use assets)	11	**(8 821)**	(2 952)	**–**	–
Movement in government and other securities	8	**(500 004)**	13 979	**–**	–
Dividend received		**204 568**	148 568	**227 418**	51 825
Net cash from investing activities		**(304 257)**	**159 595**	**227 418**	**51 825**
CASH FLOWS FROM FINANCING ACTIVITIES					
Ordinary share dividend paid		**(192 300)**	(112 500)	**(192 300)**	(112 500)
Borrowings received	34	**1 667 465**	601 694	**233 012**	–
Borrowings repaid	34	**(529 132)**	(50 000)	**–**	–
Interest paid – borrowings	23, 34	**(107 804)**	(92 281)	**(10 425)**	–
Interest paid – lease liabilities	13, 23, 34	**(71)**	(1 703)	**–**	–
Repayment of amounts due to parent company	16, 9.2, 34	**(395 683)**	(29 786)	**(233 102)**	47 828
Principal element of lease payments	34	**(6 284)**	(5 773)	**–**	–
Net cash generated from/(used in) financing activities		**436 191**	309 651	**(202 815)**	(64 672)
Net movement in cash and cash equivalents		**(181 204)**	**320 667**	**270**	**(121)**
Movement in cash and cash equivalents					
At the beginning of the year		**468 253**	147 586	**59**	180
Movement during the year		**(181 204)**	320 667	**270**	(121)
At the end of the year	**7**	**287 048**	**468 253**	**329**	**59**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. REPORTING ENTITY

Letshego Holdings (Namibia) Limited is a company domiciled in Namibia. The address of the company's registered office is 18 Schwerinsburg Street, Windhoek, Namibia. The consolidated and separate annual financial statements of Letshego Holdings Namibia Limited as at and for the year ended 31 December 2021 comprise the company and the interest in its two subsidiaries, namely, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Pty) Ltd. The Group is primarily engaged in the provision of banking and other financial services to members of the public.

2. BASIS OF PREPARATION

a) The consolidated and separate annual financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss ("FVPL") and debt and equity instruments at fair value through other comprehensive income ("FVOCI") all of which have been measured at fair value. The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below. These policies have been consistently applied to all the periods presented. There is no change and there have also been no new accounting policies adopted in the current year.

b) Functional and presentation currency

These financial statements are presented in Namibia Dollar, which is the Group's and company's functional currency and are rounded to the nearest 1 000 Namibia Dollar.

c) Going concern

As stated in the directors' responsibility section, the annual financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

d) Key assumptions and critical judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying amounts of assets and liabilities that are not apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Notes 5 and 10.

IMPAIRMENT OF ADVANCES TO CUSTOMERS

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 5.1.1, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk ("SICR");
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 5.1.1.

CURRENT AND DEFERRED TAXATION

Judgement is required in determining the provision for income taxes due to the complexity of legislation in which the Group and company operates. The Group and company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

EFFECTIVE INTEREST RATE ("EIR") METHOD

The Group's EIR methodology, as explained in Note 3(f), recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a) Basis of consolidation

INTEREST IN SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

The acquisition method of accounting is used to account for all business combinations meeting the definition of a business. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return. It is presumed that a business exists if goodwill is present in the acquired set of assets and activities. Evidence to the contrary would need to overcome this presumption. The consideration transferred for the acquisition comprises the:

- fair values of the assets transferred;
- liabilities incurred to or assumed from the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Contingent consideration is classified either as equity, financial asset or a financial liability. Such amounts classified as a financial assets or financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase (negative goodwill).

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL RE-ORGANISATION RESERVE ACCOUNTING

In a capital reorganisation, the new company's consolidated financial statements include the existing entity's full results (including comparatives), even though the reorganisation may have occurred part of the way through the year. This reflects the view that the transaction involves two entities controlled by the same controlling party – the financial statements reflect the numbers from the perspective of that party and they reflect the period over which that party has had control.

b) Foreign currency transactions

Transactions in foreign currencies are translated to Namibia Dollar at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Namibia Dollar at the foreign exchange rate applicable for settlement as at that date. The foreign currency gain or loss on the monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Namibia Dollar at the foreign exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Namibian Dollar at foreign exchange rates ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in other comprehensive income.

c) Revenue recognition

Revenue comprises interest income and non-interest income.

i) Interest income

Interest income is recognised in profit or loss at amortised cost using the effective interest method.

Collection fees on loans granted and commission paid to sales agents

Collection fees on loans granted and commission paid to sales agents are charged upfront and capitalised into the loan. These fees are primarily based on the cost of granting the loan to the individual. In accordance with IFRS 9, these collection fees on loans granted and commission paid to sales agents are considered an integral part of the loan agreement and are therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group and company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a collection of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original effective interest rate to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income from cash and cash equivalents is earned on the effective interest method at the agreed interest rate with the respective financial institution.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition (continued)

ii) Fee income

Fees are measured based on consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. Fees are recognised on an accrual basis when the service has been rendered/control over a good or service has been transferred to the customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail banking and micro-lending services	The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities and servicing fees.	Revenue from account service and servicing fees is recognised over time as the service is provided.
	Where applicable, fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates on an annual basis.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	Transaction-based fees for interchange and overdrafts are charged to the customer's account when the transaction takes place.	Non-refundable up-front fees are recognised as revenue over the period for which a customer is expected to continue receiving the service or utilising the facility.
	Where applicable, servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.	
	There is no financing component.	

iii) Dividend income

Dividends are recognised in profit in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note.

d) Leases

GROUP AND COMPANY ACTING AS A LESSEE

The Group leases various office buildings. Rental contracts are typically made for fixed periods of two years to five years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group and company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Taxation

i) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 3 to 6 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 5).

iii) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property, machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

e) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income.

i) *Current taxation*

Current taxation is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Taxable income is determined by adjusting the profit before taxation for items which are non-taxable or disallowed in terms of tax legislation.

Current tax is charged or credited to profit or loss, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Taxation (continued)

ii) *Deferred taxation*

Deferred taxation is provided using the statement of financial position liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

The principal temporary differences arise from depreciation on property, equipment and right-of-use assets, allowances provisions for originated loans, deferred fees on borrowings and provisions for the equity settled share based payments scheme. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis and their tax assets and liabilities will be realised simultaneously.

f) Financial assets and liabilities

MEASUREMENT METHODS

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("POCI") financial assets – assets that are credit-impaired (see definition on Note 5.1.1) at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3"), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

MEASUREMENT METHODS (continued)

Initial recognition and measurement (continued)

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss in the statement of comprehensive income.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

i) Financial assets

1. Classification and subsequent measurement

The Group and company classifies its financial assets in the following measurement categories:

- fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI); or
- amortised cost.

The classification requirements for debt and equity instruments are described below.

The classification of financial assets and financial liabilities depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's and company's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Group and company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 5.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the EIR method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'other operating income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the EIR method.

Business model

The business model reflects how the Group and company manages the assets in order to generate cash flows. That is, whether the Group's and company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group and company in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the advances book is to hold to collect contractual cash flows, with no intention to sell these loans under securitisation or similar arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

METHODS MEASUREMENT (continued)

i) Financial assets (continued)

1. Classification and subsequent measurement (continued)

Debt instruments (continued)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group and company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group and company subsequently measures all equity investments at FVPL, except where the Group and company management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's and company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's and company's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'other operating income ' line in the statement of profit or loss.

2. Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 5.1.1 provides more detail of how the ECL allowance is measured.

Write-off

The Group and company writes off a loan or an investment in debt securities, partially or fully, and any related provision for impairment loss, when it is determined that there is no realistic prospect for recovery. This is generally the case when the Group and company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and company's procedures for recovery of amounts due.

3. Modification of loans

When the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Group and company assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

METHODS MEASUREMENT (continued)

i) Financial assets (continued)

3. Modification of loans (continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within other operating income (for all other modifications).

4. Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group and company transfers substantially all the risks and rewards of ownership, or (ii) the Group and company neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group may enter into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group and company:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group and company retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group and company neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach.

Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

METHODS MEASUREMENT (continued)

ii) Financial liabilities

1. Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies, see Note 5(f)(i) 4; and
- Financial guarantee contracts and loan commitments.

2. Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

iii) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group and company has a legal right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

iv) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the central bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Group and company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

v) Other receivables

Financial instruments

Other receivables comprise dividends receivable and deposits and sundry debtors which arise during the normal course of business. Other receivables are recognised when the Group and company obtains control of a resource as a result of past events and from which future economic benefits are expected to flow to the Group and company within the financial year.

Other receivables are initially measured at fair value, which include transaction costs. Subsequent to initial recognition, other receivables are measured at amortised cost using the effective interest method, less accumulated impairment losses.

Non-financial instruments

Non-financial other receivables comprise of prepayments. Non-financial other receivables are recognised at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial assets and liabilities (continued)

METHODS MEASUREMENT (continued)

vi) Trade and other payables

Trade and other payables are initially recognised at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier. Subsequently these are carried at amortised cost. Trade and other payables that are of a short-term nature are not discounted due to the insignificance of the amortisation charge. Trade and other payables are expected to be settled within twelve months.

g) Property, equipment and right-of-use assets

Property and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of equipment is capitalised as part of equipment.

If the significant parts of an item of property, equipment and right-of-use assets have different useful lives, these items are accounted for as a separate item of property, equipment and right-of-use assets.

Gains and losses on disposal are calculated by the difference between the net disposal proceeds and the carrying amount of the item determined by comparing the revenue obtained with the carrying amount and are recognised within other income in net profit or loss.

Subsequent costs are capitalised only when it is probable that the future economic benefits of expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as they are incurred.

The leasehold improvements are depreciated over the shorter of the lease contract term and their useful lives. The leasehold improvements relate to the improvements that are made in leased properties.

Depreciation is calculated to write down the cost of items of property, equipment and right-of-use assets, less their estimated residual values, using the straight-line method over the estimated useful life, and it is generally recognised in profit or loss Qualifying leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful life of significant items of property, equipment and right-of-use assets are as follows:

Computer equipment	3 years
Furniture and fittings	4 years
Office equipment	5 years
Leasehold improvements	5 years
Motor vehicles	4 years
Right-of-use assets – Buildings	Shorter of useful life or lease term

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

h) Impairment of non-financial assets

The carrying amounts of the Group and company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If any such indications exist, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

i) Employee benefit costs

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the entity pays fixed contributions into a separately managed and owned pension fund and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss when they are due in respect of service rendered before the end of the reporting period.

Leave days

Employee entitlements to annual leave are recognised when they accrue to employees. A liability is recognised for the estimated obligation for annual leave as a result of services rendered by employees up to the reporting date.

Employee incentives and bonus schemes

The Group and company also operates an employee incentive and bonus scheme. The provision for employee bonus incentive is based on a predetermined Group and company policy and is recognised in trade and other payables. The accrual for employee bonus incentive is expected to be settled within twelve months.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Employee benefit costs (continued)

Short-term benefits

The employees' short-term benefits are expensed as the related service is provided. A liability is recognised by the expected value to be paid if the Group has a current legal or constructive obligation to pay this amount on the basis of past service provided by the employee and if the obligation can be estimated reliably.

j) Share based payment transactions

The Group and company operates an equity settled conditional Long Term Incentive Plan ("LTIP"). Conditional share awards are granted to management and key employees. The number of vesting share awards is subject to achievements of certain non-market conditions. The grant date fair value of share awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become conditionally entitled to the share awards.

k) Provisions

Provisions represent liabilities of uncertain timing or amount and are measured at the expenditure or cash outflow required to settle the present obligation.

A provision is recognised if, as a result of a past event, the Group and company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

l) Equity

Equity is the residual interest in the assets of the Group after deducting all liabilities of the Group.

All transactions relating to the acquisition and sale or issue of shares in the Group, together with their associated costs, are accounted for in equity.

m) Share capital and reserves

Share capital is recognised at the fair value of the consideration received and any excess amount over the nominal value of shares issued is treated as share premium.

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

n) Statutory credit risk reserve

The statutory credit risk reserve represents the amount by which the Bank of Namibia requires in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

o) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared and are accounted for as a movement in reserves in the statement of changes in equity. Dividends declared after the statement of financial position date are not recognised as a liability in the statement of financial position.

p) Contingent liabilities

The Group and company recognises a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Group and company, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

q) Related parties

Related parties comprise directors and key management personnel of the Group and company and companies with common ownership and/or directors.

r) Investment in subsidiaries

In the company, investments in subsidiaries are accounted for at cost less impairment.

s) Cell accounting

A cell captive structure represents an agreement between an insurance entity and the Group to facilitate the writing of insurance business. The Group and company has entered into agreements with insurance companies under which the insurance companies has set up an insurance cell within its legal entity, and the Group has subscribed for a separate class of share. The arrangement provides that all claims arising from insurance contracts written by cell are paid out of the cell's assets, with any profits after deduction of the insurer's fees, allocation taxes, and other costs payable to the Group. In this arrangement, the Group is not required to maintain the solvency of the cell. Thus, customers of the Group do not transfer significant insurance risk and thus an insurance contract does not exist. This arrangement is akin to a profit sharing agreement and thus accounted for as an executory contract in terms of IAS 37. The Group recognises a financial asset in the financial statement line "Other receivables" for the right to receive these vested profits that have not been declared but only to the extent they have performed in terms of the shareholders agreement.

The income is recognised in "Other operating income".

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS

a) New standards and interpretations and amendments effective for the first time for 31 December 2021 year-end

Standard/Interpretation	Effective date	Executive Summary
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Annual reporting periods beginning on or after 1 January 2021	The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR").
Covid-19-Related Rent Concessions – Amendments to IFRS 16	Annual reporting periods beginning on or after 1 April 2021.	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

b) New standards and interpretations and amendments issued but not effective for 31 December 2021 year-end

Standard/Interpretation	Effective date	Executive Summary
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	Annual reporting periods beginning on or after 1 January 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual reporting periods beginning on or after 1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
IFRS 17 – Insurance contracts	Annual periods beginning on or after 1 January 2023	IFRS 17 replaces IFRS 4, which was brought in as an interim standard in 2004. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements.
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Annual reporting periods beginning on or after 1 January 2023	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
Deferred Tax related to Assets and Liabilities arising from a	Annual reporting periods beginning on or after 1 January 2023	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
Definition of Accounting Estimates – Amendments to IAS 8	Annual reporting periods beginning on or after 1 January 2023	The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
Disclosure of Accounting Policies – Amendments to IAS 1 and	Annual reporting periods beginning on or after 1 January 2023	The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

b) New standards and interpretations and amendments issued but not effective for 31 December 2021 year-end (continued)

IMPACT ASSESSMENTS

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

- These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions – Amendments to IFRS 16

- The Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

IFRS 17 – Insurance contracts:

- The Group currently does not hold any insurance contracts that would be subject to IFRS 17. The Group will continue to assess the impact of IFRS 17 going forward.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1):

- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

Definition of Accounting Estimates – Amendments to IAS 8

- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

- The amendment is not expected to have a significant impact on the annual financial statements of the Group.

5. FINANCIAL RISK MANAGEMENT

The Group is exposed to market risks (interest rate risks and currency risks), credit risks and liquidity risks. The Board of Directors ("the board") is responsible for the overall process of risk management, as well as forming an opinion on the effectiveness of the risk management process. Management is accountable to the board for designing, implementing and monitoring the process of risk management.

5.1 Financial risk factors

5.1.1 CREDIT RISK

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Group is exposed to credit risk from the company's loans and advances to customers and other banks, and investment debt securities.

Management of credit risk

The board has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to the Board Credit Committee, is responsible for managing the Group's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Board Credit Committee, or the board, as appropriate.
- Reviewing and assessing credit risk: the credit function assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Group's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of seven grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by the risk function.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Management of credit risk (continued)

- Developing and maintaining the Group's processes for measuring incurred credit losses ("ICL"): This includes processes for:
  - initial approval, regular validation and back-testing of the models used; and
  - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

The Group holds 200 "Class H" shares, of par value N$0.01 each and 200 "Class L" shares, of par value N$0.01 each, in Hollard Alternative Risk Transfer (Pty) Ltd, a cell captive which provides insurance cover for qualifying credit loss events on the entity's customer advances portfolio. To mitigate credit risk, loans are covered under a cell captive insurance arrangement between Letshego Holdings (Namibia) Ltd and the cell insurer, and between Letshego Micro Financial Services (Namibia) (Pty) Ltd and the cell insurer. Loans originated between 15 October 2019 and 20 April 2020 were not covered under the cell captive insurance arrangement.

Credit risk measurement – Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is similar to the approach used for the purposes of measuring ECL under IFRS 9. Refer to the "Expected credit loss" section that follows for more details.

Credit risk grading

The Group uses an internal CS ("Collectability Status") classification for the purposes of reflecting its assessment of the probability of default of individual counterparties. The CS is defined as the number of days that an account is in arrears. The credit grades are calibrated such that the risk of default increases exponentially as the credit grades deteriorate. After initial recognition, the payment behaviour of the borrower is monitored on a periodic basis in order to derive the CS.

The Group's rating method comprises seven rating levels. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of actually observed defaults. The Group's internal rating scale is set out below:

Collectability Status	No of days overdue	Rating
01	Current	Minimal risk
02	Current	Low risk
03	31 – 60 days	Medium risk
04	61 – 90 days	Medium risk
05	91 – 180 days	Special monitoring
06	181 – 360 days	Doubtful
07	> 360 days	Doubtful

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model also referred to as the 'general model' for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to the "Significant increase in credit risk" section that follows for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to the "Definition of default and credit-impaired assets" section that follows for a description of how the Group defines credit-impaired and default.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Expected credit loss measurement (continued)

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the "Measuring ECL – Explanation of inputs, assumptions and estimation techniques" section below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The "Forward-looking information incorporated in the ECL models" section that follows includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).

Source of the forward-looking information will vary from country to country and all macroeconomic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the company relies on a broad range of forward-looking information as economic inputs, such as:

- Unemployment rates
- Consumer Price Index ("CPI")
- Gross Domestic Product ("GDP")

The working company approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macroeconomic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward-looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Expected credit loss measurement (continued)

Definition of default

Default is not defined under IFRS 9. The company is responsible for defining this for themselves and it should be based upon its own definition used in the company's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.

The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g. breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.

Indications of inability to pay include:

- The credit obligation is placed on non-accrued status;
- The company makes a specific provision or charge-off due to a determination that the obligor's credit quality has declined (subsequent to taking on the exposure);
- The company sells the credit obligation or receivable at a material credit related economic loss;
- The company agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
- The company has filed for the obligor's bankruptcy in connection with the credit obligations; and
- The obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation's repayment.

Discounting

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised.

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate. For the IFRS 9 impairment assessment, company Impairment Models are used to determine the PD, LGD and EAD. For Stage 2 and 3, company applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Renegotiated loans treatment

Both performing and non-performing restructured assets are classified as Stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period is six months to move to cure state (Stage 1).

Forward-looking information

The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and EAD risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).

Source of the forward-looking information will vary from country to country and all macroeconomic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the company relies on a broad range of forward-looking information as economic inputs, such as:

- Unemployment rates
- Consumer Price Index
- Gross Domestic Product (GDP)

The working company approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macro-economic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward-looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Expected credit loss measurement (continued)

Covid-19 impact on ECL

The Government Deduction at Source ("DAS") portfolio is the largest portfolio and constitutes more than 92% of the total loan portfolio. The Group's Deduction at Source portfolio remained resilient with public sector jobs largely unaffected despite pandemic conditions.

In an effort to mitigate risks associated with unpredictable pandemic environments, the company is prudent in curtailing new loan growth in higher risk segments and geographies, while prioritising portfolio remediation and collection efforts.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

Economic variables

- Consumer Price Index (CPI) – CPI is the rate at which the general price level for goods and services is rising and consequently, the purchasing power of money is falling. In periods of high inflation, goods and services often increase in price at a faster pace than wage growth. Borrowers can have a harder time paying back loans as inflation rises. Their living expenses go up during inflationary periods and if wages do not keep pace with inflation they may reach a point where they cannot pay all of their obligations. This scenario may lead to an increase in the probability of loan defaults as individuals experience a decrease in their relative purchasing power. CPI is thus the most significant economic variable affecting the ECL allowance for the retail portfolio.
- Gross Domestic Product (GDP) and interest rates – GDP and interest rates are considered significant for the retail portfolio. These variables also affect the ECL allowance for the wholesale portfolio given the significant impact these have on companies' performance, collateral valuations and companies' likelihood of default.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The following table shows the main macroeconomic factor used to estimate the expected credit loss allowance on loans.

Macroeconomic factors	Namibia CPI (%)	Namibia GDP (% p.a)	Namibia Unemployment Rate (%)
2020	4.0	(3.5)	26.6
2021	**4.0**	**(2.5)**	**20.3**

Stress testing and sensitivity analysis of IFRS 9 ECL

As 92% of advances are Government Deduction at Source (DAS) business, the Group was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that governments had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends.

Model recalibrations were performed in 2021 at two points, in April and October 2021. The period between April and October saw economies open up and vaccination rollout improved in Namibia.

Loss given default (LGD)

The absolute value shift in LGDs between April and October 2021 was positive at the back of increase in recoveries. This gave an indication of the sensitivity of the LGDs under economic duress. The company is therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Expected credit loss measurement (continued)

Probability of default (PD)

Since PD's are modelled using a Point-In-Time ("PIT") approach, each account is assigned an individual PD. This creates a distribution of PDs for each portfolio. When creating shocks for a portfolio of PIT PD's, a standard margin of adding and subtracting static numbers would not be suitable for creating scenarios. Therefore an approach using percentiles is used to create a cap and a floor for the distributions. A lower percentile is used as the cap for upside, and a higher percentile is used as a floor for downside.

The following table shows a comparison of the Group's expected credit loss allowance under IFRS 9 as at 31 December 2021 based on the probability weightings (Base: 50%, Upside: 20%, Downside: 30%) of the above-mentioned three scenarios against the expected credit loss allowance resulting from simulations of each scenario being weighted at 100%.

N$'000	Base case	Upside	Impact	Downside	Impact	Probability weighted ECL	Weighted impact
ECL	46 661	37 329	(9 332)	60 660	13 998	48 689	2 028

The total weighted impact of N$2 million for the Group based on downside scenarios:

LHN	Base ECL N$'000	Probability Weighted ECL N$'000	Total Impact N$'000
ECL	46 661	48 689	2 028
Total	**46 661**	**48 689**	**2 028**

The following table shows a comparison of the Group's expected credit loss allowance under IFRS 9 as at 31 December 2020 based on the probability weightings (Base: 50%, Upside: 20%, Downside: 30%) of the above-mentioned three scenarios against the expected credit loss allowance resulting from simulations of each scenario being weighted at 100%.

N$'000	Base case	Upside	Impact	Downside	Impact	Probability weighted ECL	Weighted impact
ECL	71 004	42 547	(28 457)	84 182	13 151	78 215	7 183

The total weighted impact of N$7 million for the Group based on downside scenarios:

LHN	Base ECL N$'000	Probability weighted ECL N$'000	Total impact N$'000
ECL	71 004	78 215	7 210
Total	**71 004**	**78 215**	**7 210**

Grouping of instruments for losses measured on a collective basis

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The delinquency status is used to determine the groupings.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Advances to customers			
	2021			
	ECL Staging			
Credit grade	**Stage 1 12-month ECL N$'000**	**Stage 2 Lifetime ECL N$'000**	**Stage 3 Lifetime ECL N$'000**	**Total N$'000**
Low risk (CS01 – CS02)	4 054 993	–	–	4 054 993
Medium risk (CS03 – CS04)	–	98 275	–	98 275
Special monitoring (CS05)	–	–	–	–
Doubtful (CS06 – CS07)	–	–	171 874	171 874
Gross carrying amount	**4 054 993**	**98 275**	**171 874**	**4 325 142**
Loss allowance	(12 863)	(839)	(32 959)	(46 661)
Carrying amount	**4 042 130**	**97 436**	**138 915**	**4 278 481**

	Advances to customers			
	2020			
	ECL Staging			
Credit grade	Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Low risk (CS01 – CS02)	3 463 727	–	–	3 463 727
Medium risk (CS03 – CS04)	–	90 056	–	90 056
Special monitoring (CS05)	–	–	–	–
Doubtful (CS06 – CS07)	–	–	125 837	125 837
Gross carrying amount	**3 463 727**	**90 056**	**125 837**	**3 679 620**
Loss allowance	(24 604)	(1 547)	(44 853)	(71 004)
Carrying amount	**3 439 123**	**88 509**	**80 984**	**3 608 616**

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see Note 3.(f).(i)).

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Credit risk exposure (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Advances to customers	Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Loss allowance as at 1 January 2021	24 604	1 547	44 853	71 004
Transfers between stages				
Transfer from Stage 1 to Stage 2	(383)	383	–	–
Transfer from Stage 1 to Stage 3	(13 269)	–	13 269	–
Transfer from Stage 2 to Stage 3	–	(4 007)	4 007	–
Transfer from Stage 3 to Stage 1	1	–	(1)	–
Transfer from Stage 3 to Stage 2	–	3	(3)	–
Transfer from Stage 2 to Stage 1	(119)	119	–	–
Net ECL raised/(released)	2 029	2 794	46 594	51 417
Impaired accounts written off	–	–	(75 760)	(75 760)
Loss allowance as at 31 December 2021	**12 863**	**839**	**32 959**	**46 661**

Advances to customers	Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Loss allowance as at 1 January 2020	15 753	890	11 435	28 078
Transfers between stages				
Transfer from Stage 1 to Stage 2	(314)	314	–	–
Transfer from Stage 1 to Stage 3	(11 010)	–	11 010	–
Transfer from Stage 2 to Stage 3	–	(2 223)	2 223	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	(23)	23	–
Transfer from Stage 2 to Stage 1	(10)	10	–	–
Net ECL raised/(released)	20 185	2 579	127 494	150 258
Impaired accounts written off	–	–	(107 332)	(107 332)
Loss allowance as at 31 December 2020	**24 604**	**1 547**	**44 853**	**71 004**

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- The write-off of loans with a total gross carrying amount of N$75.8 million (2020: N$107.3 million) which resulted in the reduction of the Stage 3 loss allowance by the same amount.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Credit risk exposure (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

The following table further explains changes in the gross carrying amount of the advances portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Advances to customers	**Stage 1 12-month ECL N$'000**	**Stage 2 Lifetime ECL N$'000**	**Stage 3 Lifetime ECL N$'000**	**Total N$'000**
Gross carrying amount as at 1 January 2021	3 427 199	127 821	124 600	3 679 620
Transfers:				
Transfer from Stage 1 to Stage 2	(34 225)	34 225	–	–
Transfer from Stage 1 to Stage 3	(72 380)	–	72 380	–
Transfer from Stage 2 to Stage 3	–	(21 339)	21 339	–
Transfer from Stage 3 to Stage 1	173	–	(173)	–
Transfer from Stage 3 to Stage 2	–	1 222	(1 222)	–
Transfer from Stage 2 to Stage 1	20 016	(20 016)	–	–
Financial assets derecognised during the period other than write-offs*	(2 050 291)	(76 191)	14 447	(2 112 035)
New financial assets originated	2 764 501	52 553	16 263	2 833 318
Write-offs	–	–	(75 760)	(75 760)
Gross carrying amount as at 31 December 2021	**4 054 993**	**98 275**	**171 874**	**4 325 142**

Advances to customers	Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Gross carrying amount as at 1 January 2020	2 793 378	45 304	124 737	2 963 419
Transfers:				
Transfer from Stage 1 to Stage 2	(25 549)	25 549	–	–
Transfer from Stage 1 to Stage 3	(63 569)	–	63 569	–
Transfer from Stage 2 to Stage 3	–	(12 434)	12 434	–
Transfer from Stage 3 to Stage 1	(9)	–	9	–
Transfer from Stage 3 to Stage 2	–	884	(884)	–
Transfer from Stage 2 to Stage 1	377 341	(377 341)	–	–
Financial assets derecognised during the period other than write-offs*	(1 034 729)	(23 323)	5 177	(1 052 875)
New financial assets originated	1 380 336	469 182	26 890	1 876 408
Write-offs	–	–	(107 332)	(107 332)
Gross carrying amount as at 31 December 2020	**3 427 199**	**127 821**	**124 600**	**3 679 620**

* The financial assets were derecognised at a value that approximate its carrying amount and therefore there were no gains or losses.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Credit risk exposure (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

The Group's exposure to credit risk can be divided into two categories:

- Advances, and
- Financial assets other than advances.

Balances with the central bank are not subjected to ECL considerations due to the rigorous regulatory requirements of these transactions and its link to the underlying entities ability to operate as a bank. These amounts represent deposits placed in legal tender as issued by the central bank.

Due to historical experience intercompany receivables measured at amortised cost are regarded as a low probability of default and the ECL in respect of these is considered immaterial.

Due to the short-term nature of cash and cash equivalents and other receivables as well as historical experience, these assets measured at amortised cost are regarded as having a low probability of default and the ECL in respect of these is considered immaterial.

Advances

The Group's principle business is to provide loans to individuals in both the formal and informal sector. Customers are assessed in full every time they apply for credit to determine if their credit profile remains acceptable in terms of the credit policies of the Group. All of the Group's business is conducted in the Republic of Namibia. The demographic credit characteristics of the customer base expose the Group to systemic credit risk. The Group mitigates this risk by applying the Group's application scorecard, a set of business rules and affordability assessments.

The nature of the loan book is such that it is made up of smaller sized loans across a spectrum of economic sectors and provinces. Loans granted at origination range from a minimum of N$1 000 to a maximum of N$300 000 and repayment periods ranging from a minimum of 6 months to a maximum of 60 months. By its nature, the carrying amount at year-end for unsecured loans represents the Group's maximum exposure to credit risk. The Group does have insurance cover to credit events arising from the death of customers; permanent and temporary disability and retrenchments.

Credit philosophy

The credit philosophy of the Group is to pay primary emphasis of the credit decision on the borrower's ability to service the loan. It is therefore critical to establish the customer's ability to service their loan instalments.

The assessment of the customer affordability is done in two parts, the first ensuring compliance with the regulatory guidelines, and second the Group employs its own credit risk model affordability calculation, based on a repayment to income ratio model. A minimum of the affordability assessment and the credit risk model is used to determine the maximum instalment the customer can be offered, limited to the product maximum limits.

Credit risk assessment

The Group calculates credit scores for applicants and further groups these scores into risk groups (which have similar risk expectations). The credit scoring engine is configured with the credit policy parameters and is embedded in the system, preventing human intervention which can result in breach of policy. The verification and inputs into the credit score system include:

- Physical identification of the customer via their identification document and proof of address;
- The customer's three month income, monthly living expense, declaration of financial obligations, wage frequency, employer and bank details are captured;
- Electronic Credit Bureau data obtained;
- The captured details, the customer's bureau record, and the customers' historical performance on existing loans is used by the Application Scorecard to determine the customers' risk;
- The customer is then assessed against the business rules; and
- To mitigate against fraud, compliance and credit risk, the customer's completed application flows to the Quality Control Department.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Credit risk exposure (continued)

Credit monitoring

The Group utilises various reporting and monitoring tools to engage in and control ongoing credit risk within the credit life-cycle. These include the following:

- Real time monitoring on application volumes, approval rates and processing quality;
- Credit efficiency reports;
- Vintage collection reports to establish the initial recovery process efficiency;
- Credit aging reports to manage and control loan delinquency and provisioning;
- Active payment, collection and integrity trend analysis to control and manage underlying risks and movement within the day to day operational procedures.

The Group's credit management team reviews exception reports produced by the reporting and monitoring tools on a daily, weekly and monthly basis, depending on the type of exception report produced by the credit monitoring system and acts as early warning indicators which the credit management team actively manages. The respective credit management team members report directly to the senior credit executive. Trends and early warning indicators identified are discussed at Risk Committee meetings and where necessary preventative action is initiated, if not done so already by the senior credit executive.

Collection and restructures

The collections function within the Group relates to the effective collections of any monies due and payable by the customer. Core to the collection function is the monitoring of the payment patterns of accounts and to encourage customers to pay their accounts timeously and pay their arrears in the shortest timeframe as possible. Deduction mandates are obtained from customers in their loan contracts and are made from their primary bank account (where the customer's salary is deposited). Where collection is unsuccessful, arrears follow up is performed initially through the call centre.

The Group operates two types of restructures – namely, informal indulgences and formal restructures. Informal indulgences are where customers request a lower repayment/instalment amount referred to as a promise to pay. Formal restructures relate to debt counselling, administration orders and court orders.

External recovery

The Transfer Policy prescribes when an account will move into the Legal Collections division. Once an account has been transferred into Legal Collections, the account will be allocated to a department either in In-house or outsourced collections based on current internal business rules.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Credit risk exposure (continued)

Credit quality

Analysis of credit quality	GROUP 31 December 2021 Advances N$'000	GROUP 31 December 2020 Advances N$'000	COMPANY 31 December 2021 Advances N$'000	COMPANY 31 December 2020 Advances N$'000
Financial assets that are neither past due nor specifically impaired				
Stage 1	4 054 993	3 427 199	–	–
Past due and specifically impaired			–	–
Stage 2	98 275	127 821	–	–
Stage 3	171 874	124 600	–	–
Total credit exposure	**4 325 142**	**3 679 620**	**–**	**–**
Total impairments				
Stage 1	(12 863)	(24 604)	–	–
Stage 2	(839)	(1 547)	–	–
Stage 3	(32 959)	(44 853)	–	–
Net advances	**4 278 481**	**3 608 616**	**–**	**–**
Impairment as a % of gross advances per respective stage				
Stage 1	0.32%	0.72%	–	–
Stage 2	0.85%	1.21%	–	–
Stage 3	19.18%	36.00%	–	–
Total impairment as a % of total gross advances	**1.08%**	**1.93%**	**–**	**–**
Reconciliation of allowance account				
Balance at the beginning of the year	71 004	28 078	–	–
Impairment provision raised	51 417	150 258	–	–
Impairment provision released upon write-offs of underlying exposure (Note 10)	(75 760)	(107 332)	–	–
Balance at the end of the year	**46 661**	**71 004**	**–**	**–**

Credit risk impacts

Credit quality of advances neither past due nor impaired

For public sector employee loans the only credit risk being faced by loans in the Group is default of the Namibian government and termination of employment on a voluntary basis or dismissal that cannot be seen as retrenchment. Insurance would cover losses in the event of death, permanent disability, involuntary retirement or retrenchment. The performing book (i.e. no instalments in arrears) is not further segmented into risk categories.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Credit risk exposure (continued)

Concentration risk

Credit concentration risk is the risk of loss to the Group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, region or maturity. This concentration typically exits when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

Although the Group is exposed to unsecured personal loans, the Group's credit risk portfolio is well diversified across individuals who are geographically spread across the country's regions.

The following table breaks down the Group's credit exposure at carrying amount as categorised by loan size and original loan advanced.

Loans

Average loan value (at inception)	**Number of loans**	**% of total number of loans**	**Carrying amount (net of impairment) N$'000**	**% of total carrying amount**
2021 – Group				
< 5 000	1 993	2.25	11 914	0.28
5 000 – 10 000	7 548	8.51	42 327	0.99
10 000 – 20 000	14 028	15.82	155 642	3.64
20 000 – 50 000	25 093	28.30	665 542	15.55
> 50 000	30 271	34.13	1 955 255	45.70
> 100 000	9 742	10.99	1 447 802	33.84
Total	**88 675**	**100.00**	**4 278 482**	**100.00**

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N$'000	% of total carrying amount
2020 – Group				
< 5 000	1 917	2.38	19 162	0.53
5 000 – 10 000	6 939	8.60	68 421	1.92
10 000 – 20 000	13 231	16.40	195 726	5.50
20 000 – 50 000	24 474	30.35	870 001	24.43
> 50 000	34 092	42.27	2 455 306	67.62
Total	**80 653**	**100.00**	**3 608 616**	**100.00**

The concentration risk per employer is as follows:

- Public sector 97%
- Other employers 3%

No collateral is held for these advances.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.1 CREDIT RISK (continued)

Credit risk exposure (continued)

Financial assets other than advances

All financial assets other than advances are made up of cash and cash equivalents, statutory assets, derivative assets and trade receivables. All financial assets other than advances, excluding trade receivables and loans to affiliate companies are placed with reputable counterparties.

The Group maintains cash and cash equivalents and short-term investments with various financial institutions and in this regard it is the Group's policy to limit its exposure to any one financial institution. Cash deposits are placed only with banks which have an approved credit limit, as recommended by the Asset and Liabilities Committee ("ALCO") and approved by the Board Audit and Risk Committee.

Trade receivables are evaluated on an entity by entity basis. The Group limits the tenure and size of the debt to ensure that it does not pose a material risk to the Group. For further information refer to Note 9.1.

At balance sheet date the international long-term credit rating, using Moody's ratings, was as follows for cash and cash equivalents:

	Total carrying amount N$'000	Single largest exposure to a single counter-party N$'000	Aaa to A3 N$'000	Baa1 to Baa3 N$'000	Below Baa3 N$'000	Not rated N$'000
2021 – Group						
Cash and cash equivalents	248 361	139 931	248 361	–	–	–
Deposits with Bank of Namibia	38 687	38 687	38 687	–	–	–
Investments in securities	500 004	480 017	500 004	–	–	–
Other receivables	313 722	295 966	–	–	–	313 722
Total	**1 100 774**	**954 601**	**787 052**	**–**	**–**	**313 722**
2020 – Group						
Cash and cash equivalents	402 519	391 798	402 519	–	–	–
Deposits with Bank of Namibia	65 734	65 734	65 734	–	–	–
Other receivables	181 720	168 498	–	–	–	181 720
Total	**649 973**	**626 030**	**468 253**	**–**	**–**	**181 720**
2021 – Company						
Cash and cash equivalents	329	329	329	–	–	–
Other receivables	121 374	121 323	–	–	–	121 374
Intercompany receivable	200 590	106 875	–	–	–	200 590
Total	**322 293**	**228 527**	**329**	**–**	**–**	**321 964**
2020 – Company						
Cash and cash equivalents	59	59	59	–	–	–
Other receivables	66 197	66 197	–	–	–	66 197
Intercompany receivable	78 672	78 672	–	–	–	78 672
Total	**144 928**	**144 928**	**59**	**–**	**–**	**144 869**

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 MARKET RISK

'Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Group's income or the value of its holdings of financial instruments. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

5.1.2.1 Interest rate risk management

The Group separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios include positions arising from market making, together with financial assets and financial liabilities that are managed on a fair value basis. Currently, the Group only has a non-trading portfolio.

Interest rate risk for the purposes of IFRS is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest rate risk arising in its financial assets and from its holdings in cash and cash equivalents. However the Group's most significant financial asset is its fixed rate advances portfolio.

For the purposes of IFRS 7, the Group is not exposed to interest rate risk on the fixed rate advance portfolio, since neither the carrying amount nor the future cash flows will fluctuate because of changes in market interest rates. The Group seeks to achieve funding that is at a similarly fixed rate as that of the advances portfolio.

It is not always feasible to raise fixed rate funding and therefore the Group may have a mix of fixed and variable rate funding instruments. Variable rate funding instruments expose the Group to interest rate risk for the purposes of IFRS. Currently, the Group's funding is mainly from the variable interest rate loan from the ultimate holding company.

Risk measurement and management

Overall authority for market risk is vested in the Asset and Liability Committee (ALCO). ALCO sets up limits for each type of risk in aggregate and for portfolios, with market and liquidity risks being primary factors in determining the level of limits set for trading portfolios.

ALCO is the monitoring body for compliance with these limits and is assisted by management in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Group's interest rate exposures, which include the impact of the Group's outstanding or forecast debt obligations.

ALCO is responsible for setting the overall hedging strategy of the Group. Management is responsible for implementing that strategy by putting in place the individual hedge arrangements.

The ALCO views interest rate in the banking book to comprise of the following:

- Re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Group's assets and liabilities; and
- Yield curve risk, which includes the changes in the shape and slope of the yield curve.

ALCO monitors and manages these risks in adherence to the Group's risk appetite and meets on a monthly basis to analyse the impact of interest rate risk on the Group and reports directly to the Board Audit and Risk Committee on a quarterly basis. The techniques used to measure and control interest rate risk by the ALCO includes re-pricing profiles, sensitivity/scenario analysis and stress testing.

In the context of re-pricing profiles, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments which have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour.

Sensitivity and stress testing consists of a combination of stress scenarios and historical stress movements.

Given the extent of the risk and the current risk mitigants, a more sophisticated (e.g. value-at-risk) analysis is not considered necessary.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 MARKET RISK (continued)

5.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis

Two separate interest rate sensitivity analyses for the Group are set out be in the table below, namely the re- pricing profile and the potential effect of changes in the market interest rate on earnings for floating rate instruments.

i) *Re-pricing profile*

The tables below summarise the re- pricing exposure to interest rate risk through grouping assets and liabilities into re-pricing categories, determined to be the earlier of the contractual re-pricing or maturity date, using the carrying amount of such assets and liabilities at balance sheet date.

	Demand and up to 1 month N$'000	Greater than 1 month up to 3 months N$'000	Greater than 3 months up to 12 months N$'000	Greater than 12 months up to 24 months N$'000	Greater than 24 months N$'000	Non-interest sensitive items N$'000	Non-financial instru-ments N$'000	Total N$'000
2021 – GROUP								
ASSETS								
Cash and cash equivalents	287 048	–	–	–	–	–	–	287 048
Government and other securities	–	–	500 004	–	–	–	–	500 004
Other receivables	–	–	–	–	–	313 722	38 583	352 305
Net advances	271 451	535 529	2 297 558	843 018	330 925	–	–	4 278 481
Current taxation	–	–	–	–	–	–	81 736	81 736
Property, equipment and right-of-use assets	–	–	–	–	–	–	18 375	18 375
Deferred tax assets	–	–	–	–	–	–	3 488	3 488
Total assets	**558 499**	**535 529**	**2 797 562**	**843 018**	**330 925**	**313 722**	**142 182**	**5 521 437**
LIABILITIES AND EQUITY								
Deposits due to customers	300 598	–	85 471	–	–	–	–	386 069
Trade and other payables	–	–	–	–	–	218 495	20 255	238 750
Borrowings	1 289 006	691 792	–	–	–	–	–	1 980 798
Lease liabilities	–	–	7 639	–	–	–	–	7 639
Intercompany payables	191 728	–	–	–	–	–	–	191 728
Deferred tax liabilities	–	–	–	–	–	–	6 882	6 882
Ordinary shareholders' equity	–	–	–	–	–	–	2 709 571	2 709 571
Total liabilities and equity	**1 781 332**	**691 792**	**93 110**	**–**	**–**	**218 495**	**2 736 708**	**5 521 437**
On balance sheet interest sensitivity	**(1 222 833)**	**(156 263)**	**2 704 452**	**843 018**	**330 925**			

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 MARKET RISK (continued)

5.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

i) *Re-pricing profile (continued)*

	Demand and up to 1 month N$'000	Greater than 1 month up to 3 months N$'000	Greater than 3 months up to 12 months N$'000	Greater than 12 months up to 24 months N$'000	Greater than 24 months N$'000	Non-interest sensitive items N$'000	Non-financial instru-ments N$'000	Total N$'000
2020 – GROUP								
ASSETS								
Cash and cash equivalents	468 253	–	–	–	–	–	–	468 253
Other receivables	–	–	–	–	–	181 720	20 983	202 703
Net advances	117 021	227 068	915 545	181 820	2 167 162	–	–	3 608 616
Current taxation	–	–	–	–	–	–	80 653	80 653
Property, equipment and right-of-use assets	–	–	–	–	–	–	22 244	22 244
Deferred tax assets	–	–	–	–	–	–	3 803	3 803
Total assets	**585 274**	**227 068**	**915 545**	**181 820**	**2 167 162**	**181 720**	**127 683**	**4 386 272**
LIABILITIES AND EQUITY								
Deposits due to customers	160 214	6 677	21 002	–	–	–	–	187 893
Trade and other payables	–	–	–		–	131 746	17 694	149 440
Borrowings	–	501 533	10 000	330 932	–	–	–	842 465
Lease liabilities	–	660	10 387	115	–	–	–	11 162
Amounts due to parent company	–	–	–	–	585 750	1 661	–	587 411
Deferred tax liabilities	–	–	–	–	–	–	9 367	9 367
Ordinary shareholders' equity	–	–	–	–	–	–	2 598 534	2 598 534
Total liabilities and equity	**160 214**	**508 870**	**41 389**	**331 047**	**585 750**	**133 407**	**2 625 595**	**4 386 272**
On balance sheet interest sensitivity	**425 060**	**(281 802)**	**874 156**	**(149 227)**	**1 581 412**			

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 MARKET RISK (continued)

5.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

i) *Re-pricing profile (continued)*

	Demand and up to 1 month N$'000	Greater than 1 month up to 3 months N$'000	Greater than 3 months up to 12 months N$'000	Greater than 12 months up to 24 months N$'000	Greater than 24 months N$'000	Non-interest sensitive items N$'000	Non-financial instru-ments N$'000	Total N$'000
2021 – COMPANY								
ASSETS								
Cash and cash equivalents	329	–	–	–	–	–	–	329
Other receivables	–	–	–	–	–	121 374	3 578	124 952
Intercompany receivable	200 590	–	–	–	–	–	–	200 590
Current taxation	–	–	–	–	–	–	7 347	7 347
Deferred tax assets							538	538
Investment in subsidiaries	–	–	–	–	–	–	1 914 354	1 914 354
Total assets	**200 919**	**–**	**–**	**–**	**–**	**121 374**	**1 925 817**	**2 248 110**
LIABILITIES AND EQUITY								
Trade and other payables	–	–	–	–	–	68 640	220	68 860
Borrowings	–	233 012	–	–		–	–	233 012
Ordinary shareholders' equity	–	–	–	–	–	–	1 946 238	1 946 238
Total liabilities and equity	**–**	**233 012**	**–**	**–**	**–**	**68 640**	**1 946 458**	**2 248 110**
On balance sheet interest sensitivity	**200 919**	**(233 012)**	**–**	**–**	**–**			

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 MARKET RISK (continued)

5.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

i) Re-pricing profile (continued)

	Demand and up to 1 month N$'000	Greater than 1 month up to 3 months N$'000	Greater than 3 months up to 12 months N$'000	Greater than 12 months up to 24 months N$'000	Greater than 24 months N$'000	Non-interest sensitive items N$'000	Non-financial instruments N$'000	Total N$'000
2020 – COMPANY								
ASSETS								
Cash and cash equivalents	59	–	–	–	–	–	–	59
Other receivables	–	–	–	–	–	66 197	–	66 197
Intercompany receivable	78 672	–	–	–	–	–	–	78 672
Current taxation	–	–	–	–	–	–	7 354	7 354
Investment in subsidiaries	–	–	–	–	–	–	1 914 354	1 914 354
Total assets	**78 731**	**–**	**–**	**–**	**–**	**66 197**	**1 921 708**	**2 066 636**
LIABILITIES AND EQUITY								
Trade and other payables	–	–	–	–	–	31 315	87	31 402
Amounts due to parent company						111 184	–	111 184
Ordinary shareholders' equity	–	–	–	–	–	–	1 924 050	1 924 050
Total liabilities and equity	**–**	**–**	**–**	**–**	**–**	**142 499**	**1 924 137**	**2 066 636**
On balance sheet interest sensitivity	**78 731**	**–**	**–**	**–**	**–**			

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 MARKET RISK (continued)

5.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

ii) Potential effect of changes in the market interest rate on earnings for floating rate instruments

Sensitivity analysis based on a 200 basis point increase in interest rates

The sensitivity analyses have been determined based on the exposure to interest rates for financial instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at statement of financial position date was outstanding for the whole year. A 200 basis point movement for Namibian dollar exposures is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analysis below is based on an increase in rates. Given the structure of the Group's portfolio, a 200 basis point increase in interest rates would result in a corresponding decrease of N$35.4 million in net income (before tax).

	Carrying amount at end of year N$'000	Amount exposed to market risk N$'000	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$'000
2021 – GROUP				
Financial assets				
Cash and cash equivalents	287 048	287 048	Namibia prime	5 741
Government and other securities	500 004	500 004	Namibia prime	10 000
Advances	4 278 481	–	N/A **	–
	5 065 533	**787 052**		**15 741**
Financial liabilities				
Amounts due to parent company	191 728	191 210	Namibia prime	(3 824)
Borrowings	1 980 798	1 980 798	Namibia prime	(39 616)
Deposits	386 069	386 069	Namibia prime	(7 721)
	2 558 595	**2 558 077**		**(51 161)**
Net effect on the statement of total comprehensive income				(35 420)

	Carrying amount at end of year N$'000	Amount exposed to market risk N$'000	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$'000
2020 – GROUP				
Financial assets				
Cash and cash equivalents	468 253	468 253	Namibia prime	9 365
Advances	3 608 616	–	N/A **	–
	4 076 869	**468 253**		**9 365**
Financial liabilities				
Amounts due to parent company	587 411	585 750	Namibia prime	(11 715)
	587 411	**585 750**		**(11 715)**
Net effect on the statement of total comprehensive income				(2 350)

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2 MARKET RISK (continued)

5.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

ii) Potential effect of changes in the market interest rate on earnings for floating rate instruments (continued)

	Carrying amount at end of year N$'000	Amount exposed to market risk N$'000	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$'000
2021 – COMPANY				
Financial assets				
Cash and cash equivalents	329	329	Namibia prime	7
Intercompany receivable	200 590	–	N/A	–
	200 919	**329**		**7**
Financial liabilities				
Borrowings	233 012	233 012	JIBAR	(4 660)
	233 012	**233 012**		**(4 660)**
Net effect on the statement of total comprehensive income				(4 653)

	Carrying amount at end of year N$'000	Amount exposed to market risk N$'000	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$'000
2020 – COMPANY				
Financial assets				
Cash and cash equivalents	59	59	Namibia prime	1
Intercompany receivable	78 672	–	N/A	–
	78 731	59		1
Financial liabilities				
Intercompany payable	111 184	–	N/A	–
	111 184	**–**		**–**
Net effect on the statement of total comprehensive income				**1**

** Interest on advances are based on Namibia prime rate, however they remain fixed for the duration of the loan even when the prime rate changes, and there is therefore no interest rate risk exposure.

5.1.2.2 Foreign currency risk management

Foreign currency risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Currency risk in the Group arises as a result of holding foreign currency denominated borrowings and foreign currency in cash.

The Group's primary risk objective is to protect the net earnings against the impact of adverse exchange rate movements. ALCO is mandated to manage this risk by application of appropriate foreign currency derivatives, exposure limits and other appropriate strategies to ensure adherence to the Group's risk appetite.

At present, neither the Group's assets, liabilities nor cash flows are denominated in foreign currency, hence the Group is not exposed to foreign currency risk.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.2.3 Other price risk management

The Group has a low market risk appetite. For this reason, the Group does not typically trade in any marketable securities and holds any required marketable securities until maturity and is therefore is not exposed to price risk associated with these marketable securities.

5.1.3 LIQUIDITY RISK

The following tables analyse the Group's and company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The total ties back to the balance sheet.

The matching and controlled mismatching of the maturities and interest rates of financial assets and liabilities are fundamental to the management of risk within the Group. It is unusual for the Group ever to be completely matched since the business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of financial assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates.

Assets and liabilities maturities as at 31 December 2021

	Demand and up to 1 month N$'000	Greater than 1 month up to 3 months N$'000	Greater than 3 months up to 12 months N$'000	Greater than 12 months up to 24 months N$'000	Greater than 24 months N$'000	Non-financial assets and liabilities N$'000	Total N$'000
2021 – GROUP							
ASSETS							
Cash and cash equivalents	287 048	–	–	–	–	–	287 048
Government and other securities	19 987	–	–	–	480 017	–	500 004
Other receivables	–	313 722	–	–	–	38 583	352 305
Net advances	271 451	535 529	2 297 558	843 018	330 925	–	4 278 481
Current taxation	–	–	–	–	–	81 736	81 736
Property, plant and equipment and right-of-use assets	–	–	–	–	–	18 375	18 375
Deferred tax assets	–	–	–	–	–	3 488	3 488
Total assets	**578 486**	**849 251**	**2 297 558**	**843 018**	**810 942**	**142 182**	**5 521 437**
LIABILITIES AND EQUITY							
Deposits due to customers	300 598	–	85 471	–	–	–	386 069
Trade and other payables	218 495	–	–	–	–	20 255	238 750
Borrowings	–	–	608 780	–	1 372 018	–	1 980 798
Lease liabilities	–	–	7 639	–	–	–	7 639
Amounts due to parent company	–	–	–	–	191 728	–	191 728
Deferred tax liability	–	–	–	–	–	6 882	6 882
Ordinary shareholders' equity	–	–	–	–	–	2 709 571	2 709 571
Total liabilities and equity	**519 093**	**–**	**701 890**	**–**	**1 563 746**	**2 736 708**	**5 521 437**
Net liquidity gap	**59 393**	**849 251**	**1 595 668**	**843 018**	**(752 804)**	**(2 594 526)**	**–**

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.3 LIQUIDITY RISK (continued)

Assets and liabilities maturities as at 31 December 2020

	Demand and up to 1 month N$'000	Greater than 1 month up to 3 months N$'000	Greater than 3 months up to 12 months N$'000	Greater than 12 months up to 24 months N$'000	Greater than 24 months N$'000	Non-financial assets and liabilities N$'000	Total N$'000
2020 – GROUP							
ASSETS							
Cash and cash equivalents	468 253	–	–	–	–	–	468 253
Other receivables	–	181 720	–	–	–	20 983	202 703
Net advances	117 021	227 068	915 545	181 820	2 167 162	–	3 608 616
Current taxation	–	–	–	–	–	80 653	80 653
Property, plant and equipment and right-of-use assets	–	–	–	–	–	22 244	22 244
Deferred tax assets	–	–	–	–	–	3 803	3 803
Total assets	585 274	408 788	915 545	181 820	2 167 162	127 683	4 386 272
LIABILITIES AND EQUITY							
Deposits due to customers	160 214	6 677	21 002	–	–	–	187 893
Trade and other payables	131 746	–	–	–	–	17 694	149 440
Borrowings	–	501 533	10 000	330 932	–	–	842 465
Lease liabilities	–	660	10 387	115	–	–	11 162
Amounts due to parent company	–	1 661	–	–	585 750	–	587 411
Deferred tax liability	–	–	–	–	–	9 367	9 367
Ordinary shareholders' equity	–	–	–	–	–	2 598 534	2 598 534
Total liabilities and equity	291 960	510 531	41 389	331 047	585 750	2 625 595	4 386 272
Net liquidity gap	293 314	(101 743)	874 156	(149 227)	1 581 412	(2 497 912)	–

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5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.3 LIQUIDITY RISK (continued)

Assets and liabilities maturities as at 31 December 2021 (continued)

	Demand and up to 1 month N$'000	Greater than 1 month up to 3 months N$'000	Greater than 3 months up to 12 months N$'000	Greater than 12 months up to 24 months N$'000	Greater than 24 months N$'000	Non-financial assets and liabilities N$'000	Total N$'000
2021 – COMPANY							
ASSETS							
Cash and cash equivalents	329	–	–	–	–	–	329
Other receivables	–	121 374	–	–	–	3 578	124 952
Intercompany receivable	–	–	–	–	200 590	–	200 590
Current taxation	–	–	–	–	–	7 347	7 347
Deferred tax assets						538	538
Investment in subsidiaries	–	–	–	–	–	1 914 354	1 914 354
Total assets	**329**	**121 374**	**–**	**–**	**200 590**	**1 925 817**	**2 248 110**
LIABILITIES AND EQUITY							
Trade and other payables	–	68 640	–	–	–	220	68 860
Borrowings	–	–	–	–	233 012	–	233 012
Ordinary shareholders' equity	–	–	–	–	–	1 946 238	1 946 238
Total liabilities and equity	**–**	**68 640**	**–**	**–**	**233 012**	**1 946 458**	**2 248 110**
On balance sheet interest sensitivity	329	52 734	–	–	(32 422)	(20 641)	–

	Demand and up to 1 month N$'000	Greater than 1 month up to 3 months N$'000	Greater than 3 months up to 12 months N$'000	Greater than 12 months up to 24 months N$'000	Greater than 24 months N$'000	Non-financial assets and liabilities N$'000	Total N$'000
2020 – COMPANY							
ASSETS							
Cash and cash equivalents	59	–	–	–	–	–	59
Other receivables	–	66 197	–	–	–	–	66 197
Intercompany receivable	78 672	–	–	–	–	–	78 672
Current taxation	–	–	–	–	–	7 354	7 354
Investment in subsidiaries	–	–	–	–	–	1 914 354	1 914 354
Total assets	78 731	66 197	–	–	–	1 921 708	2 066 636
LIABILITIES AND EQUITY							
Trade and other payables	31 315	–	–	–	–	87	31 402
Amounts due to parent company	–	–	–	–	111 184	–	111 184
Ordinary shareholders' equity	–	–	–	–	–	1 924 050	1 924 050
Total liabilities and equity	31 315	–	–	–	111 184	1 924 137	2 066 636
On balance sheet interest sensitivity	47 416	66 197	–	–	(111 184)	(2 429)	–

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.3 LIQUIDITY RISK (continued)

The following table represents the Group's undiscounted cash flows of liabilities per remaining maturity and includes all cash flows related to the principal amounts as well as future payments. The analysis is based on the earliest date on which the Group can be required to pay and is not necessarily the date at which the Group is expected to pay.

	Carrying amount	Up to 1 month N$'000	Greater than 1 month up to 6 months N$'000	Greater than 6 months up to 12 months N$'000	Greater than 1 year up to 2 years N$'000	Greater than 2 years up to 5 years N$'000	Greater than 5 years N$'000	Total N$'000
2021 – GROUP								
Financial liabilities								
Lease liabilities	7 639	520	1 007	2 591	3 619	–	–	7 737
Borrowings	1 980 798	12 113	61 803	711 910	468 624	997 631	–	2 252 081
Amounts due to parent company	191 728	–	–	–	191 728	–	–	191 728
Trade and other payables	238 750	80 880	157 870	–	–	–	–	238 750
	2 418 915	**93 513**	**220 680**	**714 501**	**663 971**	**997 631**	**–**	**2 690 296**

	Carrying amount	Up to 1 month N$'000	Greater than 1 month up to 6 months N$'000	Greater than 6 months up to 12 months N$'000	Greater than 1 year up to 2 years N$'000	Greater than 2 years up to 5 years N$'000	Greater than 5 years N$'000	Total N$'000
2020 – GROUP								
Financial liabilities								
Lease liabilities	11 162	607	3 202	3 310	3 659	2 749	–	13 527
Borrowings	842 465	231 395	771 658	3 710	474 515	–	–	1 481 278
Amounts due to parent company	587 411	–	250 000	–	367 155	–	–	617 155
Trade and other payables	149 440	55 855	93 585	–	–	–	–	149 440
	1 590 478	**287 857**	**1 118 445**	**7 020**	**845 329**	**2 749**	**–**	**2 261 400**

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.3 LIQUIDITY RISK (continued)

	Carrying amount	Up to 1 month N$'000	Greater than 1 month up to 6 months N$'000	Greater than 6 months up to 12 months N$'000	Greater than 1 year up to 2 years N$'000	Greater than 2 years up to 5 years N$'000	Greater than 5 years N$'000	Total N$'000
2021 – COMPANY								
Financial liabilities								
Borrowings	233 012	–	7 851	7 982	15 833	238 895	–	270 561
	233 012	**–**	**7 851**	**7 982**	**15 833**	**238 895**	**–**	**270 561**

	Carrying amount	Up to 1 month N$'000	Greater than 1 month up to 6 months N$'000	Greater than 6 months up to 12 months N$'000	Greater than 1 year up to 2 years N$'000	Greater than 2 years up to 5 years N$'000	Greater than 5 years N$'000	Total N$'000
2020 – COMPANY								
Financial liabilities								
Amounts due to parent company	111 184	–	–	–	111 184	–	–	111 184
	111 184	**–**	**–**	**–**	**111 184**	**–**	**–**	**111 184**

5.1.4 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE OR FOR WHICH FAIR VALUES ARE DISCLOSED

5.1.4.1 Valuation models

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

The Group and company measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other factors used in estimating discounting rates, foreign currency exchange rates, bond and equity prices, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.4 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE OR FOR WHICH FAIR VALUES ARE DISCLOSED (continued)

5.1.4.1 Valuation models (continued)

Fair value for disclosure

For instruments measured and presented at amortised cost, in determining the fair value for disclosure purposes, the Group uses its own valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include advances and certain funding loans for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and selection of appropriate discount rate.

Fair value estimates obtained from models include adjustments to take account of the credit risk of the Group and company and the counterparty where appropriate.

General

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions and experiences. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair values, and management judgement is required to select the most appropriate point in the range.

Level 3 fair value disclosure – Advances

The fair value of the advances book has been derived using a discounted cash flow technique. The Group has modelled the expected future cash flows by extrapolating the most recent observed cash flows on the advances book.

Amortised cost and fair value are both based upon present value of future cash flow techniques, however the following significant differences exist between the impairment (amortised cost) and fair value methodologies:

- Fair value includes all expected cash flows, whereas impairments under IFRS 9 are determined using the “general model”;
- The impairment cash flows are not reduced by the net insurance premiums the Group and company expects to pay across to insurance providers;
- The impairment cash flows are not reduced by expected cost of collection.

Amortised cost requires the future cash flows to be discounted at the advance’s effective interest rate whereas the fair value methodology discounts the expected cash flows at a required rate of return.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.5 Analysis of financial assets and liabilities

Financial assets and financial liabilities are measured at amortised cost. The principal accounting policies describe how the class of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following tables analyses the financial assets and financial liabilities in the balance sheet per class and category of financial instrument to which they are assigned. An estimate of the fair value per class of the financial instrument is also provided.

	Amortised cost N$'000	Total N$'000	Up to 12 months N$'000	Greater than 12 months N$'000
2021 – GROUP				
Financial assets				
Cash and cash equivalents	287 048	287 048	287 048	–
Government and other securities	500 004	500 004	19 987	480 017
Other receivables	313 722	313 722	313 722	–
Net advances	4 278 481	4 278 481	3 104 538	1 173 943
Total financial assets	**5 379 255**	**5 379 255**	**3 725 295**	**1 653 960**
Financial liabilities				
Deposits due to customers	386 068	386 068	386 068	–
Trade and other payables	218 495	218 495	218 495	–
Borrowings	1 980 798	1 980 798	608 780	1 372 018
Lease liabilities	7 639	7 639	4 006	3 633
Amounts due to parent company	191 728	191 728	–	191 728
Total financial liabilities	**2 784 728**	**2 784 728**	**1 217 349**	**1 567 379**

	Amortised cost N$'000	Total N$'000	Up to 12 months N$'000	Greater than 12 months N$'000
2020 – GROUP				
Financial assets				
Cash and cash equivalents	468 253	468 253	468 253	–
Other receivables	181 720	181 720	181 720	–
Net advances	3 608 616	3 608 616	1 259 633	2 348 983
Total financial assets	**4 258 589**	**4 258 589**	**1 909 606**	**2 348 983**
Financial liabilities				
Deposits due to customers	187 893	187 893	187 893	–
Trade and other payables	131 746	131 746	131 746	–
Borrowings	842 465	842 465	511 533	330 932
Lease liabilities	11 162	11 162	6 512	4 650
Amounts due to parent company	587 411	587 411	1 661	585 750
Total financial liabilities	**1 760 677**	**1 760 677**	**839 345**	**921 332**

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.5 Analysis of financial assets and liabilities (continued)

	Amortised cost N$'000	Total N$'000	Up to 12 months N$'000	Greater than 12 months N$'000
2021 – COMPANY				
Financial assets				
Cash and cash equivalents	329	329	329	–
Other receivables	124 952	124 952	124 952	–
Intercompany receivable	200 590	200 590	–	200 590
Total financial assets	**325 871**	**325 871**	**125 281**	**200 590**
Financial liabilities				
Trade and other payables	68 860	68 860	68 860	–
Borrowings	233 012	233 012	–	233 012
Total financial liabilities	**301 872**	**301 872**	**68 860**	**233 012**

	Amortised cost N$'000	Total N$'000	Up to 12 months N$'000	Greater than 12 months N$'000
2020 – COMPANY				
Financial assets				
Cash and cash equivalents	59	59	59	–
Other receivables	66 197	66 197	66 197	–
Intercompany receivable	78 672	78 672	78 672	–
Total financial assets	**144 928**	**144 928**	**144 928**	**–**
Financial liabilities				
Trade and other payables	31 402	31 402	31 402	–
Intercompany payables	111 184	111 184	111 184	–
Total financial liabilities	**142 586**	**142 586**	**142 586**	**–**

The amortised cost approximates the fair value.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.6 Capital management

Capital adequacy risk is the risk that the Group will not have sufficient reserves to meet materially adverse market conditions beyond that which has already been assumed within the impairment provisions and reserves.

The Group and company strives to maintain a strong capital base. Managed capital comprises of share capital, common control reserve, share based payment reserve and retained earnings. The Group's and company's objectives when managing capital are to safeguard the Group's and company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's and company's strategic focus is to maintain an optimal mix of available financial resources, while continuing to generate sufficient capital to support the growth of the Group's and company's operations within the parameters of the risk appetite set by the board. It is the Group's objective to safeguard the Group's and company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

External regulatory capital management – Banking Operations

Regulatory capital adequacy is measured by expressing available qualifying capital as a percentage of risk-weighted assets. The Banking Institutions Act (No 2 of 1998) and supporting regulations, read together with specific requirements for the banking operations, specify the minimum capital required to be held in relation to risk weighted assets. Ancillary regulatory requirements include the Basel II leverage ratio.

The banking operations regulatory capital is divided into two tiers:

- Tier 1 capital: Share capital, share premium, irredeemable preference shares, share based payment reserve, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital and general loan loss provisions.

The Bank of Namibia requires each bank or banking group to maintain the following capital adequacy ratios:

- Tier 1 capital to total assets, at a minimum of 6%, referred to as the leverage capital ratio;
- Tier 1 capital to the risk-weighted assets at the minimum of 7%, referred to as Tier 1 risk-based capital ratio; and
- The total regulatory capital to risk-weighted assets as a minimum of 10%, referred to as total risk-based capital ratio.

In addition to the above minimum capital requirements, the Bank of Namibia requires the bank to perform an internal capital adequacy and assessment process ("ICAAP") in terms of Pillar II of Basel II, which has been documented and approved by the board. The process results in:

- The identification of all significant risk exposures to the banking group;
- The quantification of risk appetites for the major risks identified; and
- Control measures to mitigate the major risks.

ALCO is mandated to monitor and manage capital, which includes:

- Meeting minimum Basel II regulatory requirements and additional capital add-ons and floors as specified by the Bank of Namibia;
- Ensure adequate capital buffers above the aforementioned criteria to ensure sustainability in both a systemic and idiosyncratic stress event as set out by the Group's risk appetite;
- Test the Group's strategy against risk appetite and required capital levels;
- On an annual basis to review and sign-off the Group's ICAAP, prior to the submission to the Audit and Risk Committee, the Board and BoN; and
- To ensure compliance with other prudential regulatory requirements in respect of non-banking entities within the Group, most notably the capital requirements of these non-banking entities.

The debt covenant requirements attached to the Group's borrowings in Note 15 are:

- Bad debts ratio does not exceed 10%
- Cash collection ratio exceeds 85%
- Capitalisation ratio exceeds 30%.

The Group and company has complied with these covenants throughout the reporting year.

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Financial risk factors (continued)

5.1.6 Capital management (continued)

Regulatory capital

	GROUP		BANK	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
Tier 1 capital				
Ordinary share and premium	**100**	100	**59 624**	59 624
Irredeemable preference share capital	**215 085**	215 085	**215 085**	215 085
Retained earnings	**1 638 225**	1 680 057	**669 878**	709 952
Ordinary shareholders' reserves	**703 400**	703 292	**2 376**	2 451
Total tier 1 capital	**2 556 810**	**2 598 534**	**946 963**	**987 112**
Tier 2 capital				
Current unappropriated profits	**110 929**	–	**25 068**	–
General allowance for credit impairments	**27 547**	24 604	**18 055**	11 908
	138 476	24 604	**43 123**	11 908
Total qualifying capital	**2 695 286**	2 623 138	**990 086**	999 020
Risk-weighted assets				
Credit risk	**3 781 064**	3 011 983	**1 549 329**	1 581 600
Market risk	**–**	–	**–**	–
Operational risk	**999 386**	87 131	**281 587**	34 791
Total risk-weighted assets	**4 780 450**	**3 099 114**	**1 830 916**	**1 616 391**

Capital adequacy ratios

	Minimum regulatory requirement %	Internal limit %	**31 December 2021 %**	31 December 2020 %
GROUP				
Total capital adequacy ratio	10	15	**56**	85
Tier 1 capital adequacy ratio	7	9	**53**	84
Tier 1 leverage ratio	6	8	**46**	58
BANK				
Total capital adequacy ratio	10	15	**54**	62
Tier 1 capital adequacy ratio	7	9	**52**	65
Tier 1 leverage ratio	6	8	**35**	55

6. PRIOR YEAR RESTATEMENT

Group

The cell captive dividends were incorrectly recorded gross of tax paid in the 2020 financial year. As a result of this, the tax paid was overstated by the tax that was paid by the insurance provider on the cell captive dividends prior to distribution to Letshego. As such, the comparative has been restated to correct this presentation disclosure by decreasing the other operating income (and consequently profit before tax) and decreasing the tax paid amount by N$19 176 000. The total profit after tax and net cash flows from operating activities remain unchanged.

Company

The cell captive dividends were incorrectly recorded gross of tax paid in the 2020 financial year. As a result of this, the tax paid was overstated by the tax that was paid by the insurance provider on the cell captive dividends prior to distribution to Letshego. As such, the comparative has been restated to correct this presentation disclosure by decreasing the other operating income (and consequently profit before tax) and decreasing the tax paid amount by N$7 837 000. The total profit after tax and net cash flows from operating activities remain unchanged.

Statement of comprehensive income – extract	At 31 December 2020 Audited (as previously stated) N$'000	Restatement increase/ (decrease) N$'000	At 31 December 2020 Restated N$'000
GROUP			
Other operating income	167 744	(19 176)	**148 568**
Profit before taxation	423 123	(19 176)	**403 947**
Taxation	(102 234)	19 176	**(83 058)**
Profit for the year	**320 889**	**–**	**320 889**

Statement of cash flows – extract	At 31 December 2020 Audited (as previously stated) N$'000	Restatement increase/ (decrease) N$'000	At 31 December 2020 Restated N$'000
GROUP			
Operating profit before taxation	423 123	(19 176)	**403 947**
Other operating income	167 744	(19 176)	**148 568**
Net tax paid	(101 244)	(19 176)	**(82 068)**
Net movement in cash and cash equivalents	**320 667**	**–**	**320 667**

6. PRIOR YEAR RESTATEMENT (continued)

Statement of comprehensive income – extract	At 31 December 2020 Audited (as previously stated) N$'000	Restatement increase/ (decrease) N$'000	At 31 December 2020 Restated N$'000
COMPANY			
Other operating income	59 662	(7 837)	51 825
Profit before taxation	57 419	(7 837)	49 582
Taxation	(7 839)	7 837	(2)
Profit for the year	**49 580**	**–**	**49 580**

Statement of cash flows – extract	At 31 December 2020 Audited (as previously stated) N$'000	Restatement increase/ (decrease) N$'000	At 31 December 2020 Restated N$'000
COMPANY			
Operating profit before taxation	57 419	(7 837)	49 582
Other operating income	59 662	(7 837)	51 825
Net tax paid	(7 989)	(7 837)	(152)
Net movement in cash and cash equivalents	**(121)**	**–**	**(121)**

7. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
Cash and balances with banks	**147 552**	402 518	**329**	59
Money market placements	**100 809**	1	**–**	–
Balances with the central bank other than mandatory reserve deposits	**25 483**	58 879	**–**	–
Included in cash and cash equivalents	**273 844**	461 398	**329**	59
Mandatory reserve deposits with the central bank	**13 204**	6 855	**–**	–
	287 048	**468 253**	**329**	**59**

Money market placements constitute amounts held in money market unit trust with external financial institutions on a short-term basis. These placements are highly liquid, readily convertible and have an insignificant risk of change in value.

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

Bank balances	**279 527**	457 590	**329**	59
Cash on hand	**7 521**	10 663	**–**	–
	287 048	**468 253**	**329**	**59**

Due to the nature of cash and cash equivalents as well as historical experience, these balances measured at amortised cost are regarded as having a low probability of default and the ECL in respect of these is considered immaterial.

At year-end, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets. With the exception of the mandatory reserve balance with the central bank, there are no restrictions or pledges on cash and cash equivalents as at the reporting date.

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
8. GOVERNMENT AND OTHER SECURITIES				
Treasury bills	19 987	–	–	–
Investment in RSA Government Security Bonds	480 017	–	–	–
Gross financial assets at amortised cost	500 004	–	–	–
Less expected credit loss allowance	–	–	–	–
Net financial assets at amortised cost	**500 004**	**–**	**–**	**–**
Current	19 987	–	–	–
Non-current	480 017	–	–	–
Gross financial assets at amortised cost	**500 004**	**–**	**–**	**–**

Due to the short-term nature of these financial assets at amortised cost as well as historical experience, these assets measured at amortised cost are regarded as having a low probability of default and the ECL in respect of these is considered immaterial.

There is no exposure to price risk as the investment will be held to maturity.

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
9. RECEIVABLES				
9.1 Other receivables				
Financial				
– Profit share receivable from cell captive	**295 966**	168 498	**121 323**	66 117
– Deposits	**12 328**	6 817	**51**	80
– Sundry receivables	**5 428**	6 405	**–**	–
– Deferred fees	**26 027**	12 205	**3 578**	
– Prepayments	**12 556**	8 778	**–**	–
	352 305	**202 703**	**124 952**	**66 197**
At year-end, the carrying amounts of accounts receivable approximate closely to their fair values due to the short-term maturities of these assets.				
Due to the short-term nature of other receivables as well as historical experience, these assets measured at amortised cost are regarded as having a low probability of default and the ECL in respect of these is considered immaterial.				
9.2 Intercompany receivable				
Financial				
– Intercompany current account – Letshego Micro Financial Services (Namibia) (Pty) Ltd	**–**	–	**93 715**	–
– Intercompany current account – Letshego Bank (Namibia) Ltd	**–**	–	**106 875**	78 672
	–	**–**	**200 590**	**78 672**

The above intercompany receivables are unsecured and currently bear no interest. These loans are of a short-term nature and have no fixed repayment terms.

Due to historical experience intercompany receivables measured at amortised cost are regarded as a low probability of default and the ECL in respect of these is considered immaterial.

At recognition and at year-end, the carrying amounts of accounts receivable approximate closely to their fair values due to the short-term maturities of these assets.

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
10. ADVANCES TO CUSTOMERS				
Gross advances to customers	4 325 142	3 679 620	–	–
Less: Impairment allowance on advances	(46 661)	(71 004)	–	–
Net advances to customers	**4 278 481**	**3 608 616**	**–**	**–**
Impairment allowance on advances				
Balance at the beginning of the year	71 004	28 078	–	–
Impairment adjustment – increase for the year	(24 343)	42 926	–	–
Balance at the end of the year	**46 661**	**71 004**	**–**	**–**
The balance at the end of the year consists of the following:				
Stage 1 impairment	12 863	24 604	–	–
Stage 2 – 3 impairment	33 798	46 400	–	–
	46 661	**71 004**	**–**	**–**
(Reversals)/Charges in the profit or loss				
Amounts written off	75 760	107 332	–	–
Impairment adjustment	(24 343)	42 926		
Recoveries during the year	(67 937)	(106 606)	–	–
	(16 520)	**43 652**	**–**	**–**
Exposure to credit risk				
Net advances to customers	4 278 481	3 608 616	–	–
Maximum exposure to credit risk	**4 278 481**	**3 608 616**	**–**	**–**

Advances are measured at amortised cost using the effective interest method as they are held to collect contractual cash flows which are solely payments of principle and interest.

Refer to Note 5.1.1 for more information on credit risk management, credit quality, credit concentration risk and sensitivity of assumptions and estimates.

The Group performed a detailed assessment of the provision of the impairment allowance during the year. Actual historic write-off losses and wider credit risk associated with lending to public sector employees were considered and the credit impairment adjusted accordingly.

The aggregate net advances to customers is held as security on external borrowings by way of a Security Sharing Agreement. See detail of borrowings in Note 15.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Furniture and fittings N$'000	Office equipment N$'000	Computer equipment N$'000	Motor vehicles N$'000	Leasehold Improve-ments N$'000	Right-of-use assets – Buildings N$'000	Total N$'000
Group							
At 31 December 2021							
Cost	5 322	8 094	39 349	482	8 249	23 257	84 753
Accumulated depreciation	(4 749)	(6 157)	(33 271)	(482)	(4 122)	(17 597)	(66 378)
Carrying amount	**573**	**1 937**	**6 078**	**–**	**4 127**	**5 660**	**18 375**
At 31 December 2021							
Opening net amount at 1 January 2021	829	1 370	9 013	64	1 662	9 306	22 244
Additions	197	1 194	4 098	–	3 332	2 761	11 582
Depreciation charge	(453)	(627)	(7 033)	(64)	(867)	(6 407)	(15 451)
Carrying amount	**573**	**1 937**	**6 078**	**–**	**4 127**	**5 660**	**18 375**
At 31 December 2020							
Cost	5 125	6 900	35 251	482	4 917	20 496	73 171
Accumulated depreciation	(4 296)	(5 530)	(26 238)	(418)	(3 255)	(11 190)	(50 927)
Carrying amount	**829**	**1 370**	**9 013**	**64**	**1 662**	**9 306**	**22 244**
At 31 December 2020							
Opening net amount at 1 January 2020	1 203	1 612	14 009	149	1 534	13 165	31 672
Additions	40	509	1 622	–	781	2 728	5 680
Depreciation charge	(414)	(751)	(6 618)	(85)	(653)	(6 587)	(15 108)
Carrying amount	**829**	**1 370**	**9 013**	**64**	**1 662**	**9 306**	**22 244**

Company

The company does not carry property, plant and equipment and right-of-use assets.

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
12. TRADE AND OTHER PAYABLES				
Financial				
– Trade payables	**80 880**	55 855	**16**	82
– Accruals	**2 724**	478	**3**	–
– Other payables	**5 822**	4 101	**68 621**	31 233
– Dividend payable	**129 069**	71 312	**–**	–
Non-financial				
– Audit fee provision	**1 870**	1 173	**220**	87
– Personnel related	**13 261**	12 738	**–**	–
– Value Added Taxation	**1 827**	113	**–**	–
– Withholding Tax	**3 297**	3 670	**–**	–
	238 750	**149 440**	**68 860**	**31 402**

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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13. LEASE LIABILITIES

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
Amounts recognised in the statement of financial position				
Current lease liabilities	4 006	6 512	–	–
Non-current lease liabilities	3 633	4 650	–	–
	7 639	**11 162**	**–**	**–**
Reconciliation of lease liabilities				
Opening balance	11 162	14 207	–	–
Additions/modification	3 141	2 728	–	–
Interest expense	71	1 703	–	–
Payments	(6 735)	(7 476)	–	–
Closing balance	**7 639**	**11 162**	**–**	**–**
The Group leases various office buildings. Rental contracts are typically made for fixed periods of two years to five years but may have extension options.				
Refer to Note 3(d) for more information on the accounting policy for leases.				
There were additions of N$3 141 (2020: N$2 728) to right-of-use assets during the 2021 financial year.				
The company measures the lease liabilities at the present value of the lease payments discounted by using the incremental borrowing rate of 7.5% p.a.				
Amounts recognised in the statement of comprehensive income				
Depreciation charge on right-of-use assets – Buildings	6 407	6 587	–	–
Interest expense on lease liabilities	71	1 703	–	–
Expense relating to leases of low value assets	734	962	–	–
Expense relating to short-term leases	–	80	–	–
	7 212	**9 332**	**–**	**–**

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	31 December 2021 N$'000	31 December 2020 N$'000
14. TAXATION				
14.1 Income tax expense				
Current tax expense[1]	54 744	78 628	–	2
Deferred tax (income)/expense:				
– Origination and reversal of temporary differences	(2 170)	4 430	(538)	–
Total Income tax expense	**52 574**	**83 058**	**(538)**	**2**
14.2 Reconciliation of current taxation				
Profit before taxation	355 803	403 947	213 950	49 582
Tax calculated at standard rate – 32%	113 857	129 263	68 464	15 866
Income not subject to tax – dividends	(93 791)	(50 004)	(69 639)	(16 501)
Non-deductible expenses	32 508	3 799	637	637
	52 574	**83 058**	**(538)**	**2**
Effective tax rate	**14,78%**	**20,56%**	**(0.25%)**	**0,00%**
14.3 Deferred taxation				
The Group has disclosed the deferred tax assets and the deferred tax liabilities separately.				
Deferred tax asset				
The balance comprises:				
– Property, equipment and right-of-use assets	(3 625)	(4 615)	–	–
– Prepayments	(592)	(492)	–	–
– Provisions	6 105	7 404	538	–
– Share based payments	760	784	–	–
– Income received in advance	–	614	–	–
– Lease liabilities	2 445	3 572	–	–
– EIR adjustment	(2 143)	(3 464)	–	–
– Assessed loss	538	–	–	–
	3 488	**3 803**	**538**	**–**
Deferred tax liabilities				
The balance comprises:				
– Prepayments and deferred expenses	(4 841)	(3 224)	–	–
– Provisions	2 701	3 190	–	–
– Income received in advance	–	9	–	–
– EIR adjustment	(3 333)	(8 643)	–	–
– Deferred arrangement fees	(1 409)	(699)	–	–
	(6 882)	**(9 367)**	**–**	**–**

1 The cell captive dividends were incorrectly recorded gross of tax paid in the 2020 financial year. As a result of this, the tax paid was overstated by the tax that was paid by the insurance provider on the cell captive dividends prior to distribution to Letshego. As such, the comparative has been restated to correct this presentation disclosure by decreasing the other operating income (and consequently profit before tax) and decreasing the tax paid amount by N$19 176 000 (company: N$7 837 000). The total profit after tax and net cash flows from operating activities remain unchanged. Please see Note 6 for more details.

14. TAXATION (continued)

Deferred income taxes for the company and Group are calculated on all the temporary timing differences under the comprehensive method using a tax rate of 32% (2020: 32%) except where the initial recognition exemption applies. The profit or loss debits/credits are the result of timing differences between the accounting and tax treatments of items recognised in the statement of financial position.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. A deferred tax asset is recognised based on the assumption that the company will continue producing a taxable income in the foreseeable future against which it can be set off.

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
14.4 Current taxation				
Opening balance	(80 653)	(77 213)	(7 354)	(7 204)
Charge to profit or loss	54 744	78 628	–	2
Payments made during the period	(59 483)	(82 068)	–	(152)
Refund received	3 656		7	
Taxation (asset)/liability	**(81 736)**	**(80 653)**	**(7 347)**	**(7 354)**
15. BORROWINGS				
Commercial Bank 1				
Facility 1	150 000	330 000	–	–
Facility 2	250 000	–	–	–
Facility 3	250 000	–	–	–
	650 000	**330 000**	**–**	**–**
Commercial Bank 1 are secured revolving credit facilities guaranteed by Letshego Holdings Limited and bear interest at Namibia prime less 0.14% (facility 1), Namibia prime less 0.32% (facility 2) and Namibia prime less 0.52% (facility 3). Interest on the loans are repayable quarterly and the loans mature on 31 December 2022, 15 December 2024 and 15 December 2023 respectively. The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting year.				
Commercial Bank 2				
Loan 1	83 730	10 000	–	–
Loan 2	75 947	502 465	–	–
Loan 3	458 780	–	–	–
	618 457	**512 465**	**–**	**–**

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
15. BORROWINGS (continued)				
Commercial Bank 2 are secured term loans guaranteed by Letshego Holdings Limited and bear interest at Namibia prime less 0.25% (loan 1), Namibia prime less 0.3% (loan 2) and 3 month JIBAR plus 2.6% (loan 3) repayable in bi-annual instalments and mature on 7 June 2024, 31 January 2025 and 15 November 2022 respectively. The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting year.				
Development Finance loan	**479 329**	–	–	–
Development Finance loan is a secured term loan guaranteed by Letshego Holdings Limited and bears interest at LIBOR plus 3.75%. Interest on the loan is repayable quarterly and the loan matures on 15 June 2026. The Group has complied with the financial covenants of its borrowing facilities during the 2021 reporting period.				
Listed Bond Programme	**233 012**	–	**233 012**	–
Listed Bond Programme Note is a medium-term loan guaranteed by Letshego Micro Financial Services (Namibia) (Pty) Ltd and bears interest at 3 month ZAR-JIBAR-SAFEX plus 3.55%. Interest on the loan is repayable quarterly and the loan matures on 17 May 2024. The Group has complied with the financial covenants of its borrowing facilities during the 2021 reporting period.				
Total borrowings	**1 980 798**	**842 465**	**233 012**	**–**
– Current	608 780	512 465	–	–
– Non-current	1 372 018	330 000	233 012	–
	1 980 798	**842 465**	**233 012**	**–**

Risk exposures

Details of the Group's and company's exposure to risks arising from current and non-current borrowings are set out in Note 5.

		GROUP		COMPANY	
		31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
16.	**AMOUNTS DUE TO PARENT COMPANY**				
16.1	**Amounts due to parent company – Letshego Holdings Limited**	191 210	585 750	–	–
	Reconciliation of amounts due to parent company:				
	Opening balance	585 750	614 295	–	–
	Movement in the current year	(394 540)	(28 545)	–	–
	Closing balance	**191 210**	**585 750**	**–**	**–**
	The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan is repayable in variable instalments and matures on 10 May 2024.				
16.2	**Intercompany payable – Erf 8585 (Pty) Ltd**	518	1 661	–	–
	The intercompany loan with Erf 8585 (Pty) Ltd is unsecured and currently does not bear interest and has no fixed repayment terms. At year-end, the carrying amount of the intercompany payable approximates closely to its fair value due to the short-term nature of the balance.				
16.3	**Intercompany payable – Letshego Micro Financial Services (Namibia) (Pty) Ltd**	–	–	–	111 184
	The intercompany payable Letshego Micro Financial Services (Namibia) (Pty) Ltd is unsecured, of a short-term nature and currently does not bear interest and has no fixed repayment terms. At year-end, the carrying amount of the intercompany payable approximates closely to its fair value due to the short-term nature of the balance.				
	Total intercompany payables	**191 728**	**587 411**	**–**	**111 184**

		GROUP		COMPANY	
		31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
17.	**DEPOSITS DUE TO CUSTOMERS**				
	Current accounts	22 721	102 609	–	–
	Term deposits	363 348	85 284	–	–
	Total deposits due to customers	**386 069**	**187 893**	**–**	**–**
18.	**SHARE CAPITAL**				
	Authorised share capital				
	500 000 000 ordinary shares of 0.02 cents each (2020: 500 000 000 ordinary shares of 0.02 cents each)	100	100	100	100
	Issued share capital				
	500 000 000 ordinary shares of 0.02 cents each (2020: 500 000 000 ordinary shares of 0.02 cents each)	100	100	100	100

19. EQUITY SETTLED SHARE BASED PAYMENT RESERVE

Under the conditional Long Term Incentive Plan (LTIP), conditional share awards are granted to management and key employees. The number of vesting share awards (currently outstanding) is subject to certain non-market conditions. Shares are issued and settled in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange. The fair value of the shares is valued according to the listed price on the Botswana Stock Exchange at grant date. Letshego Holdings Limited is liable to fulfil the obligation to the employees on the awards granted.

Shares granted in terms of the plan may not exceed 10% of the issued ordinary shares of the holding company, Letshego Holdings Limited. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

The allocation of share awards under the plan relating to management of Letshego Bank (Namibia) Limited was made in 2019, 2020 and 2021 respectively. The vesting period of the share awards from grant date is three periods.

	Group			
	31 December 2021		31 December 2020	
	Number of share awards	**Exercise price**	Number of share awards	Exercise price
Granted during prior years	3 918	N$2.56/2.24/0.97	2 653	N$3.40./2.90/2.56
Granted in current year	2 141	N$0.99	1 979	N$0.97
Exercised during the year	(478)	N$2.50	(393)	N$2.90
Forfeited during the period	(391)	N$2.50	(321)	N$2.90
Exercisable and outstanding at the end of the year	**5 190**	**N$2.56/2.24/0.99**	**3 918**	**N$2.56/2.24/0.97**
Fair value of awards exercisable and outstanding at the end of the year	2 376		2 268	

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
20. OPERATING PROFIT BEFORE TAXATION				
The following items have been recognised in arriving at profit before taxation:				
Advertising and promotions	**2 486**	2 130	**264**	98
Auditors' remuneration	**2 437**	2 279	**337**	309
Consultancy costs – professional services	**16 601**	10 196	**1 790**	1 422
Computer services costs	**1 533**	3 349	**–**	–
Depreciation	**15 451**	15 108	**–**	–
Directors' emoluments				
– for services as director	**1 409**	1 585	**–**	–
– for management services	**4 841**	4 322	**–**	–
Rental – low value and short-term leases	**2 523**	2 602	**–**	–
Employee benefit expense (excluding directors' remuneration – for management services)	**76 144**	66 107	**30**	3
21. EMPLOYEE BENEFIT EXPENSE				
Salaries	**46 484**	43 783	**30**	3
Key management personnel	**11 230**	9 557	**–**	–
Pension fund contributions	**5 175**	4 788	**–**	–
Medical aid contributions	**3 482**	3 228	**–**	–
Social security	**170**	154	**–**	–
Incentive bonuses	**14 304**	8 913	**–**	–
Staff training and welfare	**140**	6	**–**	–
	80 985	**70 429**	**30**	**3**

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
22. OPERATING EXPENSES BY NATURE				
Sales related expense	**9 752**	10 056	**264**	98
Auditors remuneration – audit services	**2 437**	2 279	**337**	309
Collection fees	**31 933**	29 103	**–**	–
Consulting and secretarial	**16 601**	10 196	**1 790**	1 422
Management fees	**56 444**	35 263	**–**	–
Depreciation (Note 11)	**15 451**	15 108	**–**	–
Directors' remuneration – for services as directors	**1 409**	1 585	**–**	–
Computer related expenses	**1 533**	3 349	**–**	–
Office rental	**2 523**	2 602	**–**	–
Travel and accommodation	**1 203**	1 473	**–**	13
Social responsibility projects	**1 032**	1 347	**–**	–
Telephone & Fax	**4 715**	3 650	**–**	–
Guarantee fees	**7 631**	8 096	**–**	–
Subscriptions	**12 334**	11 057	**169**	389
VAT expense	**14 631**	7 510	**–**	–
Security costs	**2 982**	2 055	**–**	–
Insurance	**73 784**	9 329	**7 838**	13
Bank charges	**11 198**	2 380	**–**	–
Other operational expenses	**16 650**	7 328	**1 359**	2
Withholding Tax – Management Fees	**222**	525	**–**	–
	284 465	**164 291**	**11 757**	**2 246**
23. NET INTEREST INCOME				
Interest income calculated using the effective interest income method – Advances to customers	**582 345**	620 240	**–**	–
Other interest income:				
– Interest received on short term bank deposits	**3 836**	5 464	**9**	6
– Interest received on bonds	**2 343**	–		
– Interest received on loans to related parties	**–**	–	**8 736**	–
Total interest income	**588 524**	**625 704**	**8 745**	**6**
Interest paid:	**(121 232)**	(98 750)	**(10 425)**	–
– Borrowings	**(61 215)**	(32 556)	**(10 425)**	–
– Deposits due to customers (calculated using the effective interest method)	**(13 357)**	(4 766)	**–**	–
– Lease liabilities	**(71)**	(1 703)	**–**	–
– Shareholder's loan – Letshego Holdings Limited	**(46 589)**	(59 725)	**–**	–
Net interest income	**467 292**	**526 954**	**(1 680)**	**6**

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
24. FEE INCOME				
Postage fees	127	145	–	–
Fees and commission earned from services to customers	23 779	6 652	–	–
	23 906	**6 797**	**–**	**–**
25. OTHER OPERATING INCOME				
Dividend income – cell captive	204 568	148 568	65 855	51 825
Dividend received *	–	–	161 562	–
Sundry Income	8 963	–	–	–
Profit on disposal of plant and equipment	4	–	–	–
	213 535	**148 568**	**227 417**	**51 825**

* An ordinary dividend of N$162 million was received from Letshego Micro Financial Services (Namibia) (Pty) Ltd and Letshego Bank (Namibia) Limited during the current year.

26. RELATED PARTIES

Subsidiaries:	Letshego Micro Financial Services (Namibia) (Proprietary) Limited
	Letshego Bank (Namibia) Limited
Lease agreements:	Erf Eight Five Eight Five (Proprietary) Limited (Subsidiary of Ultimate Parent Company)
Management services agreements:	Letshego Holdings Limited (Ultimate Parent Company)
Key management personnel:	Ester Kali (Chief Executive Officer)
	Karl-Stefan Altmann (Chief Financial Officer)
	O'Rute Uandara (Chief Operating Officer)
	James Damon (Head of Credit)
	Aletta Shifotoka (Chief Risk Officer)
	Barend Kruger (Head of Consumer Division)
	Diana Mokhatu (Head of Human Resources)
	Chriszelda Gontes (Company Secretary)
	Ayesha Tjiueza (Head of Marketing)
Directors:	Maryvonne Palanduz
	Ester Kali
	Karl-Stefan Altmann
	Rosalia Martins-Hausiku
	Sven von Blottnitz
	Mansueta-Mariea Nakale
	Kamogelo Chiusiwa
	Kudzai Chigiji

	GROUP		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
26. RELATED PARTIES (continued)				
26.1 Related party balances				
Loan accounts – Receivables from related parties				
Letshego Micro Financial Services (Namibia) (Pty) Ltd			93 715	–
Letshego Bank (Namibia) Ltd			106 875	78 672
			200 590	**78 672**
The above intercompany receivables are unsecured and currently bear no interest. These loans are of a short-term nature and have no fixed repayment terms.				
Loan accounts – Owing to related parties				
Letshego Holdings Limited – loan	191 210	585 750	–	–
Erf 8585 (Pty) Ltd	518	1 661	–	–
	191 728	**587 411**	**–**	**–**
The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan has no fixed repayment terms.				
The intercompany loan with Erf 8585 (Pty) Ltd is unsecured and currently does not bear interest and has no fixed repayment terms.				
Advances				
Advances to key management personnel	**1 412**	**237**	**–**	**–**
No impairment has been recognised in respect of loans granted to key management personnel in the current or prior year.				
Deposits				
Deposits from key management personnel and directors	**205**	**–**	**–**	**–**

Deposits include current and savings accounts.

26. RELATED PARTIES (continued)

26.2 Related party transactions

	GROUP		Company	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
Interest paid to related parties				
Letshego Holdings Limited	46 589	59 725	–	–
Interest received from related parties				
Letshego Bank (Namibia) Limited	–	–	6 957	–
Letshego Micro Financial Services (Namibia) (Pty) Ltd	–	–	1 779	–
Key management personnel	50	–	–	–
	50	**–**	**8 736**	**–**
Rent paid to related parties				
Erf Eight Five Eight Five (Proprietary) Limited	2 335	2 670	–	–
Guarantee fees paid to related parties				
Letshego Holdings Limited	7 631	8 096	–	–
Management fees paid to related parties				
Letshego Holdings Limited	56 444	35 263	–	–
Dividend received from related parties				
Letshego Bank (Namibia) Limited	–	–	42 179	–
Letshego Micro Financial Services (Namibia) (Pty) Ltd	–	–	119 383	–
	–	**–**	**161 562**	**–**
The amount classified as management fees under Note 22 is made up as follows:				
Fees payable to Letshego Holdings Limited	50 800	31 737	–	–
Withholding tax paid on imported management services	5 644	3 526	–	–
	56 444	**35 263**	**–**	**–**
Compensation paid to key management personnel				
Salaries and short-term benefits	11 230	9 557	–	–
	11 230	**9 557**	**–**	**–**
Compensation paid to directors				
Sitting fees paid to non-executive directors	1 409	1 585	–	–
	1 409	**1 585**	**–**	**–**

27. SECURITY

Letshego has exited the shared security arrangement with Fedrox (Pty) Ltd in Q2 of 2021 resulting in none of Letshego's loan books being pledged as security.

28. CAPITAL REORGANISATION RESERVE

The capital reorganisation reserve arose on 5 July 2016 when Letshego Holdings (Namibia) Limited acquired 99.999% of the issued share capital of Letshego Bank Namibia Limited.

This transaction was a capital re-organisation in the form of a common control combination. As a result, for purposes of consolidation, the transaction was treated as if the combination had taken place at the beginning of the earliest comparative period presented at the time, which was 01 January 2015. Details of the purchase consideration, the net assets acquired and negative goodwill are as follows:

	GROUP	COMPANY
Carrying value of assets and liabilities acquired:	As at 1 January 2015 N$'000	As at 1 January 2015 N$'000
Cash	48 033	45 762
Other receivables	63 970	112 825
Intercompany receivable	20 517	53 552
Advances to customers	1 607 218	1 932 258
Deferred taxation	3 343	1 251
Current taxation	(14 819)	6 728
Property, plant and equipment	5 904	10 814
Trade and other payables	(53 894)	(32 263)
Intercompany payable	–	(1 198)
Borrowings	(764 064)	(785 476)
Non-controlling interest – preference shares attributable to ultimate parent company	(215 085)	–
Capital reorganisation reserve	(701 024)	(1 344 154)
Net assets acquired	**100**	**100**

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
Capital reorganisation reserve	**701 024**	701 024	**1 344 154**	1 344 154

GROUP AT A GLANCE
OPERATING CONTEXT
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APPENDICES

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
29. INVESTMENT IN SUBSIDIARIES				
Investment in Letshego Micro Financial Services Namibia (Pty) Ltd at cost	–	–	570 200	570 200
Investment in Letshego Bank Namibia Limited at cost	–	–	1 344 154	1 344 154
	–	**–**	**1 914 354**	**1 914 354**
30. CAPITAL COMMITMENTS				
Authorised but not contracted for	41 411	32 956	–	–

The capital commitments will be funded by the Group's cash resources.

31. SEGMENT INFORMATION

The Group considers its banking and other financial services operations as one operating segment. There are no other components. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Chief Executive Officer of the Group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking and other financial services operation, the Chief Executive Officer reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activity, which have been disclosed in the various notes to the consolidated and separate financial statements.

31.1 ENTITY-WIDE DISCLOSURES

31.1.1 Products and services

OPERATING SEGMENT

- Banking operations

BRAND

- Letshego

DESCRIPTION

- Regulated financial services provider, focusing on the low to middle income earners in Namibia.

PRODUCTS AND SERVICES

- Letshego conducts business as a registered bank and provides micro-lending services.

31.1.2 Geographical segments

There are no segment operations outside Namibia as the Group operates within the borders of Namibia.

31.1.3 Major customers

Segment reporting requires the disclosure of an entity's reliance on its major customers, if revenue from transactions with a single customer is ten percent or more of the entity's revenue. The Group does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.

32. NET DEBT RECONCILIATION

The net debt is made up of cash, borrowings and lease liabilities. Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid. At year-end, net debt is constituted as follows:

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
Cash and cash equivalents	287 048	468 253	329	59
Borrowings repayable within one year (including lease liabilities)	(612 786)	(524 241)	–	–
Borrowings repayable after one year (including lease liabilities)	(1 375 652)	(916 797)	(233 012)	–
Net debt	**(1 701 390)**	**(972 785)**	**(232 833)**	**59**
Cash and cash equivalents	287 048	468 253	329	59
Gross debt – fixed interest rates	–	–	–	–
Gross debt – variable interest rates	(1 988 438)	(1 441 038)	(233 012)	–
Net debt	**(1 701 390)**	**(972 785)**	**(232 833)**	**59**

33. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's and company's profit for the year by the weighted average number of ordinary shares in issue during the year/period, excluding ordinary shares purchased by the company and held as treasury shares.

Headline earnings per share is calculated by dividing the Group's and company's profit for the year, after excluding identifiable remeasurements, net of tax, by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

	GROUP		COMPANY	
	31 December 2021 N$'000	31 December 2020 N$'000	**31 December 2021 N$'000**	31 December 2020 N$'000
Earnings				
Profit for the year	303 229	320 889	214 488	49 580
Headline adjustments	–	–	–	–
Remeasurement included in equity accounted earnings	–	–	–	–
Headline earnings	303 229	320 889	214 488	49 580
Number of ordinary shares in issue at year-end (Note 18)	500 000	500 000	500 000	500 000
Weighted average number of ordinary shares in issue during the year	500 000	500 000	500 000	500 000
Diluted weighted average number of ordinary shares in issue during the year	500 000	500 000	500 000	500 000
Earnings per ordinary share (cents)				
Basic	61	64	43	10
Fully diluted	61	64	43	10
Headline earnings per ordinary share (cents)				
Basic	61	64	43	10
Fully diluted	61	64	43	10

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from the financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

GROUP	Lease liabilities N$'000	Loans from related parties N$'000	Interest bearing borrowings N$'000	Total N$'000
Balance at 01 January 2021	11 162	587 411	842 465	1 441 038
Cash flows				
Financing cash inflow	–	–	1 667 465	1 667 465
Financing cash outflow	(6 355)	(395 683)	(636 936)	(1 038 974)
Non-cash flow changes				
Revaluation of foreign currency borrowing	–	–	92 910	92 910
Movement in accrued interest	–	–	14 894	14 894
Re-assessment of leases	2 832	–	–	2 832
Balance at 31 December 2021	**7 639**	**191 728**	**1 980 798**	**2 180 165**

COMPANY	Loans to/from related parties N$'000	Interest bearing borrowings N$'000	Total N$'000
Balance at 01 January 2021	32 512	–	32 512
Loans from related parties	111 184	–	111 184
Loans to related parties	(78 672)	(78 672)	–
Net payable to related parties	32 512	32 512	–
Cash flows			
Financing cash inflow	–	233 012	233 012
Financing cash outflow	(233 102)	(10 425)	(243 527)
Non-cash flow changes			
Revaluation of foreign currency borrowing			
Movement in accrued interest	–	10 425	
Re-assessment of leases			
Balance at 31 December 2021	**(200 590)**	**233 012**	**32 422**
Loans from related parties	–	–	–
Loans to related parties	(200 590)	–	(200 590)
Net receivable from related parties	**(200 590)**		**(200 590)**

35. EVENTS OCCURRING AFTER THE REPORTING DATE

A dividend of 29.52 cents per ordinary share has been declared subsequent to the reporting date and will be paid 03 June 2022.

Last date to trade cum dividend – Friday 13 May 2022
First date to trade ex-dividend – Monday 16 May 2022
Last date to register – Friday 20 May 2022
Dividend payment date – Friday 03 June 2022

No other matters which are material to the financial affairs of the Group and company have occurred between year-end and the date of approval of the consolidated and separate annual financial statements.

Contents

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 6th Annual General Meeting of the Shareholders of Letshego Holdings (Namibia) Limited to be held virtually via Microsoft Teams on Thursday 30 June 2022 at 16h00, with registration to commence at 15h30.

The AGM will be convened for the following purposes:

ORDINARY BUSINESS

ORDINARY RESOLUTIONS

To consider and pass the following ordinary resolutions:

1. **Resolution 1**
   To receive and adopt the Annual Financial Statements for the financial year ended 31 December 2021 including the Directors' Report and the report of the Independent Auditors.

2. **Resolution 2**
   To ratify the dividends declared and paid since the last Annual General Meeting,

   2.1. An interim dividend of 15.96 cents (N$0.1596) per share paid to shareholders on 05 November 2021.

   2.2. A final dividend of 29.52 cents per share (N$ 0.2952) per share paid to shareholders on 03 June 2022.

3. **Resolution 3**

   3.1. To confirm the re-election of Ms. Maryvonne Palanduz who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers herself for re-election.

   3.2. To confirm the re-election of **Mr. Sven Bloch von Blottnitz** who retires in accordance with Article 63 of the Articles of Association of the Company, and being eligible, offers himself for re-election.

4. **Resolution 4**
   To confirm the appointments and resignations of the below directors, in accordance with Article 63 of the Articles of Association of the Company. Biographical information of the directors is set out under the Corporate Governance section of the Annual Report.

   4.1. To confirm the appointment of **Ms. Kamogelo Chiusiwa** effective 12 July 2021

   4.2. To confirm the appointment of **Mr. Karl-Stefan Altmann** effective 17 August 2021

   4.3. To confirm the appointment of **Ms. Mansueta-Maria Nakale** effective 31 August 2021

   4.4. To confirm the appointment of **Ms. Kudzai Chigiji** effective 01 February 2022

   4.5. To confirm the resignation of **Mr. Sheik Jobe** effective 23 August 2021

   4.6. To confirm the resignation of **Ms. Chriszelda Gontes** effective 31 January 2022.

5. **Resolution 5**

   5.1. To approve the remuneration of the Directors for the financial year ending 31 December 2021 as disclosed in Note 20 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director is disclosed under the Corporate Governance section of the Annual Report.

   5.2. To confirm the remuneration structure of the Directors and remuneration policies for the financial year ending 31 December 2021. The board fees and the retainer structure are set out under the Corporate Governance section of the Annual Report.

6. **Resolution 6**
   To approve the remuneration of the Auditors for the financial year ending 31 December 2021 as disclosed in Note 20 to the Annual Financial Statements.

7. **Resolution 7**

   7.1. To confirm the appointment of Ernst & Young as external auditors for the ensuing year subject to Bank of Namibia approval.

   7.2. To authorize the Directors to determine the remuneration of the Auditors for the next financial year ending 31 December 2022 estimated at N$1 896 000.

SPECIAL BUSINESS

SPECIAL RESOLUTION:

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

1. **SPECIAL RESOLUTION 1**

   To amend the Memorandum and Articles of Association of the Company under Sections 138

   (b) (i) to increase the borrowing limit from 10% to 30%, and to amend the wording to include that the 30% limit will be based on the total consolidated shareholders equity in Letshego Group Namibia. This will read:

   Sections 138 (b) (i) "in the normal course of business, the incurring of long-term debt or any other material borrowing unless such debt is at arm's length and on commercial terms and conditions, and provided it does not exceed 30% of total LHN Group consolidated shareholders' equity."

To transact other business which may be transacted at the Annual General Meeting

Kindly note that as a result of cautionary health and safety measures around the Covid-19 pandemic, voting will be by proxy only. The exact voting process is set out in the proxy form accompanying this document.

PROXIES

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a shareholder. Proxy forms should be deposited at Letshego Holdings Namibia Limited, 1st Floor, Letshego Bank Namibia Ltd, 18 Schwerinsburg Street, Windhoek or emailed to the Interim Company Secretary at epifaniam@ letshego.com not less than 48 hours before the meeting.

By order of the Board

E. Murwira
Acting Company Secretary

02 June 2022

FORM OF PROXY

ORDINARY AND SPECIAL BUSINESS

For completion by holders of ordinary shares

(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held virtually via Microsoft Teams on Thursday 30 June 2022 at 16h00, with registration to commence at 15h30.

I/We (name/s in block letters)

of (address) being a member of Letshego Holdings Namibia Limited hereby appoint (see note 2)

Appoint (see note 2):

1 or failing him/her,

2. or failing him/her,

3. The Chairman of the meeting,

as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	For	Against	Abstain
Ordinary resolution number 1			
Ordinary resolution number 2.1			
Ordinary resolution number 2.2			
Ordinary resolution number 3.1			
Ordinary resolution number 3.2			
Ordinary resolution number 4.1			
Ordinary resolution number 4.2			
Ordinary resolution number 4.3			
Ordinary resolution number 4.4			
Ordinary resolution number 4.5			
Ordinary resolution number 4.6			
Ordinary resolution number 5.1			
Ordinary resolution number 5.2			
Ordinary resolution number 6			
Ordinary resolution number 7.1			
Ordinary resolution number 7.2			
Special resolution number 1			

Signed at on this day of 2022

Signature

Assisted by (where applicable)

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Please read the notes hereof.

NOTES

1. A Shareholder may insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairperson of the Annual General Meeting". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairperson, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.
3. Forms of proxy must be lodged at or posted to The Company Secretary, Letshego Holdings (Namibia) Limited, 1st Floor, Letshego Bank Namibia Ltd, 18 Schwerinsburg Street, Windhoek or emailed to the Interim Company Secretary at epifaniam@letshego. com,to be received not less than 48 hours before the Annual General Meeting.
4. The completion and lodging of this form will not preclude the relevant Shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.
5. The Chairperson of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the Shareholder concerned wishes to vote.
6. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.
8. At a meeting of Shareholders a poll may be demanded by:
    - not less than five shareholders having the right to vote at the meeting or;
    - a Shareholder or shareholders representing not less than 10 per cent of the total voting rights of all Shareholders having the right to vote at the meeting;
    - a Shareholder or Shareholders holding shares in the Company that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10 per cent of the total. Where a poll is taken, votes shall be counted according to the votes attached to the shares of each Shareholder present in person or by proxy and voting
9. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.
10. Where ordinary shares are held jointly, all joint Shareholders must sign.
11. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

ABBREVIATIONS

ARC	Audit and Risk Committee
BCP	Business Continuity Action Plan
BoN	Bank of Namibia
CAR	Capital Adequacy Ratio
CCC	Corona Crisis Committee
CIR	Cost to Income Ratio
CLI	Credit Life Insurance
DAS	Deduction at source
EAC	Enterprise Active Customers
EFT	Electronic Funds Transfer
ESOP	Employee Share Ownership Plan
GDP	Gross domestic product
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Framework
King IV	King IV Code of Governance Principles for South Africa
LBN	Letshego Bank (Namibia) Limited
LFSN	Letshego Financial Services Namibia
LHL	Letshego Holdings Limited
LHN	Letshego Holdings (Namibia) Limited
LLR	Loan Loss Ratio
LMFSN	Letshego Micro Financial Services (Namibia) (Pty) Limited
NamCode	Namibia's Corporate Governance Code
NAMFISA	Namibia Financial Institutions Supervisory Authority
NCD	Non-communicable disease
NPS	National Payment System
PAR	Portfolio at risk
PPE	Personal protective equipment
NSX	Namibian Stock Exchange
OD	Organisational Design
PAT	Profit after tax
PBMT	Profit before management fees and tax
PSD	Payment system determination
ROE	Return on Equity
RPA	Robotic process automation
UN SDGs	United National Sustainable Development Goals
SSI	Strategic Social Investment
STI	Short-term insurance
USSD	Unstructured supplementary service data
WfH	Work-from-home

COMPANY INFORMATION

REGISTRATION NUMBER
2016/0145

ISIN:
NA000A2DVVH

SHARE CODE (NSX):
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