Letshego

2019 LETSHEGO HOLDINGS (NAMIBIA) LIMITED

INTEGRATED **ANNUAL REPORT**

Table of Contents

About this Report

EVOLVING THE INTEGRATION OF OUR ANNUAL REPORTS

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 (IIRC), the King Code of Governance Principles for South Africa (King IV), and the Namibian Stock Exchange (NSX) Listing Requirements. In addition, Letshego also strives to adhere to the Global Reporting Initiative (GRI) Standard and has produced this report in accordance with the 'core' level of the GRI.

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. 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 Letshego Holdings (Namibia) Limited (LHN) Board acknowledges its responsibility for ensuring the integrity of the report by sanctioning its preparation and presentation.

The 2019 Integrated Annual Report is presented in accordance with the framework of the IIRC and approved by the Letshego Holdings (Namibia) Limited (LHN) Board of Directors. All comments and inquiries related to the contents of this report may be directed to GroupCorporateAffairs@letshego.com and/or the Company secretary, Stephanie Izaaks on Stephaniei@letshego.com. This report is also available on our website www.letshego.com.

SCOPE

The 2019 Integrated Annual Report covers the 12-month period from 1 January 2019 to 31 December 2019. The report examines the forms of capital used to create sustainable value, trade-offs mitigated, significant material matters raised by our stakeholders during this 12-month period, and Letshego's response to the material matters raised. Letshego considers as material, those matters, opportunities, and challenges that are likely to affect the delivery of our strategic intent and ability to create value in the short, medium, and long term for relevant stakeholders.

Letshego applies principles of stakeholder inclusiveness, sustainability, materiality, and completeness when assessing which information to include in the Integrated Annual Report. Letshego also applies the principles of accuracy, balance, clarity, comparability, reliability, and timeliness when assessing information for this report.

The 2019 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).

MATERIALITY

We consider matters material that impact on value creation in terms of our operating environment, the interests of our key stakeholders, and the identified priority risks and opportunities facing the organisation.

The material matters presented in this report were identified through a thorough and methodical stakeholder review process. The areas reviewed qualify in one or more of the following categories: strategic; financial; environmental; social; competitive, and legislative. Material matters are prioritised by relevance and impact on Letshego's ability to achieve and deliver on the Group's strategic objectives. The leadership team manages this process with support from the Letshego Holdings (Namibia) Limited (LHN) Board of Directors.

Material matters identified are reviewed in terms of their significance and risk to Letshego's ability to operate and deliver value to its stakeholders.

There are no material changes to the content of this report compared with the 2018 Integrated Annual Report.

A NOTE ON DISCLOSURES

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

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

- Letshego Holdings (Namibia) Limited (LHN) was incorporated on 24 February 2016 as a financial sector investment holding Company to hold the controlling interest in LBN and LMFSN on behalf of Letshego Holdings Limited (LHL). It was converted to a public Company on 5 July 2016 by way of a special resolution of the shareholders in terms of section 24 (2) of the Companies Act (also referred to as the 'Act').
- Letshego is a commercial entity whose liability is limited by shares

OUR VALUES

Also referred to as Letshego's "uniqueness's", the Group's values define its unique culture, ways of working, and its guiding principles for improving the lives of customers, delivering sustainable value to stakeholders and optimising sustainable performance. Letshego's Group code of conduct outlines the behaviour and policies that govern Letshego Holdings (Namibia) Limited interactions with all its stakeholders across its footprint.

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

1

Our Business

Chairperson Address

"Customer satisfaction in the financial sector is also a function of trust, and we ensure that we maintain our customers trust, and constantly strive to improve on our credibility in this area in order to attract new customers."

Maryvonne Palanduz

Letshego Holdings (Namibia) Limited, Chairperson

OUR VISION FOR NAMIBIA

We at Letshego Holdings (Namibia) (LHN) have a vision for Namibia where all citizens have access to simple and appropriate financial solutions. We recognise our long-term sustainability is inextricably linked to the achievement of this objective, and as a financial institution we have a vital role to play in enabling access to these financial services. Our strategic intent is to increase access to simple and appropriate financial solutions to underbanked and underserved consumers across Namibia.

It is through the provision of our banking and non-banking solutions that we are able to contribute to the achievement of the national development objectives of economic progression; social transformation; and good governance. This is further illustrated through our commitment to the Sustainable Development Goals (SDGs) of No poverty; Zero hunger; Good health; Quality education; Gender equality; Decent work and economic growth; Industry, innovation and infrastructure; Reduced inequalities; Sustainable cities and communities; and Partnerships for the goals.

IMPACT OF COVID-19

In February 2020, when COVID-19 became a reality for sub Saharan Africa, Letshego was swift to initiate our risk and pandemic plans, that include ongoing identification, monitoring and implementation of effective risk and health measures in line with national and international guidelines. Letshego has established Corona Crisis Committees, comprising senior executive members to facilitate ongoing action and clear lines of execution and accountability.

Pandemic planning has spurred a proactive response, bringing forward medium term digitalisation investment strategies within our 6-2-5 strategic roadmap. This prompt response has enabled business continuity as well as digital access for our customers, via whatsapp lines, call centres, and automated whatsapp channels, without the need to travel into our branches.

Going forward, under the 'new normal', Letshego will continue to prioritise the health and wellbeing of our employees and customers, while taking steps to maintain business continuity, and mitigate operational and financial risks.

In the last month we have witnessed select sub Saharan markets progressing toward reviving economic activity with easing levels of lockdown. With Namibia only recording 21 confirmed cases and no deaths due to the pandemic, we expect the lockdown restriction measures imposed to continue to be eased going forward facilitating ongoing economic recovery. It is however predicted that this economic recovery will be represented by a typical "W-shaped" recovery curve, with potential isolated, viral resurgences precluding smooth and predictable economic recoveries, resulting in continued downward pressure being placed on our operating margins.

Letshego's scenario and operational planning thus accommodates this, providing due flexibility and adaptability given current, unpredictable environments.

Private and public sector collaboration remain essential in our ability to navigate a sustainable path through this pandemic. Letshego has provided relief for our most vulnerable customers, micro and small entrepreneurs, via payment holidays.

OPERATING CONTEXT

Real GDP for Namibia contracted by an estimated 1.0% in 2019, following a 0.5% contraction in 2018. Most sectors in the economy declined, including major sectors of the economy such as mining and quarrying which declined by 20.2%, agriculture which shrank by 28.1% and construction which contracted by 5.5%. The significant reduction in economic activities is attributed to continued deployment of austerity measures by the government, weak domestic demand for goods and services, reduced household disposable income, coupled with drought conditions affecting most households, either directly through a reduction in agricultural output, or indirectly through increased food prices on the shelves.

Moody's and Fitch, the only agencies to rate Namibia, further downgraded Namibia during 2019 to two notches below investment grade, citing prolonged weak economic growth in Namibia, ongoing fiscal consolidation, increased risks stemming from State owned Entities (SOEs), as well as the precarious fiscal debt situation.

Households continue to be under financial pressure, with the Namibia Financial Stability Report of April 2019 reporting that household indebtedness increased by 7.0 percent in 2018 due to increased demand for short term credit. The low rainfall recorded in 2019 coupled with just under 20% of Namibian households relying on subsistence agriculture as their primary source of income, led the President to declare a national state of emergency in May 2020 placing the economy under increased pressure.

During 2019 our share price came under pressure, shedding 15% in value or nearly N'$300 Million. In large part this was due to a depressed demand for shares and increased levels of household indebtedness in Namibia. This put downward pressure on the share price, lowered volumes, and saw an overall lack of appetite from buyers. However, a closer review of the banking industry in Namibia shows that our share price

Chairperson Address (Continued)

declined less on average than the industry.
Our major shareholders have remained unchanged during the last year, and we see that as a vote of confidence in our strategy and our ability to manage through tough times. We look to deliver on this confidence over the medium term. We have 500m shares in issue and as at 31 December 2019, our market capitalisation was N$1.95 Billion, representing 5.5% of the Namibian Stock Exchange (NSX) local listings, a significant contribution.

OUTLOOK

According to the Bank of Namibia, the economy is expected to contract substantially during 2020 mainly due to Covid-19 induced travel restrictions and lockdowns. The economy is projected to contract by 6.9% in 2020 before recovering moderately to a positive growth rate of 1.8% in 2021. Risks to domestic growth are dominated by ongoing travel restrictions, disruptions to supply, and restricted economic activity.

Competition is increasing from traditional financial service providers such as other banks, as well as from less traditional sources such as Mobile Network Operators (MNOs) and Financial technology (Fintech) companies. Established commercial banks are making inroads into the microfinance market as opportunities at the higher end of the market become fewer, and commercial banks see an opportunity to leverage their large deposit base and footprints to offer financial solutions to lower income markets at scale. MNOs and Fintech's are capitalising on the disruptive technologies that remove the barriers to the provision of financial services, as well as the lower levels of regulation that apply as they are not classified in the same way as traditional banks. We consciously embrace these new technologies as part of our 6-2-5 strategy, by partnering with these players extending access to financial solutions to our customers. Notwithstanding, we remain confident regarding our well-established position as a reputable microlender by maintaining a strong focus on understanding our customer needs, good relationships with our national government departments, the development and innovation of new financial services and products to service our underbanked and underserved people. This is maintained through good and efficient customer service which includes a quick turnaround time for approving loan facilities.

During the 2020 Financial period, LHN experienced vast regulatory and legislative changes, from the implementation of the Banking Determination on Liquidity Risk Management, the Determination on Securitisation Schemes to the promulgation of the Micro-Lending Act Standards. These developments were monitored closely and participation in various industry discussions forums are on-going to ensure that effective and efficient compliance is achieved to these regulatory changes and improvements. Notwithstanding, we remain confident to leverage our well-established position as a reputable micro lender to extend our reach in the financial service sector having now established our banking capability by maintaining a strong focus. We pride ourselves in delivering quick turn-around times to meet our customer needs.

STRATEGIC OBJECTIVES, CHALLENGES & ENABLERS

Defending our position as a leading lender to government employees, whilst diversifying into other customer segments including other government entities, such as state-owned entities will be the main focus of the LMFSN in the coming year. Deposit mobilisation, conversion of borrowing customers to depositing customers, and increasing the adoption of mobile engagement channels will also be a main focus area for LBN.

To deliver on our strategy we will need to continue to develop strategic partnerships, and leverage partnerships that currently exist within the Group. Our focus will be on the selection of partnerships that support new capabilities in line with our strategy and extend our reach and grow our customer base.

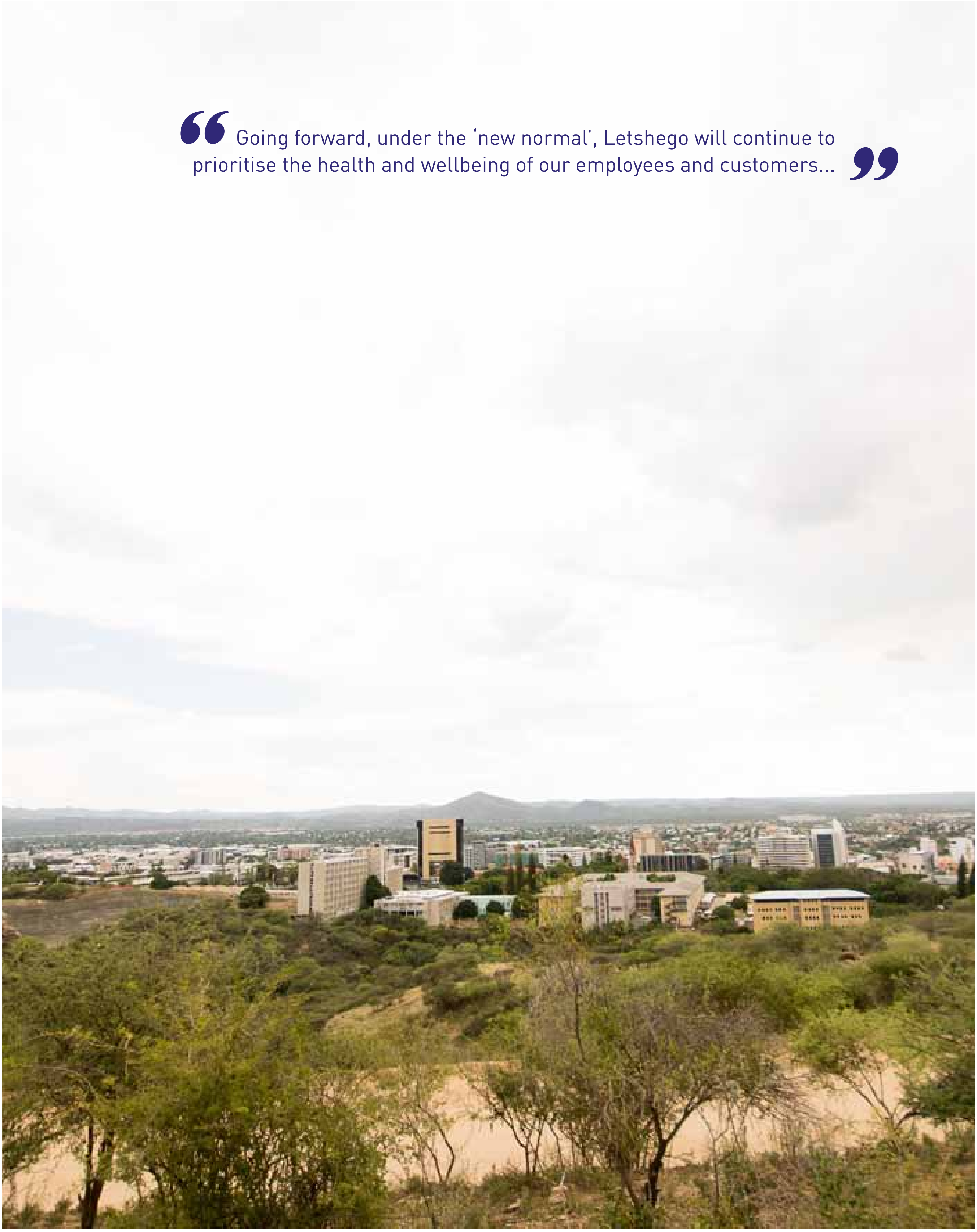
To my fellow Board Members, I wish to thank you for your ongoing support in overseeing governance responsibilities on behalf of our stakeholders and guiding us through both challenges and successful milestones.

Ms. Mythri Sambasivan-George, our Letshego Group representative and Non-Executive Director, resigned effectively on the 24 April 2020. A replacement has since been identified, and due announcements will be made once all regulatory requirements have been fulfilled.

In conclusion, and on behalf of the LHN Board, I wish to express my sincere appreciation to our diverse and valued stakeholders who make Letshego what it is, contribute to our unique culture and ensure our ongoing success and future potential is realised. Thank you to our people, customers, regulators, investors as well as our public and private partners for your ongoing support.

MPalandy

Maryvonne Palanduz,
Letshego Holdings (Namibia),
Chairperson


Going forward, under the 'new normal', Letshego will continue to prioritise the health and wellbeing of our employees and customers...

Group Chief Executive Officer's Review

> The diversity of our staff complement reflects the value we place on diversity and its contribution to ensuring that we are a business that resonates with our customers and wider stakeholders.
>
> **Ester Kali**
> Chief Executive Officer

Economic Growth in Namibia and the SADC region as a whole was relatively low during 2019, and against this backdrop, we delivered mixed results during tough economic times. We grew net advances to customers by N$379 Million from N$2.6 Billion in 2018 to N$2.9 Billion in 2019.In addition, net interest income increased from N$585 Billion to N$589 Million in 2019.

We grew our retail customer deposits from N$3.4 Million in 2018 to N$32.8 Million in 2019. This growth, contributed to funding lending activities, and is expected to continue in 2020 as retail deposit mobilisation intensifies as part of the implementation and drive of our new corporate strategy.

Our institutional deposits decreased by N$69 Million, as select institutional depositors amended their commitments due to pricing considerations. Overall, total deposits decreased from N$85 Million in 2018 to N$50 Million in 2019. Our total revenue declined by 2% as well as operating income which decreased by just under N$17 Million to N$ 561 Million. This has put pressure on our ability to invest in improving our customer experience .

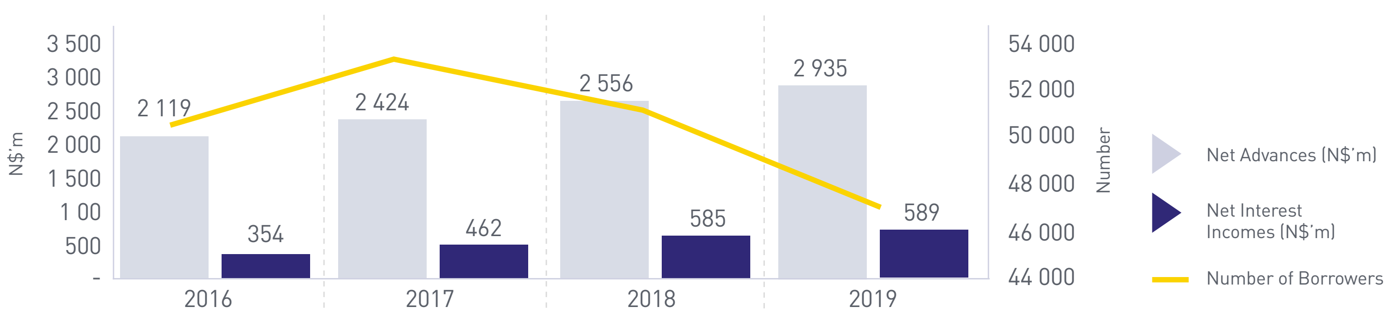
Our operating expenses rose by N$9.7 Million to N$223 Million. This was largely as a result of increases in employee benefits which rose by 30% to N$64 Million. This also fed into increases in our cost to income ratio, which increased from 23% in FY18 to 26% in FY19. Our focus on improving credit risk management has seen a reduction in impairment charges, which decreased by 49.5% to N$9.2 Million in 2019. However, non-performing loans increased from 3.6% to 3.9% of gross advances during the period.

Despite growth in advances, profit before tax decreased from N$ 628 Million in 2018 to N$ 598 Million in 2019. Similarly, our profit after tax decreased by 3.6% from N$ 469 Million in 2018 to N$ 451 Million in 2019. Our total assets decreased from N$3.5 Billion in 2018 to N$3.4 Billion in 2019, as a result of a decrease in cash and cash equivalents that dropped by 80%, ending the year at N$148 Million. Also, our lower profitability depressed our return on equity and return on assets which fell from 20% to 16% and from 15% to 13% in 2019 respectively. Total liabilities also dropped by 7.5%, from N$604 Million to N$559 Million in 2019.

We reduced our borrowing customer numbers from 51 586 in 2018 to 47 728 in 2019, however the net advances to these customers increased by 16%, from N$2.9 Billion in 2018 to N$3.4 Billion in 2019. We made progress in demonstrating the value of our banking solution offering, as deposit customers increased from 2 135 to 12 472 in 2019. We have focused on improving the functionality of cards to drive usage with card transaction volumes increasing from 14 685 to 179 823 in 2019 respectively. This indicates that customers are willing to make greater use of alternatives to branch channels to access our solutions, and that increases in transactions have the potential to continue to increase our revenue earning potential. It also indicates that we are enhancing our customer experience.

The importance of micro and small enterprises (MSEs) as a driver of growth and contributor to job creation and poverty reduction has become clear, as they generate a significant portion of new jobs and income created in the Namibian economy. We continue to support the growth of such enterprises through our deduction and source service offering, by providing easier access to credit, enabling our customers to further contribute to growing the Namibian economy.

Borrowing Customers



Group Chief Executive Officer's Review (Continued)

Deposit Customers

The diversity of our staff complement reflects the value we place on diversity and its contribution to ensuring that we are a business that resonates with our customers and wider stakeholders. In total we employ 145 people across Namibia which represents an increase of 23% from 2018. During 2019 we focused on upskilling our people in the areas needed to deliver on our strategy.

Our 6-2-5 strategy responds to both our short- and medium-term aspirations, in line with our future vision to be a world-class retail financial services organisation. Our strategy remains consistent. We are committed to the continuous digitisation of our business, diversifying our solutions and funding base in the medium term, while working in parallel to cement strategic partnerships and build eco-systems that provide exponential stakeholder value well into the future.

By ensuring that we uphold high governance standards, including those that relate to environmental and social issues, we can contribute to the sustainable development goals that protect labour rights and a promote safe and secure working environments. These policies support innovation and collaboration within Letshego, as well as support an environment that is attractive to employees, both for staff retention as well as the attraction of new staff who possess the skillsets we require to further grow the franchise. The demonstration of our values and principles amplifies our contribution to the SDGs by creating environments free from discrimination, inequality, and unethical behaviour.

Ester Kali
Chief Executive Officer

2019 Milestones

Embracing Financial Inclusion

- Net advances to customer increased by 15% from N$2 556 Million to N$2 935 Million in 2019
- Increased deposit customers by 484% from 2 135 to 12 472 customers in 2019

Growing the Franchise

- Increased net disbursements to customers from N$854 Million in 2018 to N$1 057 Million in 2019
- Increased retail customer deposits from N$3.4 Million in 2018 to N$32.8 Million in 2019

Enhancing Customer Experience

- Full rollout of card solution
- Increased value of card transactions from N$10 Million in 2018 to N$154 Million in 2019
- Increased card transaction volumes from 20 952 in 2018 to 162 918 in 2019

Embedding the Future Capability Model

- Upgraded two additional branches with deposit taking capability
- Enabled immediate transfer of funds by customers from LMFSN to LBN facilities

Our Journey

START

1998
Edu Loan opened 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 to the Namibian market as Letshego Financial Services Namibia (LFSN)

2009
15% Shareholding sold to Kumwe Investments

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

2014
Granted a Provisional Banking License by Bank of Namibia

2015
Moves into new Head office building in Windhoek

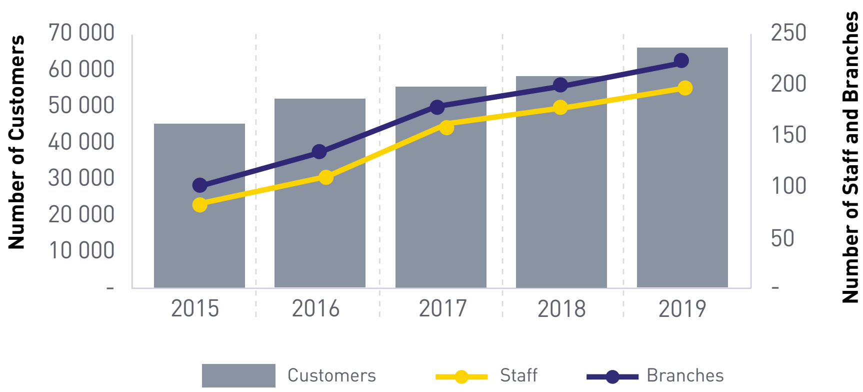
2016
Granted full Commercial Banking License

2016
Incorporation of Letshego Holdings (Namibia) Limited (LHN) as the holding Company of Letshego Bank (Namibia) and Letshego Micro-Financial Services (Namibia)

2017
LHN lists on the Namibia Stock Exchange

2018
Launch of our LetsGo value proposition in Windhoek and Katutura branches

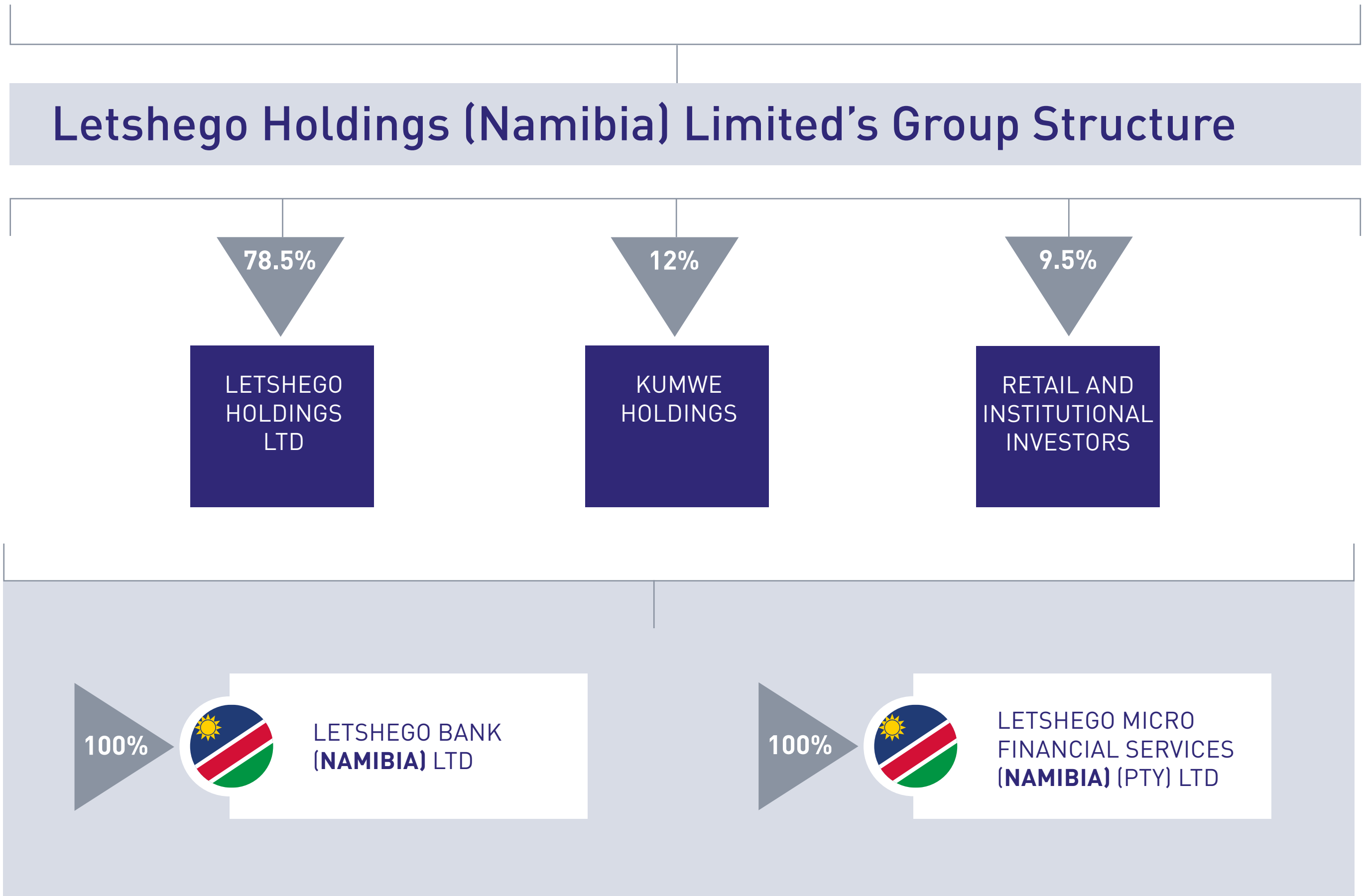
Cumulative Increase in Footprint



Our Group Structure

Letshego

LHN is owned by its parent Company, Letshego Holdings Limited, and private investors and individuals. LHN is the holding Company for Letshego Bank (Namibia) Limited (LBN) and Letshego Micro Financial Services (Namibia) (Pty) Limited (LMFSN).



Letshego Holdings (Namibia) Limited's Group Structure as at 31 December 2019

Our Solutions

Letshego is a financial services provider that offers financial solutions to customers, including loans, deposits, and transactions under two separate business entities, namely LBN and LMSFN. The business provides deduction at source (DAS) solutions to the employed sector, both in government and non-government, and loans and transactions to the micro and small entrepreneur (MSE) sector and the informal sector.

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

Letshego has increased distribution and customer transaction activities through alternative channels. In 2019, activities increased in agency banking, USSD and cards. Increases in these payment channels helped to increase retail deposits.

Our principal financial solutions are unsecured short-term and long-term loans ranging from N$1 000 (USD70) to N$300 000 (USD21 000). Our loans are tailored to suit customers' needs with competitive interest risk-adjusted interest rates and value-added services such as funeral and life insurance cover. We provide deposit facilities, including demand accounts, saving accounts, and call and term deposits.

Transaction facilities enabling 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. While the bulk of our customer base are Government employees, our financial solutions are also marketed to the informal sector, MSEs, and corporates.

Letshego's financial inclusion strategy is to expand both physical and digital (or mobile) access to customers. As a result of our strategy, we have seen significant growth in the volume and value of the alternative digital channels.

Access points

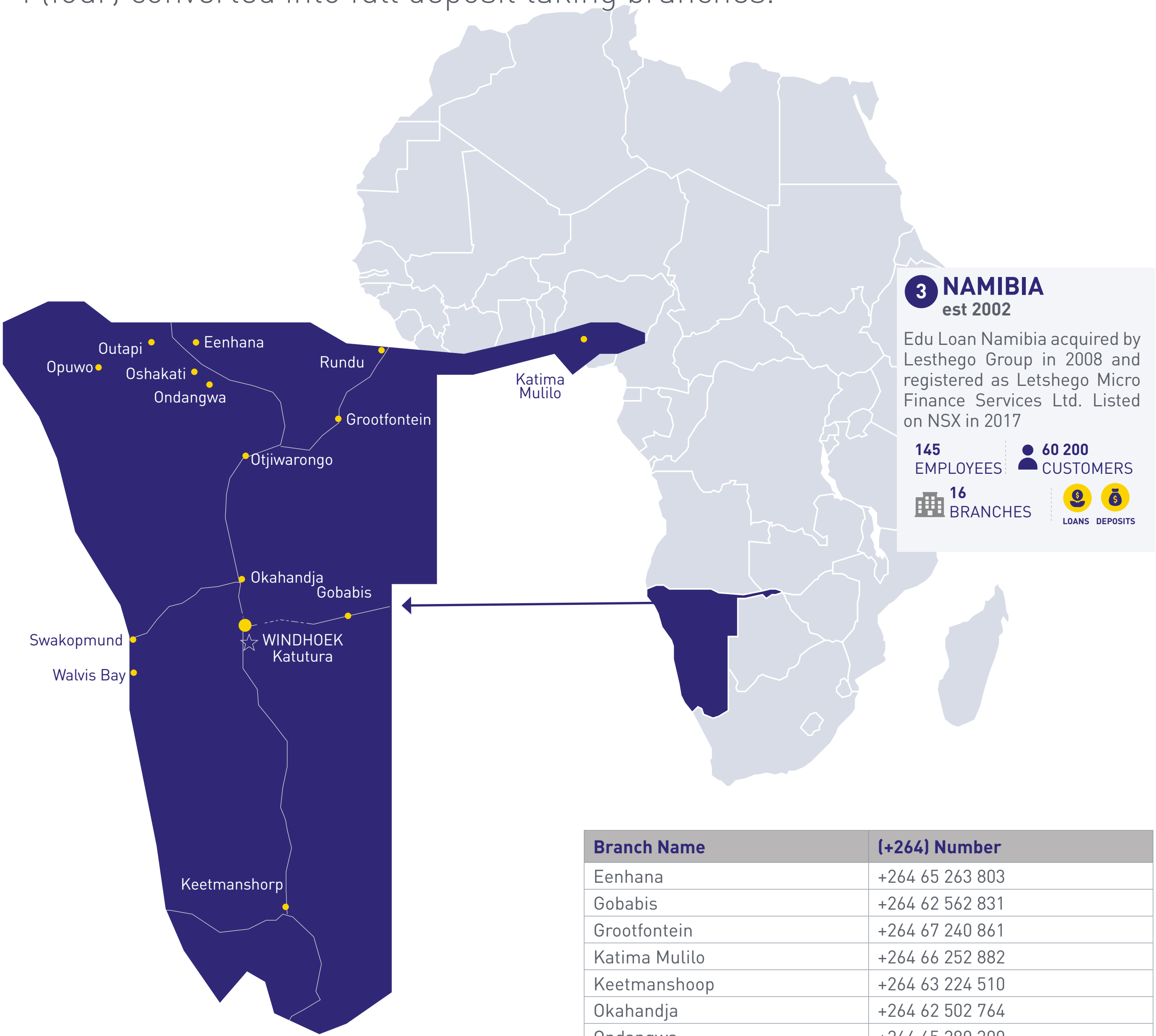
Group	2019	2018	2017
Cash Handling branches	4	2	2
Non cash handing branches	12	14	14
Other sales offices (satellite branches)	-	-	-
Agency banking locations	-	1	2
Total	**16**	**17**	**18**

Non-branch transaction volumes

Group	2019	2018
Cards in issue	10 874	1995
Digital transactions (USSD and Cards)	227 185	17 990

Our Footprint

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 (sixteen) customer service points across Namibia, 4 (four) converted into full deposit taking branches.



Branch Name	(+264) Number
Eenhana	+264 65 263 803
Gobabis	+264 62 562 831
Grootfontein	+264 67 240 861
Katima Mulilo	+264 66 252 882
Keetmanshoop	+264 63 224 510
Okahandja	+264 62 502 764
Ondangwa	+264 65 280 300
Opuwo	+264 65 273 547
Oshakati	+264 65 208 000
Otjiwarongo	+264 67 306 416
Outapi	+264 65 251 669
Rundu	+264 66 266 580
Swakopmund	+264 64 406 205
Walvis Bay	+264 64 270 470
Katutura	+264 61 321 6680

How We Create Value

Our Capitals

FINANCIAL

Net Advances up by
16%

Credit Loss rate
0.2%

ROE
16%

ROA
13%

PBT
N$597.6 Million

Capital Adequacy Ratio
116%

HUMAN

FTE
145

DSAs
39

No of Staff Training Interventions
12

INTELLECTUAL

Training Spend per FTE
N$ 542 709

Strategic Partnerships
5

New IP developed
EOD automation
Strengthened Digital platforms

MANUFACTURED

Physical Access Points
16

New Branches in the last 2 years
2

Reduced time to open account
1-2 days

Process Optimisation
Upgrade of primary data centres and disaster recovery sites
Reduced cost of risk to 1.7%

SOCIAL AND RELATIONSHIP

Borrowers
47 728

Savers
12 472

Female Customers
43%

Sustainable Impact

Embedding Financial Inclusion

5 GENDER EQUALITY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES

Creating the Future Organisation

17 PARTNERSHIPS FOR THE GOALS

6-2-5
MONTHS YEARS YEARS
RETURN TO GROWTH

Strengthen our Foundation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

Become Customer Led

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION

Performance Indicators

HOW WE MEASURE SUCCESS

SHORT TERM

- Growth in customer numbers
- Growth in net advances to customers
- Tracking increase in the use of digital platforms by our customer base

MEDIUM TERM

- Achieve a ROE of 20% or more
- 50% of transactions on digital channels

LONG TERM

- Measurable impact in our communities
- Enhanced value of our franchise

OUR BUSINESS

Financial Highlights

- Gross advances to customers increased by 14.9%; and net advances to customers increased by 14.8% with a loan loss ratio of 0.2% (2018: 0.7%)
- Customer deposits decreased by 41% and borrowings increased by 16%
- Profit before tax was N$597.6 Million; an 4.9% decrease from the prior year (2018: N$628.4 Million)
- The Group made additions to its capital assets of N$17.1 Million during the financial year
- The total borrowings of the Group at 31 December 2019 are N$432 Million (2018: N$464 Million)
- A dividend of 23.5 cents per ordinary share was declared and paid during the year under review (2018: 19.2 cents)
- Return on equity was 16% (2018: 20%)

KEY METRICS

Despite an increase in net advances and disbursements, profit before management fees and taxes declined. Also, despite decreases in impairment charges, non-performing loans increased, which negatively affected loan loss ratios.

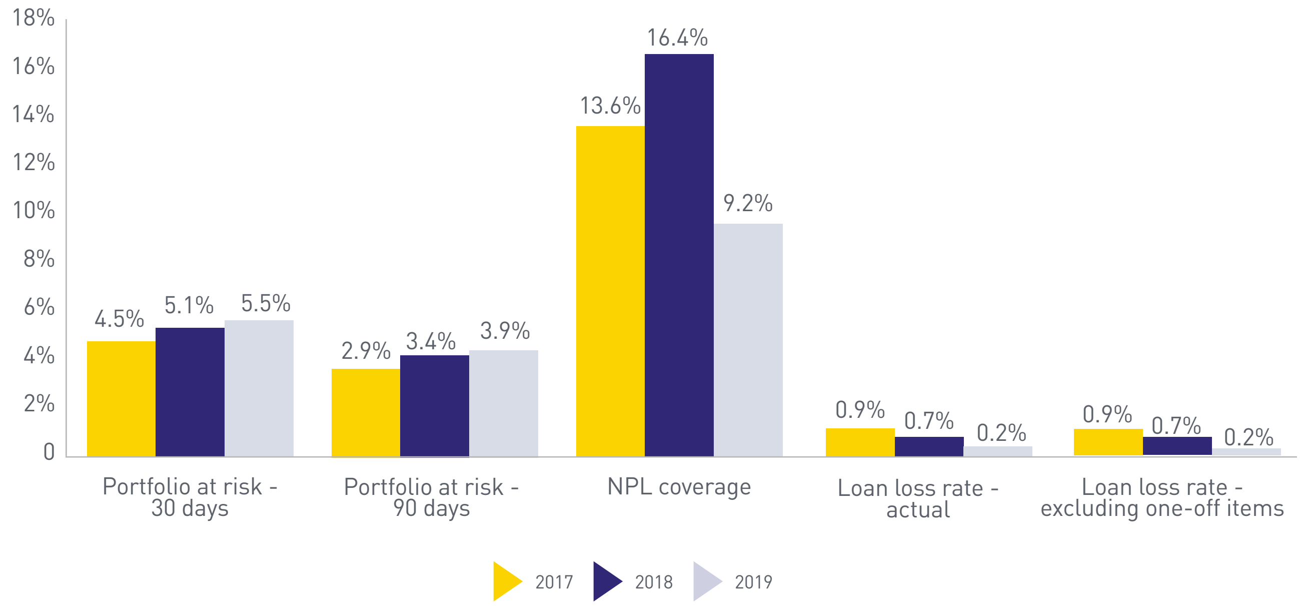
Subsidiary	PBMT[1] (N$ 'm)			Net disbursements (N$ 'm)			Net advances (N$ 'm)			LLRs[2] to average advances (%)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Group	436	448	424	647	559	692	2 424	2 556	2 910	0.9%	0.7%	0.2%

	FY 19	FY 18	% Change	
Net Interest Income (N$'mn)	589	585	1%	▲
Credit Loss (N$'mn)	9.2	18.2	49%	▼
Profit after tax (N$'mn)	451	468	4%	▼
Return on Equity	16%	20%	4%	▼
Total Assets (N$'bn)	3.4	3.5	3%	▼
Capital adequacy Ratio	99	116	17%	▼
Earnings per share (cents)	90	94	4%	▼

[1] Profit before management fees and tax
[2] Loan loss ratio

Our emphasis on tightening credit risk policies has yielded positive results, which is now reflected by an improvement in asset quality. Our total assets decreased by 4% to N$221.9 Million. Earnings per share has decreased by a similar margin to 90 Namibian cents. Our financial performance during 2019 was within expectations. Overall, the Group remains well capitalised, with a capital adequacy ratio of 91% (2018: 95%).

Asset quality

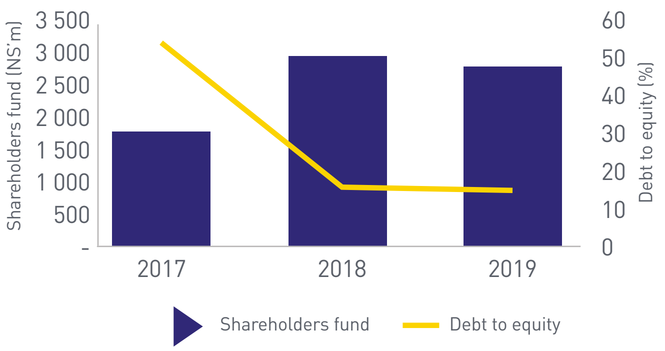


SHAREHOLDER RETURNS

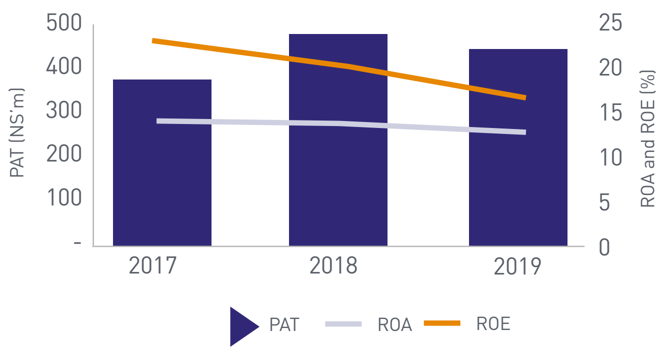
During 2019 our share price came under pressure, shedding 15% in value or nearly N'$300 Million. In large part this was due to a depressed demand for shares and increased levels of household indebtedness in Namibia. This put downward pressure on the share price, lowered volumes, and saw an overall lack of appetite from buyers. However, a closer review of the banking industry in Namibia shows that our share price declined less on average than the industry.

Even after a challenging year, we declared a final dividend of 90 cents per share for the year ended 31 December 2019. Our major shareholders have not changed during the last year, and we see that as a vote of confidence in our strategy and our ability to manage through tough times. We look to deliver on that confidence over the medium term.

Shareholders fund - Debt to equity



ROA vs ROE vs PAT



Financial Highlights (Continued)

Top ten shareholders

	31 December 2018 Shares held		31 December 2019 Shares held	
	Number	%	Number	%
Letshego Holdings Limited	392 300 000	78.46%	392 300 000	78.46%
Kumwe Investments Holdings Ltd	59 850 000	11.97%	59 850 000	11.97%
First National Bank Nominees (Namibia) (Pty) Ltd – Government Institutions Pension Funds	13 350 000	2.67%	13 350 000	2.67%
CBN Nominees (Pty) Ltd – Old Mutual Life Assurance Company (Namibia) Ltd	6 850 000	1.37%	6 850 000	1.37%
First National Bank Nominees (Namibia) (Pty) Ltd – MMI Holdings Namibia Ltd	5 250 000	1.05%	4 700 000	0.94%
Standard Bank Namibia Nominees (Pty) Ltd – Absa Africa Equity Fund	2 950 000	0.59%	2 950 000	0.59%
Frans Indongo Investment Trust	2 650 000	0.53%	2 650 000	0.53%
Standard Bank Namibia Nominees (Pty) Ltd – Sanlam Life Namibia Limited	2 200 000	0.44%	2 200 000	0.44%
Standard Bank Namibia Nominees (Pty) Ltd – Sanlam Namibia Trust Managers Limited	900 000	0.18%	900 000	0.18%
First National Bank Nominees (Namibia) (Pty) Ltd – UNIPOLY Retirement Fund	800 000	0.16%	800 000	0.16%
Other corporate entities, nominees and trusts and individuals	12 900 000	2.58%	13 450 000	2.69%
Total	**500 000 000**	**100%**	**500 000 000**	**100%**

Non-Financial Highlights

NON-FINANCIAL HIGHLIGHTS

We strive to create financial and non-financial value for our stakeholders. For our customers, we focus on access to financial solutions. For our employees, we endeavour to create employment that delivers competitive remuneration and opportunities for learning and development.

KEY METRICS

We have grown our numbers of customers using our solutions significantly. Our focus on diversification in terms of customer channels has shifted our focus away from growing our physical footprint to improving the value that both our staff and customers gain from those physical outlets. For our staff, the focus has been on development and capacity building to serve our customers better and to provide opportunities for growth within Letshego.

Indicators	2017	2018	2019
Access Points	18	17	16
Full-time employees (FTEs)	98	117	145
Commission-based direct sales agents (DSAs)	11	51	39
Borrowers	52 356	51 586	47 728
Savers	109	2 135	12 472
Value of retail deposits (N$ ´mn)	0.2	3.7	37.7
Value of corporate deposits (N$´mn)	110	81	12
Training spend			
Training spend (N$ ´000)	465	553	543
Training spend as a % of staff costs	1%	1%	1%

Our efforts to increase access for customers during 2019, focused on upgrading branches to provide improved access to our financial solutions for customers. During 2019 we upgraded 2 of our 16 branches taking the number of deposit-taking access points to 4.

We achieved increases in both the number of retail customers who use our borrowing solutions, as well as the number who use our savings solutions.

	Solution			
	Lending			Savings
Entity	DAS	Informal	MSE	Deposits
Letshego Bank (Namibia) Limited	✓			✓
Letshego Micro Financial Services (Namibia) (Pty) Ltd	✓			

Portfolio Review

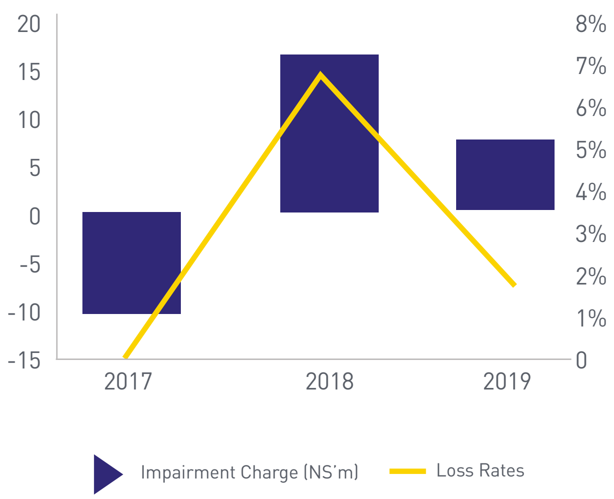
We offer two of the four core groups solutions: deduction at source (formal lending), and deposit taking. In 2019, deduction at source loans contributed 99.8% of the overall loan portfolio (2018: 86%), with a net growth of 16% realised in this sector.

As a responsible lender, our effort to grow our portfolio is balanced against our commitment to promote affordability for our customers. During 2019, we tightened our credit approval process, to better protect our customers, and mitigate our credit risk. This process involved reviewing our affordability criteria, levels of disposable income, and the disclosure we provide to customers to ensure that there is a mutual understanding of our agreements. These changes have resulted in increases in customer numbers, improvement in the quality of our book, and improvements in credit controls.

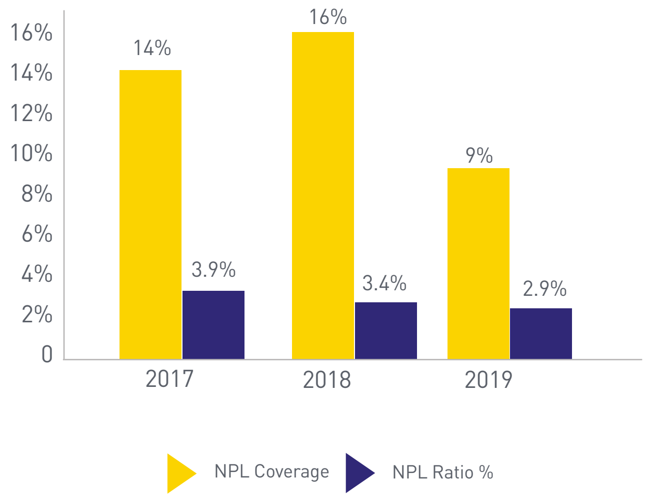
We are strengthening the management teams, with other changes that are being implemented at a Group level, such as the strengthening the audit function which will contribute to ensuring the ongoing quality of the book in the future.

Asset quality	2017	2018	2019
Portfolio at risk - 90 days	2.9%	3.4%	3.9%
Portfolio at risk - 30 days	4.5%	5.1%	5.5%
Loans loss rate - excluding once-off loans	0.9%	0.7%	0.2%

Impairment charges and loss rates



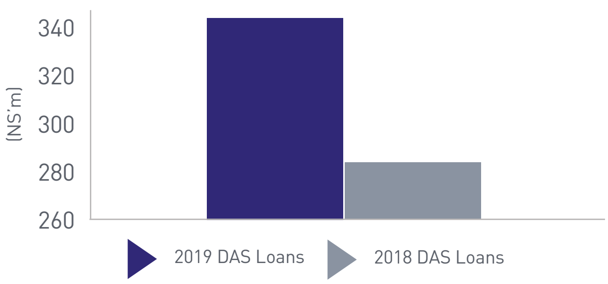
NPL provision adequacy



DEDUCTION AT SOURCE

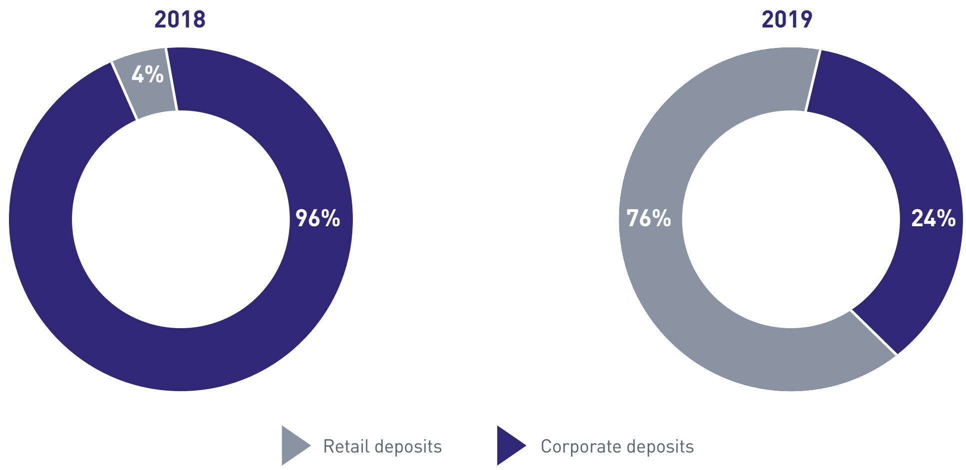
Net advances within our DAS portfolio grew by 16% in 2019 when compared to the previous year, and the DAS portfolio continues to be the main driver of business growth. This is even though our total borrowing customers decreased to 47 728 in 2019 from 51 586 in 2018. Direct Sales Agents continue to provide a valued channel for growing the DAS portfolio.

Impairment charges and loss rates



DEPOSIT TAKING

Overall deposits from customers decreased from N$75 Million in 2018 to N$43 Million in 2019. During the year, a review of deposits was carried out and a strategic decision was taken to focus on mobilizing retail deposits and simultaneously be more selective about accepting costly institutional deposits. This decision resulted in a reduction in the value of institutional deposits to N$10 Million (2018: N$71 Million). This process of reduction is expected to continue in 2020, as retail deposit mobilisation efforts intensify. Thanks to this strategy, retail deposit customer values increased to N$33 Million in 2019 (2018: N$3 Million). Retail deposits accounted for 76% as a percentage of total deposits in 2019 (2018: 4%). The launch of channels especially debit cards and USSD bill payment channels are expected to continue to contribute to growth of retail deposits.



2

Our Leadership

Board of Directors

MARYVONNE PALANDUZ (48)

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

Chairperson
Independent Non-Executive Director
Member Of Board Audit And Risk Committee
Member Of Board Credit Committee

Appointed 2017

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.

Shareholding: 26 316
Residence: South Africa

ESTER KALI (50)

Nationality: Namibia

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

Chief Executive Officer for LHN And LBN Financial Services
Executive Director

Appointed 2016

Ms. Ester Kali joined Letshego 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 Chairman 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.

Shareholding: 83 137
Residence: Namibia

SVEN VON BLOTTNITZ (50)

Nationality: Germany

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)

Independent Non-Executive Director
Chairman of Credit Committee
Chairman of the Audit & Risk Committee

Appointed 2016

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. Previously he held Board positions with NIPAM and the Namibian Stock Exchange.

Shareholding: None
Residence: Namibia

Board of Directors (Continued)

ROSALIA MARTINS-HAUSIKU (38)

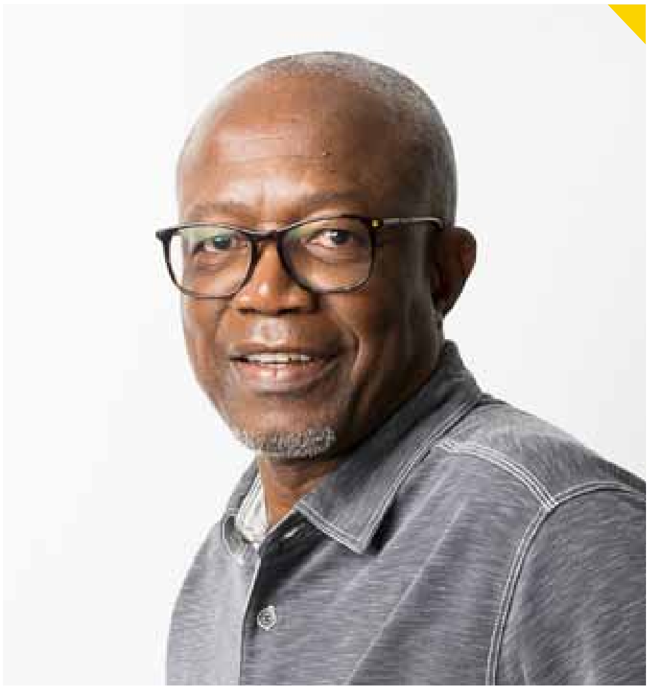
Nationality: Namibia
B. Arts in Media Studies (UNAM)
Master of Art in Culture, Communication and Media Studies (UKZN)
Master in Business Leadership (UNISA)
Certificate Programme in Finance and Accounting (WITS)
Programme for Management Excellence (Rhodes University)

Independent Non-Executive Director
Member of Board Remuneration Committee

Appointed 2017

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 period that she has been with MVA Namibia. Mrs. Martins-Hausiku serves as Director on the Namibia Chamber of Commerce and Industry Board, as well as the chairperson of Quanta Insurance. She is also the incumbent vice chairperson of the University of Namibia.

Shareholding: None
Residence: Namibia



RAIRIRIRA MBETJIHA (62)

Nationality: Namibia
Diploma in Business Administration (University of Birmingham)
MBA majoring in Strategic Management (University of Birmingham)

Non-Executive Director
Member of the Board Remuneration Committee

Appointed 2016

Mr. Rairirira Mbetjiha currently serves as the Managing Director of Kumwe Investments Holding Limited, of which he is also a shareholder. Kumwe Investments Holding is the minority shareholder of Letshego Holdings (Namibia) Limited. Mr. Mbetjiha has over 10 years' experience as a Macroeconomist Planner doing Institutional Research for the Government of Namibia and projects financed by international organisations such as the European Union and the United Nations. He previously served as the Director of Strategic Planning and Institutional Research at the University of Namibia from 1995 until 2005. Prior to that, he was the Chief of Macroeconomic Planning at the National Planning Commission. Mr. Mbetjiha is the Chairman of the MMI Holdings Namibia Board of Directors; he further serves as a Director on various Boards including that of Business Connexion Namibia.

Shareholding: 59 866 632
Residence: Namibia

Executive Management Team

ESTER KALI
Chief Executive Officer for LHN and LBN

- Leadership and Strategic Direction
- Strategy development and Financial Performance
- Develop Stakeholder Relationships

JACO KRUGER
Chief Principal Officer for Letshego Micro Finance Services Namibia (LMFSN)

- Strategic Business Growth
- Customer Experience and Communication
- Innovation

O'RUTE UANDARA
Chief Operations Officer

- Operating Systems Innovation and Efficiency
- Banking Implementation
- Central Operating Process

GREGORY MADHIMBA
Chief Financial Officer

- Financial Strategy
- Tax Management
- Financial and Regulatory Reporting
- Investor Relations
- Finance Operations
- Capital Management

DIANA MOKHATU
Head of Human Resources

- HR Shared Service Centre
- Learning and Development
- Organisational Development

CHRISZELDA GONTES
Chief Risk Officer

- Enterprise Risk
- Legal & Compliance
- Corporate Governance

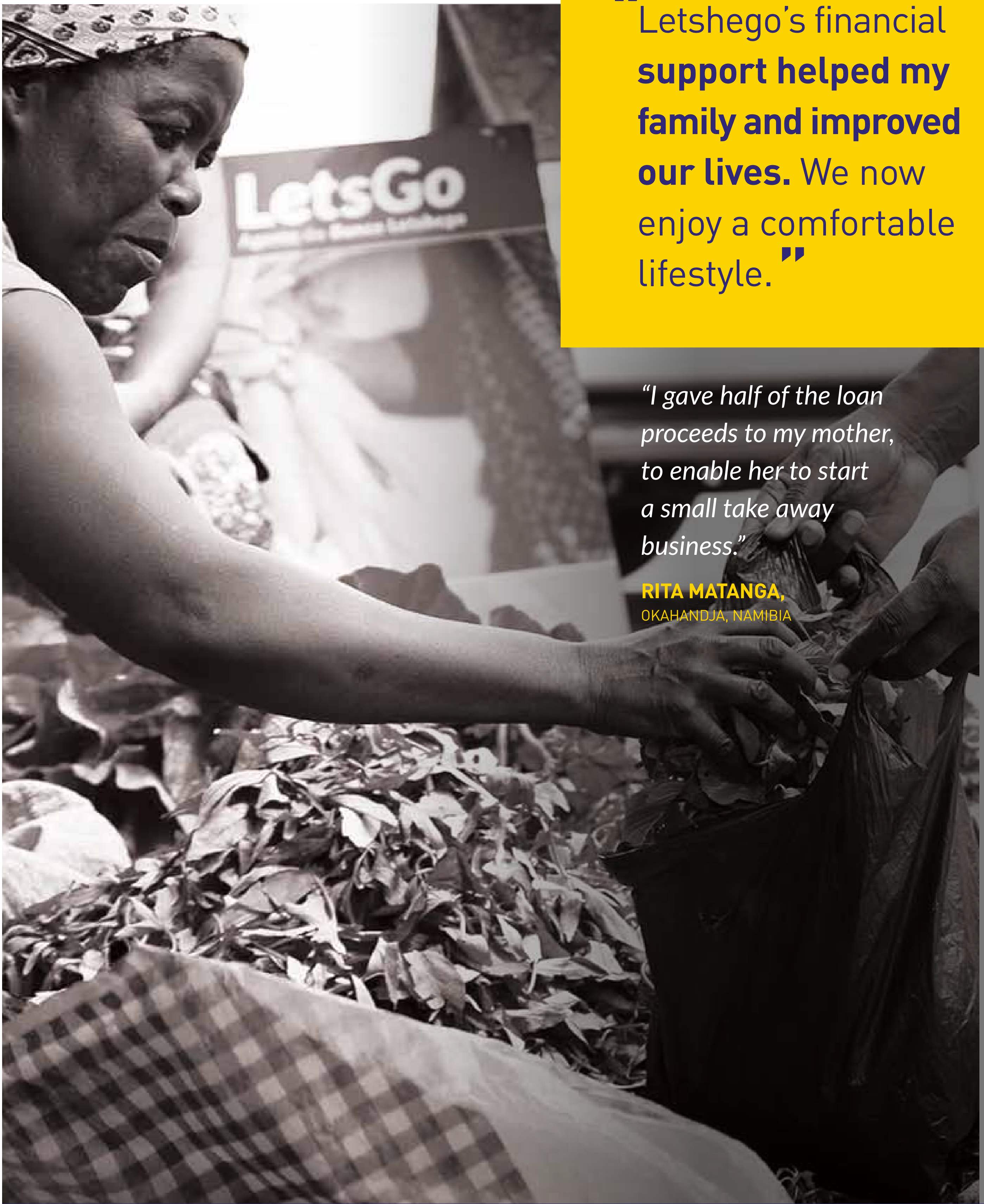
JAMES DAMON
Head of Credit

- Credit Risk
- Credit Operations
- Credit Data Analytics and Business Intelligence

ALETTA SHIFOTOKA
Head of Internal Audit

- Financial and Business Assurance
- IT & Projects Assurance
- Combined Assurance
- Special Audits

“Letshego’s financial **support helped my family and improved our lives.** We now enjoy a comfortable lifestyle.”



“I gave half of the loan proceeds to my mother, to enable her to start a small take away business.”

RITA MATANGA,
OKAHANDJA, NAMIBIA

My name is Rita Matanga and I live in Okahandja, Namibia.

In 2016, my mother who took care of her orphaned grandchildren and niece, retired. In 2017, I got my first job at the Ministry of Education as a teacher. At that time, I took over my mother’s entire family support responsibilities, for her grandchildren and niece. It was a difficult time for me as I was also pregnant with my first child.

I was going through some financial difficulties and one of my colleagues referred me to Letshego. I took her advice and got my first loan from Letshego. I gave half of the loan proceeds to my mother, to enable her to start a small take away business. I then used the remaining half to open my own take away stall, where I cook and sell traditional Caprivi food. Letshego’s financial support helped my family and improved our lives. We now enjoy a comfortable lifestyle.

3

The Board

The Board

Our Board is the governance forum for the Group. Its leadership works to create value for our shareholders and benefits all stakeholders.

The Board actively engages management in setting, approving, and overseeing execution of the strategy and related policies.

It monitors 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, large-scale industrial, counterparty negotiation, legal, technology, human resources and reward, 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 2019, the representation of women on our Boards stood at 67% (2018: 57%) while country management teams remained the same as the previous year. During 2020 we expect to develop a policy in order to strengthen our commitment to Board diversity. A key aspect of the composition of the Boards is meeting the requirements of the NamCode and King IV principles.

Composition and Structure

Letshego Holdings (Namibia) Limited Board membership comprised of six directors as at 31 December 2019. This includes three Independent non-executive Directors (INEDs), two non-Executive Directors and one Executive Director. The Board is supported by the Credit Committee, the Audit & Risk Committee and the Remuneration Committee. There have been no changes to the Board composition during 2019 with one resignation of a non-executive Director, Ms. Mythri Sambasivan-George effective 24 April 2020.

Board and committee composition as at 31 December 2019:

Director	Status	Number of Committees served by Board Member	Main Board	Credit Committee (CC)	Audit & Risk Committee (ARC)	Remuneration Committee (RC)
M. Palanduz	INED	1	C ✓		✓	
S. von Blottnitz	INED	3	✓	C ✓	C ✓	
R. Martins-Hausiku	INED	2	✓			C ✓
M. Sambasivan-George	NED	4	✓	✓	✓	✓
R. Mbetjiha	NED	2	✓			✓
E. Kali	EXEC	3	✓	✓	✓	
Summary			Total 6	Total 3	Total 3	Total 3
No. of board members - EXEC			1	1	1	
No. of board members - INED			3	1	1	1
No. of board members - NED			2	1	1	2

C	Chairperson	EXEC	Executive Director
INED	Non-Executive Director	INED	Independent Non-Executive Director

Compliant with King IV

✓ Current Committee Membership

✓ New Committee Membership

Board Process and Outcomes

BOARD EVALUATION AND MEETINGS

The last Board self-assessment was conducted in 2018. Going forward, and in line with Namcode requirements, the evaluation of the Board, its Committees and the individual Directors will be conducted on an annual basis. The 2018 appraisals were conducted internally. The Board self-assessment and appraisal processes are designed to review the effectiveness of the Board and the members of the various sub-committees. The self-assessment exercise provides open and constructive two-way feedback to members which enables the collective establishment of acceptable levels of performance across various principal governance areas.

The Board meets at least quarterly. In addition, there is an annual strategy review meeting and a special meeting to review and approve the interim results were held and two additional special board meetings took place. Therefore, six regular Board meetings were held during 2019. 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. In addition, the Board:

- Ensures that the Group has an effective independent Risk & Audit Committee (ARC), Credit Committee (CC), 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 Chairman, 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 plays a critical role in the corporate governance of Letshego, acting as an advisor to the Board, guiding individual Directors and Committees in areas such as corporate governance, updates on legal and statutory amendments and the effective execution of Directors' responsibilities and fiduciary duties. The Company Secretary ensures that Board and sub-committee charters are kept up to date, and that Board and Committee papers are circulated in good time. Also, she assists in eliciting responses, input and feedback for Board and sub-committee meetings. The Company Secretary assists the Audit and Risk Committee (ARC) in ensuring that the correct procedures are followed for the appointment of Directors.

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. Furthermore, the Company Secretary assists in the process of self-assessment of the Board and its sub-committees.

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. On-going training and development of Directors is provided as necessary. Each Director's length of service is regularly reviewed as part of succession planning.

Succession Planning

In terms of succession planning, the Board has identified 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

Our Directors have 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 who 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.

GOVERNANCE AND RISK MANAGEMENT TRANSFORMATION

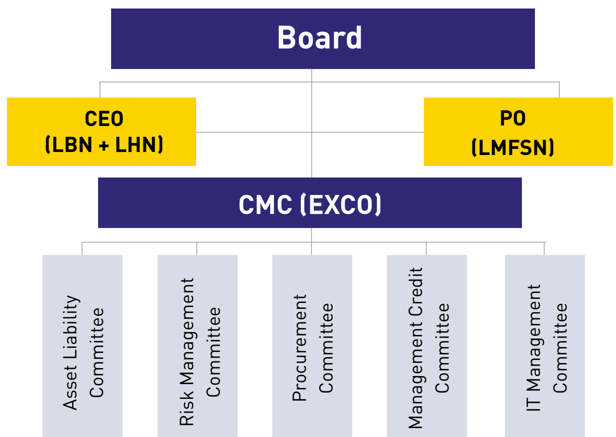
As part of improving our governance processes during 2019, we focused on strengthening the capacity of the internal audit team, which enabled us to increase coverage of the internal audit plan to 100%. This has provided the Board with greater detail and insight on key risk areas.

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 an annual work plan 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:

- In Quarter 2 the Loan consolidation campaign was re-launched in July 2019 and ran up to 31 October 2019
- In Quarter 2 a Rationalization workshop was conducted with LHL to identify initiatives that would complement the LMFSN operations
- During Quarter 2 dividends were declared and paid, a final dividend of 23.5 cents (N$ 0.235) per share was paid to the shareholders on 12 April 2019. The decision was ratified at the LHN AGM held on 24 July 2019
- During 2019 the Board approved the Head of IT position and Company Secretariat positions reporting directly to the CEO. The approval of the Head of IT will remove the IT responsibilities from the Chief Operations Officer position, and will be dealt with as a separate department
- In Quarter 4 of 2019, Management submitted the LMFSN License renewal application
- The Board training took place in Quarter 3 of 2019, with the key focus on governance compliance in line with legislation
- The Board approved the Service Level Agreement between Letshego Holdings Limited (LHL) and Letshego Holdings (Namibia) Limited (LHN) in Quarter 4 2019
- Ms. Mythri Sambasivan-George intention to resign was highlighted to the Board during the 2020 FY, her resignation date is confirmed as 24 April 2020 and due process is underway to appoint an additional Non-Executive Director (NED)
- Findings from the audit conducted by the Bank of Namibia, were addressed and the majority of the issues were closed
- During Quarter 4 of 2019, the Board approved the Implementation of the 1st phase of the AML System
- The Board commenced the Biennial review process during Quarter 4 of 2019



Composition of the Board Committees

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
1	**Audit & Risk Committee (ARC)**	• Assists the Board in discharging its duties relating to ensuring the safeguarding of assets, the operation of adequate systems and control processes, and the preparation of financial statements and reporting in compliance with legal requirements and accounting standards. The membership consists of no less than three Board-appointed Directors, of which two are INEDs. The LHN ARC provides ultimate oversight of the Internal Audit function for the Group • Promotes a culture of risk management discipline, anticipation, and compliance across the Group's footprint • Reviews and recommends approach to determining risk appetite, as a basis for obtaining Board approvals, and to monitor compliance with the same • Proactively manages potential capital, interest rate, foreign exchange, liquidity, credit, operational, and compliance risks and initiates actions to mitigate those risks • Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence • Ensures the adequacy and effectiveness of policies, procedures and tools in all countries for the identification, assessment, monitoring, controlling and reporting of risks by reference to the LHL Enterprise Risk Management framework and that they conform to the minimum requirements laid down by the Group as well as external regulators	**INEDs** Chairperson **NEDs** **Independent attendees** PWC (Only for AFS approval) **Management attendees** CRO CEO CFO COO HC **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
2	**Credit Committee (CC)**	• 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 • Establishes 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 CC, or the Board of Directors, as appropriate • Reviews and assesses 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 • Limits 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) • Develops and maintains the Group's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of six 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 • Develops and maintains 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 • Reviews 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 ICL allowances • Provides advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk	**Independent Non-Executive Directors** Chairperson **Management attendees** CRO CEO CFO COO HC **Permanent invitee** Head of Internal Audit	Majority of members present who shall vote on the matter for decision	Meetings of the Committee will be held as the Committee deems to be appropriate; however, the Committee should meet at least once each year. Further meetings may be called by the Chairperson of the Committee or any member of the Committee.

Composition of the Board Committees (Continued)

	Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
3	**Remuneration Committee (RC)**	• Exercise good stewardship of the LHN remunerations practices and ensure that compensation works in harmony with the implemented risk postures • Ensures alignment of the remuneration strategy and policy with the LHN business strategy and the desired culture of the organisation • Provides remuneration packages needed to attract, retain, and motivate high performing executive Directors and Executive Management, but avoid paying more than is necessary for this purpose • Ensure that remuneration is pitched at level relative to other comparable companies taking relative performance into account • Ensures sensitivity to the wider environment, including pay and employment conditions elsewhere in the Company so that decisions may, as far as is appropriate, be fair, considering the different pay policy needs of the different business units • Ensures the adequacy of retirement and health care schemes for Executive Directors and Executive Management • Considers the pension consequences and associated costs to the Company of basic salary increases • Reviews the LHN contribution to benefit schemes for recommendation to the Board • Reviews and approves the LHN employee taxation risk profile where relevant to remuneration	**INEDs (Chairperson)** **NEDs** **Management attendees** **CEO** **CRO** **HR**	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. The composition of each committee and its purpose is clarified in the table below.

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
1	**Executive Management Committee (EXCO)**	• Deliver's 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) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer) Diana Mokhatu (Head of Human Resources) Aletta Shifotoka (Head Internal Audit) James Damon (Head of Credit)	Majority of EXCO members	Monthly

Executive Management Committees (Continued)

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
2	**Group Risk Management Committee (GRMC)**	• 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 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 • 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 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) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer) Diana Mokhatu (Head of Human Resources) James Damon (Head of Credit)	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.
3	**Risk Management Committee (RMC)**	• Holds the ultimate business responsibility for the management of all key risks and ensures compliance to all of LBN's policies • Assists the Board of Directors in its responsibility to oversee that the overall risk management process is at an appropriate level • Ensures that LBN 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 LBN and implements mitigating strategies for all risks	Ester Kali Chief Executive Officer (LBN and LHN) Jaco Kruger (Chief Executive Officer – LMFSN) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer) Diana Mokhatu (Head of Human Resources) Aletta Shifotoka (Senior Internal Auditor) Ramona Coetzee (Operations Manager) Richard Bastiaans (IT Manager Risk Analyst) Kanoono Tjiueza (AML and Compliance Officer) Stephanie Izaaks (Company Secretary) James Damon (Head of Credit)	Four members of the RMC, of which at least two should be EXCO members (executives), 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.

	Executive Management Committee	Purpose	Composition	Quorum	Frequency of meeting
4	**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) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer)	Four Standing members	As per the LBN procurement policy
5	**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 LBN • Ensures that Board CC expectations, directives and requirements for credit are met and implemented accordingly • Actively scans and reviews the credit risk environment of LBN and implements mitigating strategies for all credit risks (risk management) • Provides tools to monitor, manage, and measure delivery of the credit risk objectives (credit risk performance management)	Ester Kali Chief Executive Officer (LBN and LHN) Jaco Kruger (Chief Principal Officer – LMFSN) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer) James Damon (Head of Credit)	Four members of the RMC, of which at least two should be EXCO members (executives), 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.
6	**Information Technology Management Committee (ITMC)**	• Ensures that the IT strategy is aligned with the strategic objectives of the organisation (strategic alignment) • Ensures maximum optimisation of resources to sustain business operations in the most effective and efficient manner (resource optimisation) • Ensures that expectations for IT are met (benefits realisation) • Mitigates all IT risks (risk management) • Provides tools to monitor, manage, and measure delivery of these objectives (performance management)	O'Rute Uandara (Chief Operations Officer) Richard Bastiaans (IT Manager Risk Analyst) Chriszelda Gontes (Chief Risk Officer) Ramona Coetzee (Operations Manager)	Majority of EXCO members	Monthly

Attendance at Meetings

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

Director	Status - INED/NED/EXD	Main Board	Audit and Risk	Remuneration Committee	Credit Committee*
M. Palanduz	INED	8/8	4/4		
S. von Blottnitz	INED	8/8	4/4		
R. Martins-Hausiku	INED	7/8		5/5	
M. Sambasivan-George	NED	7/8	3/4	4/5	
R. Mbetjiha	NED	6/8		4/5	
E. Kali	EXD	8/8	4/4	5/5	

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

Board fees are as follows:

Annual retainer – Chairperson	N$161 000
Annual retainer – Directors	N$146 000
Sitting Fee – Board Chairperson	N$29 250 per meeting
Sitting Fee – Directors	N$24 250 per meeting
Sitting Fee – BARC members	N$21 937.50 per meeting for Chairman and N$18 187.50 per meeting for members
Sitting Fee – RC members	N$14 625 per meeting for Chairman and N$12 125 per meeting for members
Sitting Fee – Strategy Review Meeting	N$29 250 per meeting for Chairman and N$24 250 per meeting for Directors

Remuneration Policy

Key strategic objective of the Group is to remunerate Board Members and Group employees adequately, fairly, and within industry norms. The Board remuneration for the 2019 financial year is set out below:

Director	Status - INED/NED/ EXD	Main Board	Retainer	Audit and Risk Committee	Remuneration Committee	Credit Committee	Total
M. Palanduz	INED	N$277 520	N$161 000	N$72 750	N$0	N$0	N$511 272
S. von Blottnitz	INED	N$194 000	N$146 000	N$87 750	N$0	N$0	N$427 750
R. Martins-Hausiku	INED	N$ 169 750	N$146 000	N$0	N$73 125	N$0	N$388 875
M. Sambasivan-George	NED	N$0	N$0	N$0	N$0	N$0	N$0
R. Mbetjiha	NED	N$222 996	N$89 034	N$0	N$48 500	N$0	N$360 530
E. Kali	EXD	N$0	N$0	N$0	N$0	N$0	N$0
E. Shepherd (Resigned April 2019)	INED	N$53 600	N$80 400	N$0	N$0	N$0	N$134 000
Total		**N$917 866**	**N$622 434**	**N$160 500**	**N$121 625**	**N$0**	**N$1 822 427**

All figures in N$

Ms. Palanduz is currently the Chairperson of LMFSN, LBN and LHN, and was remunerated accordingly during the year under review.

As per the signed agreement between Kumwe and LHN, Mr. Mbetjiha's Board fees and retainer are pegged to the US dollar, payments therefore fluctuate according to the exchange rate. However, Mr. Mbetjiha is remunerated in local currency for the Remuneration Committee.

The above Directors fees were approved by Shareholders at the Annual General Meeting held on 24 July 2019.

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.

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.

Remuneration Policy (Continued)

Executive Directors' remuneration as at 31 December 2019

Executive Directors' incentive bonuses are evaluated and recommended by the RemCo for the approval of the Board. All amounts disclosed below are in Namibian Dollar.

Executive Directors	For Management Services	Performance Bonus	Total
Ester Kali (CEO)	N$2 230 343	N$758 866	N$2 962 209

Executive Directors' remuneration as at 31 December 2018

Executive Directors	For Management Services	Performance Bonus	Total
Ester Kali (CEO)	N$1 880 665	N$770 000	N$2 650 665

Top three earners who are not Executive Directors as at 31 December 2019

Management	Net Settlement	Total
Employee 1	N$1 643 234	N$1 643 234
Employee 2	N$1 421 190	N$1 421 190
Employee 3	N$1 216 568	N$1 216 568

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 a 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.

After conducting research into trends in NED remuneration during 2016, new remuneration packages were approved by the Board and implemented during 2017. 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.

The following incentive scheme is offered by Letshego Holdings (Namibia) Limited:

	Share-based plans	Deferred bonus plans	Standard annual bonus plan
CEO	✓		✓
Executive Committee		✓	✓
Sales and support staff			✓

Governance Enablers

The Group continues to enhance its information technology (IT) governance framework as the Group's operations and sustainability are critically dependent on IT. 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

LEGAL COMPLIANCE

The Board is ultimately responsible for overseeing the Group's compliance with specific legislation, rules, codes, and standards in relation to the NamCode. The Board has delegated responsibility to management for the implementation of an effective governance, risk, legal and compliance framework and processes, as envisaged by the NamCode.

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.

GOVERNANCE AND 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 for the 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 Group and its subsidiary Boards
- Relevant Group-wide policies
- Group-wide Code of Ethical Conduct and Whistleblowing Facility, and
- Commitment to Group strategy and brand promise

The preliminary phased rollout of the framework was initiated in early 2016. The took the form of a Group wide presentation focused on the key compliance areas that the framework aims to address, this included regulatory, legal, and governance compliance.

INTERNAL AUDIT

Internal Audit (IA) provides independent and objective assurance to the Audit Committee 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 Head of Internal Audit reports functionally to the Audit Committee Chairman and administratively to the CEO. The Head of Internal Audit has unrestricted access to all Audit Committee members.

In accordance with the IA's approved Quality Assurance Improvement Program, an external assessor appointed in 2019 conducted an external quality assurance review on the IA and assessed its function against the IIA Standards. The Committee was assured to note that against the ratings prescribed by IIA, Letshego IA 'partially conforms' to the requirements of the IIA ratings. The committee was specifically encouraged by the conclusion of the external assessor that IA is fit for purpose to serve as an assurance provider for Letshego. This was the first time such an external assessment was performed. Recommendations for improvement made were discussed by the Audit Committee and these have been fed into IA's 2020 program. During the year, AC reviewed and approved the internal audit charter, received quarterly reports from the Head of Internal Audit, and reviewed and approved the annual IA plan.

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 Risk Management framework is to ensure that risks faced by LHN 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 group's activities.

We continue to take a holistic and forward-looking view of the risks faced by LHN. 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.

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:

Ref	Namcode Principle (s)	2019	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.
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.
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.
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.
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	Refer to principle 1.1 above.
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.

Ref	Namcode Principle (s)	2019	Commentary
2. Boards and Directors (continued)			
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.
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.

Compliance with the Namcode (Continued)

Ref	Namcode Principle (s)	2019	Commentary
2. Boards and Directors (continued)			
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.
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 is comprised of six Directors of which three are Independent Non-Executive Directors (INEDs), two Non-Executive Directors (NEDs) and one Executive Director (EXD), being the Chief Executive Officer.
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 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 adhoc training is provided in specific areas to the Directors, ongoing training and development of Directors is not conducted through a formal process.
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	The last formal Board evaluation was performed in 2018 The results of the self-assessment show the following: • Board training is required, particularly with regard to financial services best practices, Letshego strategy, intellectual property, crisis & media management • LBN & LHN Board chairperson should ideally not be in an executive position for another organization, to allow for effective discharge of Letshego Board duties and time for engagement with INEDs, Board, CMC, regulators, etc during the course of the year • LHL Group chairperson needs to obtain direct feedback from the LHN Board, this includes updates or concerns, and structured response plans

Ref	Namcode Principle (s)	2019	Commentary
2. Boards and Directors (continued)			
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. The Board has created the following Committees with clearly defined terms of reference: (i) The Board Audit & Risk Committee (ii) The Credit Committee (iii) The Asset and Liability Committee (iv) The Procurement Committee (v) The Remuneration Committee (vi) The Information Technology Committee.
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 well-established governance framework approved by the Board and supported by respective Charters. Board Charters are reviewed every second year, and is due to be reviewed during 2020, 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. It has adopted remuneration practices governed by a Remuneration Policy which support the Company's growth, performance and returns strategy.
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 Board Audit & 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 Board Audit & 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 Board Audit & 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.

Compliance with the Namcode (Continued)

Ref	Namcode Principle (s)	2019	Commentary
3. Audit Committee (continued)			
3.7	The Audit Committee should be responsible for overseeing of internal audit.	Applied	The Board Audit & 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.
3.8	The Audit Committee should be an integral component of the risk management process.	Applied	The Committee Charter of the Board Audit & 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 Board Audit & 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 Board Audit & 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 risk			
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 Board Audit & 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 will 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 Board Audit & Risk Committee.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	The Board Audit & 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.

Ref	Namcode Principle (s)	2019	Commentary
4. The governance of risk (cotinued)			
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 Board Audit & 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.
4.8	The Board should ensure continual risk monitoring by management.	Applied	The Board Audit & 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 Board Audit & 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 information technology			
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 Board Audit & 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 Board Audit & Risk Committee Charter 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)
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	Applied	According to the Company Information Technology Management Committee Charter, the Committee is responsible for the assessment of value delivered to the organisation through significant investments in technology and information, including the evaluation of projects through the life cycles and significant operational expenditure.

Compliance with the Namcode (Continued)

Ref	Namcode Principle (s)	2019	Commentary
5. The governance of information technology (continued)			
5.5	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.
5.6	The Board should ensure that information assets are managed effectively.	Applied	It is the responsibility of the Board Audit & 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.
5.7	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.
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 Board Audit & 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.

Ref	Namcode Principle (s)	2019	Commentary
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 Board Company Audit & 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 Board Audit & 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 Board Audit & 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 Senior Internal Auditor.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The Internal Audit function is independent and reports to the Board Audit & Risk Committee. The Senior Internal Auditor 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).

Compliance with the Namcode (Continued)

Ref	Namcode Principle (s)	2019	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: (i) Reputational Risk Policy (ii) External Communication Policy (iii) Sustainability and Environmental, Social, Governance Policy (iv) 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.

Ref	Namcode Principle (s)	2019	Commentary
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.
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.

4

Stakeholder Engagement and Material Matters

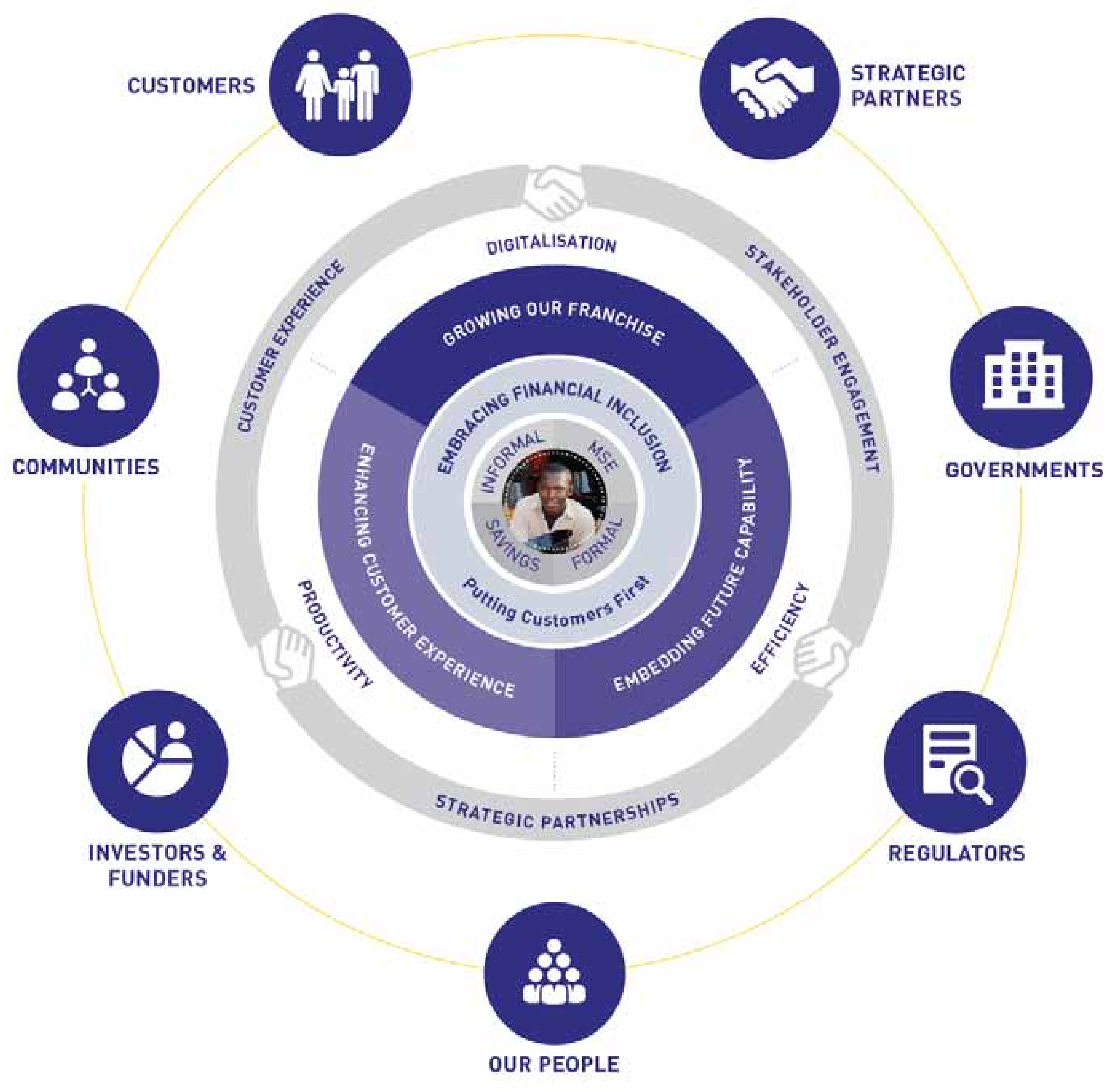
Stakeholder Engagement and Material Matters

STAKEHOLDER MAPPING PROCESS

The interaction and integration of global economies means there are multiple people, customers, investors, funders, communities, companies, governments, regulators, and economies that are affected by Letshego's operations, and thus have either a direct or indirect interest in our strategy and success.

We consider these stakeholders integral to achieving our vision of becoming a world class retail financial services organisation. Letshego is committed to working with each of its diverse stakeholders to understand their unique objectives and understand opportunities where we can leverage our strengths to collaborate and achieve collective benefit for the communities in which operate.

The feedback our stakeholders provide enables us to mould and enhance our strategy and operations to deliver more tangible value. Our stakeholder engagement framework, which includes regular constructive engagement, opportunities for feedback, and varied platforms for open dialogue, is managed by Letshego's leadership and supported by the Board of Directors.



Letshego's Key Stakeholders

Our Key Stakeholders

Letshego's stakeholders are summarised as follows:

Our Customers & Communities

Why we engage

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.

Our activities not only impact our customers, but the broader communities where we operate. Communities gain indirect benefit from our operations, as we seek to improve the lives of our customers on a sustainable basis.

How we engage

- Marketing Campaigns
- Customer Events
- Customer Polls and Surveys
- Branches
- Call Centres
- Direct Sales Agents
- Digital Access Channels

Our People

Why we engage

Our people are integral to Letshego being able to deliver value to our customers and stakeholders and facilitate the growth and success of our business.

Our people form the fabric of our unique culture, a strategic differentiator for Letshego within our economies as well as a contributing factor in achieving our ambition to be an employer of choice.

Our people's **confidence** in our strategy, **collaboration** in performance and delivery, as well as **commitment** to creating a memorable experience for our customers enables Letshego to deliver on its brand promise to Improve Lives.

How we engage

- Email Updates
- Group Townhalls
- Country Townhalls
- Intranet
- Leadership & Training
- Employee Engagement Events
- Employee Performance Framework
- Volunteering
- Employee Incentive Programmes
- Team Building

Investors & Funders

Why we engage

Our investors and funders provide the capital and financial support that enables 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.

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

How we engage

- Financial Results & Releases
- Investor & Funder Updates and Engagement Events
- Annual Integrated Reports
- Impact Reports
- Website Updates

Our Key Stakeholders (Continued)

Governments

Why we engage

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

Effective government partnerships enable Letshego to provide simple, accessible and appropriate financial solutions that support national mandates to increase financial inclusion.

How we engage

- Government Relations Framework
- Financial Results & Releases
- Shareholder and Stock Exchange Notices
- Investor & Funder Updates and Engagement Events
- Annual Integrated Reports
- Impact Reports
- Website Updates

Regulators

Why we engage

Achieving the highest level of compliance with the regulations and legislative policies within the economies where we operate remains Letshego's governance priority.

Regulators not only provide the framework for a robust and productive financial sector, but also offer an opportunity for collaboration and partnership as private and public sectors work together to secure the interest and benefits for all participants within a financial ecosystem.

How we engage

- Regulatory Updates and Reporting
- Financial Reporting
- Shareholder and Stock Exchange Announcements
- Annual Integrated Reports
- Impact Reports
- Annual General Meetings

Strategic Partners

Why we engage

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.

How we engage

- Financial Reporting
- Shareholder and Stock Exchange Announcements
- Annual Integrated Reporting
- Impact Reporting

Our Material Matter Identification and Management Process

Letshego's identification and evaluation of material matters that have an impact on our business are guided by a clear and methodical process, overseen by our executive leadership team. Leadership teams continuously review what constitutes a material matter in line with the Group's vision, strategic objectives, ever-evolving operations, and customer value proposition.

Letshego's Material Matter identification and process can be summarised as follows:

All Business Units provide input in identifying key material matters.

- A material matter must provide sustainable earnings for the business and create value to stakeholders.
- Areas of impact assessed: financial, environmental, social, strategic, competitive, legislative, reputational and regulatory matters (including policy matters).

Rank according to greatest relevance and highest potential to impact on viability of our business and relationships with stakeholders

- Collaborative effort on ranking.
- Group Management Committee assumes responsibility for approval.
- Endorsement required by the Board.

We respond to the material matters by assessing the impact on our risk tolerance and risk appetite

- We evaluate scenario-modeling outcomes.
- We evaluate the trade-offs between our forms of capital.
- We action activities required to manage material matters.

We regularly assess the material matters to ensure that our strategy remains relevant

- Regular re-evaluation of risks undertaken.
- Regular reporting of changes in risks undertaken at Board level.

Material Stakeholder Matters

Customers & Communities

MATERIAL MATTER
OUR RESPONSE

Material Matter	Our Response
We need clearer communication on how regulatory changes will affect our customers	• We have engaged with a specialist PR Company to work with us on communicating with our customers • We are focusing on improving our communication with our customers at branch level through increased staff training, including the unpacking of the implications linked to regulatory changes
There are increased customer service expectations as a result of the transition to banking	• We are looking at ways in which to improve on customer service and improve the customer journey. This includes provision of staff training as well as reviewing our current systems • Our focus remains the provision of excellence in basic solution offerings
Are the new services to be offered going to remain affordable for our Customers?	• We are looking at improving our credit scoring methodology to provide a more accurate risk assessment of our customers • We are working on improving communication with our customers to improve transparency and increase customer awareness of our consolidated solution offering, as well as the other finance solutions we now provide

Our People

MATERIAL MATTER
OUR RESPONSE

Material Matter	Our Response
Appropriate remuneration of staff and ongoing salary benchmarking required	• Our lower level salaries are negotiated with our employees and benchmarked against market-related remuneration • We are looking at reviewing remuneration at management levels to attract and retain skilled staff
An increased level of employee engagement is required in the organisation	• We are aware that our employee demographic is changing due to an increase in the staff compliment under the age of 30 years. We have implemented new measures such as flexi time to accommodate a new approach to working, and we will continue to look at other ways in which we can meet their needs • There was a significant increase in communication with employees during 2019. We will now focus on communication techniques and the roll out of more effective communication platforms to further improve on this increased level of engagement • Our new head of learning will drive this process of improving communication and engagement with our employees
Requests have been received for an increase in and tailored approach to training provided	• The new head of learning will review the effectiveness of our current training methods with a focus on implementing appropriate and effective training courses for staff in 2020

Union

MATERIAL MATTER
OUR RESPONSE

Material Matter	Our Response
We need to ensure we continue to maintain and strengthen ongoing levels of engagement	• We have adopted a proactive approach to engaging with the unions and our relationship has improved over the past 3 years • Our focus is on now on further strengthening internal process to facilitate even better levels of engagement

Shareholders and Investors

MATERIAL MATTER
OUR RESPONSE

What was the reason for the poor performance of the share price	• The Letshego share price performance is satisfactory considering our performance within the current economy, the performance of the stock market, and our performance in comparison to our market cap peers
How can we improve on SLA management	• SLAs have been reviewed and new, more transparent agreements concluded, providing a clearer basis for the allocation of costs and informed engagement amongst shareholders
How successful have you been in the progression of your banking strategy	• Banking strategy will focus on increasing retail deposits; conversion of borrowing customers to deposit customers; and increasing the perceived value of our banking solution in the eyes of our customer base

Government & Regulator

MATERIAL MATTER
OUR RESPONSE

How are you responding to the required management of recent regulatory changes, and how is this impacting your business?	• Letshego welcomes regulation that strengthens the financial services industry • Changes in regulations have resulted in a higher demand for loan solutions, which has a potential to increase our risk profile if not adequately managed • In response to this Letshego has reviewed and adjusted the affordability criteria for customers, which has assisted us to manage this risk
How can Letshego better articulate how they contribute to National objectives?	• Growth in the banking portfolio supports financial inclusion • Our customers earn interest, even at low balances, contributing to the reduction of poverty • Our social impact on society is currently being estimated through ongoing social surveys. This shows clear contribution in the following key sectors of health care, education, agricultural business, and consumptive household use. These all contribute to increasing economic activity in society, upliftment of poverty and the improvement in the lives of the country's citizens • Throughout our operations we have a strong focus on gender equality, which we will continue to promote, within the business and in society at large

Our Strategic Partners

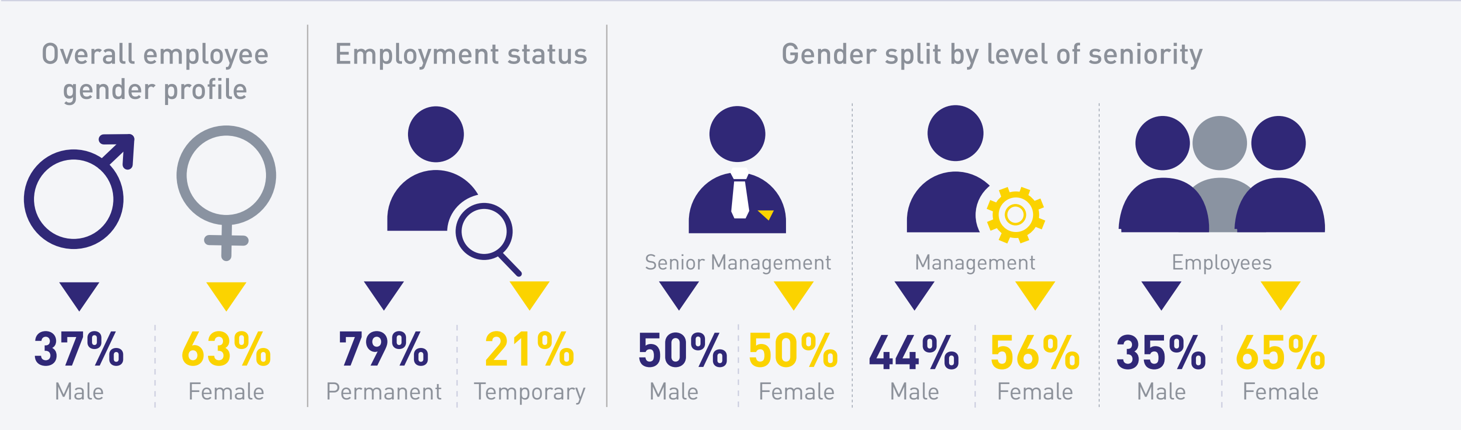
MATERIAL MATTER
OUR RESPONSE

How can partnership access mutually beneficial opportunities for growth and development in the markets we serve?	• Strategic partnerships are required to bring scale and improvements in efficiency. Letshego continuously considers how to increase the value-add of current partnerships, including any new partnership opportunities we intend pursuing

5

Our People

Our People



Our people are the driving force behind our ability to create value for all our stakeholders. It is their commitment, experience, skills, and engagement that allow us to provide solutions to our customers in a responsible manner, which in turn ensures customer satisfaction, strengthening of the brand and market reputation, regulatory compliance and sustainable profits. Our people are supported in this by a leadership team that promotes an inclusive performance orientated culture. We are committed to investing in our people to both attract and retain a performing, value-aligned team.

EMPLOYEE VALUE PROPOSITION

In 2018 and 2019, we undertook an external and independent compensation review process to benchmark our current compensation structures with peer market trends. The outcome of this found that for the most part, our compensation structures are comparable to the market. During 2019, we began work on a new performance management framework that better rewards employees who exhibit high levels of performance. The retention of skills is an important enabler of delivery and performance. The rollout of this process is ongoing, with support for the new performance framework from employees being high.

We educate and empower all employees in terms of their rights and responsibilities. This contributes to a culture of trust. Our training and awareness programmes, underpinned by clear policies, ensure that our employees Adhere to our codes of conduct and values, ensure customers are treated fairly and respectfully, and are aware of the platforms and channels through which they can and should raise their concerns of unethical behaviour or suspected fraud through our whistleblowing programme. The number of disciplinary cases as a percentage of employees remains stable, and most matters dealt with in 2019 relate to less serious offences.

Country head count analysis as at 31 December 2019	Namibia
Number of employees as at 31 December 2018	117
Employees hired during the year	49
Employees left during the year (voluntarily or due to dismissal, retirement, or death in service)	(21)
Number of employees at 31 December 2019	**145**

Our focus on increasing transparency in how we apply human capital policies has contributed to improving relationships with unions. Our engagements with unions during 2019 have focused on enhancing internal processes to facilitate better engagements. This has included increasing levels of engagement with shop stewards in our organisation.

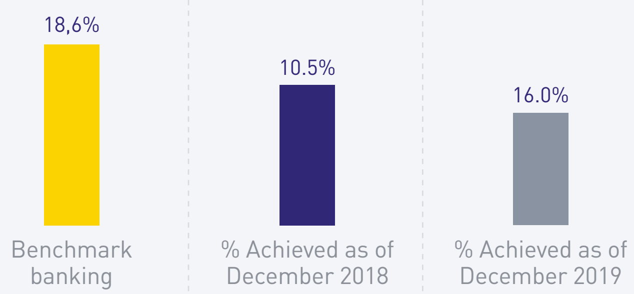
PROMOTING DIVERSITY

At Letshego, diversity is a key enabler of financial success, and we have aligned our policies and processes to support increasing levels of diversity within the Group. In total, we employ 184 people across Namibia, of which 79% are full time employees. A total of 63% of all full-time employees are female, 56% of management and 50%% of our top or senior management team are also women. Within our Direct Sales Agents (DSAs), 60% are female.

Employee age profile

<25	25-50	>50
Years old	Years old	Years old
11%	89%	0%

Attrition rate compared to industry benchmark



Youth unemployment also remains a serious challenge to economic growth and prevents the continent from reaping the benefits of the demographic dividend. We have responded to this challenge by focusing on employing youth, which we develop and mentor. This also reduces our costs to develop skills and secures our pipeline of future talent, as recognition of development opportunities become known. 11% of Letshego's employees are under the age of 25 years and fall into the youth category.

Our employee demographic is becoming younger, and a significant portion of our employees fall into the youth category. This demographic change is impacting on the way we engage with our employees. During 2019, in an effort to increase engagement levels, we increased the number of communications with staff. Despite this, we have noted decreased levels of employee engagement. We are now looking at finding ways of engaging employees that are better suited to a younger employee demographic. We also know that decreases in employee engagement are normal for businesses that are undergoing transitions, such as the transition we are currently undertaking to becoming a bank.

EMPLOYEE TRAINING AND DEVELOPMENT

As part of our commitment to supporting the upskilling and development of our people, we invested N$543 000 (2018 N$553 000), in a range of courses and programmes. A total of 165 participants across attended various training courses during the year. During 2019 training primarily took place inhouse, in order to save costs in line with cost minimisation initiatives across the Group. Letshego's approach to learning still remains 70-20-10 with the aim that 70% of employee learning will be through daily role responsibilities and hands on experience, 20% through line manager coaching and mentoring and 10% through classroom learning. This is premised on the principle that the majority of the learning must take place in the workplace with employees carrying out their role responsibilities.

A total of 8 employees also received anti-corruption training during the year. These employees were in senior management positions from across the operations and the training was in line with requirements for employees in financial services and the need to raise awareness on corruption.

In 2019, 97% of employees had discussions regarding their performance and personal development. While some employees did not have performance discussions with their managers, this was due to reasons including new employees, employees due for retirement, or employees which were on an extended leave of absence.

Training spend by gender

Male	Female
49%	51%

Split of training spend by level of seniority

	Male	Female
Senior Management	93%	7%
Management	29%	71%
Employees	42%	58%

6

Realising Financial Inclusion while Enhancing Financial Performance

Realising Financial Inclusion while Enhancing Financial Performance

ADDRESSING THE NEEDS OF OUR CUSTOMERS

Increasing the use of digital and mobile engagement channels will reduce the costs associated with providing access to solutions.

Letshego's financial inclusion strategy is around increasing access of financial solutions to more customers. In 2019 the focus was on increasing non-branch transaction volumes especially mobile led USSD as well as cards. As a result of this strategy, we have seen significant growth in the volume and value of our alternative transactional channels.

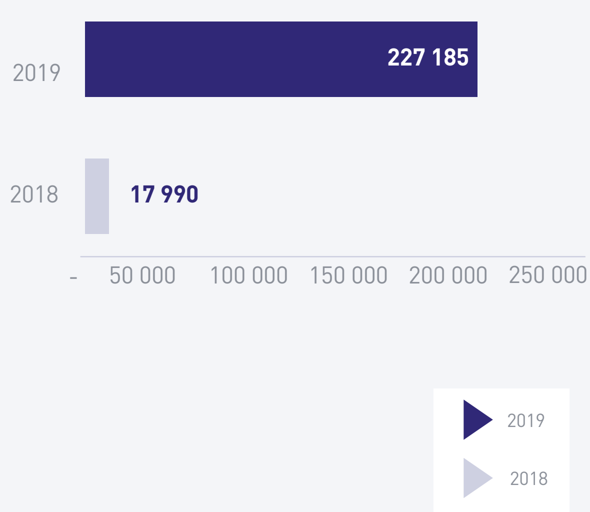
Card transaction values increased to N$154 Million compared to the prior year (2018: N$10 Million), and card transaction volumes are up by 209 195 to 227 185 in 2019 (2018 17 990). Cards issued have increased to 10 874 in 2019 up from 1 995 in 2018.

Following the removal of insurance on loans, there was a notable uptick in loan applications and approvals. However, many customers were unaware of how the removal of this insurance affected them and felt that we should have done more to inform them of the consequences of these changes.

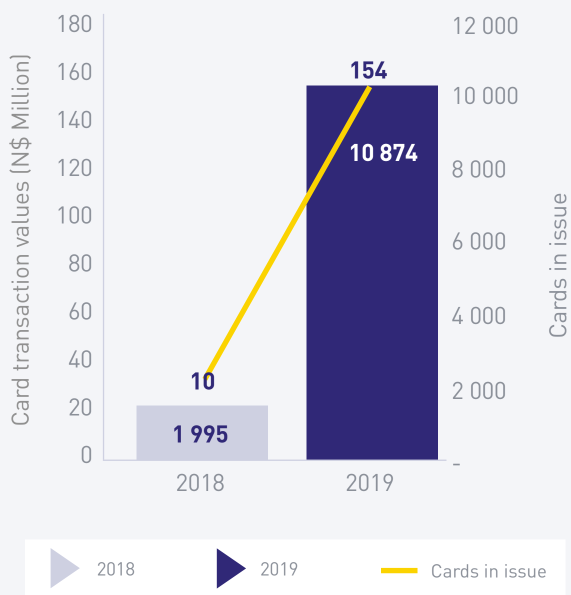
We have rolled out additional training on the impact of this change to branch staff. We consider such interventions essential for maintaining open and transparent engagement on our product offering, with a focus on ensuring we protect the business, as well as our customer base, assisting Government to more widely articulate the rationale of its decision to remove insurance from banking solutions to its citizens.

The portion of our savings LetsGo customers using electronic channels to transact has risen from 2018 to 2019 by 880%, albeit from a low base of 34 371 transactions in 2018. This was achieved mainly as a result of the increased usage of our transacting card and USSD channels. During 2019, the total

Digital & mobile transactions (USSD and card)



Card usage

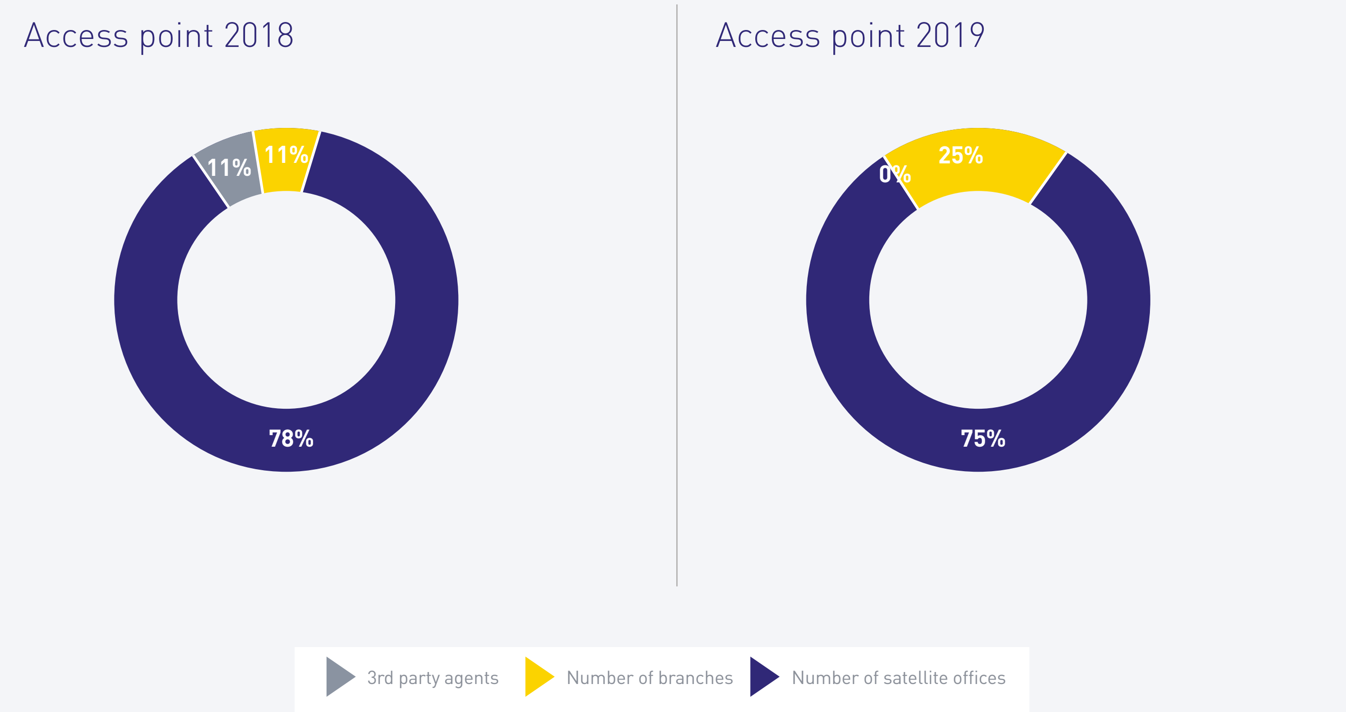


value of retail deposits increased from N$3.7 Million in 2018 to N$37.7 Million in 2019. This was achieved by increasing our deposit taking base by 10 332 customers to 12 459, an increase of 83% from our 2018 base of 2 127. Overall, the contribution of retail deposits to the total deposits improved to 51% (2018: 17%).

During 2019, physical access points were not increased however two branches were upgraded with a focused on improving their functionality, increasing their capability to facilitate cash transactions and the overall efficiency across our Namibian footprint. We reduced the number of satellite branches, and we saw the exit from our only agency banking location. The overall achievement over the last two years has been to reduce our physical access points focusing rather on the expansion of activities to our digital channels.

We have always been known for our speed in approving loans. This has been further enforced through the use of our Direct Sales Agents (DSAs) channel which now constitutes 17% of new applications. A DSA Application is to be rollout in 2020. The Application will further accelerate the approval process, as the information gathered through it is sent immediately to the branch, to begin the affordability assessment.

This is particularly beneficial to existing customers, as much of the documentation needed to process an application has already been provided. We foresee this saving anything between 12 and 24 hours in processing time. We are also piloting the automation of certain parts of the loan application process using USSD. We have had positive feedback from customers who want to reduce the amount of time spent in branches completing and submitting required documentation. To further assist customers, we have also automated processes to reduce the time taken to transfer funds from a Letshego loan account to a transactional account at alternative financial institution.



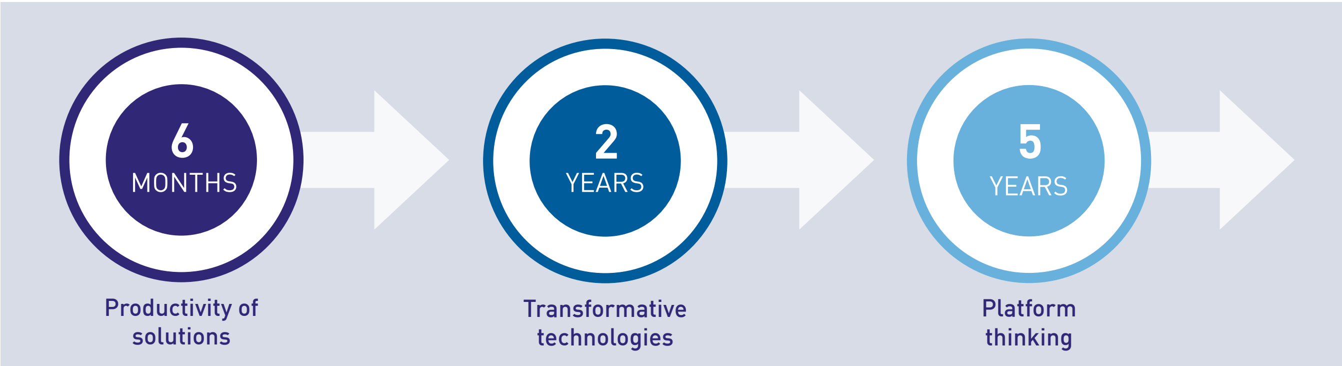
7

Returning to Growth

Return to Growth

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 PLAN



Strengthen our foundation

6 MONTHS

In the first 6 months of 2020, we will focus on strengthening our foundation. We continue to leverage our success and legacy expertise in Deduction at Source, while diversifying our solution and funding base. A measure of success is the growth of our existing loan book and increase in asset quality.

Become Customer Led

2 YEARS

Through strategic investment in targeted, emerging transformative, technologies that enhance our solutions and elevate customer experience, we will become a more customer-led organisation.

The alignment of our organisational structure with our strategic objectives, as well as the adoption of Agile Enterprise methodologies into the way we work, will unlock greater operational efficiencies, collaboration and measurable outputs.

Create A Future Organisation

5 YEARS

In the longer term, our plan is to create a 'future organisation' with a platform of relentless innovation in digitalisation strategies that align with our clear strategic objectives.

This phase is platform-led, with the development of innovation hubs and digital eco systems that enable us to track, record and report the commercial and social impact we are achieving through our brand promise to *Improve Lives*, and commitment to deliver sustainable value to all our stakeholders.

2019 INVESTMENT AND INITIATIVES THAT SUPPORT OUR FUTURE GROWTH AMBITION
CONTINUED INVESTMENT INTO OUR SYSTEMS

IT and System reviews are an ongoing part of our business to maintain and enhance our systems, transaction processing, general operations, customer experience, risk framework and overall business efficiency and performance. In 2019, we enhanced our back office operations and business continuity planning measures by upgrading and relocating our data centres as well as relocating our disaster recovery site. With the conclusion of this project, data centres are now better aligned with international standards in capacity, internal access and speed in remote processing and reporting, and our disaster recovery site now benefits from enhanced protection from potential power interruptions. This investment is set to deliver longer term benefit in cost savings derived from processing efficiencies, enhanced data security and overall enhanced performance and resilience in our server infrastructure.

DEPOSIT PROCESSING ENHANCED

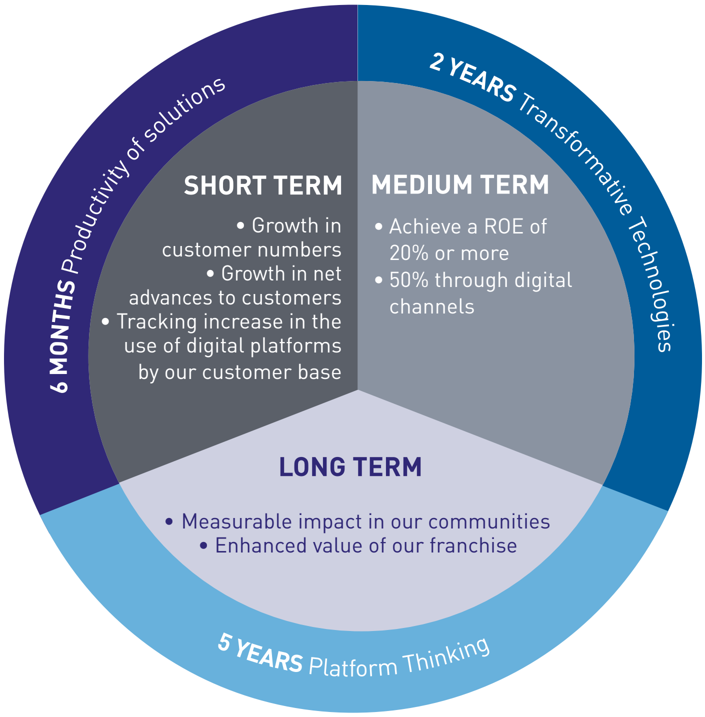
Although customers continue to enjoy accurate confirmation of all deposits made, our back-office deposit processing function and systems provided an opportunity for improvement. While the extended period of processing deposits did not pose any risk to customers in terms of confirmation and reporting accuracies, there was scope to reduce our processing turnaround times and our system's ability to ensure relevant data was immediately available for effective end-to-end deposit processing. Following targeted IT system enhancements, our deposit processing function now enjoys a 90% improvement in time and processing efficiencies.

Our deposit solution offering contributes to increasing financial inclusion, and the BoN October 2019 Banking Fees Report reflects that we offer the lowest fee accounts across a wide range of customer segments. In addition, our savings accounts offer interest on low balances which incentivises a savings culture in the under-served market.

ENHANCING OUR CREDIT SCORING SYSTEMS

In 2019, Letshego commenced the implementation and adoption of an enhanced credit scoring platform that stands to bring sustainable and direct benefit to our collective business performance in the medium to longer term. In addition to improving our asset quality across solution segments, the efficacy of our new credit scoring model aims to unlock access to capital for each customer segment, thanks to a more detailed individual risk and affordability assessment process. This comprehensive credit solution design will enable revised decision strategies across areas of originations, existing customer management collections and recoveries. This is achieved through a comprehensive suite of credit risk scorecards and two decision engines: DecisionSmart and CollectSmart.

How We Measure Success



Through our enhanced credit scoring model, both Letshego and our customers gain. In addition to customised access to capital, the scoring model aims to increase responsible loan management for customers though anti attrition scorecards thereby reducing early settlement, in light of improved affordability and credit scoring evaluations on application. In turn, Letshego not only gains from reduced financial risk and enhanced asset quality, but also from improved collections – again a benefit derived from increased levels of affordability within our customer base. Our cost of risk reduced from 4.1% in 2018 to 1.7% in 2019. This is just one of the success indicators we expect to see improve once our credit scoring model is implemented and embedded into our daily operations. Our credit scoring model is expected to bring tangible commercial value that we aim to pass onto our customers.

STRATEGIC PARTNERSHIPS

During 2019, we concluded the review of various service level agreements that were in place. We engaged our parent Company in Botswana on the topic and have come to agreements on new terms. The engagements provided our shareholders, and in particular our minority shareholders, greater clarity and transparency into the cost drivers under these agreements.

We continue to contribute to the aims of the National Equitable Economic Empowerment Policy Framework (NEEEF), through our contributions to localisation of ownership, employment, skills development, and community investment. In the area of entrepreneurship development, we are looking to increase the participation of Namibian businesses in our supply chain. Our interventions in this regard, will need to be balanced against the economies of scale and efficiency that can be leveraged by using suppliers that already provide services to our parent Company, Letshego Holdings Limited.

NEW REGULATIONS AND GLOBAL RISK TRENDS

Adapting and complying with evolving and enhanced financial regulation and financial sector policy remains part of doing business. Letshego welcomes and appreciates regulation and policy enhancements given this facilitates a more open and transparent financial sector, safeguarding the interest of consumers while providing a clear, operational framework for public and private sector participants.

During 2019, we responded to the changing regulations in the sector by increasing our focus on risk management and by increasing the capacity of our risk management teams. While changes such as the dropping of insurance cover on loans has increased the number of loan applications, due to a reduction in total loan cost to customers, this has resulted in a loss in income from insurance premiums. The growth in customer numbers, together with improved affordability criteria have however offset these losses. These changes have however, necessitated additional IT investment as systems needed to be modified to incorporate these changes.

ENHANCING RISK THROUGH EFFECTIVE INTERNAL AUDITING

We have been enhancing the audit function capacity and skills since 2018, with a full team complement concluded in 2019. The team's composition includes a balance of financial and technology skills, with the onboarding of additional internal auditors bringing valued IT experience.

Our 2019 Audit Plan was completed covering key risk areas, including liquidity risk management, credit risk (underwriting

Swakopmund is a growing community that welcomes new investment that stands to bring value and opportunities to local residents. We look forward to Letshego's new branch and team increasing our choice in financial services and enhancing access to finance for micro businesses in the area," - Pauline Nashilundo controls, collateral management, collections and recoveries and impairment models) as well as technology and operational risks that arise from information security, cyber security and business continuity. Our Head of Internal Audit reports functionally to the Audit Committee (AC). AC members are drawn from the Independent Non-Executive Directors, in compliance with International Internal Auditing standards and King IV requirements. The capacity of the AC is further strengthened with external expert candidates, enhancing the committee's independence and diversity in relevant skill sets.

BRANCH UPGRADES UNDERTAKEN

To complement our existing branch and physical outlet networks and ensure these physical access points are accessible with evolving communities and convenient locations, Letshego upgraded two of their satellite branches, one in Swakopmund and Rundu during 2019.

The Swakopmund branch was officially opened by Her Worship, Pauline Nashilundo, Swakopmund's Mayor. As many of our banking customers are also our MSE clients, providing services to Government, the new branch also assists in the delivery of services to citizens who are not our customers.

Although Letshego continues to reiterate our intention to digitalise and enhance alternate access channels to enhance customer experience, our ongoing customer surveys reiterates the need to compliment digital access channels with physical outlets.

RESPONSIBLE LENDING DURING COVID -19

COVID-19 has impacted the lives and livelihoods of many people, communities, businesses and governments globally. At the back of the outbreak of COVID-19, and indeed its enhanced transmission in Africa at the beginning of 2020, Letshego acted swiftly and implemented a number of measures and interventions to ensure the safety of our colleagues and customers whilst ensuring the resilience of our business operations. We accelerated the enhancement and deployment of technology channels within our 6-2-5 Strategy to enable our employees and partners to follow national health recommendations and work remotely, while maintaining support and delivery to our customers leveraging our digital channels. This was an important step for us, as it not only protects our customers and colleagues in line with social distancing practices, but also emphasises our position as a responsible corporate citizen as we align with the local health standards and global health requirements.

Prioritising employees' and customers' health and wellbeing
Across our footprint, Letshego has implemented health and safety protocols in line with national and international health directives and global protocols. Some of the measures include remote working where possible, social distancing within our premises and ensuring that our workspaces have the necessary health interventions such as hand sanitizers, face masks and awareness posters. We are also providing safe and hygiene conscious transport for colleagues who are required to come to the office, reducing the risks associated with the use of public transport. Social distancing is achieved within our branches and outlets by monitoring entrants in line with national guidelines limiting the number of entrants within a demarcated area. During this period, the health and hygiene protection measures for employees has also been increased.

Maintaining business continuity
In line with our business continuity planning framework, 'critical-to-operations' processes are defined together with the requisite workforce and systems. As such, in executing our business resilience plan, we ensured that the key elements relating to our critical-to-operations processes were ready to operate during this period. The teams responsible were properly briefed and Virtual Private Networks (VPNs) are available to ensure remote working employees' access business systems within safe and secure channels.

Our systems used in processing were also reviewed with appropriate redundancy protocols in place (fail-over protocols and enough capacity at disaster recover site/data centres), in line with effective ongoing monitoring systems. A robust remote working framework is important to ensure that the needs of our customers, employees, shareholders, regulators and other stakeholders are met during this period. Stress tests and sensitivity analyses were conducted from the outset to map out potential downside scenarios and their financial impact on our business. Understanding the impact of lockdowns and other restrictions on individuals and businesses, Letshego provided necessary interventions such as repayment holidays and other debt relief measures, as well as providing multiple options for customers to access services using digital channels. Our shareholders continue to be proactively engaged to assure them of the resilience of our business and ongoing stress testing and risk mitigation scenario planning.

Supply chain de-risking
Letshego works closely with all of its suppliers, some of them being critical to our operations. At the outset of invoking our business continuity plan, we engaged key suppliers and partners to align our plans and co-create a supply chain business continuity plan over this period. This has worked well thus far, and we intend to continue engaging with our supply chain partners to safeguard against any interruption to our services. Letshego's internal health and safety protocols have also been extended to suppliers and contractors onsite.

Non-Communicable Disease (NCD) Care

The Letshego Group initiated a community investment partnership with primary healthcare experts, PCI (Primary Care International) in 2015 to support the development and enhancement of Non- Communicable Disease (NCD) care and frameworks across Letshego's regional footprint. Letshego Namibia participated in this programme.

WHY NCDS?

Over 80% of premature deaths caused from treatable and curable Non-Communicable Diseases (eg. cardiovascular conditions, diabetes, heart disease etc), occur in emerging markets*. Through the Healthcare Innovation Programme (HIP), Letshego and PCI provided sustainable support and care to individuals suffering from NCDs, thereby restoring the opportunity for members of our communities to enjoy a healthy lifestyle, care for their families, earn a living and lead productive lives.

** **Source:** World Health Organisation, NCD Fact sheet (June 2017)*

NAMIBIA

DEVELOPMENT OF PROCEDURES, GUIDANCE AND TRAINING ON NCD CARE AND MANAGEMENT OF PALLIATIVE CARE

HIP Partner: Ministry of Health and Social Services, Namibia

Procedures and clinical guidance for the early diagnosis and effective management and prevention of NCDs as well as a primary care approach to palliative care will be developed. This will be underpinned by a training programme for healthcare professionals at primary healthcare facilities in three pilot regions. A detailed plan of action is in the process of being finalised.

3 YR FUNDING AMOUNT: **N$1.6M**

Primary Care International

Strengthening family medicine worldwide

Primary Care International (PCI) deliver strategic support and professional development to strengthen family medicine across the world. Based on the latest evidence, we offer peer-to-peer training and develop sustainable solutions with local partners for quality, cost-effective community-based healthcare.

www.pci-360.com

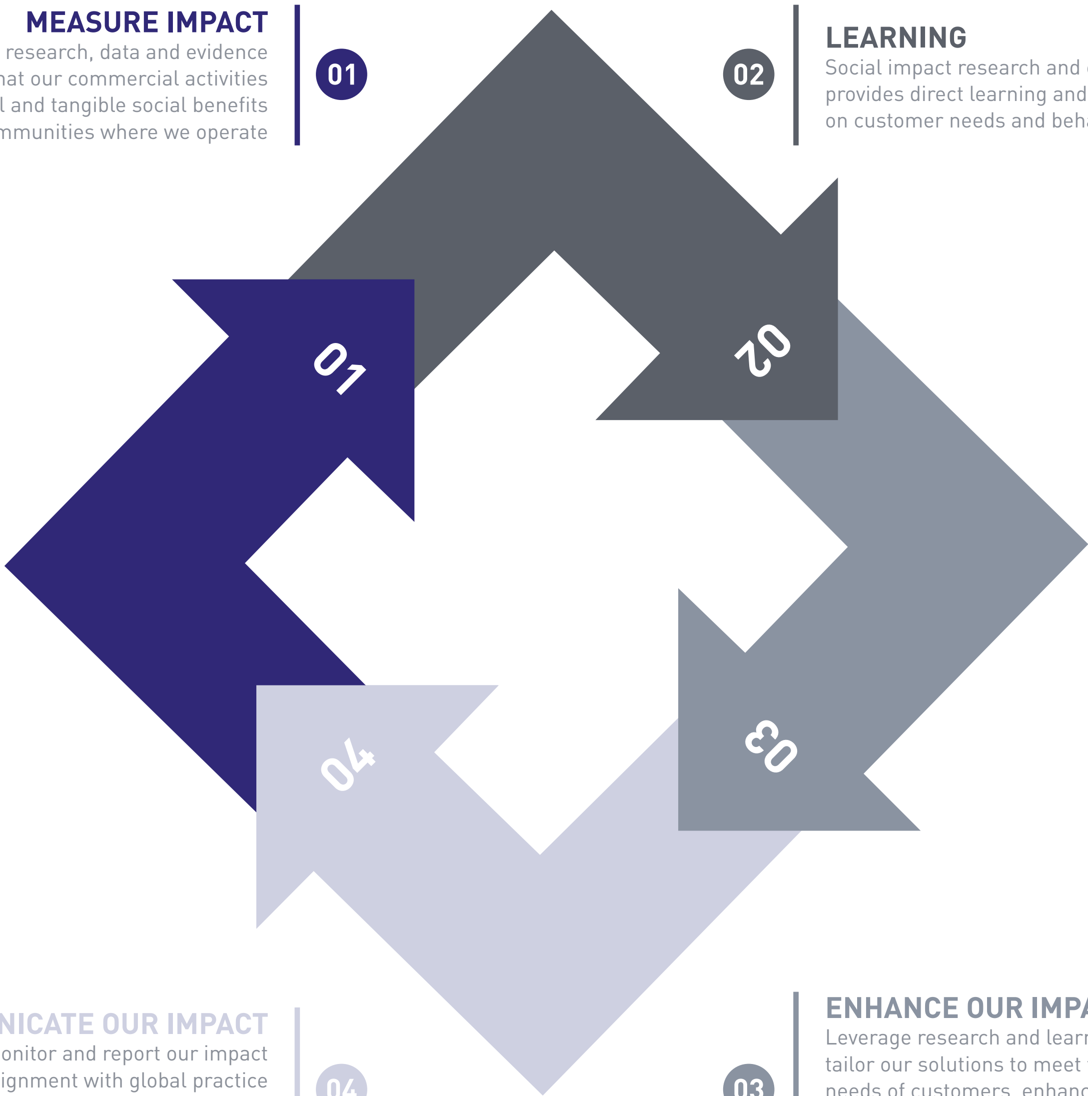
Measuring our Social Impact

Create A Future Organisation

Our Approach

MEASURE IMPACT
01
Sourcing research, data and evidence to ensure that our commercial activities provide real and tangible social benefits in the communities where we operate

LEARNING
02
Social impact research and evidence provides direct learning and intelligence on customer needs and behaviour



COMMUNICATE OUR IMPACT
04
Track, monitor and report our impact trends in alignment with global practice and UN Sustainable Development Goals (SDGs), apprising funders and informing stakeholders

ENHANCE OUR IMPACT
03
Leverage research and learning to tailor our solutions to meet the evolving needs of customers, enhance customer experience, reduce risk and promote support for sustainable economic development within our communities

As reported in our inaugural IMPACT REPORT published in 2019, Letshego strives to Improve Lives and achieve a sustainable impact within the markets where we operate. In line with our solution offering and strategic focus on Youth, Health and Education, we align with 11 out of the United Nation's 17 Sustainable Development Goals (SDGs). Letshego's strategy to increase access to simple and appropriate financial solutions for emerging customers, aligns with national government mandates to encourage productive use of loans, ultimately increasing income potential, employment levels and sustainable economic development within local communities.

Measuring our Social Impact (Continued)

Create A Future Organisation

Our Approach (continued)

Social

Aligned to our financial inclusion mandate, with our solution offerings targeted at agriculture, education, health care, and provision of affordable housing

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

11 SUSTAINABLE CITIES AND COMMUNITIES

Economic

Customising solutions to support the growth of Micro and Small Entrepreneurs (MSEs)

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

Gender

Women have historically been marginalised in accessing traditional financial services

5 GENDER EQUALITY

Partnership

Strategic partnerships enable Letshego to extend value to all stakeholders

17 PARTNERSHIPS FOR THE GOALS

Improving Lives

Letshego aims to *Improve Lives* by focusing on our customers economic wellbeing

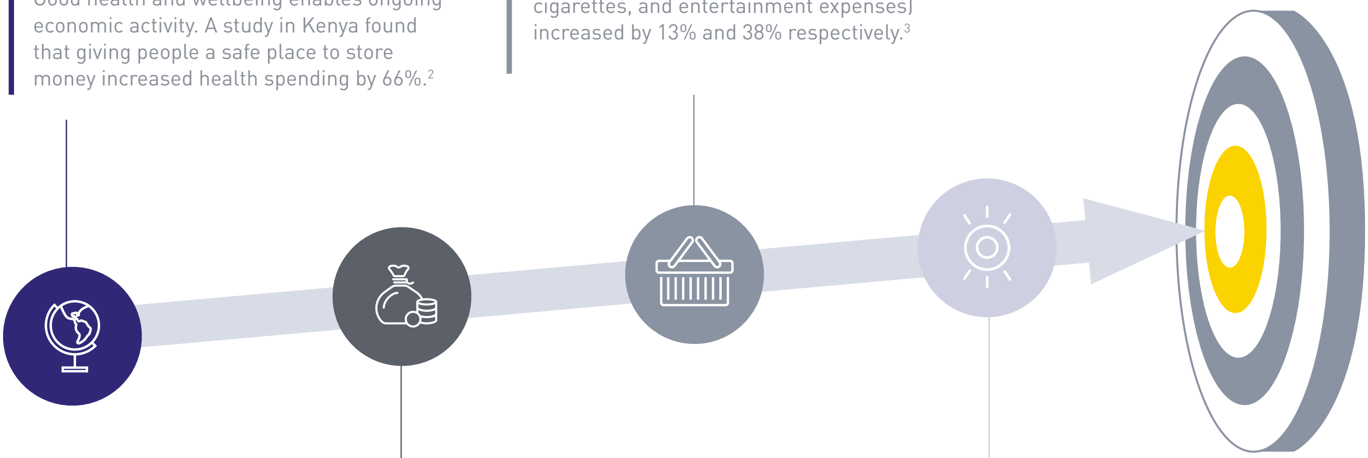
According to the African Development Bank[1], improving access to financial services will mobilise greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves and their families. Also, it has been noted that bank account ownership serves as an entry point into the formal financial system and enables the poor to build up a credit history which can facilitate future access to credit for activities such as investment and education.

FOSTER ONGOING ECONOMIC ACTIVITY

Good health and wellbeing enables ongoing economic activity. A study in Kenya found that giving people a safe place to store money increased health spending by 66%.[2]

SMOOTH OUT CONSUMPTION PATTERNS

A study in Kenya found that following the opening of bank accounts for women, daily food expenditures and private expenditures (e.g. meals outside the home, alcohol, cigarettes, and entertainment expenses) increased by 13% and 38% respectively.[3]



INCREASED EARNING POTENTIAL

Access to traditional financial services and funding enables investment into productive purposes such as health, education, small businesses and home improvements. Studies show an average increase of 20% spend on education in households that have opened bank accounts. [4] Productive use of funding facilitates and increases an individual's income potential.

COPE WITH SHOCKS

Access to funding and traditional financial services facilitates enhanced resilience against unexpected emergencies.

[1] *Financial inclusion in Africa, Triki, T. and Faye, I., AfDB, 2013*
[2] *Constraints to Saving for Health Expenditures in Kenya, Dupas, P and Robinson, J, Innovations for Poverty Action (IPA)*
[3] *Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya, Dupas, P and Robinson, J, American Economic Journal: Applied Economics Vol. 5, No. 1, January 2013*
[4] *https://navigatingimpact.thegiin.org/strategy/fi/improving-access-to-and-use-of-responsible-financial-services-for-historically-underserved-populations/*

Measuring our Social Impact (Continued)

As published in our Impact Report 2019, this extract reiterates how Letshego has calculated the social and economic impact of its commercial operations in Agribusiness, Healthcare, Education, and Household consumption trends. The areas of social impact are aligned with the respective United Nations' Sustainable Development Goals (SDG's). The statistics noted in the OUR CONTRIBUTION within each area of focus quantifies Letshego's estimated economic impact achieved within that economic sector of focus, in line with international formula and guidelines in calculating economic impact, including sources from the World Bank, 2018, IFC 2012, ILO, 2017 and Journal of Entrepreneurship Perspectives, 2013.

Impact Agri Business | Contribution to developmental impact on society

OUR CONTRIBUTION

- N$124.3 Million in additional economic spin off
- Close to 9500 indirect jobs supported

HOW IT IS MEASURED[5; 6]

- Every US$1 of output generated in agriculture stimulated a further US$1.23 in economic activity
- US$1 Million invested in agriculture equates to 1 566 jobs

SIZE OF PORTFOLIO

- N$101 Million in 2019
- 74% female customers
- 26% male customers

AGRI BUSINESS DEFINED

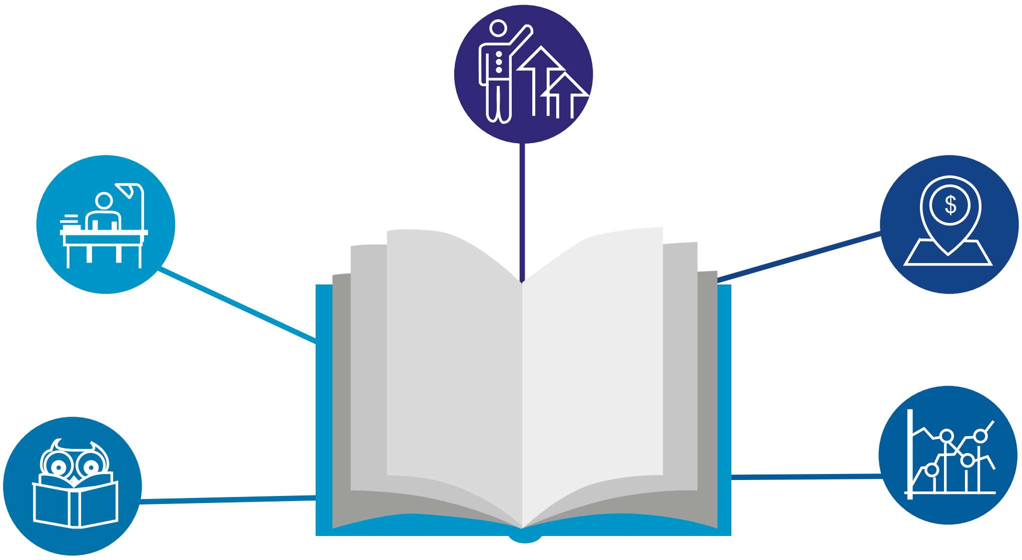
- Primary Production of agricultural products

PRODUCTIVE LOAN USE DEFINED

- Purchase of raw material inputs, improvement of infrastructure
- Purchase of land
- Implementation of business processes

[5]*The future of work in African agriculture: Trends and drivers of change, Jayne et Al., ILO, 2017*
[6]*Socio-Economic Impact of IFC Financing in Ghana, IFC, 2012*

Impact Education | Contribution to developmental impact on society



OUR CONTRIBUTION

- Secondary Education N$10 833 increase in earning potential per pupil
- Tertiary Education N$50 000 increase in earning potential per pupil
- Total projected increase in earning potential N$2.4 Billion
- About 71 870 students

HOW IT IS MEASURED[7]

- Impact of 1year of tertiary education on income is 20.2%
- Impact of 1year of secondary education on income is 17.7%[1]

SIZE OF PORTFOLIO

- 54% of our Customer Base
- N$1.8 Billion in 2019

EDUCATION DEFINED

- Making use of loan to further level of education

PRODUCTIVE LOAN USE DEFINED

- Funding used for secondary or tertiary education

[7]*Returns to Investment in Education: A Decennial Review of the Global Literature, Psacharopoulos. P & Patrinos. H, World Bank, April 2018*

Measuring our Social Impact (Continued)

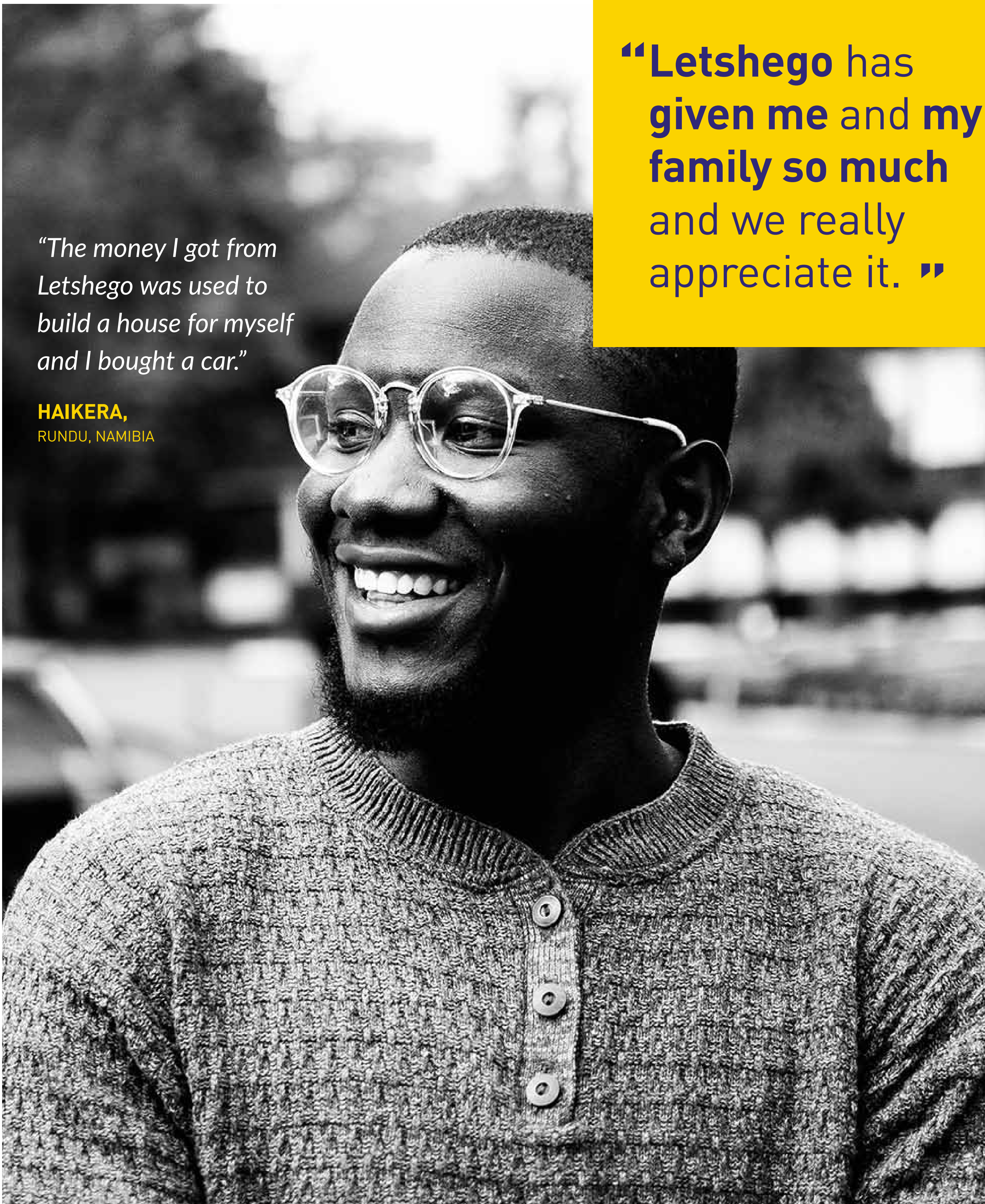
Impact Health Care | Contribution to developmental impact on society

PRODUCTIVE LOAN USE DEFINED	HEALTH CARE DEFINED	SIZE OF PORTFOLIO	HOW IT IS MEASURED[8]	OUR CONTRIBUTION
• Improved management of primary care facilities • Improving level of care through provision of guidelines and training • Providing NCD care • Linking NCD Care to Village and Loan Savings Groups	• Reduction of NCDs	• N$1.1Million	• US$1 invested in scaling up NCD interventions in low- and lower-middle income countries, there is a return to society of US$7 in increased employment, productivity and longer life	• The investment made by Letshego equates to N$11.6 Million of additional economic activity in the communities we supported

Impact Household Consumption | Contribution to developmental impact on society

PRODUCTIVE LOAN USE DEFINED	HOUSEHOLD CONSUMPTION DEFINED	SIZE OF PORTFOLIO	HOW IT IS MEASURED[9]	OUR CONTRIBUTION
• Loan contributing to household consumption	• Purchases made by resident households to meet everyday needs: food, clothing, rentals, energy, transport, durable goods (notably cars), spending on health, on leisure and on miscellaneous services	• N$3.3 Billion • Female customers 43% • Male customers 57%	• Household consumption expenditure increases US$0.22 for every additional US$1.22 borrowed by women from credit programs, compared with US$ 0.13 for men	• N$261.2 Million was utilised productively by women in the home, as compared to N$204.5 Million by men • Aggregated loans issued to men was N$1.9 Billion and N$1.5 Billion to women

[8] *Saving lives, spending less: a strategic response to noncommunicable diseases. Geneva, Switzerland. World Health Organization; 2018*
[9] *Empowering Women through Microfinance: Evidence from Tanzania, Kato. M & Kratzer. J, ACRN Journal of Entrepreneurship Perspectives, February 2013*



“The money I got from Letshego was used to build a house for myself and I bought a car.”

HAIKERA,
RUNDU, NAMIBIA

“Letshego has **given me** and **my family so much** and we really appreciate it. ”

Haikera, from Rundu, Namibia

“I’ve been a customer for more than 20 years, and whenever I needed extra money, I came to Letshego and most of the time I received the money I asked for. The money I got from Letshego was used to build a house for myself and I bought a car. I would like to encourage all to go to Letshego and use the money productively. Letshego has given me and my family so much and so much and we really appreciate it.”

8

Annual Financial Statements

Company Information

FOR THE YEAR ENDED 31 DECEMBER 2019

Registration number: 2016/0145
Registered address: 18 Schwerinsburg Street
P. O. Box 11600 Windhoek Namibia

Company Secretary:
Bonsai Secretarial Compliance Services
P. O. Box 90757 Windhoek Namibia

Auditor:
PricewaterhouseCoopers
P. O. Box 1571 Windhoek Namibia

Sponsoring Broker:
IJG Securities (Pty) Limited
P. O. Box 186 Windhoek Namibia

Transfer Secretary:
Transfer Secretaries (Pty) Limited
P. O. Box 2401 Windhoek Namibia

Directors’ Responsibility Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements and annual financial statements of Letshego Holdings (Namibia) Limited, comprising the statements of financial position at 31 December 2019, and the statements of comprehensive income, 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 and other explanatory notes, and the directors’ report, in accordance with International Financial Reporting Standards, 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 104 to 192, were approved by the directors on 26 May 2020 and signed on their behalf by:

Maryvonne Palanduz
Chairperson

Ester Kali
Chief Executive Officer

Independent Auditor's Report

TO THE MEMBERS OF LETSHEGO HOLDINGS (NAMIBIA) LIMITED

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Letshego Holdings (Namibia) Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of Namibia.

What we have audited

Letshego Holdings (Namibia) Ltd's consolidated and separate financial statements set out on pages 104 to 192, comprise:

- the directors' report for the year ended 31 December 2019
- the consolidated and separate statements of financial position as at 31 December 2019
- the consolidated and separate statements of comprehensive income for the year then ended
- the consolidated and separate statements of changes in equity for the year then ended
- the consolidated and separate statements of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies

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 financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) (Code of Conduct) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

OUR AUDIT APPROACH

Overview

Overall group materiality

- Overall group materiality: N$29 880 000, which represents 5% of consolidated operating profit before taxation

Overall audit scope

- The group audit scope included the audit of Letshego Holdings (Namibia) Limited and both of its subsidiaries, being Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Proprietary) Limited

Key audit matter

- Expected credit losses on advances to customers

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the group overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole

Overall group materiality	N$29 880 000
How we determined it	5% of consolidated operating profit before taxation.
Rationale for the materiality benchmark applied	We chose consolidated operating profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the Company and its two subsidiaries (each a "component") for purposes of our group audit scope. A full scope-audit was performed on the two subsidiaries, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Proprietary) Limited.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CONSOLIDATED FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on advances to customers IFRS 9- Financial Instruments requires the recognition of expected credit losses (ECLs) on all financial assets within the scope of its impairment model. The Group's advances to customers typically comprise of high volume and lower values, therefore a significant portion of the impairment is calculated on a portfolio basis. Management considered the segmentation of the loan book and determined that the loan consists of only one segment, namely Government employees. The non-government segment (which is expected to have a different risk profile), is less than 2% of the total portfolio (which is the threshold used in the model), thus management has not identified that segment as a separate segment for the purpose of the impairment assessment. Management measures the ECLs using a 'three-stage' model for impairment based on changes in credit quality since initial recognition. Stage 1 is not credit-impaired on initial recognition but is monitored by the group. If there is an increase in credit risk, financial assets move to Stage 2 and a lifetime credit risk model is applied. Advances in Stage 3 are credit impaired if it meets one or more of certain quantitative and qualitative criteria as disclosed in the financial statements. The inputs into the model process requiring significant management estimation and judgement include: • The probability of default (PD) , which is developed by using data and assumptions from historical default experience and incorporating forward looking information • The loss given default (LGD) which is determined using judgement around estimation of timing and amount of forecasted cash flows. • Exposure at default (EAD), based on expected payment profile, considering contractual repayment terms and expected drawdowns with a credit conversion factor • Forward looking information incorporated into the ECL model includes the Consumer Price Index (CPI), which management considers to be the most significant economic variable. This includes forecasting the economic variables and estimating the scenario weightings	Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on advances as follows. Using our valuations expertise: • We assessed the accounting policies and impairment methodologies applied by management, and found the methodologies to be consistent with the requirement of IFRS 9 • We tested the accuracy of the impairment models by building our own independent models and comparing our results to those of management. We found management's estimate of the ECL allowance on advances to customers to be within an acceptable range of our independently calculated estimate in the context of an expected credit loss model • We assessed the reasonability of the transfers between stages by calculating a 12-month transfer ratio which represents the volume of accounts that are expected to move from performing to 30 days past due or worse over the next 12 months for at least 2 consecutive months. This was compared to the transferred performing Stage 2 accounts as a proportion of all performing accounts. We evaluated management's processes for identifying stage 3 exposures by selecting a sample of exposures not classified at stage 3 to assess whether the loans older than 90 days were classified as stage 3. Our results did not identify material deviations • We evaluated the proposed PD by independently calculating a PD term structure to capture the PD over the entire life of the accounts on a collective basis. The PD term structure captures the default risk for the first 12 months, i.e. the 12 month PD, as well as the default risk for year 2, 3, etc., i.e. the lifetime PD. Our results did not identify material deviations • We tested the process and timing of recoveries and developed an independent range of recoveries based on historical data. We found management's recoveries to be within our reasonable range. For insured advances, we assessed the inclusion of insurance recoveries in the LGD assessment • We assessed the EAD by independently estimating an amortisation schedule to outstanding balances for the full behavioural lifetime, and comparing this to management's assessment. We found management's EAD to be in an acceptable range of our estimate. • We compared management's CPI assumptions to the forecasted CPI per the Bank of Namibia, and found them to be comparable

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on advances to customers (continued) 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. This arrangement was changed in October 2019, after which new loans were not covered by insurance. We considered this area to be a matter of most significance in our audit of the current year due to the magnitude of the advances to customers account balance, and the degree of judgement applied by management in determining the ECL. The disclosures associated with expected credit losses on advances to customers are set out in the consolidated financial statements in the following notes: • Note 6.1.1 – Financial Risk Factors, Credit Risk (page 134), and • Note 10 – Advances to Customers (page 177)	Using our valuations expertise: (continued) • In addition to management's macroeconomic assumptions around CPI, we have independently assessed a second macroeconomic impact based on the Namibian government credit rating and found that it did not materially change the assessment • We assessed the appropriateness of the loan segmentation and the need for including any additional segments. Through inspection of loan agreements, we noted that the Government is listed as the employer in more than 98% of loans granted, and that inclusion of another segment would not materially change the ECL • For a sample of advances, we tested the accuracy of their aging by agreeing the underlying data to loan contracts and recalculating the aging, and found no exceptions • We tested whether Letshego Bank (Namibia) Ltd loans are covered under cell captive insurance arrangement between Letshego Holdings (Namibia) Ltd and the cell insurer, and between Letshego Micro Financial Services (Namibia) (Pty) Ltd, by agreeing loan agreements to insurance cover, on a sample basis, and found that loans were covered by insurance, where stated

SEPARATE FINANCIAL STATEMENTS

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Letshego Holdings (Namibia) Limited Integrated Annual Report 2019". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the 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 the 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 FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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's and the 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 the 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 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 Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis van der Riet
Partner
Windhoek
Date: 26 May 2020

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report to the members, together with the audited annual financial statements of Letshego Holdings (Namibia) Limited ("the Company") and the audited consolidated annual financial statements of the Company and its subsidiaries ("the group") for the financial year ended 31 December 2019.

Reporting entity

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

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.

Stated capital

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

Dividends

A dividend of 23.5 cents per ordinary share was declared and paid during the year under review (2018: 19.2 cents).

Directors and secretary

The following persons were directors during the period under review:

Name	Position
Maryvonne Palanduz**	Independent Non-executive; Chairperson
Ester Kali**	Executive
Rairirira Mbakutua Mbetjiha**	Non-executive
John Eugene Shepherd**	Independent Non-executive (resigned 30 April 2019)
Sven von Blottnitz^*	Independent Non-executive
Rosalia Martins-Hausiku**	Independent Non-executive
Mythri Sambasivan-George^^	Non-executive

** Namibian
^^ Indian
^* German

The secretary of the Company is Bonsai Secretarial Compliance Services.

Business address:

18 Schwerinsburg Street, Windhoek Namibia

Postal address:

P O Box 11600 Windhoek Namibia

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.

Financial results

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

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 2019 are N$432 Million (2018: N$464 Million). Full details of the borrowings are shown in notes 15 and 16 to the consolidated annual financial statements.

Major capital expenditures
The Group made additions to its capital assets of N$17.1 Million during the financial year.

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 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 Company's financial statements for this reporting period.

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).

Investment in subsidiaries

Subsidiaries of Letshego Holdings (Namibia) Limited	Number of shares held	Issued ordinary share capital and premium N$'000	Effective holding 2019 %	Effective holding 2018 %
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 2019 N$'000	Aggregate income of subsidiaries before tax 2018 N$'000	Total investment 2019 N$'000	Total investment 2018 N$'000
Letshego Bank (Namibia) Limited	84 344	42 682	100	100
Letshego Micro Financial Services (Namibia) (Pty) Ltd	441 490	549 602	570 100	570 100

Material post reporting date events
A dividend of 22.5 cents per ordinary share has been declared since the end of the reporting period.

Since the reporting date, there has been global outbreak of the coronavirus (COVID-19). The directors have evaluated the financial impact of COVID-19 on the Group and cannot identify a going concern risk within the medium term. The Group has identified the health of its employees as the most critical risk factor during the pandemic and has implemented sufficient measures to mitigate these risks. An estimate of the financial impact of COVID-19 on the Group cannot be made due to uncertainties regarding how long the pandemic will last and its overall effects on the local economy. Notwithstanding, the Group does not expect any major adverse effects on its advances portfolio directly resulting from COVID-19 as the majority of its customers are employed by the Government and are not expected to lose their employment in the foreseeable future. Apart from this the directors are not aware of any matters or circumstances arising since the end of the financial period and up to the date of this report, that would require adjustment of, or disclosure in these annual financial statements.

Auditors
PricewaterhouseCoopers was appointed as auditor in 2020 for purposes of the 2019 financial year audit, subsequent to the resignation of Ernst & Young who had been appointed in 2019 with the approval of the shareholders in accordance with the Namibian Companies Act.

Statements of Financial Position

AS AT 31 DECEMBER 2019

	Note	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
ASSETS					
Cash and cash equivalents	7	**147 586 155**	750 860 322	**179 513**	1 119 927
Financial assets at amortised cost	8	**13 978 808**	-	**-**	-
Other receivables	9.1	**202 409 064**	131 287 964	**50 211 880**	18 203 676
Intercompany receivable	9.2	**-**	-	**15 315 541**	1 355 073
Advances to customers	10	**2 935 341 149**	2 555 621 590	**-**	-
Current taxation	14.4	**23 825 717**	22 347 358	**7 204 141**	7 233 463
Investment in subsidiaries	30	**-**	-	**1 914 353 808**	1 914 353 808
Property equipment and right-of-use assets [1]	11	**31 671 627**	9 643 952	**-**	-
Deferred tax assets [2]	14.3	**17 825 861**	9 713 498	**-**	-
Total assets		**3 372 638 381**	3 479 474 684	**1 987 264 883**	1 942 265 947
LIABILITIES AND EQUITY					
Liabilities					
Deposits due to customers	17	**43 360 856**	74 748 898	**-**	-
Trade and other payables	12	**50 288 075**	50 906 611	**294 978**	258 868
Lease liabilities [1]	13	**14 207 102**	-	**-**	-
Borrowings	15	**290 771 872**	341 050 891	**-**	-
Amounts due to parent Company	16	**140 951 508**	123 398 691	**-**	17 831 009
Deferred tax liabilities [2]	14.3	**18 959 024**	14 015 331	**-**	-
Total liabilities		**558 538 437**	604 120 422	**294 978**	18 089 877
Shareholders' equity					
Share capital	18	**100 000**	100 000	**100 000**	100 000
Retained earnings		**1 430 488 761**	1 162 814 840	**642 716 097**	579 922 262
Capital reorganisation reserve	29	**701 024 198**	701 024 198	**1 344 153 808**	1 344 153 808
Equity settled share based payment reserve	19	**2 143 979**	1 072 218	**-**	-
		2 133 756 938	1 865 011 256	**1 986 969 905**	1 924 176 070
Non-controlling interest		**680 343 006**	1 010 343 006	**-**	-
Total equity		**2 814 099 944**	2 875 354 262	**1 986 969 905**	1 924 176 070
Total liabilities and equity		**3 372 638 381**	3 479 474 684	**1 987 264 883**	1 942 265 947

1 The Group has, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 Leases (IAS 17) basis. Refer to note 3 for more detail on the adoption of IFRS 16.

2 The net of the Group's deferred tax assets and liabilities was previously presented under a single line item. During the year, the Group has disclosed the deferred tax assets and the deferred tax liabilities separately.

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Interest income calculated using the effective interest income method [1]	23	**625 198 158**	618 157 907	**85 572**	24 149
Interest expense [2]	23	**(36 617 530)**	(32 866 178)	**-**	-
Net interest income	23	**588 580 628**	585 291 729	**85 572**	24 149
Credit impairment (charge) / release	10	**(9 235 614)**	(18 225 673)	**-**	-
Net interest income after impairment		**579 345 014**	567 066 056	**85 572**	24 149
Dividend income		**-**	-	**120 882 783**	-
Fee income	24	**2 102 415**	1 175 997	**-**	-
Other operating income	25	**229 998 977**	255 340 167	**73 694 645**	37 803 295
Employee benefits	21	**(63 889 116)**	(49 263 424)	**(40 324)**	(60 739)
Other operating expenses [2]	22	**(149 954 055)**	(145 936 115)	**(1 970 766)**	(1 667 994)
Operating profit before taxation	20	**597 603 235**	628 382 681	**192 651 910**	36 098 711
Taxation	14	**(146 497 396)**	(159 510 070)	**(12 358 075)**	(4 465 952)
Profit for the year		**451 105 839**	468 872 611	**180 293 835**	31 632 759
Other comprehensive income, net of tax		**-**	-	**-**	-
Total comprehensive income for the period		**451 105 839**	468 872 611	**180 293 835**	31 632 759
Basic earnings per share (cents)	34	**90**	94	**36**	6
Fully diluted earnings per share (cents)	34	**90**	94	**36**	6

[1] The Group's other interest income was previously presented separately in the statement of comprehensive income. However, management considers it to be more relevant if all interest income is presented in one line item in the statement of comprehensive income. Prior year comparatives as at 31 December 2018 have been restated by reclassifying NAD21 464 747 from other interest income to Interest income calculated using the effective interest income method.

[2] As a result of the implementation of IFRS 16, the interest expense amount includes interest on the lease liabilities of N$1.6m and the other operating expenses include depreciation on right-of-use assets of N$4.6m.

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital N$	Equity settled share based payment reserve N$
GROUP		
As at 1st January 2019	**100 000**	**1 072 218**
Total comprehensive income for the period		
Profit and total comprehensive income for the year	-	-
Transactions with equity holders recorded directly in equity		
Ordinary share dividend paid	-	-
Preference share dividend paid	-	-
Preference shares redeemed	-	-
Share based payment transactions	-	**1 071 761**
As at 31 December 2019	**100 000**	**2 143 979**
As at 1st January 2018	100 000	1 970 626
Total comprehensive income for the period		
Profit and total comprehensive income for the year	-	-
Transactions with equity holders recorded directly in equity		
Ordinary share dividend paid	-	-
Preference share dividend paid	-	-
Preference shares issued	-	-
Preference shares redeemed	-	-
Share based payment transactions	-	(898 408)
As at 31 December 2018	**100 000**	**1 072 218**

Retained earnings N$	Capital reorganisation reserve N$	Ordinary shareholders' reserve	Non-controlling interest * N$	Total equity N$
1 162 814 840	**701 024 198**	**1 865 011 256**	**1 010 343 006**	**2 875 354 262**
451 105 839	**-**	**451 105 839**	**-**	**451 105 839**
(117 500 000)	**-**	**(117 500 000)**	**-**	**(117 500 000)**
(65 931 918)	**-**	**(65 931 918)**	**-**	**(65 931 918)**
-	**-**	**-**	**(330 000 000)**	**(330 000 000)**
-	**-**	**1 071 761**	**-**	**1 071 761**
1 430 488 761	**701 024 198**	**2 133 756 938**	**680 343 006**	**2 814 099 944**
877 938 995	701 024 198	1 581 033 819	215 084 843	1 796 118 662
468 872 611	-	468 872 611	-	468 872 611
(96 000 003)	-	(96 000 003)	-	(96 000 003)
(87 996 763)	-	(87 996 763)	-	(87 996 763)
-	-	-	897 053 038	897 053 038
-	-	-	(101 794 875)	(101 794 875)
-	-	(898 408)	-	(898 408)
1 162 814 840	**701 024 198**	**1 865 011 256**	**1 010 343 006**	**2 875 354 262**

* The Non-controlling interest relates to the preference share holders who do not share in the profit. As at 31 December 2019 the balance is made up of N$215 084 843 irredeemable non cumulative preference shares (2018: N$215 084 843) and N$465 258 163 redeemable non-cumulative preference shares (2018: N$795 258 163). The non-cumulative preference shares were originally created by converting a loan from Letshego Holdings Limited into non-cumulative preference shares. This transaction was ratified by the minority shareholders of LHN and is pending approval by the High Court.

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital N$	Equity settled share based payment reserve N$
COMPANY		
As at 1st January 2019	**100 000**	**-**
Total comprehensive income for the year		
Profit and total comprehensive income for the period	-	-
Transactions with equity holders recorded directly in equity		
Ordinary share dividend paid	-	-
As at 31 December 2019	**100 000**	**-**
As at 1st January 2018	100 000	-
Total comprehensive income for the year		
Profit and total comprehensive income for the period	-	-
Transactions with equity holders recorded directly in equity		
Ordinary share dividend paid	-	-
As at 31 December 2018	**100 000**	**-**

Retained earnings N$	Capital reorganisation reserve N$	Ordinary shareholders' reserve	Non-controlling interest * N$	Total equity N$
579 922 262	**1 344 153 808**	**1 924 176 070**	**-**	**1 924 176 070**
180 293 835	**-**	**180 293 835**	**-**	**180 293 835**
(117 500 000)	**-**	**(117 500 000)**	**-**	**(117 500 000)**
642 716 097	**1 344 153 808**	**1 986 969 905**	**-**	**1 986 969 905**
644 289 506	1 344 153 808	1 988 543 314	-	1 988 543 314
31 632 759	-	31 632 759	-	31 632 759
(96 000 003)	-	(96 000 003)	-	(96 000 003)
579 922 262	**1 344 153 808**	**1 924 176 070**	**-**	**1 924 176 070**

* The Non-controlling interest relates to the preference share holders who do not share in the profit. As at 31 December 2019 the balance is made up of N$215 084 843 irredeemable non cumulative preference shares (2018: N$215 084 843) and N$465 258 163 redeemable non-cumulative preference shares (2018: N$795 258 163). The non-cumulative preference shares were originally created by converting a loan from Letshego Holdings Limited into non-cumulative preference shares. This transaction was ratified by the minority shareholders of LHN and is pending approval by the High Court.

Statements of Cash Flows

AS AT 31 DECEMBER 2019

CASH FLOWS FROM OPERATING ACTIVITIES	Note	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Operating profit before taxation		**597 603 235**	628 382 681	**192 651 910**	36 098 711
Adjusted for:					
- Net interest income	23	**(588 580 628)**	(585 291 729)	**(85 572)**	(24 149)
- Dividends received		**-**	-	**(120 882 783)**	-
- Depreciation [1]	11	**12 856 171**	5 052 299	**-**	-
- Impairment allowance on advances	10	**5 945 126**	13 023 260	**-**	-
- Equity settled share based payment transactions	19	**1 071 761**	(898 408)	**-**	-
- Loss on disposal of plant and equipment		**-**	689 272	**-**	-
Movement in financial assets at amortised cost	8	**(13 978 808)**	-	**-**	-
Movement in advances to customers	10	**(385 664 685)**	(140 468 916)	**-**	-
Movement in other receivables	9.1	**(71 121 100)**	(5 413 308)	**(32 008 204)**	1 471 092
Movement in trade and other payables	12	**(618 536)**	7 460 733	**36 110**	170 243
Movement in customer deposits	17	**(31 388 042)**	(15 456 161)	**-**	-
		(473 875 506)	(92 920 277)	**39 711 461**	37 715 897
Interest received		**625 198 158**	618 157 907	**85 572**	24 149
Interest paid - customer deposits	23	**(5 794 464)**	(3 205 081)	**-**	-
Tax paid	14.4	**(151 144 425)**	(165 921 582)	**(12 328 753)**	(4 465 952)
Net cash flow from operating activities		**(5 616 237)**	356 110 967	**27 468 280**	33 274 094
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment (excluding to right-of-use assets)	11	**(17 116 020)**	(4 281 737)	**-**	-
Dividend received		**-**	-	**120 882 783**	-
Net cash (used in) / from investing activities		**(17 116 020)**	(4 281 737)	**120 882 783**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Preference shares issued during the year		**-**	897 053 038	**-**	-
Preference shares redeemed during the year		**(330 000 000)**	(101 794 875)	**-**	-
Ordinary share dividend paid		**(117 500 000)**	(96 000 003)	**(117 500 000)**	(96 000 003)
Preference share dividend paid		**(65 931 918)**	(87 996 763)	**-**	-
Borrowings received		**100 000 000**	325 000 000	**-**	-
Borrowings repaid		**(150 279 019)**	(47 504 845)	**-**	-
Interest paid - borrowings and lease liabilities [1]		**(30 823 066)**	(29 661 097)	**-**	-
Increase in intercompany loans	16	**99 552 817**	(658 740 663)	**(31 791 477)**	39 307 308
Repayments of intercompany loans		**(82 000 000)**	(125 000 000)	**-**	-
Principal element of lease payments		**(3 560 724)**	-	**-**	-
Net cash generated from financing activities		**(580 541 910)**	75 354 792	**(149 291 477)**	(56 692 695)
Net movement in cash and cash equivalents		**(603 274 167)**	427 184 022	**(940 414)**	(23 418 601)
Movement in cash and cash equivalents					
At the beginning of the year		**750 860 322**	323 676 300	**1 119 927**	24 538 528
Movement during the year		**(603 274 167)**	427 184 022	**(940 414)**	(23 418 601)
At the end of the period	7	**147 586 155**	750 860 322	**179 513**	1 119 927

[1] As a result of the implementation of IFRS 16 interest paid includes interest on the lease liabilities of N$1.6 Million and depreciation includes depreciation on right-of-use assets of N$4.6 Million.

Significant Accounting Policies

FOR YEAR ENDED 31 DECEMBER 2019

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 financial statements of Letshego Holdings (Namibia) Limited as at and for the year ended 31 December 2019 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) These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented except where changes in accounting policies have been adopted as described in Note 3.

b) Functional and presentation currency

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

c) 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 6 and 10.

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.

Impairment of advances to customers

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI 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 6.1.1, which also sets out key sensitivities of the ECL to changes in these elements.

2. BASIS OF PREPARATION (CONTINUED)

c) Key assumptions and critical judgements (continued)

Impairment of advances to customers (continued)
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
- 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 6.1.1.

Current and deferred taxation
Judgement is required in determining the provision for income taxes due to the complexity of legislation in which the Group operates. The Group 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.

Provisions and other contingent liabilities
The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it may be involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Effective Interest Rate (EIR) method
The Group's EIR methodology, as explained in Note 4.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. CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 16 as issued by the IASB in January 2016 with a transition date of 1 January 2019, which resulted in changes in accounting policies.

As permitted by the transitional provisions of IFRS 16, the Group elected to adopt the new rules using the modified retrospective approach and recognised the cumulative effect of initially applying the new standard on 1 January 2019.

Set out below are disclosures relating to the impact of the adoption of IFRS 16 on the Group. Further details of the specific IFRS 16 accounting policies applied in the current period are described in more detail in section 4. below.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 12%.

The Group had no leases which were previously classified as finance leases.

Practical expedients applied
In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Measurement of lease liabilities	**2019 N$**
Operating lease commitments disclosed as at 31 December 2018	**17 172 545**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**16 279 768**
Add: finance lease liabilities recognised as at 31 December 2018	**-**
(Less): short-term leases not recognised as a liability	**(2 358 431)**
(Less): low-value leases not recognised as a liability	**-**
Add/(less): contracts reassessed as lease contracts	**-**
Add/(less): adjustments as a result of a different treatment of extension and termination options	**-**
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	**-**
Lease liability recognised as at 1 January 2019	**13 921 337**
Of which are:	
Current lease liabilities	**3 456 276**
Non-current lease liabilities	**10 465 061**
	13 921 337

Measurement of right-of-use assets
The associated right-of-use assets for property leases were measured on a modified retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Adjustments recognised in the balance sheet on 1 January 2019
The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by N$13.9 Million
- lease liabilities – increase by N$13.9 Million

The net impact on retained earnings on 1 January 2019 was nil.

Lessor accounting
The Group did not have assets held as lessor and did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

4. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 3 above, the accounting policies set out below have been applied consistently to all periods 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.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation (continued)

Interest in subsidiaries (continued)

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 re-measured 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Revenue recognition (contrinued)

ii) Fee income (continued)

Type of service	Nature and timing of satisfaction of performance obligations including significant payment terms	Revenue recognition under IFRS 15
Retail banking and microlending services	The Group provides banking services to retail and corporate customers including account management provision of overdraft facilities and servicing fees. 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. Transaction-based fees for interchange and overdrafts are charged to the customer's account when the transaction takes place. 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.	Revenue from account service and servicing fees is recognised over time as the service is provided. Revenue related to transactions is recognised at the point in time 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.

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

i) Group and Company acting as a lessee

The Group and Company changed its accounting policy for leases where the Group / Company is the lessee. The new policy is is described below. The impact of the change is disclosed in Note 3 above.

The Group leases various office buildings. Rental contracts are typically made for fixed periods of 2 years to 5 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Leases (continued)

i) Group and Company acting as a lessee (continued)

Until 31 December 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. Where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received/offered by external third parties as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Leases (continued)

i) Group and Company acting as a lessee (continued)

When the Group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings held by the Group are not subject to revaluation.

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment, computer equipment and furniture 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Taxation (continued)

ii) Deferred taxation (continued)

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 recognized 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 6.1.1) at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial assetinstead 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities

Measurement methods (continued)

Initial recognition and measurement (continued)

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note 6.1.1, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

(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

(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

From 1 January 2018, the Group has applied IFRS 9 and 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 business model for managing the asset and

(ii) the cash flow characteristics of the asset

Based on these factors, the Group 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 6.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities

i) Financial assets (continued)

1. Classification and subsequent measurement (continued) Debt instruments (continued)

Debt instruments (continued)

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (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 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading 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 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group'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 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.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group 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 fair value through profit or loss.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities

i) Financial assets (continued)

1. Classification and subsequent measurement (continued)

Equity instruments (continued)

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group'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 right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading 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 6.1.1 provides more detail of how the expected credit loss 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities

i) Financial assets (continued)

3. Modification of loans

When the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Group 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

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 effective interest rate 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 purchased or originated credit-impaired 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 transfers substantially all the risks and rewards of ownership, or (ii) the Group 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:

(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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities

i) Financial assets (continued)

4. Derecognition other than on a modification (continued)

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group 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 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.

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 fair value through profit or loss: 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 fair value through profit or loss 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 4.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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities

ii) Financial liabilities (continued)

2. Derecognition (continued)

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Employee benefit costs (continued)

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

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) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) 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.

p) Related parties

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

q) Investment in subsidiaries

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

r) 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 has entered into an agreement with an insurance Company under which the insurance Company 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, an 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".

5. NEW STANDARDS AND AMENDMENTS TO STANDARDS

a) New standards and interpretations and amendments effective for the first time for 31 December 2019 year-end

Standard/Interpretation	Effective date	Executive Summary
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	Annual periods beginning on or after 1 January 2019	The narrow-scope amendment covers two issues: • The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.
		Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.
		For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.
		At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
		IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.
Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.	Annual periods on or after 1 January 2019 (issued February 2018)	These amendments require an entity to: • Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and • Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss The impact of the amendments is to confirm that these effects are not offset.

5. NEW STANDARDS AND AMENDMENTS TO STANDARDS (CONTINUED)

a) New standards and interpretations and amendments effective for the first time for 31 December 2019 year-end (continued)

Standard/Interpretation	Effective date	Executive Summary
Amendments to IAS 28, 'Investments in associates and joint ventures' – long term interests in associates and joint ventures.	Annual periods beginning on or after 1 January 2019 (published October 2017)	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted.
Annual improvements cycle 2015-2017	Annual periods beginning on or after 1 January 2019 (published December 2017)	These amendments include minor changes to: • IFRS 3, 'Business combination' - a Company remeasures its previously held interest in a joint operation when it obtains control of the business • IFRS 11, 'Joint arrangements' - a Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business • IAS 12, ' Income taxes' - the amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised • IAS 23, 'Borrowing costs' - a Company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
IFRIC 23, 'Uncertainty over income tax treatments'	Annual periods beginning on or after 1 January 2019 (published 7 June 2017)	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

5. NEW STANDARDS AND AMENDMENTS TO STANDARDS

b) New standards and interpretations and amendments issued but not effective for 31 December 2019 year-end

Standard/Interpretation	Effective date	Executive Summary
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.
IAS 1 and IAS 8 (amendments)	The amendments are effective 1 January 2020.	The amendments clarify the definition and application of material and how it should be applied by including in the definition guidance that had previously featured elsewhere in the IFRS Standards. The amendments ensure that the definition of material is consistent across all IFRS Standards.

Impact assessments

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.

IAS 1 and IAS 8 amendments:

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

6. 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 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 of Directors for designing, implementing and monitoring the process of risk management.

6.1 Financial risk factors

6.1.1 Credit risk

'Credit risk' is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other Groups, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk exists due to the fact that advances granted to customers are unsecured. The risk is however mitigated by the direct salary deduction collection mechanism for the bulk of the loans advanced.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk

The Board of Directors 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 of Directors, 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 7 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
- 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 as from 15 October 2019 amounting to NAD930m were not covered under the cell captive insurance arrangement.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

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 Expected Credit Loss (ECL) under IFRS 9. Refer to the "Expected credit loss" section below 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 7 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 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 significant increase in credit risk ('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 below 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 below for a description of how the Group defines credit-impaired and default
- 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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Expected credit loss measurement (continued)

- 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 below 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 Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised if the delinquency position has deteriorated since initial recognition. For example, the migration of a loan from the 30 days past due bucket would indicate a significant increase in credit risk.

Qualitative criteria:

For Retail portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 6 months

For Wholesale and Treasury portfolios, if the borrower is on the Watch-list and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Qualitative criteria (continued)
The assessment of SICR incorporates forward-looking information (refer to the "Forward-looking information incorporated in the ECL models" section below) and is performed on a quarterly basis at a portfolio level for all Retail financial instruments held by the Group. In relation to Wholesale and Treasury financial instruments, where a Watch-list is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

Quantitative criteria:
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria:
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Material concessions have been made by the Group relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques
The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD, which is developed by applying a maturity profile of how defaults develop from initiation through the lifetime of the loan, represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan
- The Group's advances to customers typically comprise of high volume and lower values, therefore a significant portion of the impairment is calculated on a portfolio basis. Management considered the segmentation of the loan book and determined that the loan consists of only one segment, namely Government employees. The non-government segment (which is expected to have a different risk profile), is less than 2% of the total portfolio (which is the threshold used in the model), thus management has not identified that segment as a separate segment for the purpose of the impairment assessment

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)
The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/ refinance assumptions are also incorporated into the calculation
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to the "Forward-looking information incorporated in the ECL models" section below for an explanation of forward- looking information and its inclusion in ECL calculations

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, other possible scenarios along with scenario weightings are also provided. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Forward-looking information incorporated in the ECL models (continued)
chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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.

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. The model is based on a weighting of 50/30/20 for the Base, Upside and Downside scenario. The remaining forecast period is 4 years.

	Base scenario		Upside scenario		Downside scenario	
Macroeconomic factor 2019	Next 12 months	Remaining forecast period	Next 12 months	2018 %	Next 12 months	Remaining forecast period
Namibia CPI (%)	3.14	3.86	1.57	1.93	4.71	5.79

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Sensitivity analysis of IFRS 9 ECL

The following table shows a comparison of the Group's expected credit loss allowance under IFRS 9 as at 31 December 2019 based on the probability weightings (Base: 50%, Upside: 30%, Downside: 20%) of the above-mentioned three scenarios against the expected credit loss allowance resulting from simulations of each scenario being weighted at 100%.

	Expected credit loss N$	% change of expected credit lossprovision
Current expected credit loss provision	28 077 902	
Scenarios:		
Base	28 042 091	(0.13%)
Upside	26 967 787	(3.95%)
Downside	29 832 598	6.25%

Grouping of instruments for losses measured on a collective basis

For expected credit loss 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.

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.

	2019 ECL Staging				2018
	Stage 1 12-month ECL N$	Stage 2 Lifetime ECL N$	Stage 3 Lifetime ECLN$	Total N$	Total N$
Credit grade					
Low risk (CS01 - CS02)	2 793 378 367	-	-	2 793 378 367	2 402 203 845
Medium risk (CS03 - CS04)	-	24 985 605	-	24 985 605	61 533 115
Special monitoring (CS05)	-	20 319 487	-	20 319 487	26 543 726
Doubtful (CS06 - CS07)	-	-	124 735 592	124 735 592	87 473 680
Gross carrying amount	**2 793 378 367**	**45 305 092**	**124 735 592**	**2 963 419 051**	**2 577 754 366**
Loss allowance	(15 753 951)	(889 406)	(11 434 545)	(28 077 902)	(22 132 776)
Carrying amount	**2 777 624 416**	**44 415 686**	**113 301 047**	**2 935 341 149**	**2 555 621 590**

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in the 'Expected credit loss measurement' section above.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Loss Allowance

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 4.f)i)]

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$	Stage 2 Lifetime ECL N$	Stage 3* Lifetime ECLN$	Total N$
Loss allowance as at 1 January 2019	**4 170 894**	**1 154 167**	**16 807 715**	**22 132 776**
Transfers between stages				
Transfer from Stage 1 to Stage 2	(53 556)	443 730		390 174
Transfer from Stage 1 to Stage 3	(119 062)		4 604 101	4 485 039
Transfer from Stage 2 to Stage 3		(172 811)	745 682	572 871
Transfer from Stage 3 to Stage 1	1 085		(29 138)	(28 053)
Transfer from Stage 3 to Stage 2		10 537	(50 851)	(40 314)
Transfer from Stage 2 to Stage 1	5 438	(40 439)		(35 001)
Net ECL raised / (released)	11 749 152	(505 778)	89 084 407	100 327 781
Impaired accounts written off			(99 727 371)	(99 727 371)
Loss allowance as at 31 December 2019	**15 753 951**	**889 406**	**11 434 545**	**28 077 902**
Loss allowance as at 1 January 2018	**4 056 027**	**245 325**	**8 761 991**	**13 063 342**
Transfers between stages				
Transfer from Stage 1 to Stage 2	(40 078)	495 731		455 653
Transfer from Stage 1 to Stage 3	(147 381)		9 166 142	9 018 761
Transfer from Stage 2 to Stage 3		(133 194)	793 225	660 031
Transfer from Stage 3 to Stage 1	5 413		(220 338)	(214 925)
Transfer from Stage 3 to Stage 2		9 215	(60 386)	(51 171)
Transfer from Stage 2 to Stage 1	6 989	(57 814)		(50 825)
Net ECL raised / (released)	289 925	594 904	89 642 826	90 527 655
Impaired accounts written off			(91 275 745)	(91 275 745)
Loss allowance as at 31 December 2018	**4 170 894**	**1 154 167**	**16 807 715**	**22 132 776**

* Includes interest in suspense

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Loss allowance (continued)

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 NAD99.7 Million (2018: NAD91.3 Million) which resulted in the reduction of the Stage 3 loss allowance by the same amount

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:

	Stage 1 12-month ECL N$	Stage 2 Lifetime ECL N$	Stage 3 Lifetime ECLN$	Total N$
Gross carrying amount as at 1 January 2019	**2 402 203 845**	**88 076 841**	**87 473 680**	**2 577 754 366**
Transfers:				
Transfer from Stage 1 to Stage 2	(22 915 038)	22 915 038	-	-
Transfer from Stage 1 to Stage 3	(55 495 255)	-	55 495 255	-
Transfer from Stage 2 to Stage 3	-	(8 939 776)	8 939 776	-
Transfer from Stage 3 to Stage 1	302 275	-	(302 275)	-
Transfer from Stage 3 to Stage 2	-	537 223	(537 223)	-
Transfer from Stage 2 to Stage 1	2 081 391	(2 081 391)	-	-
Financial assets derecognised during the period other than write-offs	(1 687 495 993)	(188 793 489)	-	(1 876 289 482)
New financial assets originated	2 154 697 142	133 590 646	73 393 750	2 361 681 538
Write-offs			(99 727 371)	(99 727 371)
Gross carrying amount as at 31 December 2019	**2 793 378 367**	**45 305 092**	**124 735 592**	**2 963 419 051**
Gross carrying amount as at 1 January 2018	**2 341 584 173**	**29 977 891**	**65 723 387**	**2 437 285 451**
Transfers:				
Transfer from Stage 1 to Stage 2	(16 873 695)	16 873 695	-	-
Transfer from Stage 1 to Stage 3	(57 306 656)	-	57 306 656	-
Transfer from Stage 2 to Stage 3	-	(4 747 857)	4 747 857	-
Transfer from Stage 3 to Stage 1	1 262 405	-	(1 262 405)	-
Transfer from Stage 3 to Stage 2	-	344 079	(344 079)	-
Transfer from Stage 2 to Stage 1	2 059 425	(2 059 425)	-	-
Financial assets derecognised during the period other than write-offs	(1 428 600 631)	-	-	(1 428 600 631)
New financial assets originated	1 560 078 824	47 688 458	52 578 009	1 660 345 291
Write-offs			(91 275 745)	(91 275 745)
Gross carrying amount as at 31 December 2018	**2 402 203 845**	**88 076 841**	**87 473 680**	**2 577 754 366**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Loss allowance (continued)
The Group's exposure to credit risk can be divided into two categories

- Advances
- 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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

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 3 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

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Advances (continued)

	Group		Company	
	31 December 2019 Advances N$	31 December 2018 Advances N$	31 December 2019 Advances N$	31 December 2018 Advances N$
Financial assets that are neither past due nor specifically impaired				
Stage 1	**2 793 378 367**	2 402 203 845	**-**	-
Past due and specifically impaired				
Stage 2	**45 305 092**	88 076 841	**-**	-
Stage 3	**124 735 592**	87 473 680	**-**	-
Total credit exposure	**2 963 419 051**	2 577 754 366	**-**	-
Total impairments				
Stage 1	**(15 753 951)**	(5 133 243)	**-**	-
Stage 2	**(889 406)**	(983 431)	**-**	-
Stage 3	**(11 434 545)**	(16 016 102)	**-**	-
Net advances	**2 935 341 149**	2 555 621 590	**-**	-
Impairment as a % of gross advances			**-**	-
Stage 1	**0.56%**	0.21%	**0.00%**	0.00%
Stage 2	**1.96%**	2.94%	**0.00%**	0.00%
Stage 3	**9.17%**	16.41%	**0.00%**	0.00%
Total impairment as a % of total gross advances	**0.95%**	0.86%	**0.00%**	0.00%
Reconciliation of allowance account				
Balance at the beginning of the year	**22 132 776**	13 063 342	**-**	-
IFRS 9 remeasurement adjustment	**-**	(3 953 826)	**-**	-
Impairment provision raised (note 10)	**105 672 497**	104 299 007	**-**	-
Impairment provision released upon write-offs of underlying exposure	**(99 727 371)**	(91 275 747)	**-**	-
Balance at the end of the year	**28 077 902**	22 132 776	**-**	-

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (continued)

Advances (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$	% of total carrying amount
2019 - Group				
<5000	1 661	2.06%	4 098 139	0.14%
5 000 - 10 000	7 365	9.14%	36 574 468	1.25%
10 000 -20 000	14 556	18.07%	143 337 660	4.88%
20 000 - 50 000	45 666	56.68%	1 418 477 498	48.32%
> 50 000	11 326	14.05%	1 332 853 384	45.41%
Total	**80 574**	**100.00%**	**2 935 341 149**	**100.00%**
2018 - Group				
<5000	2 553	2.41%	6 571 542	0.26%
5 000 - 10 000	11 536	10.88%	60 914 631	2.38%
10 000 -20 000	22 099	20.84%	228 055 684	8.92%
20 000 - 50 000	69 520	65.57%	2 210 593 872	86.50%
> 50 000	316	0.30%	49 485 861	1.94%
Total	**106 024**	**100.00%**	**2 555 621 590**	**100.00%**

The concentration risk per employer is as follows:

- Public sector 98%
- Other employers 2%

No collateral is held for these advances.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk, (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 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:

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Financial assets other than advances (continued)

	Total carrying amount N$	Single largest exposure to a single counter-party N$	Aaa to A3 N$	Baa1 to Baa3 N$	Below Baa3 N$	Not Rated N$
2019 - Group						
Cash and cash equivalents	99 477 373	70 752 178	99 477 373	-	-	-
Deposits with Bank of Namibia	48 108 782	48 108 782	48 108 782	-	-	-
Financial assets at amortised cost	13 978 808	13 978 808	13 978 808	-	-	-
Other receivables	188 179 708	132 766 764	-	-	-	188 179 708
Total	**349 744 671**	**265 606 532**	**161 564 963**	**-**	**-**	**188 179 708**
2018 - Group						
Cash and cash equivalents	681 985 751	442 408 971	681 985 751	-	-	-
Deposits with Bank of Namibia	68 874 571	68 874 571	68 874 571	-	-	-
Other receivables	131 287 964	117 148 723	-	-	-	131 287 964
Total	**882 148 286**	**628 432 265**	**750 860 322**	**-**	**-**	**131 287 964**
2019 - Company						
Cash and cash equivalents	179 513	179 513	179 513	-	-	-
Other receivables	50 211 880	50 211 880	-	-	-	50 211 880
Intercompany receivable	15 315 541	15 315 541	-	-	-	15 315 541
Total	**65 706 934**	**65 706 934**	**179 513**	**-**	**-**	**65 527 421**
2018 - Company						
Cash and cash equivalents	1 119 927	1 119 927	1 119 927	-	-	-
Other receivables	18 203 676	18 203 676	-	-	-	18 203 676
Intercompany receivable	1 355 073	1 355 073	-	-	-	1 355 073
Total	**20 678 676**	**20 678 676**	**1 119 927**	**-**	**-**	**19 558 749**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 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.

6.1.2.1 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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk management (continued)

Risk measurement and management (continued)
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.

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

2019 Group	Demand and up	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$
Assets			
Cash and cash equivalents	147 586 155	-	-
Financial assets at amortised cost	-	-	13 978 808
Other receivables	-	-	-
Net advances	4 423 586	2 809 789	53 909 113
Current taxation	-	-	-
Property equipment and right-of-use assets	-	-	-
Deferred tax assets	-	-	-
Total assets	**152 009 741**	**2 809 789**	**67 887 921**
Liabilities and equity			
Deposits due to customers	32 939 965	11 028	10 409 863
Trade and other payables	-	-	-
Borrowings	5 771 872	-	275 000 000
Lease liabilities	355 256	742 514	3 580 853
Intercompany payables	-	-	-
Deferred tax liabilities	-	-	-
Ordinary shareholders' equity	-	-	-
Total liabilities and equity	**39 067 093**	**753 542**	**288 990 716**
On balance sheet interest sensitivity	**112 942 648**	**2 056 247**	**(221 102 795)**

Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-interest sensitive items N$	Non-financial instruments N$	Total N$
-	-	-	-	147 586 155
-	-	-	-	13 978 808
-	-	188 179 708	14 229 356	202 409 064
159 573 011	2 714 625 650	-	-	2 935 341 149
-	-	-	23 825 717	23 825 717
-	-	-	31 671 627	31 671 627
-	-	-	17 825 861	17 825 861
159 573 011	**2 714 625 650**	**188 179 708**	**87 552 561**	**3 372 638 381**
-	-	-	-	43 360 856
	-	32 617 601	17 670 474	50 288 075
10 000 000	-	-	-	290 771 872
4 555 593	4 972 886	-	-	14 207 102
-	138 049 450	2 902 058	-	140 951 508
-	-	-	18 959 024	18 959 024
-	-	-	2 814 099 944	2 814 099 944
14 555 593	**143 022 336**	**35 519 659**	**2 850 729 442**	**3 372 638 381**
145 017 418	**2 571 603 314**	**-**	**-**	**-**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

2018 Group	Demand and up	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$
Assets			
Cash and cash equivalents	750 860 322	-	-
Other receivables	-	-	-
Net advances	1 779 651	2 931 232	70 663 140
Current taxation	-	-	-
Property equipment and right-of- use assets	-	-	-
Deferred tax assets	-	-	-
Total assets	**752 639 973**	**2 931 232**	**70 663 140**
Liabilities and equity			
Deposits due to customers	74 748 898	-	-
Trade and other payables	-	-	-
Borrowings	12 713 082	-	-
Intercompany payables	-	-	-
Deferred tax liabilities	-	-	-
Ordinary shareholders' equity	-	-	-
Total liabilities and equity	**87 461 980**	**-**	**-**
On balance sheet interest sensitivity	**665 177 993**	**2 931 232**	**70 663 140**

Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-interest sensitive items N$	Non-financial instruments N$	Total N$
-	-	-	-	750 860 322
	-	128 469 415	2 818 549	131 287 964
184 436 795	2 295 810 772	-	-	2 555 621 590
-	-	-	22 347 358	22 347 358
-	-	-	9 643 952	9 643 952
-	-	-	9 713 498	9 713 498
184 436 795	**2 295 810 772**	**128 469 415**	**44 523 357**	**3 479 474 684**
-	-	-	-	74 748 898
	-	38 431 341	12 475 270	50 906 611
275 000 000	53 337 809	-	-	341 050 891
-	120 451 975	2 946 716	-	123 398 691
-	-	-	14 015 331	14 015 331
-	-	-	2 875 354 262	2 875 354 262
275 000 000	**173 789 784**	**41 378 057**	**2 901 844 863**	**3 479 474 684**
(90 563 205)	**2 122 020 988**	**-**	**-**	**-**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

i) Re-pricing profile (continued)

2019 Company	Demand and up	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$
Assets			
Cash and cash equivalents	179 513	-	-
Other receivables	-	-	-
Intercompany receivable	15 315 541	-	-
Current taxation	-	-	-
Investment in subsidiaries	-	-	-
Total assets	**15 495 054**	**-**	**-**
Liabilities and equity			
Trade and other payables	-	-	-
Ordinary shareholders' equity	-	-	-
Total liabilities and equity	**-**	**-**	**-**
On balance sheet interest sensitivity	**15 495 054**	**-**	**-**
2018 Company			
Assets			
Cash and cash equivalents	1 119 927	-	-
Other receivables	-	-	-
Intercompany receivable	1 355 073	-	-
Current taxation	-	-	-
Investment in subsidiaries	-	-	-
Total assets	**2 475 000**		
Liabilities and equity			
Trade and other payables	-	-	-
Amounts due to parent Company	17 831 009	-	-
Ordinary shareholders' equity	-	-	-
Total liabilities and equity	17 831 009	-	-
On balance sheet interest sensitivity	**(15 356 009)**	**-**	**-**

Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-interest sensitive items N$	Non-financial instruments N$	Total N$
-	-	-	-	179 513
-	-	50 211 880	-	50 211 880
-	-	-	-	15 315 541
-	-	-	7 204 141	7 204 141
-	-	-	1 914 353 808	1 914 353 808
-	**-**	**50 211 880**	**1 921 557 949**	**1 987 264 883**
-	-	19 629	275 349	294 978
-	-	-	1 986 969 905	1 986 969 905
-	**-**	**19 629**	**1 987 245 254**	**1 987 264 883**
-	**-**	**-**	**-**	**-**
-	-	-	-	1 119 927
-	-	18 203 676	-	18 203 676
-	-	-	-	1 355 073
-	-	-	7 233 463	7 233 463
-	-	-	1 914 353 808	1 914 353 808
		18 203 676	**1 921 587 271**	**1 942 265 947**
-	-	166 117	92 751	258 868
-	-	-	-	17 831 009
-	-	-	1 924 176 070	1 924 176 070
-	-	166 117	1 924 268 821	1 942 265 947
-	**-**	**-**	**-**	**-**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk management (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 NAD 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 increase of NAD2.1 Million in net income (before tax).

2019 Group	Carrying amount at end of year N$	Amount exposed to market risk N$	Index to which interest rate is linked N$	Statement of profit or loss impact (pre-tax) N$
Financial assets				
Cash and cash equivalents	**147 586 155**	**147 586 155**	**Namibia Prime**	**2 951 723**
Advances	**2 935 341 149**	**-**	**N/A**	**-**
	3 082 927 304	**147 586 155**		**2 951 723**
Financial liabilities				
Intercompany payables	**140 951 508**	**138 049 450**	**Namibia Prime**	**(2 760 989)**
	140 951 508	**138 049 450**		**(2 760 989)**
Net effect on the statement of total comprehensive income				**190 734**
2018 Group				
Financial assets				
Cash and cash equivalents	750 860 322	750 860 322	Namibia Prime	15 017 206
Advances	2 555 621 590	-	N/A	-
	3 306 481 912	750 860 322		15 017 206
Financial liabilities				
Intercompany payables	123 398 691	120 451 975	Namibia Prime	(2 409 040)
	123 398 691	120 451 975		(2 409 040)
Net effect on the statement of total comprehensive income				12 608 166

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk management (continued)

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

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

2019 Company	Carrying amount at end of year N$	Amount exposed to market risk N$	Index to which interest rate is linked N$	Statement of profit or loss impact (pre-tax) N$
Financial assets				
Cash and cash equivalents	179 513	179 513	Namibia Prime	3 590
Intercompany receivable	15 315 541	-	N/A	-
	15 495 054	179 513		3 590
Financial liabilities				
Trade and other payables	294 978	-	N/A	-
	294 978	-		-
Net effect on the statement of total comprehensive income				3 590
2018 Company				
Financial assets				
Cash and cash equivalents	1 119 927	1 119 927	Namibia Prime	22 399
Intercompany receivable	1 355 073	-	N/A	-
	2 475 000	1 119 927		22 399
Financial liabilities				
Trade and other payables	258 868	-	N/A	-
	258 868	-		-
Net effect on the statement of total comprehensive income				22 399

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.2.2 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.

6.1.2.3 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.

6.1.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due. These payment obligations could result from a mismatch in the timing and/or magnitude of cashflows associated with assets and liabilities, depositor withdrawals, lower than expected receipts from customers, higher than expected pay-out to customers, higher than expected operational, tax or dividend flows, or the inability to roll over maturing debt. Another form of liquidity risk is that in a stressed liquidity event, the Group would be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations.

The Board of Directors sets the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. Management manages the Group's liquidity position on a day-to-day basis and reviews reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. ALCO monitors and controls adherence to the risk appetite and regulatory requirements.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity
- Simulating future cash flow projections
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding
- Stress testing of the Group's liquidity position. Liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Group-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.3 Liquidity risk (continued)

The following tables analyse the Group'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 2019

2019 - Group	Demand and up to 1 month N$	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$	Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-financial assets and liabilities N$	Total N$
Assets							
Cash and cash equivalents	147 586 155	-	-	-	-	-	147 586 155
Financial assets at amortised cost	-	-	13 978 808	-	-	-	13 978 808
Other receivables	-	188 179 708	-	-	-	14 229 356	202 409 064
Net advances	74 317 050	139 139 862	594 393 048	60 414 331	2 067 076 858	-	2 935 341 149
Current taxation	-	-	-	-	-	23 825 717	23 825 717
Property, equipment and right-of-use assets	-	-	-	-	-	31 671 627	31 671 627
Deferred tax assets	-	-	-	-	-	17 825 861	17 825 861
Total assets	**221 903 205**	**327 319 570**	**608 371 856**	**60 414 331**	**2 067 076 858**	**87 552 561**	**3 372 638 381**
Liabilities and equity							
Deposits due to customers	32 939 965	11 028	10 409 863	-	-	-	43 360 856
Trade and other payables	32 617 601	-	-	-	-	17 670 474	50 288 075
Borrowings	5 771 872	-	275 000 000	10 000 000	-	-	290 771 872
Lease liabilities	355 256	742 514	3 580 853	4 555 593	4 972 886	-	14 207 102
Intercompany payables	-	2 902 058	-	-	138 049 450	-	140 951 508
Deferred tax liability	-	-	-	-	-	18 959 024	18 959 024
Ordinary shareholders' equity	-	-	-	-	-	2 814 099 944	2 814 099 944
Total liabilities and equity	**71 684 694**	**3 655 600**	**288 990 716**	**14 555 593**	**143 022 336**	**2 850 729 442**	**3 372 638 381**
Net liquidity gap	**150 218 511**	**323 663 970**	**319 381 140**	**45 858 738**	**1 924 054 522**	**-**	**-**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.3 Liquidity risk (continued)

Assets and liabilities maturities as at 31 December 2019 (continued)

2018 - Group	Demand and up to 1 month N$	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$	Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-financial assets and liabilities N$	Total N$
Assets							
Cash and cash equivalents	750 860 322	-	-	-	-	-	750 860 322
Other receivables	-	131 287 964	-	-	-	-	131 287 964
Net advances	69 867 116	135 455 320	574 667 859	69 404 522	1 706 226 773	-	2 555 621 590
Current taxation	-	-	-	-	-	22 347 358	22 347 358
Property, equipment and right-of-use assets	-	-	-	-	-	9 643 952	9 643 952
Deferred tax assets	-	-	-	-	-	9 713 498	9 713 498
Total assets	**820 727 438**	**266 743 284**	**574 667 859**	**69 404 522**	**1 706 226 773**	**41 704 808**	**3 479 474 684**
Liabilities and equity							
Deposits due to customers	74 748 898	-	-	-	-	-	74 748 898
Trade and other payables	38 431 341	-	-	-	-	12 475 270	50 906 611
Borrowings	12 713 082	-	-	275 000 000	53 337 809	-	341 050 891
Intercompany payables	-	2 946 716	-	-	120 451 975	-	123 398 691
Deferred tax liability	-	-	-	-	-	14 015 331	14 015 331
Ordinary shareholders' equity	-	-	-	-	-	2 875 354 262	2 875 354 262
Total liabilities and equity	**125 893 321**	**2 946 716**	**-**	**275 000 000**	**173 789 784**	**2 901 844 863**	**3 479 474 684**
Net liquidity gap	**694 834 117**	**263 796 568**	**574 667 859**	**(205 595 478)**	**1 532 436 989**	**-**	**-**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.3 Liquidity risk (continued)

Assets and liabilities maturities as at 31 December 2019 (continued)

2019 - Company	Demand and up to 1 month N$	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$	Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-financial assets and liabilities N$	Total N$
Assets							
Cash and cash equivalents	179 513	-	-	-	-	-	179 513
Other receivables	-	50 211 880	-	-	-	-	50 211 880
Intercompany receivable	15 315 541	-	-	-	-	-	15 315 541
Current taxation	-	-	-	-	-	7 204 141	7 204 141
Investment in subsidiaries	-	-	-	-	-	1 914 353 808	1 914 353 808
Total assets	**15 495 054**	**50 211 880**	**-**	**-**	**-**	**1 921 557 949**	**1 987 264 883**
Liabilities and equity							
Trade and other payables	19 629	-	-	-	-	275 349	294 978
Ordinary shareholders' equity	-	-	-	-	-	1 986 969 905	1 986 969 905
Total liabilities and equity	**19 629**	**-**	**-**	**-**	**-**	**1 987 245 254**	**1 987 264 883**
On balance sheet interest	**15 475 425**	**50 211 880**	**-**	**-**	**-**	**-**	**-**

2018 - Company	Demand and up to 1 month N$	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$	Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-financial assets and liabilities N$	Total N$
Assets							
Cash and cash equivalents	1 119 927	-	-	-	-	-	1 119 927
Other receivables	-	18 203 676	-	-	-	-	18 203 676
Intercompany receivable	1 355 073	-	-	-	-	-	1 355 073
Current taxation	-	-	-	-	-	7 233 463	7 233 463
Investment in subsidiaries	-	-	-	-	-	1 914 353 808	1 914 353 808
Total assets	**2 475 000**	**18 203 676**	**-**	**-**	**-**	**1 921 587 271**	**1 942 265 947**
Liabilities and equity							
Trade and other payables	166 117	-	-	-	-	92 751	258 868
Amounts due to parent Company	17 831 009	-				-	17 831 009
Ordinary shareholders' equity	-	-	-	-	-	1 924 176 070	1 924 176 070
Total liabilities and equity	**17 997 126**	**-**	**-**	**-**	**-**	**1 924 268 821**	**1 942 265 947**
On balance sheet interest	**(15 522 126)**	**18 203 676**	**-**	**-**	**-**	**-**	**-**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Financial risk factors (continued)

6.1.2 Market risk (continued)

6.1.3 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.

2019 Group	Carrying amount	Up to 1 month N$	Greater than 1month up to 6 months N$
Financial liabilities			
Lease liabilities	14 207 102	497 327	2 552 022
Borrowings	290 771 872	1 965 000	14 340 000
Intercompany payables	140 951 508	1 438 015	10 092 134
	445 930 482	**3 900 342**	**26 984 156**

2018 Group	Carrying amount	Up to 1 month N$	Greater than 1month up to 6 months N$
Financial liabilities			
Borrowings	341 050 891	17 294 163	21 785 613
Intercompany payables	123 398 691	1 243 273	9 163 082
	464 449 582	**18 537 436**	**30 948 695**

	Greater than 6 months up to 12 months N$	Greater than 1 year up to 2 years N$	Greater than 2 years up to 5 years N$	Greater than 5 years N$	Total N$
	3 084 493	5 456 783	5 660 152	-	17 250 777
	289 667 500	10 982 500	-	-	316 955 000
	8 628 091	17 256 181	155 305 631	-	192 720 052
	301 380 084	**33 695 464**	**160 965 783**	**-**	**526 925 829**

	Greater than 6 months up to 12 months N$	Greater than 1 year up to 2 years N$	Greater than 2 years up to 5 years N$	Greater than 5 years N$	Total N$
	26 402 585	326 154 210	231 390 004	-	623 026 575
	7 459 639	14 919 279	176 544 799	-	209 330 072
	33 862 224	**341 073 489**	**407 934 803**	**-**	**832 356 647**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.4 Assets and liabilities measured at fair value or for which fair values are disclosed

6.1.4.1 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 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.

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 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.

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.

Level 3 fair value disclosure – Advances

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:

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.4 Assets and liabilities measured at fair value or for which fair values are disclosed (continued)

6.1.4.1 Valuation models (continued)

Level 3 fair value disclosure – Advances (contiunued)

- Fair value includes all expected cash flows, whereas impairments under IAS 39 are limited to incurred loss events
- The impairment cash flows are not reduced by the net insurance premiums the Group 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.

6.1.4.2 Assets and liabilities for which fair value is disclosed*

2019 Group	Level 1 N$	Level 2 N$	Level 3 N$	Total N$	Carrying amount N$
Financial assets					
Net advances	-	-	3 059 917 661	3 059 917 661	2 935 341 149
Total	**-**	**-**	**3 059 917 661**	**3 059 917 661**	**2 935 341 149**
Financial liabilities					
Borrowings	-	-	290 771 872	290 771 872	290 771 872
Intercompany payables	-	-	140 951 508	140 951 508	140 951 508
Total	**-**	**-**	**431 723 380**	**431 723 380**	**431 723 380**
2018 Group					
Financial assets					
Net advances	-	-	2 569 751 842	2 569 751 842	2 555 621 590
Total	**-**	**-**	**2 569 751 842**	**2 569 751 842**	**2 555 621 590**
Financial liabilities					
Borrowings	-	-	341 050 891	341 050 891	341 050 891
Intercompany payables	-	-	123 398 691	123 398 691	123 398 691
Total	**-**	**-**	**464 449 582**	**464 449 582**	**464 449,582**

*The following items' fair value is not disclosed as these assets and liabilities closely approximate their carrying amount due to their short term or on demand repayment terms:

- Cash and cash equivalents
- Accounts receivables and other assets
- Deposits due to customers
- Creditors and accruals
- Intercompany receivable

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.4 Assets and liabilities measured at fair value or for which fair values are disclosed (continued)

6.1.4.2 Assets and liabilities for which fair value is disclosed* (continued)

The fair value of the net advances is based on the expected future cash flows, discounted using market related rates.

The fair value of the intercompany payables is based on the expected future cash flows, discounted using variable prime overdraft rate plus 2%.

6.1.5 Analysis of financial assets and liabilities

Financial assets and financial liabilities are measured either at fair value or 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.

2019 Group	Amortised cost N$	Total N$	Up to 12 months N$	Greater than 12 months N$
Financial assets				
Cash and cash equivalents	147 586 155	147 586 155	147 586 155	-
Financial assets at amortised cost	13 978 808	13 978 808	13 978 808	-
Other receivables	188 179 708	188 179 708	188 179 708	-
Net advances	2 935 341 149	2 935 341 149	61 142 488	2 874 198 661
Total financial assets	**3 285 085 820**	**3 285 085 820**	**410 887 159**	**2 874 198 661**
Financial liabilities				
Deposits due to customers	43 360 856	43 360 856	43 360 856	-
Trade and other payables	32 617 601	32 617 601	32 617 601	-
Borrowings	290 771 872	290 771 872	280 771 872	10 000 000
Lease liabilities	14 207 102	14 207 102	4 678 623	9 528 479
Intercompany payables	140 951 508	140 951 508	2 902 058	138 049 450
Total financial liabilities	**521 908 939**	**521 908 939**	**364 331 010**	**157 577 929**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.5 Analysis of financial assets and liabilities (continued)

2018 Group	Amortised cost N$	Total N$	Up to 12 months N$	Greater than 12 months N$
Financial assets				
Cash and cash equivalents	750 860 322	750 860 322	750 860 322	-
Other receivables	131 287 964	131 287 964	131 287 964	-
Net advances	2 555 621 590	2 555 621 590	75 374 023	2 480 247 567
Total financial assets	**3 437 769 876**	**3 437 769 876**	**957 522 309**	**2 480 247 567**
Financial liabilities				
Deposits due to customers	74 748 898	74 748 898	74 748 898	-
Trade and other payables	38 431 341	38 431 341	38 431 341	-
Borrowings	341 050 891	341 050 891	12 713 082	328 337 809
Intercompany payables	123 398 691	123 398 691	2 946 716	120 451 975
Total financial liabilities	**577 629 821**	**577 629 821**	**128 840 037**	**448 789 784**
2019 Company				
Financial assets				
Other receivables	50 211 880	50 211 880	50 211 880	-
Intercompany receivable	15 315 541	15 315 541	15 315 541	-
Total financial assets	**65 527 421**	**65 527 421**	**65 527 421**	**-**
Financial liabilities				
Trade and other payables	294 978	294 978	294 978	-
Borrowings	-	-	-	-
Intercompany payables	-	-	-	-
Total financial liabilities	294 978	294 978	294 978	-
2018 Company				
Financial assets				
Other receivables	18 203 676	18 203 676	18 203 676	-
Intercompany receivable	1 355 073	1 355 073	1 355 073	-
Total financial assets	**19 558 749**	**19 558 749**	**19 558 749**	**-**
Financial liabilities				
Trade and other payables	258 868	258 868	258 868	-
Borrowings	-	-	-	-
Intercompany payables	17 831 009	17 831 009	17 831 009	-
Total financial liabilities	**18 089 877**	**18 089 877**	**18 089 877**	**-**

6.1 FINANCIAL RISK FACTORS (CONTINUED)

6.1.6 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 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 objectives when managing capital are to safeguard the 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 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 operations within the parameters of the risk appetite set by the Board. It is the Group's objective to safeguard the 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 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.

6.1 FINANCIAL RISK FACTORS (CONTINUED)

6.1.6 Capital management

External regulatory capital management - Banking Operations
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 ("BoN")
- 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 Internal Capital Adequacy Assessment Process, 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 has complied with these covenants throughout the reporting period.

	Group		Bank	
2019 Group	**31 December 2019 N$**	**31 December 2018 N$**	**31 December 2019 N$**	**31 December 2018 N$**
Tier 1 capital				
Ordinary share and premium	100 000	100 000	59 624 010	59 624 010
Irredeemable preference share capital	215 084 843	215 084 843	215 084 843	215 084 843
Retained earnings	1 430 488 761	1 162 814 840	640 268 549	580 425 501
Ordinary shareholders' reserves	703 168 177	702 096 416	2 326 724	1 254 963
Total tier 1 capital	**2 348 841 781**	**2 080 096 099**	**917 304 126**	**856 389 317**
Tier 2 capital				
Redeemable preference share capital	465 258 163	795 258 163	-	-
General allowance for credit impairments	21 051 332	7 332 082	13 929 276	1 410 026
	486 309 495	802 590 245	13 929 276	1 410 026
Total qualifying capital	**2 835 151 276**	**2 882 686 344**	**931 233 402**	**857 799 343**
Risk-weighted assets				
Credit risk	2 364 763 235	2 262 988 022	1 113 423 602	536 083 909
Market risk	-	-	-	-
Operational risk	83 864 958	648 173 403	103 955 584	168 227 419
Total risk-weighted assets	**2 448 628 193**	**2 911 161 425**	**1 217 379 186**	**704 311 328**

6.1 FINANCIAL RISK FACTORS (CONTINUED)

6.1.6 Capital management

External regulatory capital management - Banking Operations (continued)

Capital adequacy ratios	Minimum regulatory requirement %	Internal limit %	31 December 2019 %	31 December 2018 %
GROUP				
Total capital adeqacy ratio	10	15	116	99
Tier 1 capital adequacy ratio	7	9	96	71
Tier 1 leverage ratio	6	8	69	59
BANK				
Total capital adeqacy ratio	10	15	76	122
Tier 1 capital adequacy ratio	7	9	75	122
Tier 1 leverage ratio	6	8	54	90

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Cash and balances with banks	**77 953 208**	427 312 769	**179 513**	1 119 927
Money market placements	**21 524 165**	254 672 982	**-**	-
Balances with the central bank other than mandatory reserve deposits	**47 538 370**	68 725 655	**-**	-
Included in cash and cash equivalents	**147 015 743**	750 711 406	**179 513**	1 119 927
Mandatory reserve deposits with the central bank	**570 412**	148 916	**-**	-
	147 586 155	750 860 322	**179 513**	1 119 927

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 period-end cash and cash equivalents comprise the following:

Bank balances	**142 124 681**	750 214 394	**179 513**	1 119 927
Cash on hand	**5 461 474**	645 928	**-**	-
	147 586 155	750 860 322	**179 513**	1 119 927

Due to the short term 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 period-end, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets. There are no restrictions or pledges on cash and cash equivalents as at the reporting date.

8. FINANCIAL ASSETS AT AMORTISED COST	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Treasury bills	**13 980 205**	-	**-**	-
Gross financial assets at amortised cost	**13 980 205**	-	**-**	-
Less expected credit loss allowance	**(1,397)**	-	**-**	-
Net financial assets at amortised cost	**13 978 808**	-	**-**	-
Current	**13 980 205**	-	**-**	-
Non-current	**-**	-	**-**	-
Gross financial assets at amortised cost	**13 980 205**	-	**-**	-

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.

9. RECEIVABLES

9.1 Other receivables

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Financial				
- Profit share receivable from cell captive	**132 766 764**	117 148 723	**50 154 077**	18 167 593
- Deposits	**8 587 899**	1 383 259	**57 803**	36 083
- Sundry receivables	**46 825 045**	1 591 080	**-**	-
Non-financial				
- Deferred fees	**6 829 682**	8 346 353	**-**	-
- Prepayments	**7 399 674**	2 818 549	**-**	-
	202 409 064	131 287 964	**50 211 880**	18 203 676

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. RECEIVABLES (CONTINUED)

9.2 Intercompany receivable

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Financial				
- Intercompany current account - Letshego Micro Financial Services (Namibia) (Pty) Ltd	**-**	-	**1 315 541**	1 355 073
- Intercompany current account Letshego Bank (Namibia) Ltd	**-**	-	**14 000 000**	-
	-	-	**15 315 541**	1 355 073

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 condidered 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.

10. ADVANCES TO CUSTOMERS

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Gross advances to customers	**2 963 419 051**	2 577 754 366	**-**	-
Less: Impairment allowance on advances	**(28 077 902)**	(22 132 776)	**-**	-
Net advances to customers	**2 935 341 149**	2 555 621 590	**-**	-
Impairment allowance on advances				
Balance at the beginning of the period	**22 132 776**	13 063 342	**-**	-
IFRS9 remeasurement adjustment to opening balance	**-**	(3 953 826)	**-**	-
Impairment adjustment - increase/ decrease) for the period	**5 945 126**	13 023 260	**-**	-
Balance at the end of the period	**28 077 902**	22 132 776	**-**	-
The balance at the end of the period consists of the following:				
Stage 1 impairment	**21 051 332**	7 332 082	**-**	-
Stage 2 - 3 impairment	**7 026 570**	14 800 694	**-**	-
	28 077 902	22 132 776	**-**	-
(Reversals)/Charges in the profit or loss				
Amounts written off	**105 672 497**	104 299 007	**-**	-
Recoveries during the period	**(96 436 883)**	(86 073 334)	**-**	-
	9 235 614	18 225 673	**-**	-
Exposure to credit risk				
Net advances to customers	**2 935 341 149**	2 555 621 590	**-**	-
Maximum exposure to credit risk	**2 935 341 149**	2 555 621 590	**-**	-

Refer to note 6.1.1 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.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Group	Furniture and fittings N$	Office equipment N$	Computer equipment N$	Motor vehicles N$	Leasehold Improve-ments N$	Right-of-use assets - Buildings N$	Total N$
At 31 December 2019							
Cost	**5 085 202**	**6 391 175**	**33 629 404**	**482 298**	**4 136 017**	**17 767 826**	**67 491 922**
Accumulated depreciation	**(3 882 173)**	**(4 779 338)**	**(19 620 274)**	**(333 327)**	**(2 601 750)**	**(4 603 433)**	**(35 820 295)**
Carrying amount	**1 203 029**	**1 611 837**	**14 009 130**	**148 971**	**1 534 267**	**13 164 393**	**31 671 627**
At 31 December 2019							
Opening net amount at 1 January 2019	**746 929**	**1 775 239**	**5 690 087**	**269 545**	**1 162 152**	**-**	**9 643 952**
IFRS 16 initial adoption adjustment	**-**	**-**	**-**	**-**	**-**	**13 921 337**	**13 921 337**
Restated net opening amount	**746 929**	**1 775 239**	**5 690 087**	**269 545**	**1 162 152**	**13 921 337**	**23 565 289**
Additions	**926 004**	**921 774**	**14 194 072**	**-**	**1 074 170**	**3 846 489**	**20 962 509**
Depreciation charge	**(469 904)**	**(1 085 176)**	**(5 875 029)**	**(120 574)**	**(702 055)**	**(4 603 433)**	**(12 856 171)**
Carrying amount	**1 203 029**	**1 611 837**	**14 009 130**	**148 971**	**1 534 267**	**13 164 393**	**31 671 627**
At 31 December 2018							
Cost	4 159 198	5 469 401	19 435 332	482 298	3 061 847	-	32 608 076
Accumulated depreciation	(3 412 269)	(3 694 162)	(13 745 245)	(212 753)	(1 899 695)	-	(22 964 124)
Carrying amount	746 929	1 775 239	5 690 087	269 545	1 162 152	-	9 643 952
At 31 December 2018							
Opening net amount at 1 January 2018	1 251 421	2 439 062	5 733 868	390 120	1 289 316	-	11 103 787
Additions	311 904	357 561	3 165 284	-	446 988	-	4 281 737
Disposals	-	(23 016)	(666 257)	-	-	-	(689 272)
Depreciation charge	(816 396)	(998 369)	(2 542 808)	(120 575)	(574 152)	-	(5 052 300)
Carrying amount	746 929	1 775 239	5 690 087	269 545	1 162 152	-	9 643 952

Company

The Company does not carry property, equipment and right-of-use assets.

12. TRADE AND OTHER PAYABLES	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Financial				
- Trade payables	**25 377 298**	35 346 193	**16 441**	24 319
- Accruals	**4 902 724**	2 542 518	**-**	-
- Other payables	**2 337 579**	542 630	**3 188**	105 798
- Dividend payable	**-**	36 000	**-**	36 000
Non-financial				
- Audit fee provision	**1 150 000**	393 055	**275 349**	92 751
- Personnel related	**12 370 622**	9 588 214	**-**	-
- Value Added Taxation	**3 724 375**	1 114 360	**-**	-
- Withholding Tax	**425 477**	1 343 641	**-**	-
	50 288 075	50 906 611	**294 978**	258 868

13. LEASE LIABILITIES

Amounts recognised in the statement of financial position

Current lease liabilities	**4 678 623**	-	**-**	-
Non-current lease liabilities	**9 528 479**	-	**-**	-
	14 207 102	-	**-**	-
Reconciliation of lease liabilities				
Opening balance	**-**	-	**-**	-
IFRS 16 initial adoption adjustment	**13 921 337**	-	**-**	-
Additions/modification	**3 846 489**	-	**-**	-
Interest expense	**1 601 772**	-	**-**	-
Payments	**(5 162 496)**	-	**-**	-
Closing balance	**14 207 102**	-	**-**	-

There were additions of N$3 846 489 to right-of-use assets during the 2019 financial year

Amounts recognised in the statement of comprehensive income				
Depreciation charge on right-of-use assets - Buildings	**4 603 433**	-	**-**	-
Interest expense on lease liabilities	**1 601 772**	-	**-**	-
	6 205 205	-	**-**	-

14. TAXATION

14.1 Income tax expense

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Current tax expense	**149 666 066**	158 660 926	**12 358 075**	4 465 952
Deferred tax (income)/expense :				
- Origination and reversal of temporary differences	**(3 168 670)**	849 144	**-**	-
Total Income tax expense	**146 497 396**	159 510 070	**12 358 075**	4 465 952

14.2 Reconciliation of current taxation

Profit before taxation	**597 603 235**	628 382 681	**192 651 910**	36 098 711
Tax calculated at standard rate - 32%	**191 233 035**	201 082 458	**61 648 611**	11 551 588
Income not subject to tax - dividends	**(46 518 987)**	(43 795 690)	**(49 927 523)**	(7 638 477)
Non-deductible expenses	**1 783 348**	2 223 302	**636 987**	552 841
	146 497 396	159 510 070	**12 358 075**	4 465 952
Effective tax rate	**24.51%**	25.38%	**6.41%**	12.37%

14.3 Deferred taxation

The net of the Group's deferred tax assets and liabilities was previously presented under a single line item. During the year, the Group has disclosed the deferred tax assets and the deferred tax liabilities separately.

Deferred tax assets				
The balance comprises:				
- Provisions	**15 289 901**	8 374 053	**-**	-
- Share based payments	**686 073**	401 588	**-**	-
- Income received in advance	**1 849 887**	937 857	**-**	-
	17 825 861	9 713 498	**-**	-
Deferred tax assets reconciliation				
Deferred tax assets balance at the beginning of the year	**9 713 498**	6 055 509	**-**	-
Originating temporary differences for the year - Provisions	**6 915 848**	3 007 623	**-**	-
Originating temporary differences for the year - Share based payments	**284 485**	(287 491)	**-**	-
Originating temporary differences for the year - Income received in advance	**912 030**	937 857	**-**	-
Deferred tax assets balance at the end of the year	**17 825 861**	9 713 498	**-**	-
Deferred tax assets balance				
- Current	**8 647 683**	5 279 290	**-**	-
- Non-current	**9 178 178**	4 434 208	**-**	-
	17 825 861	9 713 498	**-**	-

14. TAXATION (CONTINUED)

14.3 Deferred taxation (continued)

The net of the Group's deferred tax assets and liabilities was previously presented under a single line item. During the year the Group has disclosed the deferred tax assets and the deferred tax liabilities separately.

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Deferred tax liabilities				
The balance comprises:				
- Property, equipment and right-of-use assets	**(6 191 526)**	(1 367 474)	**-**	-
- Prepayments and deferred expenses	**(3 243 648)**	(3 058 274)	**-**	-
- EIR adjustment	**(9 523 850)**	(9 589 583)	**-**	-
	(18 959 024)	(14 015 331)	**-**	-
Deferred tax liabilities reconciliation				
Deferred tax liabilities balance at the beginning of the year	**(14 015 331)**	(9 508 198)	**-**	-
Originating temporary differences for the year - Property, equipment and right-of-use assets	**(4 824 052)**	(75 150)	**-**	-
Originating temporary differences for the year - Prepayments and deferred expenses	**(185 374)**	(2 649 988)	**-**	-
Originating temporary differences for the year - EIR adjustment	**65 733**	(1 781 995)	**-**	-
Deferred tax liabilities balance at the end of the year	**(18 959 024)**	(14 015 331)	**-**	-
Deferred tax liabilities balance				
- Current	**(6 296 645)**	(4 547 035)	**-**	-
- Non-current	**(12 662 379)**	(9 468 296)	**-**	-
	(18 959 024)	(14 015 331)	**-**	-

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% (2018: 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.

14.4 Current taxation

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Opening balance	**(22 347 358)**	(15 086 702)	**(7 233 463)**	(7 233 463)
Charge to profit or loss	**149 666 066**	158 660 926	**12 358 075**	4 465 952
Payments made during the period	**(151 144 425)**	(165 921 582)	**(12 328 753)**	(4 465 952)
Taxation (asset)/liability	**(23 825 717)**	(22 347 358)	**(7 204 141)**	(7 233 463)

15. BORROWINGS

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
First National Bank of Namibia Loan 1	**-**	12 713 082	**-**	-
First National Bank of Namibia Loan 2	**65 771 872**	103 337 809	**-**	-

Loan 1 from First National Bank of Namibia is guaranteed by Letshego Holdings Limited and bears interest at Namibia prime less 0.3%. The loan is repayable in quarterly instalments and matures on 31 January 2019.

Loan 2 from First National Bank of Namibia is unsecured and bears interest at Namibia prime plus 2.6%. The loan is repayable in quarterly instalments and matures on 28 June 2021.

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Standard Bank Namibia Limited Loan	**225 000 000**	225 000 000	**-**	-

The loan from Standard Bank Namibia Limited is guaranteed by Letshego Holdings Limited and bears interest at 3 month JIBAR plus 4%. Interest on the loan is repayable quarterly and the loan matures on 31 December 2020.

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Total borrowings	**290 771 872**	341 050 891	**-**	-
- Current	**280 771 872**	12 713 082	**-**	-
- Non-current	**10 000 000**	328 337 809	**-**	-
	290 771 872	341 050 891	**-**	-

16. INTERCOMPANY PAYABLES

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
16.1 Amounts due to parent Company - Letshego Holdings Limited	**138 049 450**	120 451 975	**-**	-

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 30 November 2024.

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
16.2 Intercompany payable - Erf 8585 (Pty) Ltd	**2 902 058**	2 946 716	**-**	-

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.

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
16.3 Intercompany payable - Letshego Bank (Namibia) Ltd	**-**	-	**-**	17 831 009

The intercompany payable Letshego Bank (Namibia) 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.

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Total intercompany payables	**140 951 508**	123 398 691	**-**	17 831 009

Banking facilities
There were no overdraft facilities in place at the end of the financial period, (2018: N$ Nil).

17. DEPOSITS DUE TO CUSTOMERS	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Current accounts	**32 824 067**	3 420 830	**-**	-
Term deposits	**10 536 789**	71 328 068	**-**	-
Total deposits due to customers	**43 360 856**	74 748 898	**-**	-

18. SHARE CAPITAL

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Authorised share capital				
500 000 000 ordinary shares of 0.02 cents each (2018: 500 000 000 ordinary shares of 0.02 cents each)	**100 000**	100 000	**100 000**	100 000
Issued share capital				
500 000 000 ordinary shares of 0.02 cents each (2018: 500 000 000 ordinary shares of 0.02 cents each)	**100 000**	100 000	**100 000**	100 000

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 on 1 February 2013, 2014 and December 2014 respectively. The vesting period of the share awards from grant date is three periods.

	Company December 2019 Number of share awards	Company December 2018 Number of share awards	Group December 2019 Number of share awards	Group December 2019 Exercise price	Group December 2018 Number of share awards	Group December 2018 Exercise price (NAD)
Granted during prior periods	-	-	**2 178 699**	3.20./2.73/2.42	1 878 000	3.06/3.20./2.73
Granted in current period	-	-	**1 070 700**	NAD 2.24	868 200	2.42
Exercised during the period	-	-	**-**	NAD 3.40	(274 784)	3.06
Forfeited during the period	-	-	**(596 299)**	NAD 3.25	(292 717)	3.06
Exercisable and outstanding at the end of the period	-	-	**2 653 100**	3.40./2.90/2.56	2 178 699	3.20./2.73/2.42
Fair value of awards exercisable and outstanding at the end of the period	-	-	**2 143 979**		1 072 218	

20. PROFIT BEFORE TAXATION

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
The following items have been recognised in arriving at profit before taxation:				
Advertising and promotions	**847 769**	3 629 752	**312 431**	334 409
Auditors' remuneration	**2 368 592**	779 000	**498 150**	86 000
- Audit services	**2 368 592**	779 000	**498 150**	86 000
- Other services	**-**	-	**-**	-
Consultancy costs - professional services	**7 568 795**	8 454 680	**854 431**	1 103 183
Computer services costs	**2 294 697**	3 138 708	**-**	-
Depreciation	**12 856 171**	5 052 300	**-**	-
Directors' emoluments				
- for services as director	**1 822 427**	1 540 883	**-**	-
- for management services	**2 810 127**	2 650 665	**-**	-
Rental - premises, computer and office equipment	**-**	5 976 822	**-**	-
Rental - low value and short-term leases	**2 358 431**	-	**-**	-
Employee benefit expense	**61 078 989**	46 612 759	**40 324**	60 739

21. EMPLOYEE BENEFIT EXPENSE

Salaries	**37 047 295**	25 426 146	**40 324**	60 739
Key management personnel	**9 755 348**	9 029 118	**-**	-
Pension fund contributions	**4 263 137**	3 255 916	**-**	-
Medical aid contributions	**2 584 899**	1 718 713	**-**	-
Social security	**144 972**	122 306	**-**	-
Incentive bonuses	**10 070 503**	9 691 195	**-**	-
Staff training and welfare	**22 962**	20 030	**-**	-
	63 889 116	49 263 424	**40 324**	60 739

22. OPERATING EXPENSES BY NATURE

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Sales related expense	**10 048 315**	5 842 383	**317 631**	334 409
Auditors remuneration - audit services	**2 368 592**	779 000	**498 150**	86 000
Collection fees	**37 177 491**	35 542 919	**-**	-
Consulting and secretarial	**7 568 795**	8 454 680	**854 431**	1 103 183
Management fees	**34 739 273**	35 884 220	**-**	-
Employee benefit expense	**61 090 247**	46 612 759	**40 324**	60 739
Depreciation (note 11)	**12 881 773**	5 052 299	**-**	-
Net (recovery) / impairment of bad debts on financial assets	**9 235 614**	18 225 673	**-**	-
Directors' remuneration - for services as directors	**1 822 427**	1 540 883	**-**	-
Directors' remuneration - for management services	**2 810 127**	2 650 665	**-**	-
Computer related expenses	**2 294 697**	3 138 708	**-**	-
Office rental	**2 358 431**	5 976 822	**-**	-
Travel and accommodation	**2 519 113**	1 864 680	**-**	12 310
Social responsibility projects	**1 163 634**	1 588 093	**150 719**	15 000
Arrangement fees	**-**	4 950 099	**-**	-
Telephone & Fax	**2 918 114**	2 672 044	**-**	-
Guarantee fees	**4 669 864**	2 382 192	**-**	-
Subscriptions	**7 865 743**	7 249 578	**144 452**	105 466
VAT expense	**9 651 995**	15 001 976	**-**	-
Other operational expenses	**9 894 540**	8 015 539	**5 383**	11 625
	223 078 785	213 425 212	**2 011 090**	1 728 732

23. FINANCE INCOME AND COSTS

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Interest income calculated using the effective interest income method - Advances to customers	**599 896 317**	596 693 160	**-**	-
Other interest income:				
- Interest received on short term bank deposits	**25 301 841**	21 464 747	**85 572**	24 149
Total interest income calculated using the effective interest income method	**625 198 158**	618 157 907	**85 572**	24 149
Interest paid:	**(36 617 530)**	(32 866 178)	**-**	-
- Borrowings	**(29 221 294)**			-
- Deposits due to customers	**(5 794 464)**			-
- Lease liabilities	**(1 601 772)**			-
Net interest income	**588 580 628**	585 291 729	**85 572**	24 149

The Group's other interest income was previously presented separately in the statement of comprehensive income. However, management considers it to be more relevant if all interest income is presented in one line item in the statement of comprehensive income. Prior year comparatives as at 31 December 2018 have been restated by reclassifying NAD21,464,747 from other interest income to Interest income calculated using the effective interest income method.

	Group		Company	
24. FEE INCOME	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Postage fees	**360 845**	922 706	**-**	-
Fees and commission earned from services to customers	**1 741 570**	253 291	**-**	-
	2 102 415	1 175 997	**-**	-
25.OTHER OPERATING INCOME				
Dividend income - cell captive	**229 998 977**	256 029 440	**73 694 645**	37 803 295
(Loss)/Profit on disposal of plant and equipment	**-**	(689 273)	**-**	-
	229 998 977	255 340 167	**73 694 645**	37 803 295

26. OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Low value assets and short-term leases (IFRS 16)				
Not later than 1 year	**2 476 353**	-	**-**	-
After 1 year but within 5 years	**11 207 060**	-	**-**	-
Property and equipment (IAS 17)				
Not later than 1 year	**-**	4 943 691	**-**	-
After 1 year but within 5 years	**-**	12 228 855	**-**	-
	13 683 413	17 172 546	**-**	-

Short-term and low value lease commitments relate to computer & office equipment. Lease commitments with respect to buildings are recognised under right-of-use assets.

27. RELATED PARTIES

	Letshego Micro Financial Services (Namibia) (Proprietary) Limited (Subsidiary)
	Letshego Bank (Namibia) Limited (Subsidiary)
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)
	Gregory Madhimba (Chief Financial Officer)
	O'Rute Uandara (Chief Operating Officer)
	James Damon (Head of Credit)
	Aletta Shifotoka (Head of Internal Audit)
	Barend Kruger (Head of Consumer Division)
	Diana Mokhatu (Head of Human Resources)
	Chriszelda Gontes (Chief Risk Officer)
Directors:	Rairirira Mbakutua Mbetjiha
	Ester Kali
	Rosalia Martins-Hausiku
	Sven von Blottnitz
	Maryvonne Palanduz
	Mythri Sambasivan-George

27.1 Related party balances

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Loan accounts - Owing to related parties				
Letshego Holdings Limited - loan	**138 049 450**	120 451 975	**-**	-
Erf 8585 (Pty) Ltd	**2 902 058**	2 946 716	**-**	-
Total related party balances	**140 951 508**	123 398 691	**-**	-

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.

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Advances				
Advances to key management personnel	**1 134 440**	1 302 985	**-**	-

No impairment has been recognised in respect of loans granted to key management personnel in the current or prior year.

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Deposits				
Deposits from key management personnel and directors	**254 812**	355 062	**-**	-

Deposits include current and savings accounts.

27. RELATED PARTIES (CONTINUED)

27.2 Related party transactions

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Interest paid to related parties				
Letshego Holdings Limited	-	18 252 025	-	-
Key management personnel and directors	9 169	13 448	-	-
Interest received from related parties				
Key management personnel	128 049	157 355	-	-
Dividend on preference shares paid to related parties				
Letshego Holdings Limited	65 931 918	87 996 763	-	-
Rent paid to related parties				
Erf Eight Five Eight Five (Proprietary) Limited	1 387 779	1 526 004	-	-
Guarantee fees paid to related parties				
Letshego Holdings Limited	4 669 864	2 382 192	-	-
Management fees paid to related parties				
Letshego Holdings Limited	34 739 273	35 884 220	-	-
The amount classified as management fees under note 22 is made up as follows:				
Fees payable to Letshego Holdings Limited	31 265 346	32 295 798	-	-
Withholding tax paid on imported management services	3 473 927	3 588 422	-	-
	34 739 273	35 884 220	-	-
Arrangement fees paid to related parties				
Letshego Holdings Limited	-	-	-	-
Compensation paid to key management personnel				
Salaries and short-term benefits	12 723 029	12 754 404	-	-
Post employment benefits	927 010	962 591	-	-
	13 650 039	13 716 995	-	-
Compensation paid to directors				
Sitting fees paid to non-executive directors	1 822 427	1 540 883		
	1 822 427	1 540 883		

Transactions with related parties take place on terms that are market related and at arms' length in nature.

28. SECURITY

NAD 1.53 billion of the customer advances portfolio (note 10) is registered as security for a Medium Term Note programme floated by the ultimate holding company on the Johannesburg Stock Exchange. The programme in issue is for a combination of fixed and floating rate notes which mature respectively February 2021 (ZAR432 Million) and February 2022 (ZAR33 Million), bearing a weighted average rate of 11.6% nominal annual interest cost.

29. 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) Ltd.

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:

Carrying value of assets and liabilities acquired	N$ Group As at 01 January 2015	N$ Company As at 01 January 2015
Cash	48 033 443	45 762 296
Other receivables	63 969 852	112 824 643
Intercompany receivable	20 516 997	53 552 071
Advances to customers	1 607 217 895	1 932 258 251
Deferred taxation	3 343 381	1 251 260
Current taxation	(14 818 738)	6 728 020
Property, plant and equipment	5 904 067	10 814 235
Trade and other payables	(53 893 908)	(32 263 100)
Intercompany payable	-	(1 198 181)
Borrowings	(764 063 948)	(785 475 687)
Non-controlling interest - Preference shares attributable to Ultimate Parent Company	(215 084 843)	-
Capital reorganisation reserve	(701 024 198)	(1 344 153 808)
Net assets acquired	**100,000**	**100,000**

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Capital reorganisation reserve	**701 024 198**	701 024 198	**1 344 153 808**	1 344 153 808

30. INVESTMENT IN SUBSIDIARIES

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Investment in Letshego Micro Financial Services (Pty)	**-**	-	**570 100 000**	570 100 000
Investment in Letshego Bank (Namibia) Limited at cost	**-**	-	**1 344 253 808**	1 344 253 808
	-	-	**1 914 353 808**	1 914 353 808

31. CAPITAL COMMITMENTS

	Group 31 December 2019 N$	Group 31 December 2018 N$	Company 31 December 2019 N$	Company 31 December 2018 N$
Authorised but not contracted for	**17 813 000**	11 500 000	**-**	-

The capital commitments will be funded by the Group's cash resources.

32. 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 financial statements.

32.1 Entity-wide disclosures

32.1.1 Products and Services

Operating segment
- Banking operations

Brand
- Letshego

Description
- Regulated financial services provider, focusing on the low to middle income earners in the Namibia.

Products and services
- Letshego conducts business as a registered bank and provides micro-lending services.

32.1.2 Geographical segments

There are no segment operations outside Namibia as the group operates within the borders of Namibia.

32.1.3 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.

33. 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 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Cash and cash equivalents	**147 586 155**	750 860 322	**179 513**	1 119 927
Borrowings repayable within one year (including lease liabilities)	**(288 352 553)**	(15 659 798)	**-**	-
Borrowings repayable after one year (including lease liabilities)	**(157 577 929)**	(448 789 784)	**-**	-
Net debt	**(298 344 327)**	286 410 739	**179 513**	1 119 927
Cash and cash equivalents	**147 586 155**	750 860 322	**179 513**	1 119 927
Gross debt - fixed interest rates	**-**	-	**-**	-
Gross debt - variable interest rates	**(445 930 482)**	(464 449 582)	**-**	-
Net debt	**(298 344 327)**	286 410 739	**179 513**	1 119 927

34. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit for the year/period 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 profit for the year/period, after excluding identifiable remeasurements, net of tax, 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.

	Group		Company	
	31 December 2019 N$	31 December 2018 N$	31 December 2019 N$	31 December 2018 N$
Earnings				
Profit for the period	**451 105 839**	468 872 611	**180 293 835**	31 632 759
Headline adjustments	**-**	-	**-**	-
Remeasurement included in equity accounted earnings	**-**		**-**	-
Headline earnings	**451 105 839**	468 872 611	**180 293 835**	31 632 759
Number of ordinary shares in issue at year end (note 18)	**500 000 000**	500 000 000	**500 000 000**	500 000 000
Weighted average number of ordinary shares in issue during the period	**500 000 000**	500 000 000	**500 000 000**	500 000 000
Diluted weighted average number of ordinary shares in issue during the period	**500 000 000**	500 000 000	**500 000 000**	500 000 000
Earnings per ordinary share (cents)				
Basic	**90**	94	**36**	6
Fully diluted	**90**	94	**36**	6
Headline earnings per ordinary share (cents)				
Basic	**90**	94	**36**	6
Fully diluted	**90**	94	**36**	6

35. EVENTS OCCURRING AFTER THE REPORTING DATE

COVID-19

Since the reporting date, there has been global outbreak of the coronavirus (COVID-19). The directors have evaluated the financial impact of COVID-19 on the Group and cannot identify a going concern risk within the medium term. The Group has identified the health of its employees as the most critical risk factor during the pandemic and has implemented sufficient measures to mitigate these risks. An estimate of the financial impact of COVID-19 on the Group cannot be made due to uncertainties regarding how long the pandemic will last and its overall effects on the local economy. Notwithstanding, the Group does not expect any major adverse effects on its advances portfolio directly resulting from COVID-19 as the majority of its customers are employed by the Government and are not expected to lose their employment in the foreseeable future. Apart from this, the directors are not aware of any matters or circumstances arising since the end of the financial period and up to the date of this report, that would require adjustment of, or disclosure in these annual financial statements.

Dividend

A dividend of 22.5 cents per ordinary share has been declared subsequent to the reporting date.

NOTICE OF

Annual General Meeting

Notice is hereby given that the 4th Annual General Meeting of the Company will be held at the Safari Hotel, c/o Auas & Aviation Road, Windhoek, Namibia on Friday, 31 July 2020 at 16h30 with registration to commence at 16h00 for the following purposes:

ORDINARY BUSINESS

ORDINARY RESOLUTIONS

Shareholders are advised that in order for all ordinary resolutions to be passed, votes in favour must represent at least 50% + 1 (fifty percent plus one) of all votes cast and/or exercised at the meeting in respect of these 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 2019, 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, a final dividend of 22.5 cents (N$0.225) per share paid to shareholders on 29 May 2020.

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 Ms. Rosalia Hausiku-Martins who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers herself for re-election.

3.3 To confirm the resignation of Ms. Mythri Sambasivan-George from the Board with effect from 24 April 2020.

4. RESOLUTION 4

4.1 To approve the remuneration of the Directors for the financial year ending 31 December 2019 as disclosed in Note 22 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director is disclosed in the Corporate Governance section of the Annual Report.

4.2 To confirm the remuneration structure of the Directors for the financial year ending 31 December 2019. The board fees and the retainer structure are set out in the Corporate Governance section of the Annual Report.

5. RESOLUTION 5

To approve the remuneration of the Auditors for the financial year ending 31 December 2019 as disclosed in Note 22 to the Annual Financial Statements in the Annual Report.

6. RESOLUTION 6

6.1 To ratify and confirm the appointment of PricewaterhouseCoopers as external auditors for the ensuing year who were appointed on 11 April 2020 as approved by the Bank of Namibia.

6.2 To authorize the directors to determine the remuneration of the Auditors for the next financial year ending 31 December 2020 estimated at N$1,423,975.

7. RESOLUTION 7

To ratify the redemption of preference shares paid to the preference shareholder since the creation of the preference shares in March 2018 up to 31 December 2019, subject to the outcome of the court process to ratify a special resolution taken in a subsidiary of the company in March 2018 to convert the loan account of Letshego Holdings Ltd into share capital by the creation of redeemable preference shares.

SPECIAL BUSINESS

1. To transact other business which may be transacted at an Annual General Meeting.
2. To renew and amend the proposed reduction of the stated share capital of the Company, pursuant to the proposed renewed Share Buy Back mandate on the basis that the Company may, to the fullest extent of the law, buy back at any time such amount of ordinary shares as may be determined by the Directors, the maximum number of shares so repurchased shall not exceed 10% of the stated share capital of the Company and that the shares repurchased may be retained as treasury shares subject to a maximum of 5% of the stated share capital of the Company.

To transact other business which may be transacted at an Annual General Meeting

BY ORDER OF THE BOARD

NOTE:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak, and on a poll, vote in his/her stead, and such proxy need not also be a member of the Company.
2. The Proxy Form must be deposited at the registered office of the Company not less than 48 (Forty Eight) hours before the time of holding the meeting.

Dated at WINDHOEK on 02 July 2020.

REGISTERED OFFICE: Unit 6, Gold Street Business Park, Gold Street, Prosperita, Windhoek | PO Box 90757, Windhoek, Namibia
Tel: +264 61 305072 **Fax:** +264 61 423211 **Email:** info@bscs.com.na

Form of Proxy

ORDINARY 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 at Safari Hotel, c/o Auas & Aviation Road, Windhoek Namibia on Friday 31 July 2020 at 16h30. Registration commences at 16h00.

I/We____ (name/s in block letters)
of (address) ____ being a member of
Letshego Holdings 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 To receive and adopt the Annual Financial Statements for the financial year ended 31 December 2019, including the Directors' Report and the report of the Independent Auditors.			
Ordinary resolution number 2 To ratify the dividends declared and paid since the last Annual General Meeting, a final dividend of 22.5 cents (N$0.225) per share paid to shareholders on 29 May 2020.			
Ordinary resolution number 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 himself for re-election.			
Ordinary resolution number 3.2 To confirm the re-election of Ms. Rosalia Hausiku-Martins who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers himself for re-election.			
Ordinary resolution number 3.3 To confirm the resignation of Ms. Mythri Sambasivan-George from the Board with effect from 24 April 2020.			

	For	Against	Abstain
Ordinary resolution number 4.1 To approve the remuneration of the Directors for the financial year ending 31 December 2019 as disclosed in Note 22 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director is disclosed in the Corporate Governance section of the Annual Report.			
Ordinary resolution number 4.2 To confirm the remuneration structure of the Directors for the financial year ending 31 December 2019. The board fees and the retainer structure are set out in the Corporate Governance section of the Annual Report.			
Ordinary resolution number 5 To approve the remuneration of the Auditors for the financial year ending 31 December 2019 as disclosed in Note 22 to the Annual Financial Statements in the Annual Report.			
Ordinary resolution number 6.1 To ratify and confirm the appointment of Pricewaterhouse Coopers as external auditors for the ensuing year who were appointed on 11 April 2020 as approved by the Bank of Namibia.			
Ordinary resolution number 6.2 To authorize the directors to determine the remuneration of the Auditors for the next financial year ending 31 December 2020 estimated at N$1,423,975.			
Ordinary resolution number 7 To ratify the redemption of preference shares paid to the preference shareholder since the creation of the preference shares in March 2018 up to 31 December 2019, subject to the outcome of the court process to ratify a special resolution taken in a subsidiary of the company in March 2018 to convert the loan account of Letshego Holdings Ltd into share capital by the creation of redeemable preference shares.			
To transact other business which may be transacted at an Annual General Meeting			

Signed at____________________________________ on this day of_______________________________ 2020

Signature

____

Assisted by (where applicable

Form of Proxy (Continued)

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 Chairman 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 Chairman, 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, Unit 6, Gold Street Business Park, Gold Street, Prosperita, Windhoek to be received not less than 48 hours before the Annual General Meeting (i.e. not later than 5.00 p.m. Monday 27 July 2020).

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 Chairman 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:
   (a) not less than five shareholders having the right to vote at the meeting or;
   (b) 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;
   (c) 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.

List of Abbreviations

AGM	Annual General Meeting
ALCo	Asset Liability Committee
ALM	Assets and Liabilities Management
AML	Anti-money Laundering
BARC	Board Audit and Risk Committee
BCC	Board Credit Committee
BRC	Board Remuneration Committee
BCM	Business Continuity Management
BoN	Bank of Namibia
DSA	Direct Sales Agent
ECL	Expected credit loss
EFT	Electronic Funds Transfer
ERM	Enterprise Risk Management
ERMF	Enterprise-wide Risk Management Framework
ESG	Environmental, Social and Governance
EXCO	Executive Committee
EXD	Executive Director
FIA	Financial Intelligence Act
FTE	Full-time employee
GRI	Global Reporting Initiative
ICL	Incurred credit loss
IFRS	International Financial Reporting Standards
IIRF	International Integrated Reporting Framework
INED	Independent Non-Executive Director
ITMC	Information Technology Management Committee
KING IV	King Code of Governance Principles for SA
KYC	Know Your Client
LBNL	Letshego Bank (Namibia) Limited
LGN	Letshego Group Namibia
LHL	Letshego Holdings Limited
LHNL	Letshego Holdings (Namibia) Limited
ERM	Loan Loss Ratio
LMFSN	Letshego Micro Financial Services (Namibia) (Pty) Limited
LTIP	Long-term Incentive Plan
ManCo	Management Committee
MCC	Management Credit Committee
MSE	Micro and small enterprises
N$	Namibian dollars
NAMFISA	Namibia Financial Institutions Supervisory Authority
NED	Non-Executive Directors
NPL	Non-Performing Loan
NSX	Namibian Stock Exchange
PAN	Payments Association of Namibia
PAT	Profit after Tax
ProCo	Procurement Committee
PWC	PriceWaterhouseCoopers
RMC	Risk Management Committee
RPO	Recovery Point Objective
SENS	Securities Exchange News Services
SSI	Strategic Social Investment

Deduction of source	The monthly collection of predominantly Government employee loans directly from the Government payroll offices using Deduction codes
Deduction code	A code issued by the Permanent Secretary of the Ministry of Finance to entities that comply with the set conditions and requirements and is approved to participate as a Deduction code holder
LGN	Letshego Group Namibia, comprising LHN, LBN and LMFSN collectively (see List of abbreviations)
Localisation	Government's process of increasing the ownership and management of Namibian companies by Namibian citizens and more particularly PDNs
Namcode	The Corporate Governance Code for Namibia
Namibia	The Republic of Namibia
PDNs	Previously disadvantaged Namibian citizens as contemplated in Article 23 of the Namibian Constitution, being natural persons who have been socially, economically or educationally disadvantaged by past discriminatory laws or practices, having regard to the fact that women in Namibia have traditionally suffered special discrimination and that they need to be encouraged and enabled to play a full, equal and effective role in the Namibian economy
USSD	Unstructured Supplementary Service Data is a Global System for mobile communication technology that is used to send text between a mobile phone and an application program