LETSHEGO HOLDINGS (NAMIBIA) LIMITED

Integrated Annual Report 2022

Letshego

Contents

About our integrated report

This is the year-end report of Letshego Holdings (Namibia) Limited ('LHN', 'Letshego', or 'the Group') to its stakeholders. It is intended to give a balanced and accurate assessment of the Group's performance for the financial year ended 31 December 2022. LHN is listed on the Namibian Stock Exchange.

The content of this report targets all stakeholders in Letshego, including staff, customers, investors, funders, strategic partners, governments, regulators and members of the communities where LHN operates.

Reporting Scope:

The 2022 Integrated Annual Report (IAR) details how Letshego generated and preserved value for its shareholders, capital providers and other stakeholder groups over the course of the year.

It provides a concise overview of the Group's progress against strategic objectives, considering material factors, risks and opportunities, stakeholder concerns and the external operating environment. Where applicable, information up to the date of the report's finalisation has been included.

In assessing what information to include in the integrated report, the Group applies principles of stakeholder inclusiveness, sustainability, materiality and completeness. Letshego also applies the principles of accuracy, balance, clarity, transparency, comparability and timeliness when assessing information for this report.

The 2022 Integrated Annual Report covers both our core business operations: Letshego Bank (Namibia) Limited (LBN) and Letshego Micro Financial Services (Namibia) (Pty) Limited (LMFSN). Collectively, these entities are referred to as Letshego Holdings (Namibia) Limited (LHN).

Reporting Framework:

Letshego's annual integrated reporting standards align with global protocols. It reflects key risks and opportunities and show how these factors affected LHN's strategy, financial and non-financial performance as well as the Group's impact on the markets in which it operates.

The 2022 IAR endeavours to provide a concise, balanced and transparent update on the progress made during the year under review as regards LHN's strategy, performance, operations, governance and reporting. In preparing this report, Letshego followed the principles of the International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC), the King Code of Governance Principles for South Africa (King IV), Namcode and the Namibian Stock Exchange (NSX) Listing Requirements.

In addition, Letshego strives to adhere to the 'core' Global Reporting Initiative (GRI) Standards.

Note On Disclosures

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

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

Integrated Annual Reporting Process

Our 2022 Integrated Annual Report was compiled through a robust process as depicted below:

Content

Integrity/Assurance

Approval

IAR

Content

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

Integrity/assurance

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

Approval

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

Restatements or changes from the prior period

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

Board approval

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

The Board approved the annual report on 17 March 2023.

Maryvonne Palanduz
Chairperson: LHN and LBN Boards of Directors

Forward-looking statements

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

Find this report online

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

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

www.letshego.com/namibia

Feedback on this report

This IAR demonstrates our continuing progression along our journey of integrated thinking and reporting. We welcome written comments and feedback from our stakeholders that relate to this report and other general matters. Kindly email your comments to Mignon Klein (Company Secretary)

mignonk@letshego.com

Spotlight on 2022

Financial performance

Profit after Tax (NAD '000)

350 415

(FY2021: 303 229)

NFI to Total Income (%)

40%

(FY2021: 33%)

Net Advances (NAD '000)

4 752 702

(FY2021: 4 278 481)

Revenue Growth

17%

(FY2021: 6%)

Cost to Income Ratio (%)

47%

(FY2021: 52%)

Capital Adequacy ratio (%)

53%

(FY2021: 56%)

Return on Equity (%)

13%

(FY2021: 11%)

Earnings per Share (NAD cents)

70

(FY2021: 61)

Financial highlights

Growth in Advances year-on-year

11%

(FY2021: 18.6%)

Increase year-on-year fee & Commission income

95%

(FY2021: 250%)

Affordable Housing:

N$12 million

Diversifying our funding

IFC facility secured for Affordable Housing

U$50 million

Deposit Savings (NAD '000)

535 687

(FY2021: 386 069)

Borrowings (NAD '000)

2 525 208

(2021:1 980 798)

- N$ 200 million raised through listed bond

We are building a **#LetsGoNation** to support Namibia's future.

Accelerating our digitalisation and diversification

LetsGo Digital Mall
Grew customer base to 52,400

Rise in digital Transactions
14%

Retail branch
Opened in Windhoek City Centre in April 2022

NSX
Raised N$200 million in additional debt on listed bond programme

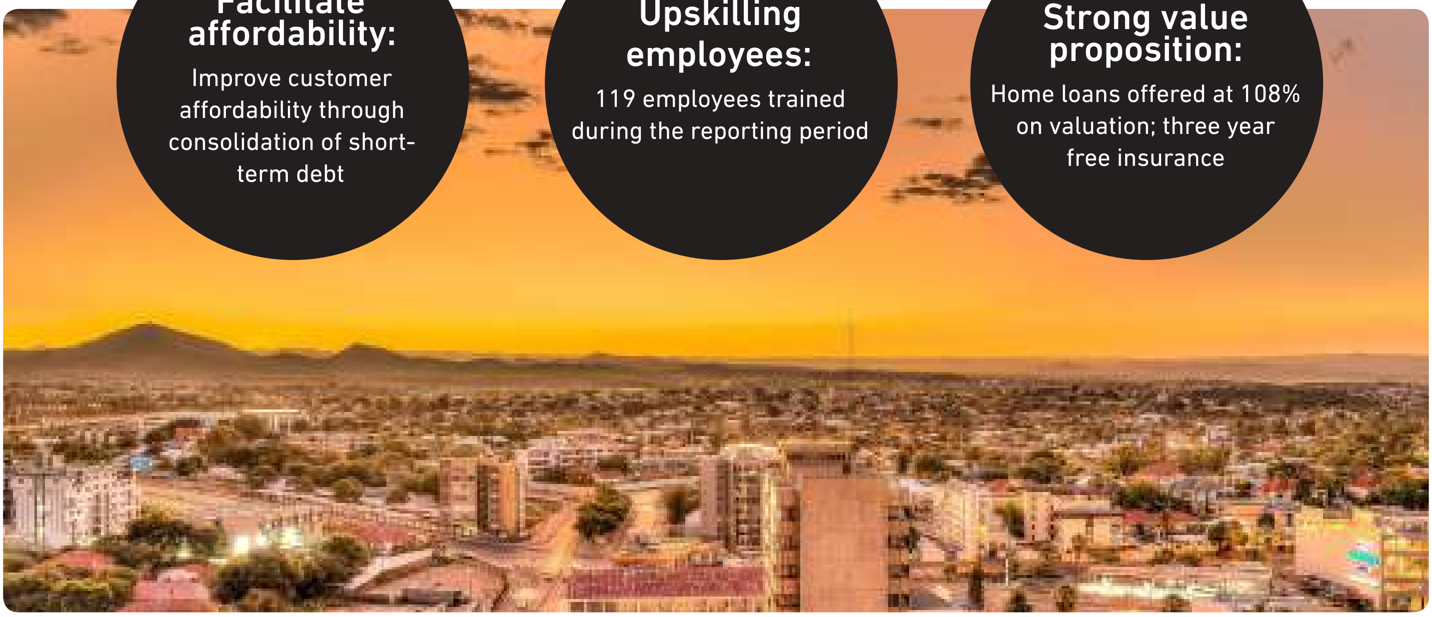
Governance
Reviewed and revamped all people and culture policies

Living our purpose

Facilitate affordability:
Improve customer affordability through consolidation of short-term debt

Upskilling employees:
119 employees trained during the reporting period

Strong value proposition:
Home loans offered at 108% on valuation; three year free insurance



Key developments during **2022**

Several key events affected the financial performance of the Group and were dealt with by the Board and Management to prevent the erosion of value and ensure the ongoing resilience and profitability of the business:

- The Group made additions to its capital assets of N$9.0 million (2021: N$8.8 million) excluding the right-of-use assets during the financial year.
- A final ordinary dividend of N$147.6 million (29.5 cents per share) (2021: N$112.5 million, 22.50 cents per share) in respect of the year ended 31 December 2021 was paid in June 2022.
- A dividend of 44.89 cents per ordinary share has been declared since the end of the reporting year.
- Implementation of the web and mobile-based Digital Mall platform was progressively scaled up to encompass some Letshego solutions.
- One new branch was opened in the Windhoek City Centre in April 2022, bringing physical infrastructure to 17 branches - 6 deposit-taking and 11 service centres.
- Launch of a pilot device financing project with MTC (Mobile Telecommunications Limited) serves to drive our diversification strategy.
- Internal quality assessment department underwent an annual review during the last quarter of 2022, covering numerous areas, including: department structure; IT and staffing skills.

Chairperson's review

The economic climate continued on a path of slower-than-expected recovery informed by the high cost of imported products and the resultant monetary policy tightening globally. Over the past year, the Group faced numerous challenges due to these adverse economic conditions, both locally and globally. The spill-over effects of the Russia-Ukraine conflict adversely impacted our operating environment, resulting in steep rises in the cost of living, coupled with rising interest rates as monetary policy endeavors to tame hyper-inflationary conditions. These are but some of the economic factors that the Namibian economy continues to grapple with. At Letshego, we remain true to our brand promise of "Improving lives" as we persevere in our efforts to provide relevant solutions to our customers in these challenging times.

Notwithstanding this, Letshego Group Namibia continues to deliver notable growth and significant progress towards its strategy as it highlights the following key indicators:

- A profit growth of 16% year on year
- 53% capital adequacy ratio
- 100% dividend payouts over the past year
- Built on our digital capability to enhance our customer experience
- Expanded our product continuum to access wider target segments
- Increased our branch footprint to 17 branches countrywide

Maryvonne Palanduz

Strategic overview

As we strive to realise our vision, our primary focus is to generate sustainable value for all our stakeholders, encompassing customers, employees, investors and the communities in which we operate. Our unwavering commitment to this forms the foundation of our business practices. We have devised a comprehensive five-year business plan known as the "6-2-5" strategic roadmap, which outlines our key priorities and milestones. We are pleased to announce that we successfully ended the year at the two-year mark of this roadmap and the Board of Directors maintains vigilant oversight to ensure progress towards these strategic objectives.

Moving forward, the Group is shifting its attention to the five-year milestone of our strategic roadmap, placing great emphasis on establishing the organisation of the future. Our objectives revolve around fostering Platform Thinking to drive progress. At this juncture of our five-year plan, talent mobility, a culture of innovation and enabling digital capabilities, take centre stage.

We firmly believe that by embracing the methodology of "agile way of working" we can cultivate a culture of empowerment that allows the business to enhance efficiencies, foster collaboration and elevate customer experience. This in turn will enable us to effectively fulfill our strategic imperatives and deliver on our long-term goals.

Financial performance

Letshego Group Namibia continues to boast a strong set of financial results amidst an unfavourable operating environment. It has managed to amass a total asset base of N$6,2 billion for the 2022 financial year, from N$5,5 billion recorded for 2021. Deposits have grown shy of 40% to N$536 million from N$386 million. A N$4,75 billion advances book increased with 11% from the previous year. The asset quality remains strong with the Group's loan loss ratio (LLR) at 0,22% for the year. The non-performing loans (NPLs) ratio increased marginally to 4,97% but remained lower than the industry average of 5,6%.

The profit of N$350 million earned during the 2022 financial year contributed to a record final dividend of 44,89 cents per share. The financial statements confirmed exceptional growth with profit before tax up by 10% year-on-year to N$392 million and profit after tax increasing 16% for the same comparative period to N$350 million. Performance for the year was largely driven by 11% growth in advances to customers, totaling N$4,75 billion and growth in LetsGo transactional account customers to 41 222 (2021: 31 753). Letshego recorded a decrease in staff and operational expenses by 3,5% due to strict cost controls introduced during the reporting period.

Effective risk management

A significant accomplishment was our ability to unlock value in the balance sheet through a comprehensive process even in the face of margin compression. The Group has implemented strategic measures to optimise its operations and capitalise on available opportunities and as a result, the overall performance showed a positive upturn, and the Group continues to actively work towards further improving these outcomes.

Despite limitations in product development and structural enablement, the Group has managed to maintain steady portfolio growth of 11% regardless. This is a testament to its strong brand affinity and the effectiveness of its business strategies.

Governance, ethics and board performance

The Board remains committed to upholding robust corporate governance practices, ensuring transparency and adherence to regulatory requirements. These principles serve as the solid foundation of our operations, indispensable for preserving the trust and confidence of our shareholders, stakeholders and the broader community. By prioritising these principles, we reaffirm our dedication to responsible and ethical business conduct, fostering long term sustainability and shared value.

Future prospects

Reflecting on our strategic progress, we remain well aligned to continue our strong progression as we journey towards embedding our vision to become a world-class financial services organisation meeting the needs of the mass and middle-income individuals as well as micro-small enterprises. Through expanding into these target segments, branching out from our core base concentrated amongst the civil servant's employee base, we remain positive about the growth potential this presents for the Group. Through the adaptation and augmentation of our flagship products to address the needs of these new target segments, we are confident about future growth prospects that this opportunity presents.

Closure

In conclusion, Letshego has demonstrated resilience and agility in navigating the challenges the current economic climate poses. We are proud of our achievements thus far and remain committed to the mission of providing accessible and reliable financial services to individuals and businesses in Namibia. With the continued support of its dedicated employees, loyal customers and esteemed shareholders, we are confident that the Letshego Group will achieve sustained success in the future.

Maryvonne Palanduz

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

Who we are

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

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

Our Journey

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

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

2009
15% shareholding sold to Kumwe Investments

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

2014
LBN granted a Provisional Banking License by Bank of Namibia

2015
Letshego moves into new head office building in Windhoek

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

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

Letshego focuses on mass to middle income earners in the economy through the provision of financially inclusive solutions. These solutions bear the Company's hallmarks: responsive to the needs of the people; simple to understand; accessible by way of innovative new channels, and above all, ethical solutions that enable savings and sustainable economic growth. In recent years, LHN has been engaged in its 'Improving Lives' campaign, which encourages customers to use their loan proceeds towards productive rather than consumptive lending to improve their lives.

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

Today, Letshego is a listed company on the Namibian Stock Exchange, with a market capitalisation of N$ 1 800 billion, representing 5% of the NSX's primary listings market capitalisation.

2017

LHN is listed on the Namibian Stock Exchange

2018

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

2020

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

2021

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

2022

LHN opens its 17th branch in Windhoek's City Centre

Expanded Affordable Housing offering to serve more under-banked members of the community

Our vision board

1 Our Vision*

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

2 Our Purpose*

IMPROVING LIVES

3 Mantra*

Simple

- We aspire for simplicity in our approach and shun complexity. Our business model, our products, services and actions are simple to provide clarity and transparency.

Focus

- We drown out noise and concentrate on getting things done and we are unrelenting in pursuing our goals and achieving our strategy.

Discipline

- We take accountability and hold each other accountable and we keep our promises to our customers, shareholders, stakeholder and to one another.

4 Stakeholders*

- Our People
- Strategic Partners
- Customers
- Shareholders
- Government & Regulators

5 6-2-5 Execution roadmap*

6-Months:

Productivity of solutions
STRENGTHEN our foundation

- Build on core business, DAS
- Key digital channels to improve DAS productivity
- Diversify solutions and funding

2-Years:

Transformative technologies
BECOME customer-led

- Invest in Customer Experience
- Leverage off emerging transformative technologies
- Customer-led, speed to market
- Enterprise agility as a methodology

5-Years:

Platform thinking
CREATE the future organisation

- Talent mobility
- Relentless Innovation culture
- Digital delivery - innovation hubs / Platform / Ecosystem thinking

6 Our Targets by 2025*

Capture 5-10%

- Market share target in all product segment combinations across existing markets
- Leverage strength in the DAS channel and government employee segment
- Go big to capture new market leading positions

Build 5

- 5 Value Streams that deliver unique value propositions in lending, savings, payments, insurance and lifestyle
- Build a Beyond Financial Services offering that adjusts to evolving consumer needs

Serve 3

- Core customer segments through customer acquisition and cross-selling capabilities that support mass and middle income segments, as well as MSEs
- Diversify and extend reach within customer segments through digitalisation, tech advancements and end-to-end automation.

* *Objectives and Key Results to measure Execution*

Our solutions

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

LetsGo borrow

Lending

Providing access to capital

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

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

Personal loans (DAS)

Personal loans (NON-DAS)

Programmatic loans

Value stream 1

LetsGo pay

Payments

Facilitating simple and secure payments

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

Cards

Value stream 2

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

LetsGo save

Savings

Mobilising savings for the future

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

Scale deposits

Value stream 3

LetsGo insure

Insurance Products

Protecting against risks

Our insurance products enable our customers to improve their lives by securing their wealth, fitness and wellbeing through insurance, health care and life cover.

Life and short-term insurance

Value stream 4

LetsGo live

Lifestyle partnerships

Beyond banking

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

Value stream 5

Our structure

Letshego

Letshego Holdings (Namibia) Limited's Group Structure

LETSHEGO HOLDINGS LIMITED
78.5%

KUMWE HOLDINGS
12%

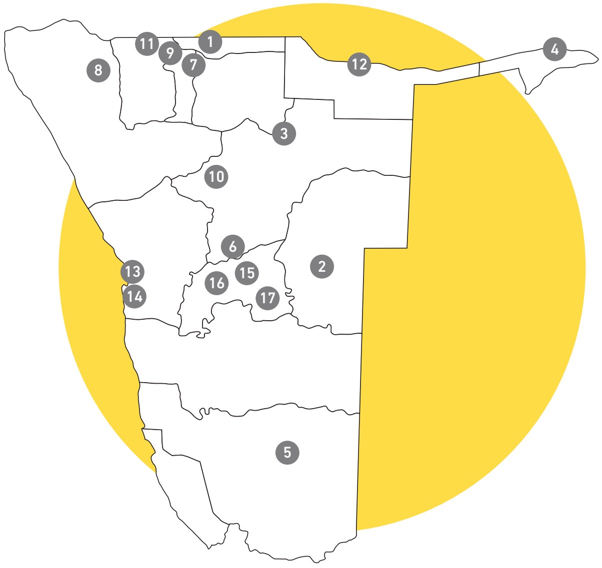
RETAIL AND INSTITUTIONAL INVESTORS
9.5%

Letshego Bank Namibia Ltd
100%

Letshego Micro Financial Services Namibia (Pty) Ltd
100%

Where we operate

LHN has its headquarters in Windhoek, Namibia and was incorporated in the Republic of Namibia on 24 February 2016. We operate through 17 customer service points across Namibia, six converted into full deposit taking branches.



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

12	Rundu	Shop 2B, Northgate Building, Eugene Kakururu Street
13	Swakopmund	1st Floor, GIPF Building, Sam Nujoma Drive
14	Walvis Bay	Haus 2000, Sam Nujoma Avenue
15		B1 City, Katutura
16	Windhoek	Main branch 18 Schwerinsburg Street
17		Windhoek City Centre Werner List Street

LHN is made up of a network of 17 service points spread across three regions: North West, North East (Erongo and Central) and South. These service points house 73 customer facing employees and three regional managers. 52 Direct Sales Agents (DSAs) are also distributed throughout the country reporting directly to a Windhoek-based regional manager.

Value Creation

The resources we leverage

1 Financial resources

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

2 Human resources

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

3 Manufactured resources

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

4 Intellectual resources

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

5 Social and relationship resources

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

6 Natural resources

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

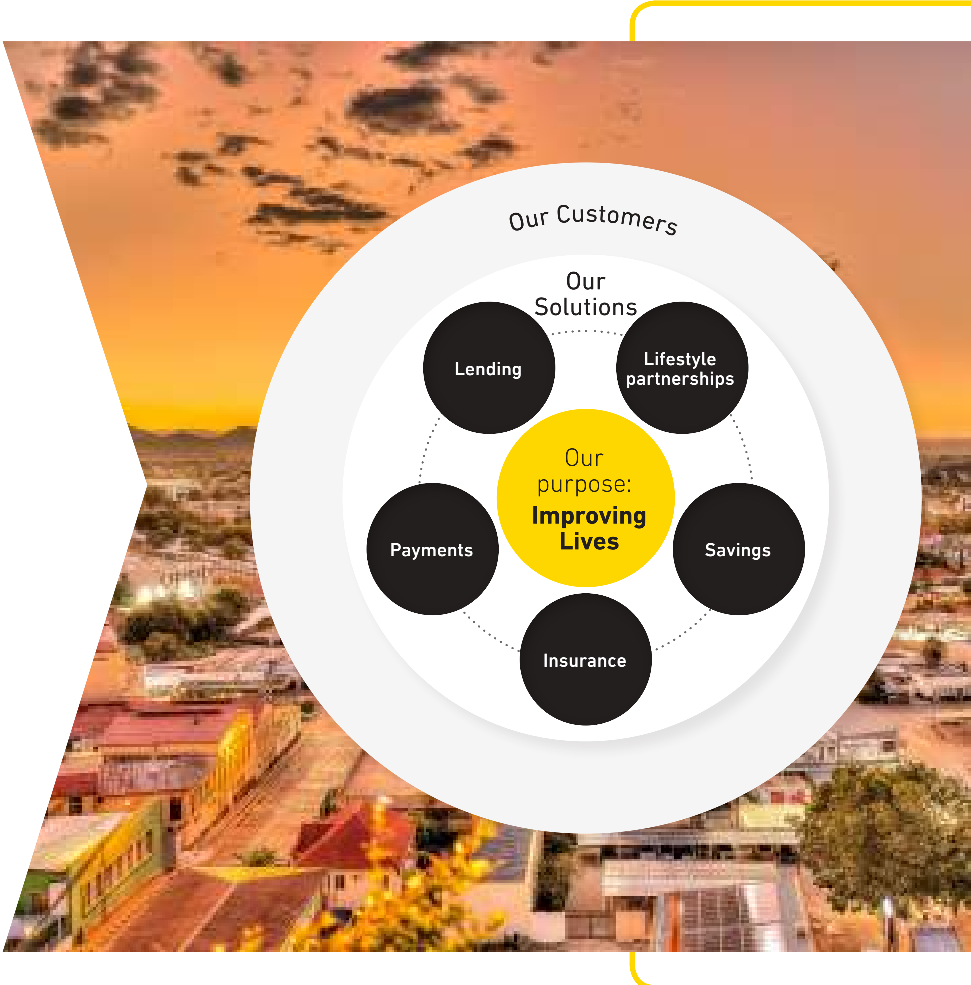
Our value creation process is influenced by:

Our stakeholders' needs

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

Our risks and opportunities

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



Our value creation process is underpinned by:

Access channels

- Branches
- Digital and mobile platforms
- DSAs

Support functions

- Human resources
- Transformative technologies

Our operating environment

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

Our strategy

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

Our 6-2-5 Action plan

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

2 Be customer-led and invest in transformative technology

5 Leverage platform thinking to create a future organisation

Delivering value to stakeholders

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

Customers

- Simple, appropriate and accessible financial solutions

Employees

- Superior training, skills development and career advancement opportunities

Governments and regulators

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

Investors and funders

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

Communities

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

Control functions

- Compliance
- Risk management
- Audit

Corporate governance

- Overseeing strategic execution
- Setting the ethical tone

Managing our resources

Resources		Inputs
Financial resources	The pool of funds supporting business operations, including equity finance and debt.	▶ N$2,8 billion equity capital ▶ N$2,5 billion debt ▶ N$536 million customer deposits
Human resources	The competencies, capabilities and experience of our employees and how they innovate, collaborate and align with Letshego's objectives.	▶ 150 skilled, customer-centric people ▶ Experienced and ethical leadership team ▶ Automated/Digital Performance management system ▶ Various training courses
Manufactured resources	The facilities and general infrastructure that enables Letshego to support business operations (tangible assets).	▶ 17 physical access points ▶ Call centres ▶ Online and mobile platforms ▶ IT hardware
Intellectual resources	The intangibles that sustain the quality of our product and service offering, which provide Letshego's competitive advantage, such as our innovations, systems and reputation.	▶ A deliberately shaped, agile culture ▶ A trustworthy brand that resonates with consumers ▶ Marketing campaigns and initiatives ▶ IT systems and enterprise architecture ▶ Balance sheet management ▶ Market and data analysis
Social and relationship resources	The relationships and collaborations we create with our customers, stakeholders and communities.	▶ Relationships with all stakeholder groups ▶ Sustainable business practices to meet the SDGs as well as responsible ESG practices
Natural resources	Renewable and non-renewable resources used by Letshego to function.	▶ Electricity ▶ Water ▶ Fuel ▶ Land

Outputs	Outcomes
▶ Net interest income of N$453 million Operating profit: N$392 million ▶ Dividends distributed: N$273 million ▶ Operational expenditure: N$268 million ▶ Tax expense: N$41 million	We leverage financial capital to invest in our business and grow our competitive market position. This has a positive impact on human, intellectual, social and relationship capitals.
▶ Excellent customer service ▶ N$84 million paid in salaries and benefits ▶ 119 employees trained during FY22 ▶ Talent pipeline ▶ 15.8% turnover rate ▶ Increased diversity through hiring people locally	Significant people-related investments in initiatives negatively impacts our financial capital in the short term but positively impacts our human, social and relationship capitals, which, over the longer term, enables us to have the people and capabilities required to deliver our strategy and performance targets. Our appeal as an employer of choice and our brand value, in turn, increases our intellectual capital.
▶ Infrastructure spend (branches) N$7 million ▶ Increased adoption of digital banking platforms ▶ Staff work from home capability	Although digital adoption is increasing, we retained our physical access points to allow our customers face-to-face engagement. We added one physical branch during the period under review. Automation of routine tasks through technology will prevent an increase in headcount.
Letshego is developing a range of distinctive capabilities that cannot be easily replicated by competitors – this will ensure coherent value creation. ▶ Better responses to changing consumer needs ▶ Brand reinforcement and market communication ▶ Accelerated deployment of new technologies ▶ Agile project management ▶ Effective controls and processes ▶ Improved business practices	Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human, and social and relationship capitals, but negatively impacting financial capital in the short term.
▶ Brand reinforcement and market communication ▶ Understanding our customers ▶ Networking and partnerships ▶ Focused and committed corporate social investment (over N$800 000 spent in FY22)	Stakeholder-related investments and initiatives positively impacts our social and relationship capital, which, over the longer term, enables us to have the community of stakeholders that are loyal and supportive to our brand and provide our social license to operate.
▶ Responsible management of waste and emissions ▶ Focus on sustainable use of our resources ▶ Maximising digital reduces our carbon footprint	While certain business activities impact our natural capital (for example, use of fossil fuels and related emissions), these positively impact human, social and relationship and the financial capitals.

Our external operating environment

Macro economic landscape

The economic situation in Namibia has been gradually improving after the significant impact of the Covid-19 pandemic in 2020. The country experienced a 4.6% increase in real Gross Domestic Product (GDP), although this growth was from a low base. The growth in GDP was mainly driven by higher household spending, which was influenced by a high inflationary environment. However, this inflation did not result in significant changes in demand.

The ongoing conflict between Russia and Ukraine had negative consequences for Namibia, as the country heavily relies on imports for commodities such as fuel, wheat, and cooking oil. The increased prices of these commodities have led to a higher cost of living for the average Namibian household, which is further compounded by the cost of servicing household debt.

To combat the rising inflation, most central banks, including Namibia's, adopted a more stringent monetary policy approach. This, in turn, had a negative impact on stock and commodity markets, causing them to end the year 2022 on a low note. Domestically, the country faced additional challenges such as interruptions in water supply, which affected mining production at the coast, and energy issues in the region.

In 2022, there was an increase in household credit compared to the previous year, as consumers sought to supplement their disposable incomes. Home loans experienced gradual and steady growth, while other forms of credit, such as personal loans and credit card debt, became more prevalent in the borrowing landscape.

Personal disposable income has started to level off and decline due to the rising cost of living and higher interest rates, putting strain on the market. Non-performing loans (NPLs) remained at high levels, exacerbated by the increasing interest rate environment.

Regulation

Letshego Namibia's transition from micro financier to full-fledged banking was accompanied by increased responsibility for regulatory adherence.

The Namibian regulatory environment continued to evolve to remain at pace with global best practices and ensuring fair treatment of all customers.

Globally, the US Foreign Accounts Tax Compliant Act (FATCA) generally required foreign financial institutions and certain other non-financial foreign entities to report on the foreign assets held by their U.S. account holders, or be subject to withholding on withholdable payments.

Locally, LHN was required to continuously comply with multiple regulators and ministries, including the Bank of Namibia (BoN), Financial Intelligence Centre, Namibian Stock Exchange, Namibia Financial Institutions Supervisory Authority and the Ministry of Finance.

The NSX introduced a new guidance note requiring all listed entities to form formal social ethics and sustainability committees.

Also over the period under review, LHN initiated a complete governance framework reset, analysing all internal terms of reference to ensure alignment with NAMCODE and NSC recommendations.

Management continues to monitor the regulatory universe to identify changes and developments that may have an impact on the Group.

New legislation impacting the bank is discussed at board meetings and training sessions are held with key management for updates on new legislative requirements.

Competition

As a relatively new entrant to the banking sphere, it is essential that Letshego continues to engage stakeholders on its expanding product and service offerings.

Low brand awareness and persistent stakeholder perception that Letshego is merely a micro lender is still a restraint to trust among both private and corporate customers.

Letshego is in a position to change the conversation regarding several challenges currently experienced in the banking field, leveraging off progressive solutions and competitive pricing structures in various fields, from affordable housing to remote banking and device financing.

Obtaining its deduction at source code over the year in review saw Letshego grow its customer base beyond the traditional government employees into the private sector, while offering better rates on home loans and personal loans.

In disbursing new loans and top-ups into a Letshego transactional account, LHN has benefited from a reduction in cost for credit default insurance, linked to the loan products.

Going forward, Letshego places a great deal of emphasis on being where the customer needs it to be, rather than relying on physical infrastructure.

Beyond 17 branches located countrywide offering card and transactional services, agreements in place with the incumbent banks to make use of existing ATM infrastructure and three independent sales consultants facilitating the micro lending business, Letshego remains adamant on steering customers to the LetsGo Digital Mall app and its mobile banking (USSD) equivalent, as the first point of interaction.

> "Letshego is in a position to change the conversation regarding a number of challenges currently experienced in the banking field, leveraging off progressive solutions and competitive pricing structures in various fields, from affordable housing to remote banking and device financing."

Affordable Housing

In line with Letshego's purpose to improve lives, LHN launched its latest flagship product, Affordable Housing a month ahead of the year under review.

This solution was created to mitigate access challenges experienced by individuals in broader communities by offering a choice in products, including an all-in-one solution with land and a customisable house, or capital to purchase material from trusted local suppliers to renovate existing homes or properties, wherever the structures may be located.

Growing off a low base in 2021, Affordable Housing performed moderately well, ending on a balance of N$12 million. The strategy is to grow this balance, further utilising a U$50 million facility secured for Affordable Housing through the International Finance Commission (IFC).

As a new product, Affordable Housing was challenged by a lack of brand equity, as often customers approached Letshego only after having already tried and failed to obtain a home loan elsewhere.

Letshego intends to build its profile in this segment, leverage off a strong value proposition, that includes offering home loans at 108% of valuation, free home insurance for three years and no cost on transfer fees when moving a home loan to Letshego.

Affordability among low and middle income earners was another impediment to better performance.

Considering the high and climbing interest rate environment that prevailed throughout 2022, customers in the lower end were often inundated with short-term personal debt, thus preventing qualification for longer term borrowing.

Letshego could offer to mediate through another solution offered, namely consolidation of a customer's micro debts into a single loan, at a new rate, payable over a longer term.

Letshego's value proposition on home loans:

- Three years free home owners insurance
- Home loan at 108% of valuation
- No fee on transfer of home loans from prior lender
- Facilitating customer affordability through consolidation of short-term debt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Our key relationships

Stakeholder engagement, in addition to being a risk mitigating function, seeks to create shared value through mutually beneficial partnerships.

Letshego is committed to understanding and being responsive to the needs and priority concerns of our stakeholders.

The Group continued to take a proactive approach to developing its stakeholder engagement framework, ensuring that stakeholder engagements across the Group are aligned with our organisational philosophy, brand ethos, values, material matters and overall strategic imperatives.

Principles underpinning our stakeholder engagement framework include inclusivity and equality of all stakeholders, as well as responsiveness through our decisions, actions, performance and communication.

Based on these principles, we seek amicable and consensus-driven solutions in all engagements with our stakeholders.

How we engaged with key stakeholders in 2022

Stakeholder Group

Customers

Expectation:

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

Letshego's ability to deliver on its vision and strategic objectives depends on its continued ability to offer appropriate solutions.

As competition in the banking sector intensifies, it is more important than ever to communicate in a way that is relevant to customers and that offers the right solutions.

Regular engagement with customers allows LHN to remain informed on how the Company's products are received in the market. In this way, products and services can be adapted to meet the needs of customers as they evolve.

Letshego's response:

- Improve three main customer channels: Cards; Digital and Mobile
- Safeguard deposits, while growing returns
- Improve customer experience
- Ensure convenient access to banking, increasingly through digital channels
- Maintain stable and secure IT systems

How:

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

Stakeholder Group

Employees

A highly skilled and specialised employee base is a critical lever to delivering on Letshego's integrated, advice-led value proposition and in the sustainability of the business. Letshego's corporate culture is a strategic differentiator and contributing factor towards LHN's being considered an employer of choice.

Letshego attracts, develops and retains high-performing people that deliver on its brand promise to Improve Lives.

Expectation:

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

Letshego's response:

- Maintaining a Learning and Development Strategic Skills Framework
- Maintaining collaboration between LHN and People and Culture staff at Group, as a means to provide an aligned approach to policy and procedure roll-outs
- Hosting team building and culture sessions
- Improving employee engagement through service awards and regular employee engagement surveys
- Facilitating leadership development training and mentorship
- Regular communication with staff, including roll-out of tools to inform and communicate the strategy to all staff

How:

- Engage with employees through formal and informal mechanisms, allowing insight into needs and expectations and devise appropriate responses to these
- Conduct employee 'town hall' meetings and engage employees through newsletters, one-on-one meetings (formal and informal), team meetings and line manager discussions
- Performance management process interactions and cultural transformation sessions
- Engage employees through various personal development and team building initiatives, including leadership training, employee incentive programmes and employee volunteering programmes.

Stakeholder Group

Investors and funders

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

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

Expectation:

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

Letshego's response:

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

How:

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

Stakeholder Group

Government and Regulators

Government remains a key stakeholder both from a customer value perspective and as a valued partner in enabling Letshego to achieve tangible social impact in the economies where it operates.

Regulators ensure that LHN's customers are treated fairly and that information and assets are protected, while acting in the best interest of all the bank's stakeholders.

Regulatory compliance and partnership with government also enables Letshego to provide simple, accessible and appropriate financial solutions that support national mandates to increase financial inclusion.

Expectation:

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

Letshego's response:

- Be a responsible taxpayer
- Comply with all legal and regulatory requirements
- Active participation in and contribution to industry and regulatory working groups

How:

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

Stakeholder Group

Strategic partners

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

Expectation:

- Align individual strategies and objectives
- Maximise benefits to stakeholders
- Extend our market reach

Letshego's response:

- Maximise synergies when selecting partnerships
- Select partners aligned to the purpose and key objectives of providing simple, affordable and easy-to-operate solutions to customers, with fast roll-out ability
- Share services with complimentary customer segments to maximise benefits to the Group, its partners and customers
- Identify partners who have an existing strong presence and broad footprint. This allows us to enter and extend our reach in top growth markets and is mutually beneficial to both parties

How:

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

Stakeholder Group

Communities

Letshego believes that thriving communities enable businesses to succeed.

LHN engages to understand societal needs and to further align the business to meet these needs.

Communities gain indirect benefits from operations, through which improvement is sought in the lives of customers on a sustainable basis.

Expectations:

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

Letshego's response:

- Letshego has a structured Corporate Social Investment (CSI) policy framework, supported by emergency discretionary funding through which the Company responds to emergencies and crises

How:

- LHN engages in open dialogue with relevant stakeholders and contributes to the wellbeing of the communities in which it operates through various programmes, including financial literacy, consumer education and training initiatives
- CSI initiatives are implemented, aimed at responding to the most pressing issues facing the communities in which the Company operates. This is done in partnership with communities themselves and civil society.

Our risks and opportunities

Material Risks - as at 31 December 2022

Letshego manages several key risks to its business, which, with successful management, may also identify opportunities.

This is achieved through a clearly defined risk management framework, which includes a risk-rating matrix that assesses the likelihood of certain risks and the magnitude of their impact.

Risk appetite and limits are set at business entity and Group levels, with clear accountability and reporting requirements.

The three-lines-of-defence risk management model is employed to identify and manage material risks.

The Group's combined assurance model is continuously embedded to address significant strategic, financial, operational and compliance related risks.

Combined assurance offers benefits beyond mere compliance, including maximising risk and governance oversight, optimising overall assurance activities, improved reporting to the board and other committees, coordinated and relevant assurance, with an emphasis on key risks faced by the bank, and enhanced control efficiencies.

Strategic risk management enables Letshego to mitigate risks and protects the stability of the bank.

It also acts as a tool for planning systematically about the future and identifying opportunities.

In addition, strategic risk management assists in the effective utilisation of capital.

Risk management systems need to be constantly aligned to the new regulations issued by the regulatory authorities, remaining dynamic and responsive to emerging and changing regulatory environments.

The Group is therefore required to continuously comply with multiple regulators and ministries inter alia Bank of Namibia, Financial Intelligence Centre, Namibian Stock Exchange, Namibia Financial Institutions Supervisory Authority and the Ministry of Finance.

The Group's material risks for the year ended 31 December 2022 and mitigations are summarised below:

Risk	Mitigation
FIC onsite inspection report findings and possible enforcement in case of not addressing them timeously.	▶ Management diligently worked on resolving all findings raised by the regulator (FIC) and provided detailed feedback and management comments to address the gaps identified at the end of Q2 2022. ▶ In addition, management commenced with an internal compliance assessment for the purpose of identifying any further shortcomings. ▶ Significant progress was made in this regard.
Pending Deduction Code License Renewal feedback on application.	▶ Although feedback on the deduction code was pending at year end, the code was successfully renewed by the Ministry of Finance early in Q1 2023.
Possible inability to roll out the new home loans product in line with the budgeted timelines per the strategic plan, due to it being in infancy stage.	▶ Active marketing campaigns and regular awareness sessions for all our customers are ongoing to manage risk in an effort to accelerate customer sales and product uptake.
Pending 2022 LMFSN license renewal on the application submitted to NAMFISA.	▶ Following regular proactive engagements with the regulator (NAMFISA) and submission of our application for renewal, the LMFSN micro-lending license was renewed during Q4 2022.
Possible non approval/refund of tax due by the Receiver of Revenue of the current outstanding N$70 m due from Receiver for the Preference Share Restatement of 2019 which may have negative impact on the Income Statement Position.	▶ Management, through the appointment of an independent tax consulting firm, maintains regular contact with the Receiver of Revenue (NamRA) to proactively and continuously review the tax assessments for LHN and LMFSN.

Our top opportunities

Scale our offerings

- Scale our affordable housing lending proposition
- Grow deduction book for customer segments outside government employees
- Focus on transactional banking
  – total of 61,001 issued LetsGo debit cards
- Credit scoring to facilitate debit order deduction personal loans
- Enablement of end to end origination of Flexisave savings product.

Impact funding

- Secured US$50 million in IFC funding
- Affordable housing loan product augmented with customer benefits to open up affordability
- Affordable housing loans product launched to market and opportunity to scale through smart partnerships.

Diversification

- Diversification of products remains an area of improvement for LBN but one that is fast getting traction. LBN has made progress in ensuring that we established a fully-fledged credit department and considered several lending products to augment our current credit portfolio. The following opportunities have been identified for the bank:
  - We have secured over 52,000 enterprise active customers by the end of 2022
  - Bank of Namibia approved our Wallet product and Digital Mall.
  - The bank will continue to drive capital-light revenue streams through transactional revenue on digital channels
  - New lending products under development to target new segments in the market.

Strategic review

Letshego gained access to new market segments and expanded on these. The Group proved resilient and agile, achieving a number of milestones despite a challenging economic climate. LHN continues to focus on the drivers of value creation, and continues to augment and scale up internal capacities to accommodate more growth.

Product diversification

- The year under review saw Letshego gain access to new market segments and grow across these
- Having started as a micro lending institution in 2002, LHN's offerings in 2022 comprise a complete range of banking products and services, including DAS personal loans; transactional bank accounts; a digital mall and insurance
- Personal loans performed particularly well, and opportunities in the market remain vast
- Home loans experienced growth, starting from a low base. Potential remains for improved performance going forward however the rising interest rate environment hampers credit affordability
- Namibia retained status as one of LHL Group's primary insurance contributors
- LHN launched Flexisave digital savings account in the second half, supporting ongoing deposit mobilisation in so doing

Accelerating our digital transformation

- Letshego has taken the strategic decision to move away from dependence on physical infrastructure, to meet with customers at their convenience
- In 2022, LHN grew the active customer base on the LetsGo Digital Mall to over 52 000
- Digitalisation drive resulted in augmentation, automation and enhancement of processes to ensure safety from a security perspective on the one hand, and ease of use for customers, on the other
- Ongoing engagement with staff and customers remains key as the process of digitalisation continues

Regional rebalancing

- Khomas and Erongo remained the two best performing regions in Namibia.
- Going forward, the plan is to grow LHN's physical foothold in north-western regions, particularly in Oshakati and Ondangwa
- LHN continued with a regional rebalancing exercise, considering the brand presence and customer penetration and identifying underserved areas to inform activations
- Expansion drive proceeded cautiously, constrained by both regulatory and technological factors at play

Execution engine and people

- With the launch of a new branch in Windhoek's City Centre, physical branches now amount to 17, with 11 of these being service centers
- In terms of micro financing, LMFSN operates via fifty direct sales agents, compensated on commission
- Automated credit scoring model, integrated with the credit bureau, allows for improved client profiling. This automation is set to be extended to other LHN products and services, moving ahead

Sustainable stakeholder value

- Funding in 2022 stood at N$3.1 billion unsecured
- Of that, N$870 million (28%) was fixed rate funding, compared to N$2.2 billion (72%) in variable rate
- Capital base was down at 53% for Group and 34% for LBN, with plans to further lower over the next five years
- Margin compression experienced on the back of a high interest rate environment, which impacted on funding. This was mitigated by strong growth in advances, which were up by 11%.
- Dividend payout ratio at 100%
- Increase in earnings per share to 70 cents (15% growth year on year)

Group Chief Executive review

Positive financial performance was achieved within a challenging operating environment, characterised by rising inflation and strain on customer affordability.

Performance highlights during the year under review include a 16% year-on-year rise in profits after tax, deposit book growth of 39% and an 11% improvement in net advances.

Customer growth resulted in fee income almost doubling, which, along with commission from insurance income, were important contributors to overall revenues.

Affordable Housing obtained its deduction code, allowing for roll-out of this offering initially introduced to market for the period under review.

Affordable Housing started off a low base to earn N$12 million in advances growth, with Home Improvements the stronger performer at N$245 million.

2022 also saw important pick up in traffic on the LetsGo Digital Mall, from fewer than 2, 400 enterprise active customers at launch in 2021, to over 52, 000 at the end of 2022.

In line with our digitalisation strategy, Letshego has made significant investment into enhancing the Digital Mall app to serve as our principle channel of interaction with customers going forward, eliminating geographical boundaries while offering improved turnaround times and increased customer choice.

From a brand equity perspective, the results of a public survey conducted by the Bank of Namibia, found Letshego to be among the most affordable financial institutions in terms of pricing.

Dr Ester Kali

Global macro view

Growth in the Namibian economy accelerated to 4.6% in 2022, from 3.5% in 2021.

Higher economic growth emanated from improved economic activity across all industries, most pronounced in the primary sector.

Improvement in economic growth was underpinned by higher consumption expenditure, as well as private and government investment.

Globally, the Russia-Ukraine war led to supply disruptions and high inflation, while a lingering Covid-19 pandemic resulted in lock-down related supply disruptions in China.

Global GDP is estimated to have slowed to 3.4% compared to 6.2% in 2021.

Global economic growth is projected to slow further to 2.9% over the period under review, according to the central bank, with major risks being renewed such as rises in energy and food prices, and further escalation of geopolitical tension and conflict.

Overall inflation rose from 3.6% to an average of 6.1%, predominantly driven by transport inflation on account of higher international oil prices, aggravated by exchange rate depreciation.

Rising rates

Between April and December 2022, the Bank of Namibia increased the repo rate by a total 300 basis points, a development that had an instrumental impact on our business, in terms of affordability among both corporate and private customers.

With a large number of Letshego's customer base employed by government, the 3% increment awarded to the civil service hardly translated to any material shift in credit appetite.

Credit impairment on overall advances remained fairly stable at 1%, given an 11% rise in advances.

A key concern during the year was the general increase in non-performing loans.

With the BoN's benchmark at 6%, Letshego's non-performing loans grew from 4.11% in January to 5.14% by November, closing the year at 4.97%.

The ability to deduct at source significantly reduces our risk of non-performing loans, though this remains a factor to monitor. From a funding perspective, LHN successfully raised N$ 200 million in additional debt on our NSX listed bond programme.

Letshego's brand position continued to benefit from a 2021 secured U$ 30 million IFC facility to deliver affordable housing products and home improvements.

Effective utilisation of those funds would allow for a further U$ 20 million from this facility with which to grow our balance sheet.

Strong foundations

LHN held about N$ 3.1 billion in funding over the period under review, broken down as N$ 870 million in fixed rate funding, versus N$ 2.2 billion (70%) variable.

We continued to operate from a strong capital base, and achieved a dividend coverage ratio of 100% - distributing profits as dividend year on year while targeting balance sheet growth through continued improvements in deposits.

Despite the rising interest rate environment, LHN's total operating costs in fact declined by 5%, on the back of a review of how management fees are paid out to the major shareholder in Botswana.

Letshego Holdings Namibia's relationship with Letshego Holdings Limited (LHL) in Botswana and across Africa remains synergistic, through collaboration, resource-sharing and leveraging off innovations within the Group network.

Innovation & risks

Letshego's target market remains firmly among low and middle income earners, and micro to small enterprises. These customers are often excluded by the financial market due to geographical reasons, sometimes located in villages more than 100 km away from the nearest tarred road.

The LetsGo Digital Mall offers customers easy access to the bank's range of solutions and services, across multiple digital channels, including web, USSD and mobile devices.

The unavoidable drawback in our goal to expand in this area is regulation, with its aim to strike a balance between supporting innovation and protecting consumers.

To date, physical 'wet' signatures remain the only legal endorsement of documentation in Namibia, to the exclusion of various forms of electronic signatures presently in use in the global market.

We continue to engage with the Ministry of Information and Communication Technology regarding the developing regulatory environment.

People centered

Letshego seeks to create a working environment where individual employees may succeed and develop, where staff are empowered to make effective operational, tactical and strategic decisions.

At December, 2022, LHN had 150 permanent employees, 45 temporary staff, and a turnover ratio of 15.8%. Training is an ongoing initiative at Letshego.

Training and development over the reporting period mainly focused on compliance and course completion of our e-learning platform.

The executive team underwent leadership and management development through the Gordon Institute of Business Science (GIBS).

Letshego Namibia staff members are now availed the opportunity to enroll on the Coursera online learning platform, where they can choose from 4,000 online courses from ISO accredited universities, including Yale and Harvard.

Strategic partnerships with effective and sustainable commercial partners allows Letshego to ensure delivery on its promise of a differentiated customer experience and ultimately, success in building a world class retail financial service organisation.

In August, LHN entered into an agreement with the Ongos Valley Group to provide financial assistance to aspiring home owners, including those who failed to qualify for home loans from other lending institutions.

We also launched a device financing product in partnership with Mobile Telecommunications Company MTC.

Beyond today

The year in review saw Letshego access new market segments and grow the business in those markets. We now have solutions in place for each of the four pillars of our value proposition, which are to transact, save, borrow and offer insurance - with among the most competitive pricing structures in place on the market. The economic outlook is expected to improve, with analysts projecting GDP at 3.1% in 2023.

Letshego is exploring opportunities in renewable energy, including introduction of products in green hydrogen while we also remain intent on bringing our planned MSE overdraft product to market.

Going forward, we remain focused on scaling up our current offerings, including affordable housing solutions targeted at rural and mass to middle income market segments and through augmenting our Digital Mall offering.

Dr Ester Kali
CEO: LHN and Letshego Bank (Namibia)

Strategy at a glance

Five transformational conversations

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

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

Letshego

1	Product diversification	Broadening product offering
2	Digitalisation	Digital transformation
3	Regional rebalancing	Collective contribution Diversification
4	Execution engine and people	Agile way of working Culture transformation
5	Sustainable stakeholder value	EPS ROE Social impact Purpose driven

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

6-2-5 'return to growth' roadmap

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

6

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

2

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

5

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

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

Creating a world-class Retail Financial services organisation

Short term: Leverage off our strengths to deepen impact

Medium/Long term: Customer, talent, innovation and technology

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

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

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

Productivity of solutions
6 months

Transformative technologies
2 years

Platform thinking
5 years

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

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

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

Product diversification

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

Digitalisation

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

Regional rebalancing

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

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

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

Execution engine and people

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

Sustainable stakeholder value

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

LetsGo digital

Digital strategy execution in 2022

- Continued to enhance the Digital Mall with more capabilities
- Operationalised Robotic Process Automation (RPA) capability within quality assurance and Anti Money Laundering (AML) areas
- RPA further adopted to enhance operational efficiencies in back office (automating core and heavy admin activities)
- Rolled out Portal to enable digital customer onboarding for Device Financing
- Commenced work for migration of USSD platform to enable enhanced capabilities and unlock Omni-channel mobility
- Continued to invest and strengthen cyber security tools and resources in anticipation of scaled digital transactional volumes

LHN's vision is to be known as a world-class retail financial institution that improves the lives of its customers across sub-Saharan Africa.

As the young entrant to Namibia's banking sector, Letshego took the strategic decision to leverage off technology and numerous strategic partners rather than focussing on competing on physical infrastructure.

Launched in 2021, the LetsGo Digital Mall application is a virtual, interactive financial services platform that offers easy access, improved turnaround times, a wider range of products and increased customer choice.

A phased initial roll-out allowed for progressive increase in the depth and capabilities of the platform, to the point of accommodating significant rise in adoption, to over 52,000 enterprise customers during 2022.

Available on multiple digital platforms, namely web, smart phones and USSD, digitalisation enables Letshego to offer socially impactful services and solutions, beyond geographic limits.

Moving forward, we remain focused on growing our digital capabilities to serve as our primary source of first contact with customers and alleviating the need for them to visit a physical branch.

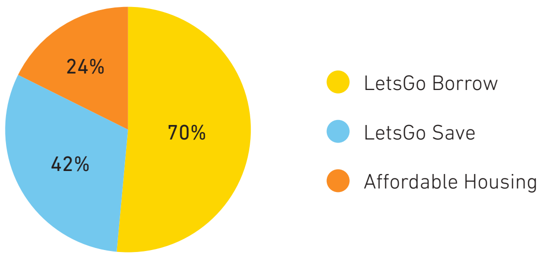
Digital Mall highlights 2022

- Steady growth in transaction volumes at 14%
- More capabilities availed via the LetsGo Digital Mall app - 5 Value Streams enabled
- Digital Mall now driving high-value transactions, relieving pressure on physical branches

Embedded Capabilities

- Automated Disbursements
- Scaling of Electronic Funds Transfers / NamPay
- Automation Quality Assurance Processes
- Scaling of Card Transactions (ATM and POS)
- Stable Card Management Services (CMS) and Issuance
- Scaling Diversified Collection Capability

Customers On-Boarding Digital Mall 2022



Key financial metrics

Overview of financial performance

Letshego showed great resilience in 2022 in the face of a challenging operating environment. Globally Namibia as a resource-intense and small open economy is highly exposed to global risks and shocks.

While the domestic economy saw growth accelerate from 3.5% in 2021 to 4.6% in 2022, the high and rising interest rate environment resulted in an erosion of purchasing power among households and a general rise in the cost of funding.

Letshego performed favourably in a number of areas, compared to market.

Revenue increases resulted in the lowest cost to income ratio in the industry at 47% in 2022 from 52% in 2022, driven largely by an overall increase in revenues.

LHN was the only banking entity that recorded a decrease in staff and operational expenses, which were down by 3.5%, while a record final dividend of 44.89 cents per share outperformed a number of big names listed on the Namibian Stock Exchange.

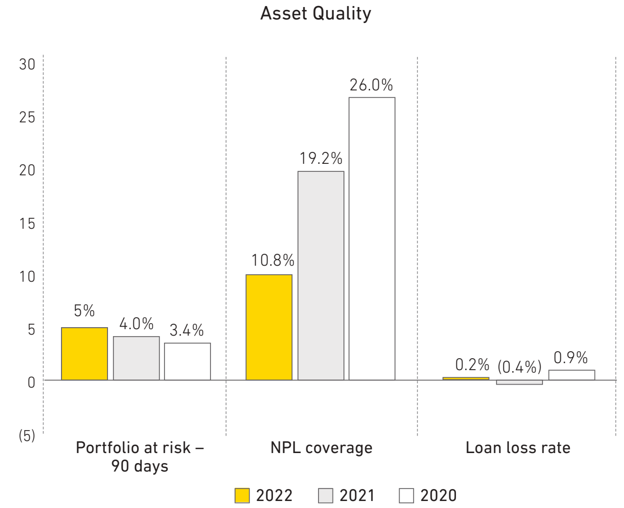
Financial highlights

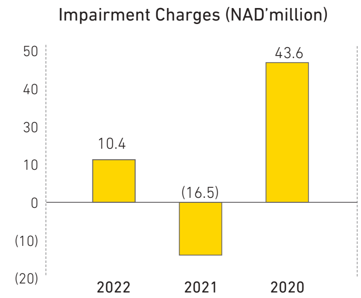
- Double-digit growth was achieved for 2022, with profit before tax up 10% year-on-year, to N$394 million.
- Profit after tax increased by 16% over the same period, to N$350 million.
- Profit was mainly earned from solid net interest income of N$453 million from a N$4.7 billion loan book, representing 9.6% growth.
- Advances to customers contributed strongly to overall performance, growing by 11% at N$4.75 billion.
- Deposits grew by just below 40%, to N$536 million, compared to N$386 million in the year prior.
- Asset quality remained strong, with the Group's loan loss ratio (LLR) at 0.22% for the year.
- Non-performing loans (NPLs) ratio increased marginally to 4.97% in 2022, from 3.97% in 2021.
- Staff and operational expenses experienced a reduction by 3.5%.
- A record, final dividend of 44.89 cents per share, to be paid out on 15 June 2023

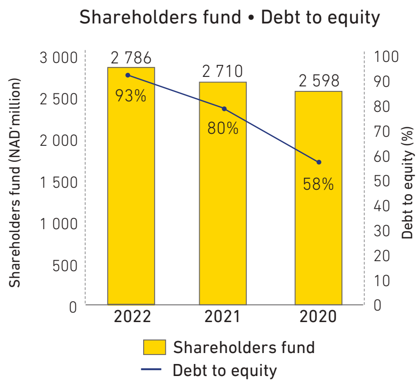
The dashboard below summarises the bank's financial performance as at 31 December 2022.

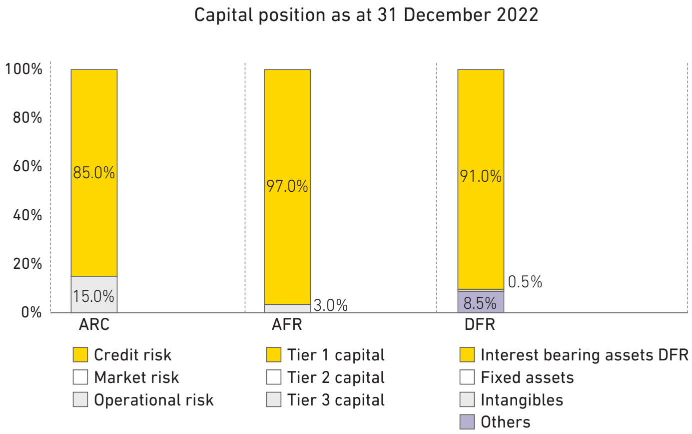
	2022	2021	% Variance	RAG
Profit after tax (N$'000)	**350 415**	303 229	16%	
Cost to income	**47%**	52%	5%	
NFI: total income	**40%**	33%	7%	
Net Advances (N$'000)	**4 752 702**	4 278 481	11%	
PAR >90 days	**5%**	4%	-1%	
Savings (N$'000)	**535 687**	386 069	39%	
Debt to Equity	**93%**	80%	13%	
Return on Assets	**6%**	6%	0%	
Return on Equity	**13%**	11%	2%	
FTE	**150**	157	-4%	

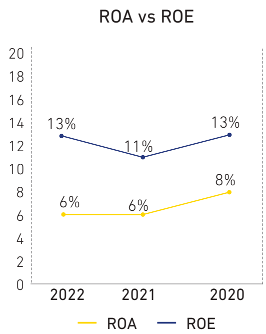
Improvement from prior year
Slightly below prior year
Worse than prior year

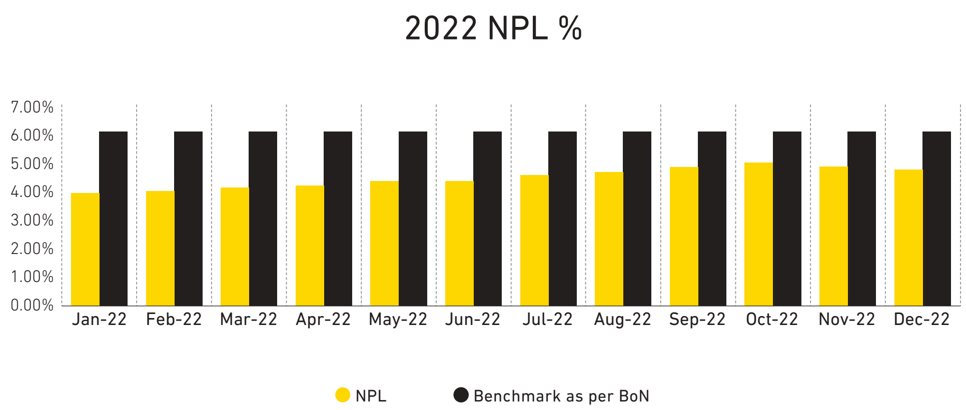


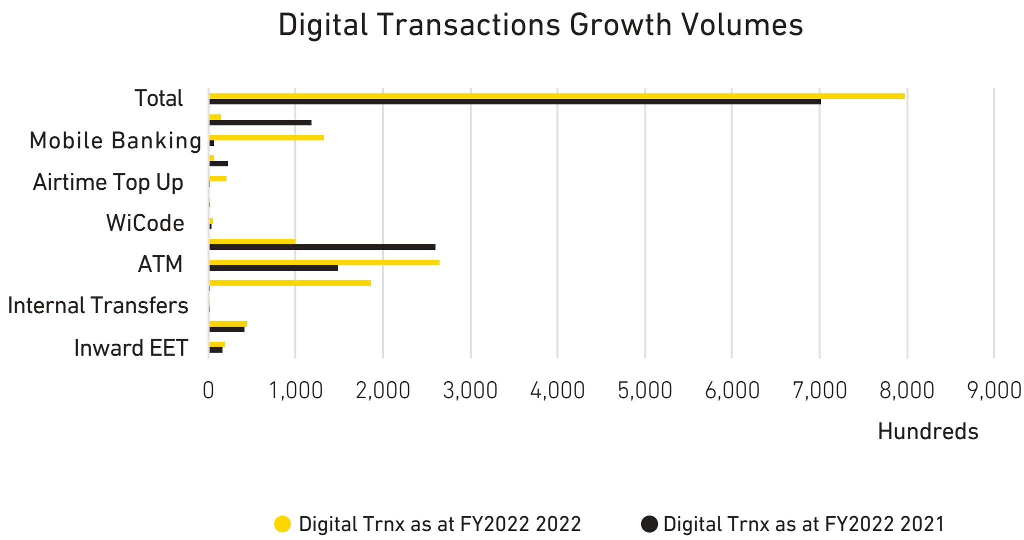


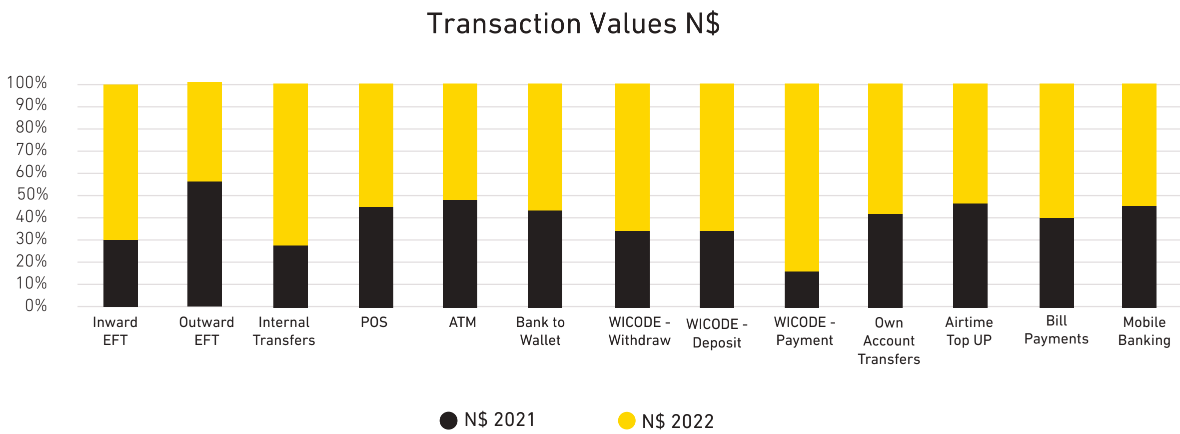







2022 NPL %
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
NPL
Benchmark as per BoN


Digital Transactions Growth Volumes
Total
Mobile Banking
Airtime Top Up
WiCode
ATM
Internal Transfers
Inward EET
0
1,000
2,000
3,000
4,000
5,000
6,000
7,000
8,000
9,000
Hundreds
Digital Trnx as at FY2022 2022
Digital Trnx as at FY2022 2021


Transaction Values N$
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Inward EFT
Outward EFT
Internal Transfers
POS
ATM
Bank to Wallet
WICODE - Withdraw
WICODE - Deposit
WICODE - Payment
Own Account Transfers
Airtime Top UP
Bill Payments
Mobile Banking
N$ 2021
N$ 2022

Portfolio review

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

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

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

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

Lending

Letshego's principal financial solutions are unsecured short-term and long-term loans ranging from N$1 000 to N$350 000. These loans are tailored to suit customer needs, featuring competitive risk-adjusted interest rates and value-added services such as funeral and life insurance cover. Customers can take out a new loan, which they can "top up" when needed, or consolidate existing loans.

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

> "By digitalising our customer journey, we will eliminate the need for customers to physically visit our branches."

Deduction At Source (DAS)

The DAS portfolio continues to be the main driver of business growth. In 2022, we expanded our loan offerings to include home loans, short-term loans and overdraft facilities.

Programmatic lending

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

Indicators	2022	2021
Value of Active (N$'m)	11.98	1.47
Value of Pre-Approvals (N$'m)	41.80	-
Value of Take overs (N$'m)	10.45	-

Loyalty products

Our loyalty products allow customers to take advantage of discounted interest rates where the customer's profile meets a set of predetermined criteria. Customers are able to take advantage of our preferential pricing on our personal loans as well as our debt consolidation products through engaging our 17 branches countrywide or getting in touch with over 50 direct sales agents located countrywide. Our preferential pricing options provide financial relief through lower monthly repayments in an increasing interest rate environment.

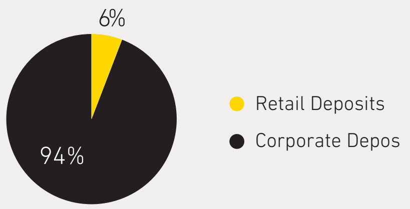
"Our loyalty product allows customers to top up their existing LMFSN loan in the bank and benefit from lower interest rates available."

Deposits

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

Indicators	2022	2021	2020	2019	2018	2017
Depositors	50.254	38.062	27.216	12.472	2.135	109
Value of retail deposits (N$'m)	30.03	24.5	102.6	37.7	3.7	0.2
Value of Corporate Deposits (N$'m)	505.6	361.5	85.2	12	81	110

Retail vs corporate deposits 2022



Payments

Indicators	2022	2021	2020	2019	2018	2017
Cash handling branches	6	5	4	4	2	2
Non-Cash handling branches	11	11	12	12	14	14
Cards in issue	61 001	44 494	26 076	10 874	1 995	-
Digital transactions (USSD and cards)	629 229	529 897	567 911	227 185	17 990	-

Insurance

Letshego Namibia's insurance offering is deeply embedded in our existing product offering. We explored new insurance products to add to the Digital Mall to enhance the customer experience.

Our people

Introduction and overview

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

Total number of employees

as at 31 December 2022

150

2021: 157

Employee turnover

15.80%

2021: 8.38%

Overall employee gender profile

Male	Female
38%	62%
2021: 40%	**2021: 60%**

Employment status

Permanent	Temporary
150	45
2021: 157	**2021: 46**

Gender split by level of seniority

	Male	Female
Senior management	40% (2021: 44%)	60% (2021: 56%)
Management	32% (2021: 41%)	68% (2021: 59%)
Employee	38% (2021: 41%)	62% (2021: 59%)

Attrition rate compared to industry rates

Benchmark banking	% achieved as at December 2022	% achieved as at December 2021
5.56%	15.80%	8.38%

Overall employee age profile

<25	25-50	>50
20%	69%	11%

Training split by gender

38% Male | 62% Female

Training split by level of seniority

	Male	Female
Senior management	1	1
Management	6	8
Employee	38	65

Employee value proposition

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

Training and development

Having successfully digitalised our learning platform in 2021, we have since given our employees an opportunity to learn online at their own pace. For the reporting period, our training and development was primarily focussed on compliance training, specifically Cyber Security, Sales and Leadership Development through GIBS. The online courses contributed significantly towards training costs savings and staff are continuously motivated to make use of the online courses to position themselves for the future and to remain relevant. Our focus for the future is to drive the uptake of courses on Coursera and to continuously develop our qualified employees through e-learning, while simultaneously supporting through sponsorships, those employees who still seek to realise their tertiary qualification goals.

HR policies or processes developed to enhance productivity or efficiencies

In pursuit of our goal to ensure functional excellence in People and Culture to provide the business of today and tomorrow with world class people, world class leaders and information to make effective operational, tactical and strategic decisions, Letshego reviewed and revamped all of its People and Culture policies during 2022. This policy development and roll-out exercise was conducted across the Letshego Group to set standards for employment relations, to enable consistency, transparency and guidance to all staff as part of the employment relationship. With the policies now being fully aligned with our people strategy, we seek to create more awareness of our new policies and promote its readership and understanding to create a conducive working environment for our people.

Performance management

Our newly introduced and fully digital Performance Management platform has made it possible to adequately align the business goals to show both functional and individual objectives. Our matrices show that most of our employees met their targets while 38% exceeded their set targets. We verily believe that the performance of the business is a testament to the efficiencies that can be unlocked through the digitalisation of performance management tools. Letshego seeks to unlock and exploit many other features that this platform has to offer.

Health and wellness

We can all agree that workplace wellness has evolved following the Covid-19 pandemic to not only encompass physical, but environmental, emotional, financial and social health. While we focused on a wide range of wellness initiatives in 2022, we shifted towards a more holistic approach to employee health by creating wellness personas across the business for different age groups coupled with focus groups in the business. By focusing on the `voice of our customers`, we developed a custom wellness calendar catering for the needs of all employees. Notable focus areas include functional legal and financial open days, ergonomics and safety, stress management, career and purpose, environment and culture and work life balance.

Pay satisfaction

During 2022, Letshego again participated in the PWC REMchannel survey which is a survey system whereby Letshego can benchmark our remuneration packages with other companies in the same industry. The comparisons are done against various circles, including, Namibia National, Financial Sector, Financial Services Private Sector and Namibia Banking. Attracting and retaining the right people, with the right skills and the best fit is a key focus at Letshego.

The high staff turnover rate of 15.80%, benchmarked against the banking industry at 5.56%, may be attributed to the delayed implementation of the remuneration bench-marking survey. The continued war for talent in both banking and micro-lending sectors remains a challenge, coupled with a decline in employee engagement levels. We therefore continue to use innovative tools that allow us to have a progressive and considered approach to our remuneration strategy and to make instantaneous remuneration decisions using real-time data from the Namibian Market.

Work culture and company ethics

With the review of our People and Culture policies during 2022, Letshego sought to create and strengthen our rules and standards that set how people should behave, be treated and how different situations should be handled in the office. By rethinking our internal policies, enhancing our communication and establishing a clear system to report unethical behavior, we have created an environment that gives priority to employee rights, equity in pay and promotion and fair procedures and which promotes compassion and honesty in the treatment of customers and employees. With the general engagement score of employees having declined, we are hopeful that our revised impact plans shall elevate our overall levels.

Elevating P&C through digitalisation

At Letshego, we believe that people are our most valuable asset, and managing their end-to-end experience is pivotal to the organisational success. During 2022, Letshego introduced `LetstClick People`a digital service desk which enables the People and Culture department to fast track staff queries, identify trends and maintain confidentiality. The platform has assisted us in automating processes, especially traditional administrative tasks while trend analyses aided us to create targeted awareness and an elevated quality of delivery. For Letshego to sustain performance, our People and Culture department continually seeks to create and use innovative technological solutions and experiences that directly impact business results. The focus for the next year will be to further automate the usual administrative tasks of our People and Culture Business Partners and to get them refocused on advising top-management as true strategic partners.

Measuring our social impact

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

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

Our approach to creating social impact

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

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

> "We strive to positively contribute to society and impact the communities in which we operate by increasing access to simple and appropriate financial solutions for emerging customers"

Defining our target audience and intended impact for society and the communities we serve

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

Housing

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

Agribusiness

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

Remittances

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

Education

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

Digital financial services

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

Gender equality

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

A programmatic sustainable development framework

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

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

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

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

Programmatic lending customer value proposition

HOUSING

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

EDUCATION

- Working capital
- Tech loans

HEALTH

- Working capital
- Short-term loans

AGRICULTURE

- Input financing
- Working capital

Embedding sustainable value creation through ESG

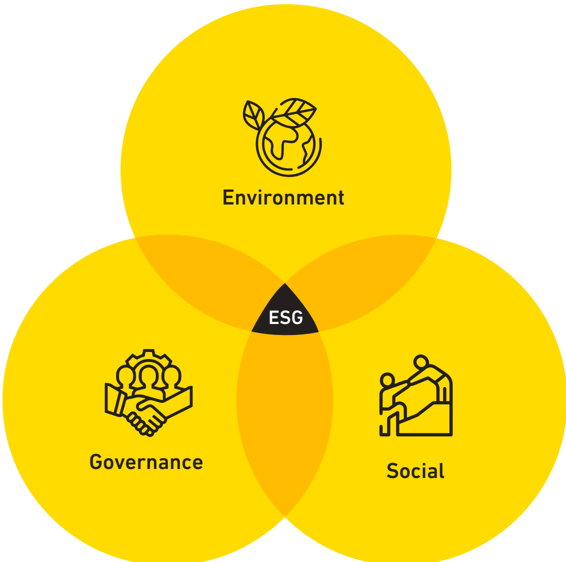
The ongoing evolution and formalisation of our approach to ESG matters is driven by the developmental component of our mandate. We are committed to being a good, proactive corporate citizen, as demonstrated by our environmental, social and governance (ESG) activities and impact over the period under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

Environmental impact

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

Governance and ethical leadership

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



Breakdown of sponsorships and donations

Below is a breakdown of Letshego's Strategic Social Investments and sponsorships supported during 2022:

Organisations supported through sponsorships and donations:
(NOT EXHAUSTIVE)

Namibia Heart Foundation
Raising awareness about heart disease; guidance and support for people with heart conditions; educating Namibians about making heart healthy choices; advocating to Government to improve heart health in Namibia; fund raising; assisting heart patients.

Africa Economic Leadership Council
Collectively contribute to increasing trade in Africa; aims to double trade over the next 5 years, taking a multi-sector approach; engagement with private business leaders, entrepreneurs and political leaders throughout the continent to shape current policies and infrastructure.

Namibian Businesswoman Association
Empowering women in business

Global Entrepreneurship Network
Non-profit organisation operating programmes in 200 countries; aimed at making it easier for anyone to start and scale a business; by fostering deeper cross-border collaboration and initiatives beween entrepreneurs, investors, researchers, policymakers and entrepreneurial support organisations; GEN fuels healthier start and scale ecosystems to create more jobs, provide education, accelerate innnovation and strengthen economic growth.

Beneficiaries of Letshego's Strategic Social Investment Fund:

(NOT EXHAUSTIVE)

Dagbreek School

One of only two government schools in Namibia that serves to educate learners who are intellectually impaired. Letshego financially supported the school through paying for staff wages.

Windhoek Life Change Centre

A welfare organisation that aims to equip Namibians with practical skills, including needlework and knitting, to empower entrepreneurs within Namibian communities.

Beautiful Kidz

International, inter-denominational Christian organisation, registered in Namibia as a Welfare Organisation (WO 203); provides care and support to children in Namibian townships, through education and by meeting their physical and psychological needs.

Namibian Aids Prevention Trust

Prevention and control of HIV and non-communicable diseases

PCI (Primary Care International)

Led a healthcare innovation programme (2015-2022) in conjunction with Letshego Namibia, which worked across several African countries; in partnership with NGOs and the Ministry of Health and Social Services, generated invaluable lessons and scalable models for health workforce capacity building and primary healthcare systems strengthening.

Contribution to UN SDGS

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

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

No poverty
Our focus areas and impact

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

Zero Hunger
Our focus areas and impact

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

Good Health and Wellbeing
Our focus areas and impact

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

Quality Education
Our focus areas and impact

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

Gender Equality
Our focus areas and impact

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

Decent Work
Our focus areas and impact

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

Sustainable Cities and Communities
Our focus areas and impact

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

Our Leadership

Letshego is committed to conducting its business ethically and in compliance with all applicable laws and regulations.

Our operations are underpinned by good governance and our objectives remain rooted in King IV principles. At the heart of all governance practices is our commitment to ethical business conduct and sustainable value creation.

Governance is framed by policies, standards and processes designed to safeguard regulatory compliance, enable growth and support overall sustainability across the bank.

We are constantly reviewing these practices to ensure that we consistently act in the best interests of our stakeholders.

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

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

Board of Directors

Maryvonne Palanduz

Chairperson of LHN and LBN Boards

Dr Ester Kali

Executive Director (Chief Executive Officer) for LHN and LBN

Karl-Stefan Altmann

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

Rosalia Martins-Hausiku

Independent Non-Executive Director

Sven Bloch von Blottnitz

Independent Non-Executive Director

Mansueta-Maria Nakale

Independent Non-Executive Director

Kudzai Chigiji

Independent Non-Executive Director

Kamogelo Chiusiwa

Non-Executive Director

The Board of Directors

Maryvonne Palanduz

Chairperson
of LHN and LBN Boards

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

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

Board committees:
Audit, Risk & Credit Committee (stepped down from the ARC during Q1 2022)
Nomination Committee -REMCO during Q4 2020

Nationality:
Namibia

Qualifications:
Executive MBA (University of Cape Town) FCMA (CIMA) Bachelor of Commerce (UNISA)

Dr Ester Kali

Executive Director
(Chief Executive Officer)
for LHN and LBN

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

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

Board committees:
None
The CEO is a standing invitee to the Board committee meetings

Nationality:
Namibia

Qualifications:
MBA (Maastricht School of Business Holland) Financial Services Advanced Diploma in Credit (Institute of Bankers South Africa) FNB Leadership Development Programme

Karl-Stefan Altmann

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

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

Board committees:
None
The CFO is a standing invitee of the Audit, Risk and Credit Committee

Nationality:
Namibia

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

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

Rosalia Martins-Hausiku

Arts in Media Studies (UNAM), Master of Art in Culture, Communication and Media Studies (UKZN), Master in Business Leadership (UNISA), Master of Philosophy in Management Coaching (University of Stellenbosch).

- Mrs Rosalia Martins-Hausiku is the Chief Executive Officer of the Motor Vehicle Accident (MVA) Fund, with extensive experience in the third-party compensation system. Prior to her appointment as Chief Executive Officer, she served in various executive positions, including Chief Operations Officer.
- Mrs Martins-Hausiku has served on various boards, including the Namibia Chamber of Commerce, as Vice-Chairperson of the University of Namibia and Chairperson of Quanta Insurance, as well as at the African Leadership Institute.

Board committees:
Chairperson of Remuneration Committee (RemCo)

Nationality:
Namibia

Independent
Non-Executive Director

Qualifications:
Master in Business Leadership (Unisa) Master of Art Comm and Media (UKZN)
BA Media (UNAM) Certificate Programme in Finance and Accounting
Programme for Management Excellence

Sven Bloch von Blottnitz

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).

- Sven is currently the General Manager Finance at Social Security Commission and previously served as the General Manager for Finance at Namib Desert Diamonds (Namdia). He is a finance professional with more than 20 years of diverse industry experience in Accounting & Auditing, Banking, Oil & Gas and Education sectors, as well as Retirement Fund Administration, having previously worked as Country Finance Manager at Vivo Energy Namibia (previously Shell Namibia), as Chief Financial Officer of Standard Bank Namibia, where he was also responsible for the management of Treasury and the Global Market Operations as well as ALCO, as Group Company Secretary and Compliance Officer of FNB Namibia Holdings, Manager Treasury and Manager Financial Controlling at Commercial Bank of Namibia and Audit Manager at Coopers & Lybrand after completing his articles there. He has over 11 years of diverse banking experience. He served as Chairman of the Standard Bank Namibia Retirement Fund and the Shell Namibia Retirement Fund. He currently serves as board member on the Public Accountants' and Auditors' Board and is President of the Windhoek Residents & RatePayers Association.

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

Nationality:
Namibia

Independent
Non-Executive Director

Qualifications:
Bachelor of Business Science (Business Finance) (University of Cape Town)
B. Compt (Honours) (UNISA) Registered with: Institute of Chartered Accountants (Namibia and South Africa) (SAICA) Public Accountants and Auditors Board of Namibia
Institute of Chartered Secretaries and Administrators of Southern Africa (ICSA)

Mansueta-Maria Nakale

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

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

Board committees:
None

Nationality:
Namibia

Independent
Non-Executive Director

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

Kudzai Chigiji

Masters in Business Administration (Oxford University), Masters in Development Finance (University of Cape Town), Bachelor of Science - Actuarial Science & Statistics, Qualified Actuary - Fellow of Institute of Actuaries (United Kingdom) and Fellow of the Actuarial Society of South Africa (South Africa), Certified Director with the Institute of Directors South Africa.

- Ms Kudzai Chigiji is a qualified actuary with experience in life insurance, healthcare, social security, digital product development, management consulting and banking.
- She is a member of the Council for the Institute and Faculty of Actuaries in the United Kingdom, and a Board Advisor for the Movement Health 2030, a Roche foundation. She is currently the Founder and General Partner of Ishe Africa, an early-stage venture studio and fund focused on Sub-Saharan Africa. Additionally, she provides actuarial consulting to players within the pharmaceutical and healthcare funding industries. Her previous work experience includes leading a digital research and development team with WesBank (South Africa), Actuary to the Government Employee Medical Scheme (South Africa) and actuarial and management consulting with Deloitte (South Africa).

Board committees:
Audit, Risk & Credit Committee member

Nationality:
Zimbabwe

Independent
Non-Executive Director

Qualifications:
Bachelor of Science Actuarial Science & Statistics,
Qualified Actuary Fellow of the Institute of Actuaries (UK & RSA),
MDevF (University of Cape Town), MBA (Oxford University)

Kamogelo Chiusiwa

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

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

Committee memberships:
Remuneration Committee member
Audit, Risk & Credit Committee member

Nationality:
Botswana

Non-Executive Director

Qualifications:
Bachelor of Social Sciences (Public Administration) University of Botswana,
Certified Strength Coach; Investment in Exellence Trainer, Global Remuneration
A Total Reward Perspective World at Work, Numerous Human Resources Specialised Courses

Executive management team

Dr Ester Kali

Chief Executive Officer for LHN and LBN

Jaco Kruger

Principal Officer for LMFSN and Head of Sales & Distribution

O'Rute Uandara

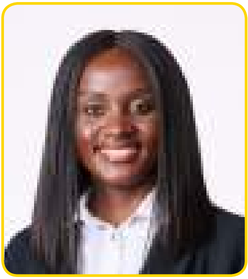
Chief Operations Officer

Diana Mokhatu

Head of People & Culture

James Damon

Head of Credit



Aletta Shifotoka

Chief Risk Officer

Grace Ntuli

Head of Internal Audit

Karl-Stefan Altman

Chief Financial Officer

Natasha Winkler

Head of Marketing & Product

Mignon Klein

Head of Legal and Governance/ Company Secretary

Letshego's Governance Report

The Group operates in a highly regulated environment. The holding company Letshego Holdings (Namibia) Limited ("Letshego") is listed on the Namibian Stock Exchange ("NSX") and needs to comply with the NSX Listings Requirements ("NSX LR"). Letshego has two subsidiaries, Letshego Bank (Namibia) Limited ("LBN") and Letshego Micro Financial Services (Namibia) (Pty) Ltd ("LMFSN"). Letshego, as a banking institution holding company and LBN need to comply and are regulated by Bank of Namibia Limited ("BoN"), while LMFSN needs to comply and is regulated by the Namibia Financial Institutions Supervisory Authority ("Namfisa"). The corporate governance framework is regulated by statute and developed and adopted by the board. The Corporate Governance Code for Namibia ("NamCode") and the Companies Act, of 2004, provide the base line for the group's development.

The board takes an active role in setting the ethical standard for the group. The board is committed to developing the highest standard of corporate governance and takes cognisance of the Environmental Social and Governance ("ESG") impact the board's decision would have.

The board is responsible for determining the ethos of the Company and sets the ethical standard, whilst ensuring the implementation thereof by executive directors and senior management. The board considers various ways to connect with all stakeholders.

The board of directors

The board's primary role and responsibilities are to:

- act as the custodian of corporate governance;
- appreciate that strategy, risk, performance and sustainability are inseparable;
- provide effective leadership based on an ethical foundation;
- ensure that the company is, and is seen to be, a responsible corporate citizen;
- ensure that the company's ethics are managed effectively;
- be responsible for the governance of risk including information technology (IT) risk;
- appreciate that stakeholders' perceptions affect the company's reputation;
- ensure that there is an effective risk-based internal audit and report on the effectiveness of the company's system and internal controls;
- most importantly act in the best interest of the company.

The board sets and steers strategic direction regarding the group's strategy and how specific governance and regulatory areas are to be approached, addressed and conducted.

The board is responsible for setting the company's strategic direction, whilst taking into consideration the various risks. The group's risk appetite is determined and considered with every decision and guided by the policies the board adopted.

Letshego maintains a simple corporate governance structure with established board committees supporting the board in the execution of its duties, however, the board remains ultimately responsible and accountable to all its stakeholders.

There are certain responsibilities that have been delegated with specific authority to each board committee to enable effective control while preserving the accountability of the directors of the board.

Governance determinations during the reporting period

The board reviewed, approved and implemented the following terms of reference ("ToR"), and charters:

- ToR for the Remuneration Committee ("RemCo");
- ToR for the Audit and Risk Committee ("ARC");
- ToR for the Social, Ethics and Sustainability Committee ("SES");
- Letshego Board Charter;
- LBN Board Charter;
- LMFSN Board Charter;
- Letshego Governance Framework.

The board reviewed, approved and implemented the following policies

- Combined Assurance Framework;
- Information Technology (IT) and Cyber Governance Charter;
- Home Loans Credit Policy;
- Delegation of Authority Policy;
- Cyber Security Response Plan;
- Information Security Programme;
- Country Risk Management Policy;
- Individual Personal Loans Credit Policy;
- Rephasement Policy (applicable to LBN and LMFSN)
- Change Control Policy.

Director development

The secretariat provides the board with constant updates and training material to keep them up to date on all the latest statutes and regulations. However, the board received formal training on:

- BID 30 and the responsibilities of the board.

The formal training was facilitated by MINC and was aimed at giving the board a high-level overview of the obligations of BID-30 to ensure that the board understands their obligations under the provision of the Determination by BoN.

Changes to the board

During the reporting period, the following changes to the board were made:

- Ms Kudzai Chigiji was approved by BoN, and subsequently appointed as an independent non-executive director on 10 February 2022.

Changes to the board committees

During the reporting period, the following changes to the board committees were made:

- The merger of the LBN and LMFSN ARC's into a combined ARC with oversight of the group's audit and risk function.
- The RemCo was restructured to include 3 (three) members, two of which are independent non-executive directors and one member is a non-executive director.
- Establishing of the SES committee which came into effect subsequent to the reporting period. The committee members were elected from the board of directors.

Board assessment

The board of directors conducted an evaluation of its own performance, the performance of its committees, the chairperson, the individual board members, the CEO, CFO and the company secretariat. The evaluations were conducted internally and through a formal process.

The evaluation determined that some remedial action was required with a focus on the composition of the committees. The board members also determined that succession planning needs to remain a focus area.

The board believes that the assessment process improved the performance and effectiveness of the board and would continue to identify areas deemed necessary for improvement.

Independent and unfettered advice

The board of directors is encouraged to seek independent advice, at the company's cost, to assist with the execution of its fiduciary duties and responsibilities. During the period under review, the board members sought independent advice.

The board engaged PWC to review the group's remuneration policy and benchmark its remuneration in the market;

Board of directors' independence

The board carries out the review of director independence annually and has concluded that the board consists of two executive directors, five independent non-executive directors and one non-executive director. The five directors meet the requirements for the test of independence. The majority of directors serving on the board are classified as independent non-executive directors.

The board considered the indicators set out in the NamCode when assessing each director's independence for categorisation purposes.

The board has conducted an assessment and has concluded that the independent non-executive members exercise objective judgement and there is no interest, position, association or relationship that, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making.

In accordance with the Companies Act, at least one third of non-executive directors shall retire from the board and if available, may be re-elected by the shareholders at the AGM, provided that the board has confirmed and verified the eligibility of such directors.

Board composition and structures

Directors are appointed through a formal process involving the whole board, and subject to the prior approval of BoN. Appointment to the board is made based on the appropriate balance of experience, knowledge, skills and diversity to objectively and effectively discharge its governance role and responsibilities.

There is a clear division of responsibilities at the board level where non-executive board members are rotated and appointed in line with their specific expertise to the various board committees.

Succession planning

The board, during the reporting period performed an extensive exercise to address any shortcomings on succession planning and to ensure any risk is mitigated. The succession planning would remain a key focus area.

Chief executive officer (CEO)

The CEO is responsible for the day to day management of Letshego and to execute the board's decisions, strategy and policies. The CEO acts as the focus communication point between board and senior management.

The CEO is a full-time employee and has no other professional commitments or directorships of governing bodies outside that of the company other than what was disclosed in terms of the company's policies.

The functions of the chairman of the board and the CEO are clearly separated in the board charter.

The succession planning for the CEO remains a key focus area.

Chairman

The independence of the chairperson was reviewed and evaluated. The chairperson was found to be independent. The chairperson of the board is not a member of ARC, but a member of RemCo and the chairman of the NomCo.

Chief financial officer (CFO)

During the financial year under review. Mr Karl-Stefan Altmann continued to serve as the CFO on a full-time basis. The Audit and Risk Committee has satisfied itself with the expertise and experience of Mr. Altmann.

Company secretary

The company secretary acts as the advisor to the board. During the period under review, Ms M Klein was appointed as the company secretariat. Ms Klein provides secretarial services to all the entities in the group. The board is satisfied that the company secretary maintained an arm's length relationship with the board and its directors during the period under review. The company secretary is not a director of the board. The board assessed the competence of the company secretary in accordance with best practice performance and evaluation criteria and found its services, experience and competence to be satisfactory.

Non-Executive and Executive Directors attending the Annual General Meeting (AGM)

The annual general meeting for Group was held on 30 June 2022 and was attended by all independent non-executive directors, non-executive directors, executive directors and Letshego's Country Management Committee by invitation. The external auditor attended the AGM as scrutineers.

Attendees	30 June 2022 AGM
Sven von Blottnitz	√
Kudzai Chigiji	√
Kamogelo Chiusiwa	√
Rosalia Martins-Hausiku	√
Maryvonne Palanduz	√
Maria Nakale	√
Ester Kali	√
Karl-Stefan Altmann	√

Board meetings attendance

Attendees	25 Feb 22 Special	29 March 22 General	7 June 22 General	24 Aug 22 Special	6 Sep 22 General	6 Dec 22 General
Sven von Blottnitz	√	√	√	√	√	√
Kudzai Chigiji	√	√	√	√	√	√
Kamogelo Chiusiwa	√	√	√	√	√	√
Rosalia Martins-Hausiku	√	√	√	X	√	√
Maryvonne Palanduz	√	√	√	√	√	√
Maria Nakale	√	√	√	√	√	√
Ester Kali	√	√	√	√	√	√
Karl-Stefan Altmann	√	√	√	√	√	√

Board committees

The board established and operates an audit and risk committee, a remuneration and nomination committee, as well as a social, ethics and sustainability committee to whom certain functions were delegated. The chairpersons of the individual committees are non-executive independent directors. All the members of these standing committees are also non- executive independent directors.

The audit and risk committee (ARC)

The ARC provides independent oversight on the effectiveness of the group's internal audit and risk management process. The ARC also remains responsible for the appointment of the external auditor and overseeing the external audit process. The ARC must ensure that the appropriate financial reporting procedures exist, as well as accounting policies.

The ARC confirmed that appropriate financial reporting procedures exist, are applied, maintained and functioning effectively. The external auditor is invited to attend the ARC meetings and has access to the chairman of the ARC. The ARC is well informed of the responsibilities and duties of the external auditors and is satisfied that the external auditors are independent of the company. The ARC reviewed the financial statements of the company and is satisfied that the statements comply with IFRS and in the manner required by the Companies Act

The members of the ARC have the necessary financial literacy, skills and experience and have executed their functions satisfactorily.

ARC mandate

The duties of the ARC include those assigned to it by the board and which have been documented in its charter. The ARC has, in the period under review, fulfilled its mandate and:

- Ensured the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards.
- Ensured corporate accountability and management of the associated risk in terms of management, combined assurance and integrated reporting. The Committee reviewed and assessed the integrity of the risk control systems and ensured that the risk policies and strategies continued to be effectively managed.
- Ensured the continued adherence to the risk management framework which includes the identification, measurement and monitoring of strategic and operational risks against an agreed risk appetite statement.
- Monitored and reviewed external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts.

ARC meetings attendance

	22 March 22	23 May 22	22 August 22	21 Nov 22
Attendees	General	General	General	General
Sven von Blottnitz	√	√	√	√
Kudzai Chigiji	√	√	√	√
Kamogelo Chiusiwa	√	√	√	√

The committee held four meetings during the reporting period. The committee fulfilled its mandate as prescribed and there were no instances of material non – compliance found.

Remuneration and nomination committee (REMCO AND NOMCO)

It ensures compliance with applicable laws and codes of conduct and reviews benefits and performance incentive schemes after considering the group strategy and objectives to create stakeholder value while maintaining incentives and retaining essential skills.

The REMCO comprises of non – executive directors, the majority of whom are independent. The REMCO assists the board in setting and monitoring the remuneration policies and makes recommendations to ensure the company remunerates fairly.

REMCO mandate

The duties of the REMCO include those assigned to it by the board and which have been documented in its charter. The REMCO has fulfilled its mandate which includes inter alia:

- Reviewed the parameters to be applied in identifying those remuneration packages of individual employees over which it had discretion;
- Reviewed remuneration packages for employees over which it had discretion.
- Reviewed the remuneration, bonus and share incentive schemes policies and practices adopted in LHN during the reporting period;

	22 March 22	23 May 22	22 Aug 2022	21 Nov 22
Attendees	General	General	General	General
Rosalia Martins-Hausiku	√	√	√	√
Maryvonne Palanduz (appointed 19 October 2022)	x	x	x	√
Kamogelo Chiusiwa	√	√	√	√

The committee held four meetings during the reporting period. The committee fulfilled its mandate as prescribed and the appointment of Ms Palanduz satisfied any non-compliance with the guideline to appoint a minimum of 3 members to the board committee.

NOMCO mandate

The duties of the NOMCO include those assigned to it by the board and which have been documented in its charter. The NOMCO has fulfilled its mandate which includes inter alia:

- Identifying and participating in selecting board members;
- Overseeing a formal succession plan for the board members, Chief Executive Officer ("CEO") and senior management appointments, such as the Chief Financial Officer ("CFO");
- Recommending eligible members to the board for approval, (whilst considering past performance, contribution, the objective of business judgement calls and succession planning);
- Setting out the procedure for the appointment of directors;
- Investigating the directors' background along the lines of the approach required for listed entities;
- Ensuring directors are not disqualified to act as a director in terms of the Companies Act;
- Determining and evaluating the independence of the board members;
- Evaluating the performance of the board, the Chief Executive Officer ("CEO") and senior management appointments, such as the Chief Financial Officer ("CFO");
- Considering the composition of the board, taking into consideration the balance of skill, broader diversity, knowledge and expertise.

Attendees	19 Oct 22 General
Rosalia Martins-Hausiku	√
Maryvonne Palanduz	√

The committee held one meeting during the reporting period. The committee fulfilled its mandate as prescribed and formalised its terms of reference in the subsequent reporting period and satisfied any non-compliance to the guidelines by appointing a minimum of 3 members.

Social, ethics and sustainability (SES) committee

The SES committee was established during the reporting period with its first inauguration meeting held subsequent to the reporting period.

Compliance statements

The company's primary listing on the NSX means the company is subject to the NSX listing requirements.

The board satisfied itself, save as disclosed in this integrated report, that the company has complied with all NSX listing requirements during the reporting period.

Annual compliance certificate

The annual compliance certificate regarding the company's compliance with the NSX listing requirements was completed and submitted to the NSX.

Directors' dealings and conflicts of interest

Any trading in the securities of Letshego is performed in compliance with the NSX listing requirements and is regulated by the company secretariat's office. No director dealings occurred during a closed period.

Sponsor

IJG remained the company's NSX sponsor.

Attendance of meetings

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

Director	LHN/LBN board	LMFSN	ARC	REMCO	Approval - AFS	Strategy	Total
Maryvonne Palanduz	4	-	1	1	2	1	9
Rosalia Martins-Hausiku	4	-	-	4	-	1	9
Sven Bloch von Blottnitz	4	-	4	-	2	1	11
Kudzai Chigiji	4	-	4	-	2	1	11
Mansueta Maria Nakale	4	4	-	-	2	1	11
Kamogelo Chiusiwa	3	3	4	4	2	1	17
Ester Kali	4	4	4	4	2	1	19
Karl-Stefan Altmann	4	4	4	4	2	1	19
Barend Jacobus Kruger	-	4	-	-	-	1	5

		Chairman	Director
Board Supported LBN/LHN Board Fees Per Annum (3% inflationary adjustment)			
Board sitting fees	N$	120,510	97,000
Annual retainer	N$	181,280	146,000
	N$	301,790	243,000
Board Supported LBN/LHN Board Fees per sitting (3% inflationary adjustment)			
Board sitting fees per meeting	N$	30,128	24,250
Board Supported LMFSN Board Fees per sitting (3% inflationary adjustment)			
Board sitting fees per meeting	N$	15,064	12,125
Board Supported Committee Sitting Fees Per Annum (3% inflationary adjustment)			
Audit & Risk Committee	N$	90,383	74,933
Credit Committee	N$	60,255	49,955
Remuneration Committee	N$	60,255	49,955
Board Supported Committee Fees per sitting (3% inflationary adjustment)			
Audit & Risk Committee	N$	22,596	18,733
Credit Committee	N$	15,064	12,489
Remuneration Committee	N$	15,064	12,489

Governance enablers

IT governance

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

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

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

Compliance

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

Assets and liabilities management (ALM)

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

Legal compliance

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

- Corporate Governance Framework for the holding company and its subsidiary boards
- Relevant organisation-wide policies
- Group-wide Code of Ethical Conduct and Whistleblowing facility, and
- Commitment to the corporate strategy and brand promise

Additional policies approved during 2022 are detailed below:

Strategic Risk Policies

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

Financial Risk Policies

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

Operational Risk Policies

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

Compliance Risk Policies

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

Risk governance

Our approach to risk and opportunity management

Compliance Risk Policies

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

1st line of defence
Management oversight:

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

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

2nd line of defence
Management of risk and compliance:

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

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

3rd line of defence
Internal Audit:

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

Enterprise-wide risk management framework (ERMF)

The Enterprise-wide Risk Management (ERM) Framework facilitates a consistent approach to risk management through the adoption of international best practice and local requirements. It is applied on an enterprise-wide basis and consists of the following five key elements that are used in the assessment of the bank institutions' Risk Profile and ERM Rating:

- Adequate Board oversight
- Adequate Senior Management oversight
- Sound risk management policies and operating procedure (including risk appetite)
- Strong risk measurement, monitoring and control capabilities
- Adequate internal controls and MIS

The Board continues to be responsible for reviewing and approving the ERM Framework with assurance provided by External Audit, Internal Audit and the Risk and Compliance Function from a third and second line of defense perspective respectively. The CEO is the owner of the ERM Framework and is assisted by the CRO to have oversight on all risk matters.

The following key major changes/enhancements were made to the 2022 ERM Framework approved by the Board in line with the bank's transformation strategy:

- Strategic Risk was one of the 4 primary risks with Reputational Risk as a secondary risk. Strategic Risk now cuts across all the other primary risks and is driven by all the Risk Owner Frameworks and Policies.
- Financial Risk previously had Capital, Credit, Liquidity, Forex (FX) and Interest Rate Risk (IRR) as secondary risks under it. These have since been separated and categorised to Primary Risks as Credit Risk, Capital Risk and Treasury Risk (treasury including Liquidity, FX and IRR).
- Key Secondary Risks under Operational Risk were elevated to Primary risks and therefore introduced 5 new primary risks being People, IT and Cyber Security, Product Risk, Data Risk and Digital Risk.
- For all the new Primary Risks, Risk Appetite and Tolerance levels were introduced.
- Each Primary Risk has defined roles and responsibilities, with clear segregation of duties outlined to ensure adequate risk management.
- Policies were realigned to their respective key primary risks. This means that for each Primary Risk introduced, a Framework and Policy is in place to support and provide guidance on the management of the risk. In this case, IT & Cyber, Data, Digital, People and Products frameworks and policies are all new with exception of IT and People Risk Policies.
- Introduced Dividend Policy and Fixed Asset Policy under Group Finance Policy, as well as Declaration and Management of Personal Relationships under the People & Culture Risk Policy.

The ERM Framework is underpinned by an integrated framework of responsibilities and functions, driven from board level down to operational levels, covering all aspects of risk.

Risk appetite

LHN'S risk appetite represents the amount and type of risk that the Group is willing to take to achieve its strategic objectives. Risk tolerance is the Group or stakeholders' readiness to bear the risk after risk treatment in order to achieve its objectives. In other words, risk tolerance is the level of risk that the Group can accept per individual risk, whereas risk appetite is the total risk the Group can bear in a given risk profile, usually expressed in aggregate.

The risk appetite statement is contained in the capital management policy as well as the ERM Framework. The Enterprise Risk Management Framework and the capital management policy were approved by the Board during Q1 of 2022 and further implemented into the bank by senior management. The ERM framework and all the policies including risk appetite statement are reviewed every second year.

In view of the above considerations, the bank's risk appetite statement for the 2022 financial year included the following quantitative and qualitative measures:

- Maintaining capital ratios in excess of regulatory thresholds;
- Maintaining low exposure to stress events (such that capital levels should still be able to cover actual stress events);
- Maintaining stability of earnings (such that actual results are aligned to the budget or better);
- Ensuring sound management of liquidity and funding risk (in line with the set limits monitored at ALCO);
- Maintaining a generally acceptable regulatory risk and compliance control environment;
- Maintaining a risk profile that is no riskier than that of our average peers;
- Maintaining operational losses to a maximum of 1% of profit before impairment and tax. This is considered the risk tolerance level for the entire Group.

However, the qualitative appetites are then broken into measurable thresholds, which are monitored within the business. This will ensure timeous escalation and corrective action.

Key focus areas for 2023

The key risk focus areas going forward include the following:

- Strong focus on Affordable Housing and explore initiatives to improve affordability
- Simplify critical journeys to stabilise performance on the Digital Mall
- Prioritise products on Digital Mall that will close the gap on revenue uplift
- Fast track implementation of treasury function to grow our deposit book and assist with reduction of cost of funding
- Localise Developmental Operational capability to expedite digital capabilities

Managing environmental, social, and governance (ESG) risks

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

1. **Customer welfare**
2. **Understanding and use of mobilisation platforms**
3. **Complexity of solutions on offer**
4. **Market communication**
5. **Execution and delivery into the market**
6. **Employee strategic alignment, motivation and communication**

Other risk categories include Sales, Finance and Human Resources.

Internal audit

Internal Audit (IA) provides independent and objective assurance to the Board Audit, Credit & Risk Committee (BARC) in accordance with the international internal audit standards set by the Institute of Internal Auditors (IIA) and in line with Group Internal Audits (GIA's) audit methodology. The department reports functionally to the BARC and administratively to the CEO. The Head of Internal Audit (HIA) has unrestricted access to, and communicate and interact directly with, the BARC Chairman or BARC, including in private meetings without management presence.

The BARC is responsible for reviewing and approving the internal audit charter, the annual audit plan resourcing and financial plans of the internal audit department.

During the year under review, the BARC reviewed and approved the risk-based annual internal audit plan and obtained confirmation from the HIA on the independence of the IA function. The BARC is updated on IA's performance relative to its plan and other matters quarterly by the Head of Internal Audit.

Looking ahead

The mantra of the internal audit department for the year 2023 is to collaborate, deliver and integrate. The goals and objectives for the year ahead are to fully utilise the agile methodology, entrench audit data analytics, embed refreshed methodology and spur digital audit revolution. Other key focus areas include implementation of audit tools for continuous auditing, focus on providing assurance on emerging risks and upskilling auditors.

Compliance with the NAMCODE

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

Reference	NamCode principle(s)	2022	Commentary
1. Ethical leadership and corporate citizenship			
1.1	The Board should provide effective leadership based on an ethical foundation.	Applied	Our Board Charter clearly outlines the responsibility for effective leadership based on an ethical foundation. The Board's performance with respect to this requirement will be evaluated on an annual basis.
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	Letshego Holdings (Namibia) Limited has a Strategic and Social Investment (SSI) Policy approved by the Board and remains committed towards sustainable development and improvement of lives in the communities within which Letshego Holdings (Namibia) Limited operates. Further, this policy ensures that Letshego Holdings (Namibia) Limited is a socially responsible corporate citizen and occupies a positive and impactful role in its subsidiaries and communities. Going forward, Ethics and Sustainability will be a standing agenda item for board discussion and tracking of progress.
1.3	The Board should ensure that the Company's ethics are managed effectively.	Applied	Letshego Holdings (Namibia) Limited has a code of ethics policy approved by the Board and the responsibility to oversee the performance against the principles is delegated to the Board Audit & Risk Committee. Section 5.2.2 of the Board Charter stipulates that the Board should determine and set the ethical tone of the Company values, including framework of the code for ethical conduct, ethical business principles and practices, requirements for responsible corporate citizen. Going forward, Ethics and Sustainability will be a standing agenda for board discussion and tracking of progress.
2. Boards and Directors			
2.1	The Board should act as the focal point for and custodian of corporate governance.	Applied	The Board Charter clearly sets out the Board responsibilities and the Board meets at least four times per year. According to section 5.2.2 of the Charter, the Board must satisfy itself that the Company and Subsidiary Companies are governed effectively in accordance with corporate governance best practices including risk management, legal compliance management, appropriate and relevant nonbinding industry rules, codes and standards. Further, as per NSX directive, a Social, Ethics & Sustainability Committee will be formed by the start of the next financial year (2023).
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	The principle is recognised in the Board Charter and it is part of the Board's responsibility to determine the strategies and strategic objectives of the Company and ensure that the strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced. Strategy, risk, performance and sustainability are standing agenda items for board meetings.
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	Refer to principle 1.1 above.

Reference	NamCode principle(s)	2022	Commentary
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	Refer to principle 1.2 above.
2.5	The Board should ensure that the Company's ethics are managed effectively.	Applied	Refer to principle 1.3 above.
2.6	The Board should ensure that the Company has an effective and independent Audit Committee.	Applied	An independent Board Audit & Risk Committee is in place and its main objectives are outlined in the section: 'Composition of the Board and its subcommittees'. The Committee's terms of reference outline the roles, powers, responsibilities and membership. The majority of members of the Board Audit & Risk Committee are Independent.
2.7	The Board should be responsible for the governance of risk.	Applied	The Board Audit & Risk Committee whose main purpose is outlined above under composition of the Board and its subcommittees assists the Board in executing its responsibility in terms of the governance of risk. The Committee meets on a quarterly basis and top risks are considered during the meetings and reported to the Board.
2.8	The Board should be responsible for information technology (IT) governance.	Applied	The Board Charter requires the Board to assume responsibility for IT governance. The Board has delegated responsibility to the ITMC for oversight and to ensure effective IT governance. The Board has further commissioned the IT Governance Committee to support Letshego's digitalisation strategy.
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.	Applied	The Board Audit & Risk Committee assists the Board in ensuring that the Company's Governance, Risk, IT and Compliance Frameworks are maintained and that compliance to applicable laws and regulations are effectively monitored. Further, the RMC at management level will meet monthly to consider the level of adherence of the Company to rules, codes and appropriate standards.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Applied	In line with the NamCode, our Internal Audit Function reports directly to the Board Audit & Risk Committee. The Board Audit & Risk Committee approves a risk based internal audit plan at the beginning of each year and ensures that the Internal Audit function has adequate resources, budget standing and authority to enable it to discharge its functions.
2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	Applied	The potential impact of stakeholders' perceptions on the reputation of LHN is recognised and highlighted in the Board Charter. According to the Charter, only individuals with sound ethical reputations will be considered for appointment to the Board. Part of the Board's mandate in the charter is to safeguard the human capital, assets and reputation of the entity.
2.12	The Board should ensure the integrity of the Company's integrated report.	Applied	This integrated annual report is approved by the Board after satisfying itself with respect to the accuracy and integrity of the report based on the recommendation from the Board Audit & Risk Committee.
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	Applied	The Board's opinion on the effectiveness of the system of internal controls is expressed in the statement of the Board of Directors forming part of the annual financial statements. This opinion is based on the recommendation of the Board Audit & Risk Committee that reviews and satisfies itself with the adequacy of the controls in place.
2.14	The Board and its Directors should act in the best interests of the Company.	Applied	The Board makes decisions giving due regard to their fiduciary duties and duty of care with an independence of mind. Further, Directors are required to declare their direct and indirect interests at each Board meeting.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	Applied	The Board considers the Company's going concern status at its interim and full year meetings. The Board continuously monitors the solvency and liquidity of the Company on a regular basis. This enables the Board to consider business rescue should the Company become financially distressed. Further, the deposit taking subsidiary (LBN) has developed a Liquidity Contingency Plan.

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

Reference	NamCode principle(s)	2022	Commentary
2.24	A governance framework should be agreed between the Company and its subsidiary Boards	Applied	Letshego Holdings (Namibia) Limited and its Subsidiaries have a governance framework approved by the Board and supported by respective Charters. The governance charter is currently under review at LHL level, in consultation with independent parties. The revised governance framework will be duly customised and adopted by all Letshego subsidiaries. Board Charters are reviewed every second year, to ensure better alignment with the NamCode.
2.25	The Company should remunerate Directors and Executives fairly and responsibly.	Applied	The Board is responsible for setting and administering remuneration of Directors and Executives with shareholders approving directors' remuneration at each Annual General Meeting. It has adopted remuneration practices governed by a Remuneration Policy which support the Company's growth, performance and returns strategy. the Remuneration Policy has adequate oversight of the Company's remuneration, reviews and recommends to the Board for approval.
2.26	The Company should disclose the remuneration of each individual Director and Prescribed Officer.	Applied	Full disclosure is included in this integrated annual report under Remuneration Policy section above.
2.27	Shareholders should approve the Company's remuneration policy.	Applied	At each AGM which is held annually, for the purpose of considering and adopting the annual financial statements, shareholders have a non-binding vote on the remuneration of Directors, including the basis for this remuneration.
3. Audit Committee			
3.1	The Board should ensure that the Company has an effective and Independent Audit Committee.	Applied	The Board has an independent and effective Board Audit & Risk Committee in place. All members of the Committee are suitably qualified and experienced with a majority of members being Independent Non-Executive Directors.
3.2	Audit committee members should be suitably skilled and experienced independent nonexecutive directors.	Applied	As per 3.1 above.
3.3	The Audit Committee should be chaired by an Independent Non-Executive Director.	Applied	The Board Audit & Risk Committee is chaired by an Independent Non-Executive Director.
3.4	The Audit Committee should oversee integrated reporting.	Applied	The Audit and Risk Committee Charter requires the Committee to oversee and take responsibility for the integrity of the integrated annual report.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	In line with the Audit and Risk Committee Charter, the Committee ensures that the combined assurance received from the external and internal auditors is appropriate to address all the significant risks facing the Company.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Applied	The Audit and Risk Committee Charter requires the Committee to annually review the appropriateness of the expertise and adequacy of the resources on the finance function and the experience of the senior members of management responsible for the finance function.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	Applied	The Audit and Risk Committee monitors and supervises the effectiveness of the Internal Audit function and ensures that the roles and functions of the External Audit and Internal Audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the Company's systems of internal control and reporting.

Reference	NamCode principle(s)	2022	Commentary
3.8	The Audit Committee should be an integral component of the risk management process.	Applied	The Committee Charter of the Audit and Risk Committee requires the committee to oversee the Company's risk management process.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The Audit and Risk Committee recommends to the Board which firm(s) should be appointed in the event of change of external auditor(s), their reappointment and removal. In addition, the Committee evaluates the performance of the external auditor(s) and the engagement partner is rotated at least every 5 years or such other frequency deemed to be appropriate based on the external audit firm rules to enhance actual and perceived independence.
3.10	The Audit Committee should report to the Board and Shareholders on how it has discharged its duties.	Applied	The Chairman of the Audit and Risk Committee reports to the Board at all its meetings and minutes of the meeting are provided to the Board. The Chairperson of the Committee attends the Annual General Meeting to answer questions concerning matters falling within the ambit of the Committee and appropriate disclosures are made in the IAR.
4. The governance of risks			
4.1	The Board should be responsible for the governance of risk.	Applied	The Board Charter confirms the Board's responsibility for the governance of risk and has delegated this to the Board Audit & Risk Committee. The Committee is responsible for the development and implementation of the ERM Framework including the policies, systems and processes, induction programmes, and appropriate training to ensure effective governance of risk.
4.2	The Board should determine the levels of risk tolerance.	Applied	The Audit and Risk Committee assists the Board in discharging its duties relating to the setting of LHN levels of risk tolerance. The risk appetite and tolerance levels contained in the ERM Framework were approved by the Board. The Board review and approve recommendations to amend the risk appetite & tolerance levels by management committees.
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	Applied	The Board Charter established the Board's responsibility for risk governance and delegated LHN's risk management responsibilities to the Audit and Risk Committee.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	The Audit and Risk Committee assists the Board in discharging its duties relating to the responsibility to design, implement and monitor the risk management plan. The Committee approves the risk policies, strategies and plans for the effective management of risk including the establishment of risk management committees and the delegation of matters to those committees.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	Applied	The ERM Framework approved by the Board requires risk assessments to be performed on a continual basis across functions, subsidiaries, access channels, projects and new solutions.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	Letshego Holdings (Namibia) Limited has its Governance Framework, ERM Framework, Legal, Compliance and Anti-Money Laundering Framework and IT Governance Framework all approved by the Board for the effective management of risks across LHN Company and its Subsidiaries. The Board is updated quarterly on the level of embedding the risk frameworks, assessment of new or emerging risks and the tolerable level of residual risk amongst others.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	Applied	The Audit and Risk Committee ensures that management develops adequate risk responses and that the Committee considers and evaluates such responses. Risks are identified, assessed and monitored in line with the ERM framework and reported to the Committee on a quarterly basis.

Reference	NamCode principle(s)	2022	Commentary
4.8	The Board should ensure continual risk monitoring by management.	Applied	The Audit and Risk Committee approves the risk strategy and plans on an annual basis for effective implementation by Management. The Country Management Committee and other management committees such as the Asset Liability Management Committee, Risk Management Committee, Management Credit Committee, Procurement Committee and Information Technology Management Committee, will meet on a monthly basis to review the risk reports with quarterly reviews being conducted by the Board Audit & Risk Committee.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	Applied	The Board receives risk assurance reports from the Audit and Risk Committee on a quarterly basis after the committee reviews the report submitted by Management.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Applied	A detailed risk management report forms part of the Annual Integrated Report to provide stakeholders with both adequate and accurate information on the risk management processes in Letshego and the effectiveness thereof. Further, Management provides assurance to the Board on a quarterly basis that the risk management plans are integrated in the daily activities of LHN.
5. The Governance of IT			
5.1	The Board should be responsible for information technology (IT) governance.	Applied	The Board Charter recognises the Board's responsibility for IT governance and the Audit and Risk Committee ensures that an IT governance charter and policies are established and implemented. This is supported by the Information Technology Management Committee at management level.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	Applied	Letshego Holdings (Namibia) Limited's IT strategy is integrated with the Business strategy and business processes. The Board Audit & Risk Committee is responsible for the management of performance and sustainability objectives of LHN, and ensures that IT is aligned to these objectives.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	The Audit and Risk Committee requires the Committee to ensure that management is responsible for the implementation of the structures, processes and mechanisms for the IT governance framework. This is supported by the Information Technology Management Company Committee (ITMC) and the board-commissioned IT Governance Committee.
5.4	IT should form an integral part of the Company's risk management.	Applied	The IT Governance Framework and the Enterprise Risk Management framework of LHN includes the assessment and management of all significant IT risks. IT risk management includes disaster recovery planning, cyber security, system implementation of operational controls/policies, IT legal risks and compliance to laws, rules, codes and standards that are an integral part of LHN risk management.
5.5	The Board should ensure that information assets are managed effectively.	Applied	It is the responsibility of the Audit and Risk Committee to ensure that LHN has systems in place for the management of information that include the protection of privacy of personal information and the continual monitoring thereof, irrespective of whether this information is at rest, in transmission, or at disposal of IT Assets.
5.6	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Applied	The Board Audit & Risk Committee Charter requires the Committee to ensure that IT risks are adequately addressed, and that assurance is given to confirm that adequate controls are in place. The Board Audit & Risk Committee reviews IT risks and controls, adequacy of business continuity management (including disaster recovery plans for IT), information security, privacy and authorised access.

Reference	NamCode principle(s)	2022	Commentary
6. Compliance with laws, rules, codes and standards			
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.	Applied	Through the Audit and Risk Committee, the Board is able to address legal and compliance requirements of the institution, governed by a Legal, Compliance and Anti-money Laundering Framework. The Legal and Compliance update is a standing item in the Risk & Compliance report; in which the Board is appraised on legal and compliance risk and deliberates over the applicable legislations and the approach to the stated laws.
6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	Applied	Applicable laws are reported to the Board by the Legal and Compliance function. Any new legislation or rules which impact LHN and its subsidiaries are notified to the Board, who are advised on the legal requirement applicability and how the same is being disseminated to the applicable areas of business which are impacted.
6.3	Compliance risk should form an integral part of the Company's risk management process.	Applied	The Compliance and Anti-Money Laundering framework is a sub-set of the Enterprise Risk Management framework. The Compliance risk and AML tools that include the Compliance Risk Monitoring Plans, Compliance Risk Monitoring Reviews and AML monitoring system are applied across all the head office functions and branch networks.
6.4	The Board should delegate to Management the implementation of an effective compliance framework and processes.	Applied	A Legal, Compliance and AML framework has been approved by the Board, which addresses the implementation of compliance controls and processes. The framework enhances and complements the Enterprise Risk Management Framework. Both documents delegate to management the effective ways we tackle compliance risks.
7. Internal audit			
7.1	The Board should ensure that there is an effective risk based internal audit.	Applied	An independent Internal Audit function is in place, governed by an approved Internal Audit Charter and reports functionally to the Board Audit & Risk Committee. The Board approves the Internal Audit Plan during the first quarter of the year before implementation.
7.2	Internal audit should follow a risk-based approach to its plan.	Applied	The Internal Audit Function follows a risk-based approach in its annual audit planning that is considered and approved by the Audit and Risk Committee. The risk-based planning direct time and effort toward the risks that most affect LHN's ability to implement strategy and achieve goals. The plan is reviewed quarterly in response to changes in LHN's business drivers, significant risks, operational programmes and systems.
7.3	Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	Applied	Internal Audit reports quarterly to the Audit and Risk Committee on its assessment of internal controls and overall control consciousness of LHN. The trend analysis of Internal Audit ratings from engagements completed over the past three years is used to assess improvement in the control environment. Also, management issue an Annual Statement on Internal Controls to the Board Audit & Risk Committee that includes its commitment to resolve LHN's Internal Audit findings.
7.4	The Audit Committee should be responsible for overseeing internal audit.	Applied	The Audit and Risk Committee is responsible for overseeing Internal Audit. The Committee approves the Internal Audit charter, the annual internal audit plan, the budget and the resource plan of the function. Also, the Committee receives communication on Internal Audit's performance and significant findings. The Committee approves the appointment, removal and remuneration of the Head of Internal Audit.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The Internal Audit function is independent and reports to the Audit and Risk Committee. The Head of Internal Audit is a permanent invitee to the Country Management Committee, has the respect and cooperation of both the Board and Management and has unrestricted access to the Board Audit & Risk Committee Chairman and members, including private meetings without management (executive sessions).

Reference	NamCode principle(s)	2022	Commentary
8. Governing stakeholder relationships			
8.1	The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	Applied	The Board Charter recognises the Board's responsibility to manage stakeholder relations and perceptions considering the potential risk to LHN reputation. The Board has put measures in place through the Board Audit & Risk Committee and the Country Management Committee to promote a culture that focuses on a unique customer experience, innovation, anticipatory risk, people commitment and stakeholder engagement to protect LHN reputation.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	Applied	The Board has delegated the effective management of stakeholder relationships to the Board Audit & Risk Committee and the Country Management Committee. To this end, the following policies were approved by the Board for implementation by management and staff: ▶ Reputational Risk Policy ▶ External Communication Policy ▶ Sustainability and Environmental, Social, Governance Policy ▶ Strategic Social Investment Policy.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Applied	The Board strives to achieve an appropriate balance between the interests of various stakeholders in its decision making. The Country Management Committee assists the Board in achieving this objective.
8.4	Companies should ensure the equitable treatment of Shareholders.	Applied	In line with the Companies Act 28 of 2004 and the Namibian Stock Exchange (NSX) Listings Requirements regarding the treatment of Shareholders, the Board is aware of its duty to ensure that all Shareholders are treated equally and equitably.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	Letshego Holdings (Namibia) Limited strives to provide complete, timely, relevant, accurate, honest and accessible information to its stakeholders whilst having regard to legal and strategic considerations. Further, independent consultants are engaged periodically to assess the level of stakeholder engagement in Letshego Holdings (Namibia) Limited and its subsidiaries.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	The Board Charter clearly addresses the issue of dispute resolution and the Board's approach in this regard. It is a policy of the Company to ensure that internal and external disputes are resolved as effectively and expeditiously as possible. To this end consideration is given in respect of each dispute whether settlement, litigation, arbitration, mediation or other forms of alternative dispute resolution would be the most effective mechanism to resolve a dispute in the best interest of the Company.
9. Integrated reporting and disclosure			
9.1	The Board should ensure the integrity of the Company's integrated report.	Applied	The Board is ultimately responsible for this integrated annual report and has put adequate measures through the Board Audit & Risk Committee to enable it to verify and safeguard the integrity of the report. The Board Audit & Risk Committee reviews and considers the financial statements and any other information in the integrated report for Board approval prior to publishing.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	In addition to LHN financial reporting, sustainability reporting is treated as part of the Strategic Social Investment initiatives in the Integrated Annual Report. Ethics & Sustainability reporting is a standing agenda for board discussion going forward.
9.3	Sustainability reporting and disclosure should be independently assured.	Not applied	The Board does not have a formal process in place to obtain independence assurance over the sustainability reporting and disclosure in this Integrated Annual Report.

Remuneration

Overview of the remuneration philosophy and policy

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

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

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

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

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

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

Long term incentive plans (LTIP)

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

The Group remuneration and incentive schemes are designed to ensure that executive and management remuneration is driven by increase in shareholder value as well as delivery of the Group's strategic objectives.

The key elements of the LTIP are:

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

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

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

Directors remuneration

	Status – INED/NED/ EXD	Main Boards (LHN/LBN/ LMFSN)	Retainer	Audit and Risk Committee	Remuneration Committee	Credit Committee	Total
M. Palanduz	INED	N$159 248	N$181 280	N$23 687	N$12 489	-	**N$376 704**
S. Von Blottnitz	INED	N$129 860	N$146 000	N$92 141	-	-	**N$368 001**
R. Martins-Hausiku	INED	N$121 250	N$146 000	-	N$61 133	-	**N$328 383**
M-M. Nakale	INED	N$190 115	N$146 000	-	-	-	**N$336 115**
K Chigiji	NED	N$147 426	N$133 833	N$79 238	-	-	**N$360 497**
E. Kali	EXD	-	-	-	-	-	**-**
K-S. Altmann	EXD	-	-	-	-	-	**-**
Total		**N$747 899**	**N$753 113**	**N$195 066**	**N$73 622**	**-**	**N$1 769 700**

The above Directors fees were approved by Shareholders at the Annual General Meeting held 30 June 2022.

Executive Directors' remuneration & emoluments

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

	Salary	Short-term incentives	LTIP	Pension and medical contributions	Other allowances and fringe benefits	Total
CEO E.Kali remuneration (N$)	2 347 342	814 940	1 386 013	318 334	182 299	**5 048 928**
CFO K-S. Altmann remuneration (N$)	1 393 247	248 265	-	266 825	622 192	**2 530 529**

Top three earners who are not Executive Directors as at 31 December 2022

	For management services
Employee 1	N$2 071 548
Employee 2	N$2 007 661
Employee 3	N$1 888 370

Executive Directors' remuneration as at 31 December 2022

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

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DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 December 2022

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements and of Letshego Holdings (Namibia) Limited, comprising the statements of financial position at 31 December 2022, the statements of comprehensive income, the statement of changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies, other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, 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 88 to 173, were approved by the directors on 17 March 2023 and signed on their behalf by:

Maryvonne Palanduz
Chairperson

Ester Kali
Chief Executive Officer

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.

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

Opinion

We have audited the consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited ("the company") and its subsidiaries ('the group') set out on pages 8 to 50, which comprise the directors' report, the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for Opinion

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

Key Audit Matters

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

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

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

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<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Expected credit losses on advances to customers

The disclosure associated with expected credit losses on advances to customers is set out in the consolidated annual financial statements in the following notes:
Note 3.2 - Significant accounting policies - Impairments
Note 5.1.1 - Credit risk
Note 10 - Advances to customers</td></tr>
<tr><td>Expected credit losses on advances to customers

We identified the audit of expected credit losses (ECL) on advances to customers as a key audit matter which required significant audit effort and the support of our specialists when considering the following:
• The Group's advances to customers represents 76,9% of the Group's total assets;
• There is a high degree of estimation uncertainty and significant judgements and assumptions are applied in estimating the ECL model on advances to customers;
• Economic scenario forecasts used to estimate the ECL on advances to customers require subjective management judgement to reflect the current macroeconomic environment;

In particular we have focused on the following areas of significant judgement and estimation which required the use of specialists:

1. Modelled ECL impairment loss
• The ECL is calculated on a modelled basis which incorporates observable data, assumptions and estimations. The development and execution of these model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters.</td><td>The following audit procedures, amongst others, were executed with the involvement of our internal quantitative specialists:
• We obtained an understanding of management's process over credit origination, credit monitoring and credit remediation and tested the relevant controls identified within these processes.

1. Modelled ECL impairment loss
• We assessed the design and implementation of the ECL model, including assessing the significant assumptions applied with reference to the requirements of IFRS 9, Financial Instruments and have tested the operating effectiveness of management's ECL modelling controls around the assumptions used in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the model.
• We reperformed the model calculations using assumptions as per the model documentation, and recalculated the PD, EAD and LGD parameters, to test the accuracy of the ECL calculations.
• We compared the reperformed ECL impairments to the Group's ECL impairments per stage.
• We tested the completeness and accuracy of data inputs into the model by tracing a sample of data inputs back to information sourced by management from internal systems.</td></tr>
</table>

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

Other Information

The directors are responsible for the other information. The other information comprises the company information and contents and the directors' responsibilities statement, which was obtained prior to the date of this report, and the Annual Report for the year ended 31 December 2022, which is expected to be made available to us after this date. The other information does not include the consolidated or the separate annual financial statements and our auditor's report thereon. Our opinion on the consolidated or the separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated or the separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated or the separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information which we obtained prior to the date of this auditor's report, 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 Annual Financial Statements

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual financial statements of the current period and are therefore the Key Audit Matters.

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We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

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

Windhoek, Namibia

03 April 2023

DIRECTORS' REPORT

for the year ended 31 December 2022

The directors present their report to the members, together with the audited consolidated and separate annual financial statements of Letshego Holdings (Namibia) Limited ("the company") and its subsidiaries ("the group") for the financial year ended 31 December 2022.

1. Reporting entity

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

2. Nature of business

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

3. Share capital

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

4. Dividends

A final ordinary dividend of N$147.6 million (29.5 cents per share) (2021: N$112.5 million, 22.50 cents per share) in respect of the year ended 31 December 2021 was paid in June 2022.

An interim ordinary dividend of N$126.0 million (25.20 cents per share) (2021: N$79.8 million, 15.96 cents per share) in respect of the year ended 31 December 2022 was declared and paid in November 2022.

5. Directors and secretary

The following persons were directors during the year under review:

Maryvonne Palanduz**	Independent Non-Executive; Chairperson
Ester Kali**	Executive
Sven von Blottnitz^*	Independent Non-Executive
Rosalia Martins-Hausiku**	Independent Non-Executive
Kamogelo Chiusiwa^^	Independent Non-Executive
Mansueta-Maria Nakale**	Independent Non-Executive
Karl-Stefan Altmann**	Executive
Kudzai Chigiji*^	Independent Non-Executive (appointed 1 February 2022)

** Namibian ^^ Motswana ^* German *^Zimbabwean

The secretary of the company is Mignon Klein (appointed 1 July 2022).

Business address:	**Postal address:**
18 Schwerinsburg Street	P O Box 11600
Windhoek	Windhoek
Namibia	Namibia

6. Holding company

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

7. Financial results

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

8. Borrowing powers

In terms of the Memorandum and Articles of Incorporation, the company has limited borrowing powers. The total borrowings of the Group at 31 December 2022 are N$2 601 million (2021: N$2 173 million). Full details of the borrowings are shown in notes 15 and 16 of the consolidated and separate annual financial statements.

9. Major capital expenditures

The Group made additions to its capital assets of N$9.0 million (2021: N$8.8 million) excluding the right-of-use assets during the financial year.

10. Going concern

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

11. Investment in subsidiaries

Subsidiaries of Letshego Holdings (Namibia) Limited	Number of shares held	Issued ordinary share capital and premium N$'000	Effective holding 2022 %	Effective holding 2021 %
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 2022 N$'000	Aggregate income of subsidiaries before tax 2021 N$'000	Total investment 2022 N$'000	Total investment 2021 N$'000
Letshego Bank (Namibia) Limited	67,063	103,354	1,344,154	1,344,154
Letshego Micro Financial Services (Namibia) (Pty) Ltd	207,790	218,311	570,200	570,200

12. Compliance with BID-2

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

13. Material post reporting date events

A dividend of 44.89 cents per ordinary share has been declared since the end of the reporting year.

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

14. Auditors

Ernst & Young Namibia was appointed as external auditor for 2022 with the approval of the shareholders in accordance with the Namibian Companies Act.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

		Group		Company	
		31 December	31 December	**31 December**	31 December
	Notes	**2022**	2021	**2022**	2021
		N$ '000	N$ '000	**N$ '000**	N$ '000
ASSETS					
Cash and cash equivalents	7	**320,815**	287,048	**499**	329
Government and other securities	8	**648,710**	500,004	**-**	-
Other receivables	9.1	**375,887**	352,305	**186,348**	124,952
Intercompany receivable	9.2	**-**	-	**458,617**	200,590
Advances to customers	10	**4,752,702**	4,278,481	**-**	-
Current taxation	14.4	**54,191**	81,736	**7,347**	7,347
Investment in subsidiaries	28	**-**	-	**1,914,354**	1,914,354
Property, equipment and right-of-use assetsw	11	**21,584**	18,375	**-**	-
Deferred tax assets	14.3	**6,252**	3,488	**124**	538
Total assets		**6,180,141**	5,521,437	**2,567,289**	2,248,110
LIABILITIES AND EQUITY					
Liabilities					
Deposits due to customers	17	**535,687**	386,069	**-**	-
Trade and other payables	12	**241,550**	238,750	**132,514**	68,860
Lease liabilities	13	**8,886**	7,639	**-**	-
Borrowings	15	**2,524,208**	1,980,798	**434,009**	233,012
Amounts due to parent company	16	**76,974**	191,728	**-**	-
Deferred tax liabilities	14.3	**6,703**	6,882	**-**	-
Total liabilities		**3,394,008**	2,811,866	**566,523**	301,872
SHAREHOLDERS' EQUITY					
Share capital	18	**100**	100	**100**	100
Retained earnings		**1,791,614**	1,750,906	**656,512**	601,984
Capital reorganisation reserve	27	**701,024**	701,024	**1,344,154**	1,344,154
Statutory credit risk reserve		**76,187**	40,080	**-**	-
Equity settled share based payment reserve	19	**2,123**	2,376	**-**	-
Total equity attributable to parent		**2,571,048**	2,494,486	**2,000,766**	1,946,238
Non-controlling interest		**215,085**	215,085	**-**	-
Total equity		**2,786,133**	2,709,571	**2,000,766**	1,946,238
Total liabilities and equity		**6,180,141**	5,521,437	**2,567,289**	2,248,110

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

		Group		Company	
	Notes	**31 December 2022 Audited N$ '000**	31 December 2021 Audited N$ '000	**31 December 2022 Audited N$ '000**	31 December 2020 Audited N$ '000
Interest income calculated using the effective interest method	23	**667,861**	588,524	**29,538**	8,745
Interest expense	23	**(214,435)**	(121,232)	**(28,210)**	(10,425)
Net interest income	23	**453,426**	467,292	**1,328**	(1,680)
Credit impairment reversal/(charge)	10	**(10,433)**	16,520	**-**	-
Net interest income after impairment		**442,993**	483,812	**1,328**	(1,680)
Dividend income	25	**-**	-	**211,877**	161,562
Fee income	24	**46,595**	23,906	**-**	-
Other income	25	**254,558**	213,535	**121,629**	65,855
Employee benefits	21	**(84,295)**	(80,985)	**(29)**	(30)
Other operating expenses	22	**(268,334)**	(284,465)	**(6,263)**	(11,757)
Profit before taxation	20	**391,517**	355,803	**328,542**	213,950
Taxation	14	**(41,102)**	(52,574)	**(414)**	538
Profit for the year		**350,415**	303,229	**328,128**	214,488
Other comprehensive income, net of tax		**-**	-	**-**	-
Total comprehensive income for the year		**350,415**	303,229	**328,128**	214,488
Earnings per ordinary share					
Basic earnings per share (cents)	32	**70**	61	**66**	43
Fully diluted earnings per share (cents)	32	**70**	61	**66**	43

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital N$ '000	Equity settled share based payment reserve N$ '000
GROUP		
As at 1 January 2022	**100**	**2,376**
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year	-	-
Transactions with equity holders, recorded directly in equity		
Ordinary share dividend declared and paid	**-**	**-**
Transfer between reserves		
Share based payment transactions	**-**	**(253)**
As at 31 December 2022	**100**	**2,123**
As at 1 January 2021	100	2,268
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year	-	-
Transactions with equity holders, recorded directly in equity		
Ordinary share dividend declared and paid	-	-
Transfer between reserves	-	-
Share based payment transactions	-	108
As at 31 December 2021	100	2,376
COMPANY		
As at 1 January 2022	**100**	**-**
Total comprehensive income for the year		
Profit for the year	**-**	**-**
Other comprehensive income for the year	**-**	**-**
Transactions with equity holders, recorded directly in equity		
Ordinary share dividend declared and paid	**-**	**-**
As at 31 December 2022	**100**	**-**
As at 1 January 2021	100	-
Total comprehensive income for the year		
Profit for the year	-	-
Other comprehensive income for the year	-	-
Transactions with equity holders, recorded directly in equity		
Ordinary share dividend declared and paid	-	-
As at 31 December 2021	100	-
Notes	18	19

Statutory credit risk reserve N$ '000	Retained earnings N$ '000	Capital reorganisation reserve N$ '000	Ordinary shareholders' reserve N$ '000	Non-controlling interest N$ '000	Total equity N$ '000
40,080	**1,750,906**	**701,024**	**2,494,486**	**215,085**	**2,709,571**
-	**350,415**	**-**	**350,415**	**-**	**350,415**
-	**-**	**-**	**-**	**-**	**-**
	(273,600)	**-**	**(273,600)**	**-**	**(273,600)**
36,107	**(36,107)**		**-**		**-**
-	**-**	**-**	**(253)**	**-**	**(253)**
76,187	**1,791,614**	**701,024**	**2,571,048**	**215,085**	**2,786,133**
-	1,680,057	701,024	2,383,449	215,085	2,598,534
-	303,229	-	303,229	-	303,229
-	-	-	-	-	-
-	(192,300)	-	(192,300)	-	(192,300)
40,080	(40,080)	-	-	-	-
-	-	-	108	-	108
40,080	1,750,906	701,024	2,494,486	215,085	2,709,571
-	**601,984**	**1,344,154**	**1,946,238**	**-**	**1,946,238**
-	**328,128**	**-**	**328,128**		**328,128**
-	**-**	**-**	**-**	**-**	**-**
-	**(273,600)**	**-**	**(273,600)**	**-**	**(273,600)**
-	**656,512**	**1,344,154**	**2,000,766**	**-**	**2,000,766**
-	579,796	1,344,154	1,924,050	-	1,924,050
-	214,488	-	214,488	-	214,488
-	-	-	-	-	-
-	(192,300)	-	(192,300)	-	(192,300)
-	601,984	1,344,154	1,946,238	-	1,946,238

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STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	Group		Company	
		31 December 2022 Audited N$ '000	31 December 2021 Restated[1] N$ '000	**31 December 2022 Audited N$ '000**	31 December 2021 Restated[1] N$ '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit before taxation		**391,517**	355,803	**328,542**	213,950
Adjusted for:					
- Net interest income	23	**(453,426)**	(467,292)	**(1,328)**	1,680
- Dividend income	25	**(248,432)**	(204,568)	**(333,506)**	(227,418)
- Depreciation	11	**12,876**	15,451	**-**	-
- Impairment allowance on advances	10	**1,882**	(24,343)	**-**	-
- Unrealized foreign exchange loss	22	**558**	-	**-**	-
- Equity settled share based payment transactions	19	**(253)**	108	**-**	-
Movement in advances to customers		**(476,103)**	(645,522)	**-**	-
Movement in other receivables		**(23,873)**	(22,135)	**534**	(3,549)
Movement in trade and other payables		**(41,109)**	31,553	**107**	293
Movement in customer deposits	17	**149,618**	198,176	**-**	-
		(686,745)	(762,769)	**(5,651)**	(15,044)
Interest received	6, 23	**649,769**	588,524	**89**	9
Interest paid - customer deposits	23	**(25,370)**	(13,357)	**-**	-
Net tax paid	14.4	**(16,500)**	(55,827)	**-**	7
Net cash flow (used in) / generated from operating activities		**(78,846)**	(243,429)	**(5,562)**	(15,028)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment (excluding to right-of-use assets)	11	**(8,951)**	(8,821)	**-**	-
Interest received on loans to related parties	6, 23	**-**	-	**29,449**	8,736
Interest received - government and other securities	23	**18,092**	-	**-**	-
Increase in intercompany receivable	6, 9.2, 33	**-**	-	**(258,027)**	(233,102)
Increase in government and other securities		**(129,581)**	(19,987)	**-**	-
Dividend received		**292,633**	134,858	**335,123**	209,377
Net cash inflow / (used) in investing activities		**172,193**	106,050	**106,545**	(14,989)
CASH FLOWS FROM FINANCING ACTIVITIES					
Ordinary share dividend paid		**(273,600)**	(192,300)	**(273,600)**	(192,300)
Borrowings received	33	**576,185**	1,667,465	**200,997**	233,012
Borrowings repaid	33	**(33,333)**	(529,132)	**-**	-
Increase in assets held to hedge long-term borrowings		**(19,125)**	(480,017)	**-**	-
Interest paid - borrowings and amounts due to parent company	23	**(188,367)**	(107,804)	**(28,210)**	(10,425)
Interest paid - lease liabilities	13, 23	**(699)**	(71)	**-**	-
Amounts received from parent company	33	**100,249**	452,380	**-**	-
Repayment of amounts due to parent company	33	**(215,003)**	(848,063)	**-**	-
Principal element of lease payments	33	**(5,887)**	(6,284)	**-**	-
Net cash generated from / (used in) financing activities		**(59,580)**	(43,826)	**(100,813)**	30,287
Net movement in cash and cash equivalents		**33,767**	(181,205)	**170**	270
Movement in cash and cash equivalents					
At the beginning of the year		**287,048**	468,253	**329**	59
Movement during the year		**33,767**	(181,205)	**170**	270
At the end of the year	7	**320,815**	287,048	**499**	329

1. The Group and Company restated certain lines on the statement of cash flows. The restatement had no impact on the prior year total cash and cash equivalents. Details of the restatement are presented in note 6.

1. Reporting entity

Letshego Holdings (Namibia) Limited is a Company domiciled in Namibia. The address of the Company's registered office is 18 Schwerinsburg Street, Windhoek, Namibia. The consolidated and separate annual financial statements of Letshego Holdings Namibia Limited as at and for the year ended 31 December 2022 comprise the Company and the interest in its two subsidiaries, namely, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Pty) Ltd. The Group is primarily engaged in the provision of banking and other financial services to members of the public.

2. Basis of preparation

a) The consolidated and separate annual financial statements have been prepared on a historical cost basis. The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below. These policies have been consistently applied to all the periods presented. There is no change and there has also been no new accounting policies adopted in the current year.

b) Functional and presentation currency

These financial statements are presented in Namibia Dollar, which is the Group's and company's functional currency and are rounded to the nearest 1000 Namibia Dollar.

c) Going concern

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

d) Key assumptions and critical judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying amounts of assets and liabilities that are not apparent from other sources Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods. Information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Notes 6 and 10.

Impairment of advances to customers

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

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

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

Current and deferred taxation

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

Effective Interest Rate (EIR) method

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

3. Significant accounting policies

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

a) Basis of consolidation

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

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

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase (negative goodwill).

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

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquire is 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.

3. Significant accounting policies (continued)

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.

c) Revenue recognition

Revenue comprises interest income and non-interest income.

i) Interest income

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

Collection fees on loans granted and commission paid to sales agents

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

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

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

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

3. Significant accounting policies (continued)

c) Revenue recognition (continued)

ii) Fee income

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

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail banking and 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

Group and company acting as a lessee

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.

3. Significant accounting policies (continued)

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

i) Right-of-use assets

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

* Buildings 3 to 6 years

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

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

ii) Lease liabilities

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

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

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

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

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

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

Extension and termination options

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

3. Significant accounting policies (continued)

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.

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 asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

Interest income

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

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

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

3. Significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Measurement methods (continued)

Initial recognition and measurement

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

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

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

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

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

i) Financial assets

1. Classification and subsequent measurement

The Group and company classifies its financial assets in the following measurement categories:
• Fair value through profit or loss (FVPL);
• Fair value through other comprehensive income (FVOCI); or
• Amortised cost.
The classification requirements for debt and equity instruments are described below:

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:
(i) the Group's and company's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.
Based on these factors, the Group and company classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 6.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- *Fair value through other comprehensive income (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 'other operating 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 'other operating income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

3. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

i) Financial assets (continued)

1. Classification and subsequent measurement (continued)

Debt instruments (continued)

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

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

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

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

2. Impairment

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

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

Note 5.1.1 provides more detail of how the 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.

3. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

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 and company assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

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

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 and company transfers substantially all the risks and rewards of ownership, or (ii) the Group and company neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

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

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

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

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

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

3. Significant accounting policies (continued)

f) Financial assets and liabilities

Measurement methods

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 5(f)(i) 4; and
- Financial guarantee contracts and loan commitments.

2. Derecognition

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

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

iii) Offsetting

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

iv) Cash and cash equivalents

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

v) Other receivables

Financial instruments

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

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

Non-financial instruments

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

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.

3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

h) Impairment of non-financial assets

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

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

i) Employee benefit costs

Defined contribution plan

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

Leave days

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

Employee incentives and bonus schemes

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

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.

3. Significant accounting policies (continued)

l) Equity

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

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

m) Share capital and reserves

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

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

n) Statutory credit risk reserve

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

o) Dividends

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

p) Contingent liabilities

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

q) Related parties

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

r) Investment in subsidiaries

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

s) Cell accounting

A cell captive structure represents an agreement between an insurance entity and the Group and Company to facilitate the writing of insurance business. The Group and Company has entered into agreements with insurance companies under which the insurance companies has set up an insurance cell within its legal entity and the Group and Company 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 cell's assets, with any profits after deduction of the insurer's fees, an allocation taxes, and other costs payable to the Group and Company. In this arrangement, the Group and Company is not required to maintain the solvency of the cell. Thus, customers of the Group and Company do transfer significant insurance risk and thus an insurance contract does exist between the insurance companies and the customer. This is aligned to the treatment of 3rd party insurance arrangements as defined in IFRS 4. The Group and Company recognises a financial asset in the financial statement line "Other receivables" for the right to receive the 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 income".

4. New standards and amendments to standards

a) New standards and interpretations and amendments effective for the first time for 31 December 2022 year-end

Standard/ Interpretation	Effective date	Executive Summary
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	Annual reporting periods beginning on or after 1 January 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual reporting periods beginning on or after 1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Fees in the '10 per cent' test for derecognition of financial liabilities (IFRS 9 Financial Instruments)	Annual reporting periods beginning on or after 1 January 2022	The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
Reference to the Conceptual Framework - Amendments to IFRS 3	Annual reporting periods beginning on or after 1 January 2022	The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities hat would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

Impact assessments

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

- The amendment did not have a significant impact on the annual financial statements of the Group and Company.

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

- The amendment did not have a significant impact on the annual financial statements of the Group and Company.

Fees in the '10 per cent' test for derecognition of financial liabilities (IFRS 9 Financial Instruments)

- The amendment did not have a significant impact on the annual financial statements of the Group and Company.

Reference to the Conceptual Framework - Amendments to IFRS 3

- The amendment did not have a significant impact on the annual financial statements of the Group and Company.

4. New standards and amendments to standards (continued)

b) New standards and interpretations and amendments issued but not effective for 31 December 2022 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.
Definition of Accounting Estimates - Amendments to IAS8	Annual reporting periods beginning on or after 1 January 2023	The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.
Deferred Tax related to Assets and Liabilities arsing from a Single Transaction - Amendments to IAS 12	Annual reporting periods beginning on or after 1 January 2023	The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.
Disclosure of Accounting policies - Amendments to IAS1 and IFRS Practice statement 2	Annual reporting periods beginning on or after 1 January 2023	The amendments aim to help entities provide accounting policy disclosures that are more useful by: • Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies And • Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Annual reporting periods beginning on or after 1 January 2023	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Impact assessments

IFRS 17 - Insurance contracts:

- The Group and Company currently have 3rd party insurance cell captive arrangements where the cell owner provide opportunity to its own client base to purchase insurance products. For 3rd party arrangements, the cell owner's agreement meets the definition of a reinsurance contract as defined by IFRS 17.

  The exact and full impact of applying IFRS 17 is still being assessed by the Group and Company.

Definition of Accounting Estimates - Amendments to IAS8

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

Disclosure of Accounting policies - Amendments to IAS1 and IFRS Practice statement 2

- The amendments may impact the accounting policy disclosures of entities.

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

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

5. Financial risk management

The Group is exposed to market risks (interest rate risks and currency risks), credit risks and liquidity risks. The Board of Directors 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.

5.1 Financial risk factors

5.1.1 Credit risk

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

The Group's activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

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 between 15 October 2019 and 20 April 2020 were not covered under the cell captive insurance arrangement.

Credit risk measurement - Loans and advances

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

5. Financial risk management (continued)

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 also referred to as the 'general model' for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a 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.
- 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.

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

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)

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

Significant increase in credit risk (SICR)

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

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).
Source of the forward looking information will vary from country to country and all macro economic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the company relies on a broad range of forward looking information as economic inputs, such as:
• Unemployment rates
• Consumer Price Index
• Gross Domestic Product (GDP)
The working company approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macroeconomic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

Definition of default

Default is not defined under IFRS 9.The company is responsible for defining this for themselves and it should be based upon its own definition used in the company's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.
The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g. breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.
Indications of inability to pay include:

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

There is a rebuttable presumption within IFRS 9 that default does occur once a loan is more than 90 days past due. The Group has adopted this presumption.

Definition of Credit Impaired

Advances are considered credit-impaired if they meet the definition of default.

Write-off policy

The Group write off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. All workable written off accounts are fully followed up for recovery through internal debt collection and third party collection partners. The Group writes off an account when in Contractual delinquency 12 (CD12) i.e. 12 payments in arrears.

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Discounting

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

Modelling techniques

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

Renegotiated loans treatment

Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period is 6 months to move to cure state (Stage 1).

Forward-looking information

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

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio). Source of the forward looking information will vary from country to country and all macro economic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the company relies on a broad range of forward looking information as economic inputs, such as:
• Unemployment rates
• Consumer Price Index
• Gross Domestic Product (GDP)
The working company approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macroeconomic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

Economic variables:

Consumer Price Index (CPI) - CPI is the rate at which the general price level for goods and services is rising and consequently, the purchasing power of money is falling. In periods of high inflation, goods and services often increase in price at a faster pace than wage growth. Borrowers can have a harder time paying back loans as inflation rises. Their living expenses go up during inflationary periods and if wages do not keep pace with inflation they may reach a point where they cannot pay all of their obligations. This scenario may lead to an increase in the probability of loan defaults as individuals experience a decrease in their relative purchasing power. CPI is thus the most significant economic variable affecting the ECL allowance for the retail portfolio.

Gross Domestic Product (GDP) and Interest rates - GDP and interest rates are considered significant for the retail portfolio. These variables also affect the ECL allowance for the wholesale portfolio given the significant impact these have on companies' performance, collateral valuations and companies' likelihood of default.

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

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

Macroeconomic factors	Namibia CPI (%)	Namibia GDP (% p.a)	Namibia Unemployment Rate (%)
2022 applied for 2021	7.0	1.6	21.6
2023 applied for 2022	5.0	3.7	23.0

Stress testing and sensitivity analysis of IFRS 9 ECL

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

Model recalibrations were performed in 2022 at two points, in April and October 2022.

Loss Given Default (LGD)

The absolute value shift in LGDs between April and October 2022 was positive at the back of increase in recoveries . This gave an indication of the sensitivity of the LGDs under economic duress. The Group is therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

Probability of default (PD)

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

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The following table shows a comparison of the Group's expected credit loss allowance under IFRS 9 as at 31 December 2022 based on the probability weightings (Base: 50%, Upside: 20%, Downside: 30%) of the above-mentioned three scenarios against the expected credit loss allowance resulting from simulations of each scenario being weighted at 100%.

N$'000	Base case	Upside	Impact	Downside	Impact	Probability Weighted ECL	Weighted Impact
ECL	32,525	26,020	(6,505)	42,283	9,758	48,543	16,018

The total weighted impact of N$7.1 million for the Group based on downside scenarios :

LHN	Base ECL	Probability Weighted ECL	Total Impact
	N$'000	N$'000	N$'000
ECL	32,525	48,543	16,018
Total	32,525	48,543	16,018

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

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

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

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

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.

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

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.

	Advances to customers			
	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade	N$ '000	N$ '000	N$ '000	N$ '000
Low risk (CS01 - CS02)	4,481,638	-	-	4,481,638
Medium risk (CS03 - CS04)	-	82,380	-	82,380
Special monitoring (CS05)	-	-	-	-
Doubtful (CS06 - CS07)	-	-	237,227	237,227
Gross carrying amount	**4,481,638**	**82,380**	**237,227**	**4,801,245**
Loss allowance	(22,236)	(763)	(25,544)	(48,542)
Carrying amount	**4,459,403**	**81,618**	**211,682**	**4,752,703**

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Credit risk exposure (continued)

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

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 5.f)i)].

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Credit risk exposure (continued)

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

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Advances to customers	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**
Loss allowance as at 1 January 2022	**12,863**	**839**	**32,959**	**46,661**
Transfers between stages				
Transfer from Stage 1 to Stage 2	(227)	227	-	-
Transfer from Stage 1 to Stage 3	(9,600)	-	9,600	-
Transfer from Stage 2 to Stage 3	-	(6,307)	6,307	-
Transfer from Stage 3 to Stage 1	1	-	(1)	-
Transfer from Stage 3 to Stage 2	-	1,356	(1,356)	-
Transfer from Stage 2 to Stage 1	272	(272)	-	-
New assets originated or purchased	294,218	38,023	255,135	587,376
Payments and assets derecognised	(293,395)	(116,249)	(575,471)	(985,116)
Changes to PD and LGD rates	18,104	83,146	375,743	476,993
Impaired accounts written off	-	-	(77,371)	(77,371)
Loss allowance as at 31 December 2022	**22,236**	**763**	**25,544**	**48,543**
Loss allowance as at 1 January 2021[1]	**24,604**	**1,547**	**44,853**	**71,004**
Transfers between stages				
Transfer from Stage 1 to Stage 2	(383)	383	-	-
Transfer from Stage 1 to Stage 3	(13,269)	-	13,269	-
Transfer from Stage 2 to Stage 3	-	(4,007)	4,007	-
Transfer from Stage 3 to Stage 1	1	-	(1)	-
Transfer from Stage 3 to Stage 2	-	3	(3)	-
Transfer from Stage 2 to Stage 1	(119)	119	-	-
New assets originated or purchased	308,586	(6,642)	33,712	335,656
Payments and assets derecognised	(354,903)	(85,548)	(22,431)	(462,882)
Changes to PD and LGD rates	48 346	94,984	35,313	178,643
Impaired accounts written off	-	-	(75,760)	(75,760)
Loss allowance as at 31 December 2021	**12,863**	**839**	**32,959**	**46,661**

1 Prior year amounts have been restated to correct a presentation error. The restatement has no impact on the Statement of Financial position, Statement of Comprehensive Income and Statement of Changed in Equity.

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 NAD 77.4 million (2021: NAD 65.3 million) which resulted in the reduction of the Stage 3 loss allowance by the same amount.

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Credit risk exposure (continued)

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

Advances to customers	Stage 1 12-month ECL N$ '000	Stage 2 Lifetime ECL N$ '000	Stage 3 Lifetime ECL N$ '000	Total N$ '000
Gross carrying amount as at 1 January 2022	**4,054,993**	**98,275**	**171,874**	**4,325,142**
Transfers:				
Transfer from Stage 1 to Stage 2	(43,080)	43,080	-	-
Transfer from Stage 1 to Stage 3	(95,101)	-	95,101	-
Transfer from Stage 2 to Stage 3	-	(23,311)	23,311	-
Transfer from Stage 3 to Stage 1	188	-	(188)	-
Transfer from Stage 3 to Stage 2	-	3,481	(3,481)	-
Transfer from Stage 2 to Stage 1	24,007	(24,007)	-	-
New assets originated or purchased	5,465,371	283,515	84,236	5,833,122
Payments and assets derecognised*	(4,924,740)	(298,653)	(56,223)	(5,279,616)
Write-offs		-	(77,403)	(77,403)
Gross carrying amount as at 31 December 2022	**4,481,638**	**82,380**	**237,227**	**4,801,245**
Gross carrying amount as at 1 January 2021[1]	**3,427,199**	**127,821**	**124,600**	**3,679,620**
Transfers:				
Transfer from Stage 1 to Stage 2	(34,225)	34,225	-	-
Transfer from Stage 1 to Stage 3	(72,380)	-	72,380	-
Transfer from Stage 2 to Stage 3	-	(21,339)	21,339	-
Transfer from Stage 3 to Stage 1	173	-	(173)	-
Transfer from Stage 3 to Stage 2	-	1,222	(1,222)	-
Transfer from Stage 2 to Stage 1	20,016	(20,016)	-	-
New assets originated or purchased	3,939,709	419,932	78,462	4,438,103
Payments and assets derecognised*	(3,280,438)	(424,428)	(11,955)	(3,716,820)
Write-offs	-	-	(75,760)	(75,760)
Gross carrying amount as at 31 December 2021	**4,000,054**	**117,417**	**207,671**	**4,325,144**

1 Prior year amounts have been restated to correct a presentation error. The restatement has no impact on the Statement of Financial position, Statement of Comprehensive Income and Statement of Changed in Equity.

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

5.1 Financial risk factors (continued)

5.1.1 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.

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.

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Loss allowance (continued)

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.

Collateral

The Group has insurance cover against credit events arising from death, permanent or temporary disability and retrenchment of customers through a cell captive arrangement held indirectly by the Company. All the stage 3 loans are fully covered by this insurance arrangement.

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.

Credit quality

	GROUP		COMPANY	
Analysis of credit quality	**31 December 2022 Advances N$ '000**	**31 December 2021 Advances N$ '000**	**31 December 2022 Advances N$ '000**	**31 December 2021 Advances N$ '000**
Financial assets that are neither past due nor specifically impaired				
Stage 1	**4,481,638**	4,054,993	-	-
Past due and specifically impaired			-	-
Stage 2	**82,380**	98,275	-	-
Stage 3	**237,227**	171,874	-	-
Total credit exposure	**4,801,245**	4,325,142	-	-
Total impairments				
Stage 1	**(22,236)**	(12,863)	-	-
Stage 2	**(763)**	(839)	-	-
Stage 3	**(25,544)**	(32,959)	-	-
Net advances	**4,752,702**	**4,278,481**	-	-
Impairment as a % of gross advances per respective stage				
Stage 1	**0.50%**	0.32%	-	-
Stage 2	**0.93%**	0.85%	-	-
Stage 3	**10.77%**	19.18%	-	-
Total impairment as a % of total gross advances	**1.01%**	1.08%	-	-
Reconciliation of allowance account				
Balance at the beginning of the year	**46,661**	71,004	-	-
Impairment provision raised	**79,284**	51,417	-	-
Impairment provision released upon write-offs of underlying exposure (note 10)	**(77,402)**	(75,760)	-	-
Balance at the end of the year	**48,543**	46,661	-	-

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

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.

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	Gross carrying amount N$ '000	ECL N$ '000	Carrying amount (net of impairment) N$ '000	% of total carrying amount
2022 - Group						
< 5 000	**6,475**	**6.97%**	**20,769**	**163**	**20,606**	**0.44%**
5 000 - 10 000	**13,298**	**14.30%**	**102,072**	**754**	**101,318**	**2.13%**
10 000 -20 000	**13,146**	**14.13%**	**194,111**	**1,853**	**192,258**	**4.05%**
20 000 - 50 000	**23,448**	**25.21%**	**785,232**	**8,325**	**776,907**	**16.35%**
50 000 - 100 000	**23,065**	**24.80%**	**1,658,639**	**15,899**	**1,642,740**	**34.56%**
> 100 000	**13,582**	**14.60%**	**2,040,422**	**21,550**	**2,018,873**	**42.48%**
Total	**93,014**	**100.00%**	**4,801,244**	**48,542**	**4,752,702**	**100.00%**

Average loan value (at inception)	Number of loans	% of total number of loans	Gross carrying amount[1] N$ '000	ECL[1] N$ '000	Carrying amount (net of impairment) N$ '000	% of total carrying amount
2021 - Group						
< 5 000	1,993	2.25%	6,044	72	11,914	0.28%
5 000 - 10 000	7,548	8.51%	42,814	488	42,327	0.99%
10 000 -20 000	14,028	15.82%	157,492	1,849	155,642	3.64%
20 000 - 50 000	25,093	28.30%	675,456	9,914	665,542	15.56%
50 000 - 100 000	30,271	34.13%	1,980,588	19,437	1,955,255	45.70%
> 100 000	9,742	10.99%	1,462,748	14,901	1,447,802	33.84%
Total	88,675	100.00%	4,325,142	46,661	4,278,482	100.00%

1 Prior year disclosures have been restated to align with current year presentation. The presentation has been enhanced to provide more useful information to the users. The restatement has no impact on the Statement of Financial position, Statement of Comprehensive Income and Statement of Changed in Equity.

The concentration risk per employer is as follows:

- Public sector 96%
- Other employers 4%

No collateral is held for these advances.

5.1 Financial risk factors (continued)

5.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (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:

	Total carrying amount N$ '000	Single largest exposure to a single counter-party N$ '000	Aaa to A3 N$ '000	Baa1 to Baa3 N$ '000	Below Baa3 N$ '000	Not rated N$ '000
2022 - Group						
Cash and cash equivalents	248,648	99,799	248,648	-	-	-
Deposits with Bank of Namibia	66,873	66,873	66,873	-	-	-
Government and other securities	648,710	499,142	648,710	-	-	-
Other receivables	370,909	328,965	-	-	-	370,909
Total	**1,335,140**	**994,779**	**964,231**	**-**	**-**	**370,909**
2021 - Group						
Cash and cash equivalents	248,361	139,931	248,361	-	-	-
Deposits with Bank of Namibia	38,687	38,687	38,687	-	-	-
Government and other securities	500,004	480,017	500,004	-	-	-
Other receivables[1]	339,749	295,966	-	-	-	339,749
Total	**1,126,801**	**954,601**	**787,052**	**-**	**-**	**339,749**

1 Prior year amounts have been restated to include Total financial assets- other receivables. The restatement has no impact on the Statement of Financial position, Statement of Comprehensive Income and Statement of Changed in Equity.

2022 - Company						
Cash and cash equivalents	**499**	**499**	**499**	**-**	**-**	**-**
Other receivables	**186,348**	**183,253**	**-**	**-**	**-**	**186,348**
Intercompany receivable	**458,617**	**431,636**	**-**	**-**	**-**	**458,617**
Total	**645,464**	**615,388**	**499**	**-**	**-**	**644,965**
2021 - Company						
Cash and cash equivalents	329	329	329	-	-	-
Other receivables[1]	124,952	124,952	-	-	-	124,952
Intercompany receivable	200,590	106,875	-	-	-	200,590
Total	**325,871**	**232,156**	**329**	**-**	**-**	**325,542**

1 Prior year amounts have been restated to total financial assets- other receivables. The restatement has no impact on the Statement of Financial position, Statement of Comprehensive Income and Statement of Changed in Equity.

5.1 Financial risk factors (continued)

5.1.2 Market risk

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

5.1.2.1 Interest rate risk management

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

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

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

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

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

Risk measurement and management

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

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

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

The ALCO views interest rate in the banking book to comprise of the following:
- Re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Group's assets and liabilities; and
- yield curve risk, which includes the changes in the shape and slope of the yield curve.

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

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

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

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

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.1 Interest rate risk management (continued)

Interest rate sensitivity analysis

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

i) Re-pricing profile

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

	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-interest sensitive items N$ '000	Non-financial instruments N$ '000	Total N$ '000
2022 - GROUP								
Assets								
Cash and cash equivalents	**320,815**	**-**	**-**	**-**	**-**	**-**	**-**	**320,815**
Government and other securities	**67,758**	**-**	**30,000**	**-**	**550,952**	**-**	**-**	**648,710**
Other receivables	**-**	**-**	**-**	**-**	**-**	**370,909**	**4,978**	**375,887**
Net advances	**160,393**	**287,900**	**1,266,932**	**1,169,245**	**1,868,232**	**-**	**-**	**4,752,702**
Current taxation	**-**	**-**	**-**	**-**	**-**	**-**	**54,191**	**54,191**
Property, equipment and right-of-use assets	**-**	**-**	**-**	**-**	**-**	**-**	**21,584**	**21,584**
Deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**	**6,252**	**6,252**
Total assets	**548,966**	**287,900**	**1,296,932**	**1,169,245**	**2,419,184**	**370,909**	**87,005**	**6,180,141**
Liabilities and equity								
Deposits due to customers	**176,767**	**54,700**	**304,220**	**-**	**-**	**-**	**-**	**535,687**
Trade and other payables	**-**	**-**	**-**		**-**	**223,094**	**18,456**	**241,550**
Lease liabilities	**441**	**615**	**2,933**	**3,847**	**1,050**	**-**	**-**	**8,886**
Borrowings	**439,067**	**821,331**	**887,835**	**375,975**	**-**	**-**	**-**	**2,524,208**
Intercompany payables	**77,918**	**-**	**-**	**-**	**-**	**(944)**	**-**	**76,974**
Deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**6,703**	**6,703**
Ordinary shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**2,786,133**	**2,786,133**
Total liabilities and equity	**694,193**	**876,646**	**1,194,988**	**379,823**	**1,050**	**222,150**	**2,811,292**	**6,180,141**
On balance sheet interest sensitivity	**(145,227)**	**(588,746)**	**101,944**	**789,422**	**2,418,134**	**-**	**-**	**-**

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.1 Interest rate risk management (continued)

i) Re-pricing profile (continued)

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

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.1 Interest rate risk management (continued)

i) Re-pricing profile (continued)

2022 - COMPANY	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-interest sensitive items N$ '000	Non-financial instruments N$ '000	Total N$ '000
Assets								
Cash and cash equivalents	499	-	-	-	-	-	-	499
Other receivables	-	-	-	-	-	186,348	-	186,348
Intercompany receivable	458,617	-	-	-	-	-	-	458,617
Current taxation	-	-	-	-	-	-	7,347	7,347
Deferred tax assets	-	-	-	-	-	-	124	124
Investment in subsidiaries	-	-	-	-	-	-	1,914,354	1,914,354
Total assets	**459,116**	**-**	**-**	**-**	**-**	**186,348**	**1,921,825**	**2,567,289**
Liabilities and equity								
Trade and other payables	-	-	-	-	-	132,322	192	132,514
Borrowings	434,009	-	-	-	-	-	-	434,009
Ordinary shareholders' equity	-	-	-	-	-	-	2,000,766	2,000,766
Total liabilities and equity	434,009	-	-	-	-	132,322	2,000,958	2,567,289
On balance sheet interest sensitivity	25,107	-	-	-	-	-	-	-

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.1 Interest rate risk management (continued)

i) Re-pricing profile (continued)

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

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.1 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 decrease of N$43.3 million (2021: 35.4 million) net income (before tax).

2022 - GROUP	Carrying amount at end of year N$ '000	Amount exposed to market risk N$ '000	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$ '000
Financial assets				
Cash and cash equivalents	320,815	320,815	Namibia Prime	6,416
Government and other securities	648,710	648,710	Fixed rate	12,974
Advances	4,752,702	-	N/A **	-
	5,722,227	**969,525**		**19,390**
Financial liabilities				
Amounts due to parent company	76,974	77,918	Namibia Prime	(1,558)
Borrowings	2,524,208	2,524,208	Namibia prime, JIBAR and LIBOR	(50,484)
Deposits	535,687	535,687	Namibia Prime	(10,714)
	3,136,869	**3,137,813**		**(62,756)**
Net effect on the statement of total comprehensive income				**(43,366)**

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

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

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.1 Interest rate risk management (continued)

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

2022 - COMPANY	Carrying amount at end of year N$	Amount exposed to market risk N$	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax) N$
Financial assets				
Cash and cash equivalents	499	499	Namibia Prime	10
Intercompany receivable	458,617	-	Namibia Prime	-
	459,116	**499**		**10**
Financial liabilities				
Borrowings	434,009	434,009	JIBAR	(8,680)
	434,009	**434,009**		**(8,680)**
Net effect on the statement of total comprehensive income				**(8,670)**

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

5.1 Financial risk factors (continued)

5.1.2 Market risk (continued)

5.1.2.2 Foreign currency risk management

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

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

Net foreign exchange loss for the year ended 31 December 2022 was N$558 thousand (2021: N$ nil).

5.1.2.3 Other price risk management

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

5.1.3 Liquidity risk

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

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

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

Assets and liabilities maturities as at 31 December 2021

2022 - 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	320,815	-	-	-	-	-	320,815
Government and other securities	98,776	-	-	-	549,934	-	648,710
Other receivables	-	370,909	-	-	-	4,978	375,887
Net advances	114,731	196,573	855,963	2,611,251	974,184	-	4,752,702
Current taxation	-	-	-	-	-	54,191	54,191
Property, plant and equipment and right-of-use assets	-	-	-	-	-	21,584	21,584
Deferred tax assets	-	-	-	-	-	6,252	6,252
Total assets	**534,322**	**567,482**	**855,963**	**2,611,251**	**1,524,118**	**87,005**	**6,180,141**
Liabilities and equity							
Deposits due to customers	176,767	54,700	304,220	-	-	-	535,687
Trade and other payables	223,094	-	-	-	-	18,456	241,550
Lease liabilities	500	719	3,315	3,283	1,069	-	8,886
Borrowings	-	338,158	729,456	540,330	916,264	-	2,524,209
Amounts due to parent company	-	-	-	-	76,974	-	76,974
Deferred tax liability	-	-	-	-	-	6,703	6,703
Ordinary shareholders' equity	-	-	-	-	-	2,786,133	2,786,133
Total liabilities and equity	**400,361**	**393,578**	**1,036,991**	**543,614**	**994,307**	**2,811,292**	**6,180,142**
Net liquidity gap	**133,961**	**173,905**	**(181,028)**	**2,067,638**	**529,811**	**-**	**-**

5.1 Financial risk factors (continued)

5.1.2 Liquidity risk (continued)

Assets and liabilities maturities as at 31 December 2020 (continued)

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

5.1 Financial risk factors (continued)

5.1.2 Liquidity risk (continued)

Assets and liabilities maturities as at 31 December 2020 (continued)

2022 - COMPANY	Demand and up to 1 month N$ '000	Greater than 1 month up to 3 months N$ '000	Greater than 3 months up to 12 months N$ '000	Greater than 12 months up to 24 months N$ '000	Greater than 24 months N$ '000	Non-financial assets and liabilities N$ '000	Total N$ '000
Assets							
Cash and cash equivalents	499	-	-	-	-	-	499
Other receivables	-	186,348	-	-	-	-	186,348
Intercompany receivable	458,617	-	-	-	-	-	458,617
Current taxation	-	-	-	-	-	7,347	7,347
Deferred tax assets	-	-	-	-	-	124	124
Investment in subsidiaries	-	-	-	-	-	1,914,354	1,914,354
Total assets	**459,116**	**186,348**	**-**	**-**	**-**	**1,921,825**	**2,567,289**
Liabilities and equity							
Trade and other payables	-	132,322	-	-	-	192	132,514
Borrowings	-	-	-	233,844	200,165	-	434,009
Ordinary shareholders' equity	-	-	-	-	-	2,000,766	2,000,766
Total liabilities and equity	-	132,322	-	233,844	200,165	2,000,958	2,567,289
On balance sheet interest sensitivity	**459,116**	**54,026**	**-**	**(233,844)**	**(200,165)**	**(79,133)**	**-**

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

5.1 Financial risk factors (continued)

5.1.3 Liquidity risk (continued)

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

2022 - GROUP	Carrying amount	Up to 1 month	Greater than 1 month up to 6 months	Greater than 6 months up to 12 months	Greater than 1 year up to 2 years	Greater than 2 years up to 5 years	Greater than 5 years	Total
Financial liabilities		**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**
Lease liabilities	**8,886**	**500**	**719**	**3,315**	**4,081**	**1,069**	**-**	**9,684**
Borrowings	**2,524,208**	**33,119**	**422,042**	**711,736**	**1,173,402**	**564,970**	**-**	**2,905,269**
Amounts due to parent company	**76,974**	**-**	**-**	**-**	**-**	**76,974**	**-**	**76,974**
Trade and other payables	**241,550**	**241,550**	**-**	**-**	**-**	**-**	**-**	**241,550**
	2,851,618	**275,169**	**422,761**	**715,051**	**1,177,483**	**643,013**	**-**	**3,233,478**

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

5.1 Financial risk factors (continued)

5.1.3 Liquidity risk (continued)

2022 - COMPANY	Carrying amount	Up to 1 month	Greater than 1 month up to 6 months	Greater than 6 months up to 12 months	Greater than 1 year up to 2 years	Greater than 2 years up to 5 years	Greater than 5 years	Total
Financial liabilities		**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**
Borrowings	434,009	-	-	-	266,311	240,177	-	506,488
	434,009	-	-	-	266,311	240,177	-	506,488

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

5.1 Financial risk factors (continued)

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

5.1.4.1 Valuation models

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

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

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

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

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

Fair value for disclosure

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

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

General

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

Level 3 fair value disclosure – Advances

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

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

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

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

5.1 Financial risk factors (continued)

5.1.4 Analysis of financial assets and liabilities

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

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

	Amortised cost	Total	Up to 12 months	Greater than 12 months
2022 - GROUP	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**
Financial assets				
Cash and cash equivalents	320,815	320,815	320,815	-
Government and other securities	648,710	648,710	98,776	549,934
Other receivables	370,909	370,909	370,909	-
Net advances	4,752,702	4,752,702	1,167,268	3,585,435
Total financial assets	**6,093,137**	**6,093,137**	**1,957,767**	**4,135,369**
Financial liabilities				
Deposits due to customers	535,687	535,687	535,687	-
Trade and other payables	223,094	223,094	223,094	-
Borrowings	2,524,208	2,524,208	1,067,614	1,456,594
Lease liabilities	8,886	8,886	3,989	4,897
Amounts due to parent company	76,974	76,974	(944)	77,918
Total financial liabilities	**3,368,849**	**3,368,849**	**1,829,440**	**1,539,409**

	Amortised cost	Total	Up to 12 months	Greater than 12 months
2021 - GROUP	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**
Financial assets				
Cash and cash equivalents	287,048	287,048	287,048	-
Government and other securities	500,004	500,004	19,987	480,017
Other receivables	313,722	313,722	313,722	-
Net advances	4,278,481	4,278,481	3,104,538	1,173,943
Total financial assets	**5,379,255**	**5,379,255**	**3,725,295**	**1,653,960**
Financial liabilities				
Deposits due to customers	386,068	386,068	386,068	-
Trade and other payables	218,495	218,495	218,495	-
Borrowings	1,980,799	1,980,799	608,780	1,372,019
Lease liabilities	7,639	7,639	4,006	3,633
Amounts due to parent company	191,728	191,728	-	191,728
Total financial liabilities	**2,784,729**	**2,784,729**	**1,217,349**	**1,567,380**

5.1 Financial risk factors (continued)

5.1.4 Analysis of financial assets and liabilities (continued)

2022 - COMPANY	Amortised cost N$ '000	Total N$ '000	Up to 12 months N$ '000	Greater than 12 months N$ '000
Financial assets				
Cash and cash equivalents	499	499	499	-
Other receivables	186,348	186,348	186,348	-
Intercompany receivable	458,617	458,617	458,617	-
Total financial assets	**645,464**	**645,464**	**645,464**	**-**
Financial liabilities				
Trade and other payables	132,514	132,322	132,322	-
Borrowings	434,009	434,009	-	434,009
Total financial liabilities	**566,523**	**566,331**	**132,322**	**434,009**

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

The amortized cost approximates the fair value.

5.1 Financial risk factors (continued)

5.1.6 Capital management

Capital adequacy risk is the risk that the Group will not have sufficient reserves to meet materially adverse market conditions beyond that which has already been assumed within the impairment provisions and reserves.

The Group and company strives to maintain a strong capital base. Managed capital comprises of share capital, common control reserve, share based payment reserve and retained earnings. The Group's and company's objectives when managing capital are to safeguard the Group's and company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's and company's strategic focus is to maintain an optimal mix of available financial resources, while continuing to generate sufficient capital to support the growth of the Group's and company's operations within the parameters of the risk appetite set by the Board. It is the Group's objective to safeguard the Group's and company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

External regulatory capital management - Banking Operations

Regulatory capital adequacy is measured by expressing available qualifying capital as a percentage of risk-weighted assets. The Banking Institutions Act (No 2 of 1998) and supporting regulations, read together with specific requirements for the banking operations, specify the minimum capital required to be held in relation to risk weighted assets. Ancillary regulatory requirements include the Basel II leverage ratio.

The banking operations regulatory capital is divided into two tiers:

- Tier 1 capital: Share capital, share premium, irredeemable preference shares, share based payment reserve, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital and general loan loss provisions.

The Bank of Namibia requires each bank or banking group to maintain the following capital adequacy ratios:

- Tier 1 capital to total assets, at a minimum of 6%, referred to as the leverage capital ratio;
- Tier 1 capital to the risk-weighted assets at the minimum of 7%, referred to as Tier 1 risk-based capital ratio; and
- The total regulatory capital to risk-weighted assets as a minimum of 10%, referred to as total risk-based capital ratio.

In addition to the above minimum capital requirements, the Bank of Namibia requires the bank to perform an internal capital adequacy and assessment process (ICAAP) in terms of Pillar II of Basel II, which has been documented and approved by the board. The process results in:

- The identification of all significant risk exposures to the banking group;
- The quantification of risk appetites for the major risks identified; and
- Control measures to mitigate the major risks.

ALCO is mandated to monitor and manage capital, which includes:

- meeting minimum Basel II regulatory requirements and additional capital add-ons and floors as specified by the Bank of Namibia ("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 and company has complied with these covenants throughout the reporting year.

5.1 Financial risk factors (continued)

5.1.6 Capital management

Regulatory capital

	GROUP		BANK	
	31 December 2022 N$ '000	31 December 2021 N$ '000	31 December 2022 N$ '000	31 December 2021 N$ '000
Tier 1 capital				
Ordinary share and premium	100	100	59,624	59,624
Irredeemable preference share capital	215,085	215,085	215,085	215,085
Retained earnings	1,791,614	1,638,225	658,833	669,878
Ordinary shareholders' reserves	703,147	703,400	2,306	2,376
Total tier 1 capital	**2,709,946**	**2,556,810**	**935,848**	**946,963**
Tier 2 capital				
Current unappropriated profits	101,446	110,929	725	25,068
General allowance for credit impairments	29,246	27,547	29,462	18,055
	130,692	138,476	30,187	43,123
Total qualifying capital	2,840,638	2,695,286	966,035	990,086
Risk-weighted assets				
Credit risk	4,158,687	3,781,064	2,450,563	1,549,329
Market risk	12,561	-	12,561	-
Operational risk	1,048,933	999,386	359,917	281,587
Total risk-weighted assets	**5,220,181**	**4,780,450**	**2,823,041**	**1,830,916**

Capital adequacy ratios

	Minimum regulatory requirement %	Internal limit %	31 December 2022 %	31 December 2021 %
GROUP				
Total capital adequacy ratio	10%	15%	53%	56%
Tier 1 capital adequacy ratio	7%	9%	51%	53%
Tier 1 leverage ratio	6%	8%	43%	46%
BANK				
Total capital adequacy ratio	10%	15%	34%	54%
Tier 1 capital adequacy ratio	7%	9%	33%	52%
Tier 1 leverage ratio	6%	8%	23%	35%

6. Prior year restatement

The Group and Company restated certain lines on the statement of cash flows to align with presentation which is considered to be more correct. The restatement had no impact on the prior year total cash and cash equivalents. The restatement impacts the following lines on the statement of cash flows:

GROUP

Dividend received

Dividend received under cash flows from investing activities was corrected to exclude the non-cash adjustments from this line. This correction also impacts the movement in other receivables and movement in trade and other payables lines on the statement of cash flows.

Government and other securities

The increase in investment in RSA Government Security Bonds was reclassified from cash flows from investing activities to cash flows from financing activities. This is to align with IAS 7 Statement of Cash Flows which indicates that assets held to hedge long-term borrowings should be disclosed as part of financing activities. The investment in RSA Government Security Bond is held to hedge the Development Finance Loan.

Amounts due to parent company

The cash flow movements relating amounts due to parent company were corrected to show the gross amounts received from parent company and repayments of amounts due to parent company separately. These were previously shown on a net basis on the statement of cash flows.

COMPANY

Interest received on loans to related parties

Interest received on loans to related parties at company level were previously classified as operating activities. These have now been correctly reclassified to investing activities.

Dividend received

Dividend received under cash flows from investing activities was corrected to exclude the non-cash adjustments from this line. This correction also impacts the movement in other receivables and movement in trade and other payables lines on the statement of cash flows.

Intercompany receivable

The cash flow movements relating to intercompany receivable at company level were reclassified from cash flows from financing activities to cash flows from investing activities. These were previously incorrectly shown as 'Repayment of amounts due to parent company' under cash flows from financing activities.

6. Prior year restatement (continued)

Statement of cash flows - extract	At 31 December 2021 Audited - (as previously stated) N$ '000	Restatement N$ '000	At 31 December 2021 Restated N$ '000
GROUP			
Movement in other receivables	(149,602)	127,467	(22,135)
Movement in trade and other payables	89,310	(57,757)	31,553
Net cash flow from operating activities	**(313,139)**	**69,710**	**(243,429)**
Increase in government and other securities	(500,004)	480,017	(19,987)
Dividend received	204,568	(69,710)	134,858
Net cash inflow/(used) in investing activities	**(304,257)**	**410,307**	**106,050**
Increase in assets held to hedge long-term borrowings	-	(480,017)	(480,017)
Amounts received from parent company	-	452,380	452,380
Repayment of amounts due to parent company	(395,683)	(452,380)	(848,063)
Net cash (used)/generated from financing activities	**436,191**	**(480,017)**	**(43,826)**

Statement of cash flows - extract	At 31 December 2021 Audited - (as previously stated) N$ '000	Restatement N$ '000	At 31 December 2021 Restated N$ '000
Movement in other receivables	(58,755)	55,206	(3,549)
Movement in trade and other payables	37,458	(37,165)	293
Interest received	8,745	(8,736)	9
Net cash flow from operating activities	**(24,333)**	**9,305**	**(15,028)**
Interest received on loans to related parties	-	8,736	8,736
Increase in intercompany receivable	-	(233,102)	(233,102)
Dividend received	227,418	(18,041)	209,377
Net cash inflow/(used) in investing activities	**227,418**	**(242,407)**	**(14,989)**
Repayment of amounts due to parent company	(233,102)	233,102	-
Net cash (used)/generated from financing activities	**(202,815)**	**233,102**	**30,287**

7. Cash and cash equivalents

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	31 December 2022 N$'000	31 December 2021 N$'000
Cash and balances with banks	**105,192**	147,552	**499**	329
Money market placements	**148,749**	100,809	**-**	-
Balances with the central bank other than mandatory reserve deposits	**40,381**	25,483	**-**	-
Included in cash and cash equivalents	**294,322**	273,844	**499**	329
Mandatory reserve deposits with the central bank	**26,493**	13,204	**-**	-
	320,815	287,048	**499**	329

Money market placements constitute amounts held in money market unit trust with external financial institutions on a short-term basis. These placements are highly liquid, readily convertible and have an insignificant risk of change in value.

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	Group		Company	
Bank balances	**166,772**	178,718	**499**	329
Money market placements	**148,749**	100,809	**-**	-
Cash on hand	**5,294**	7,521	**-**	-
	320,815	287,048	**499**	329

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

At year-end, the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets. Cash and cash equivalents to the value of N$6.7 million (2021: nil) have been pledged as collateral as at the reporting date. The Cash and cash equivalents have been pledged as security for a commercial loan from RMB (refer to note 15).

8. Government and other securities

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	31 December 2022 N$'000	31 December 2021 N$'000
Treasury bills	98,776	19,987	-	-
Investment in RSA Government Security Bonds	499,142	480,017	-	-
Investment in Namibian Government Security Bonds	50,792	-	-	-
Gross financial assets at amortised cost	648,710	500,004	-	-
Less expected credit loss allowance	-	-	-	-
Net financial assets at amortised cost	648,710	500,004	-	-
Current	98,776	19,987	-	-
Non-current	549,934	480,017	-	-
Gross financial assets at amortised cost	648,710	500,004	-	-

Due to the short-term nature of the Treasury bills 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. The RSA government security bonds have been pledged as security for a commercial loan from RMB (refer to note 15).

There is no exposure to price risk as the investment will be held to maturity.

9. Receivables

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	31 December 2022 N$'000	31 December 2021 N$'000
9.1 Other receivables				
Financial				
- Profit share receivable from cell captive	**328,965**	295,966	**183,253**	121,323
- Deposits	**9,939**	12,328	**331**	51
- Sundry receivables	**7,656**	5,428	**-**	-
- Deferred fees	**24,349**	26,027	**2,764**	3,578
Non-Financial[1]				
- Prepayments[1]	**4,978**	12,556	**-**	-
	375,887	352,305	**186,348**	124,952
Current	375,887	352,305	186,348	124,952
Non-current	-	-	-	-
	375,887	352,305	**186,348**	124,952

1 The prior year presentation of this note has been updated to show prepayments as a non-financial asset. There were no changes to total other receivables.

At year end, the carrying amounts of accounts receivable approximate closely to their fair values due to the short-term maturities of these assets.

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

9.2 Intercompany receivable				
Financial				
- Intercompany current account - Letshego Micro Financial Services (Namibia) (Pty) Ltd	-	-	**431,636**	93,715
- Intercompany current account - Letshego Bank (Namibia) Ltd	-	-	**26,981**	106,875
	-	-	**458,617**	200,590

The above intercompany receivables are unsecured and bears interest at Namibian prime rate. These loans are of a short-term nature and have no fixed repayment terms.

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

At recognition and at year end, the carrying amounts of accounts receivable approximate closely to their fair values due to the short-term maturities of these assets.

10. Advances to customers

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	31 December 2022 N$'000	31 December 2021 N$
Gross advances to customers	**4,801,245**	4,325,142	-	-
Less: Impairment allowance on advances	**(48,543)**	(46,661)	-	-
Net advances to customers	**4,752,702**	4,278,481	-	-
Impairment allowance on advances				
Balance at the beginning of the year	**46,661**	71,004	-	-
Impairment adjustment - increase/(decrease) for the year	**1,882**	(24,343)	-	-
Balance at the end of the year	**48,543**	46,661	-	-
The balance at the end of the year consists of the following:				
Stage 1 impairment	**22,236**	12,863	-	-
Stage 2 - 3 impairment	**26,307**	33,798	-	-
	48,543	46,661	-	-
(Reversals)/Charges in the profit or loss				
Amounts written off	**77,402**	75,760	-	-
Impairment adjustment	**1,882**	(24,343)	-	
Recoveries during the year	**(68,851)**	(67,937)	-	-
	10,433	(16,520)	-	-
Exposure to credit risk				
Net advances to customers	**4,752,702**	4,278,481	-	-
Maximum exposure to credit risk	**4,752,702**	4,278,481	-	-

Advances are measured at amortised cost using the effective interest method as they are held to collect contractual cash flows which are solely payments of principle and interest.

Refer to note 5.1.1 for more information on credit risk management, credit quality, credit concentration risk and sensitivity of assumptions and estimates.

The Group performed a detailed assessment of the provision of the impairment allowance during the year. Actual historic write-off losses and wider credit risk associated with lending to public sector employees were considered and the credit impairment adjusted accordingly.

11. Property, equipment and right-of-use assets

	Furniture and fittings N$'000	Office equipment N$'000	Computer equipment N$'000	Motor vehicles N$'000	Leasehold Improve-ments N$'000	Right-of-use assets - Buildings N$'000	Total N$'000
GROUP							
At 31 December 2022							
Cost	**5,632**	**8,230**	**47,186**	**482**	**8,917**	**30,391**	**100,838**
Accumulated depreciation	**(5,118)**	**(6,785)**	**(39,013)**	**(482)**	**(5,381)**	**(22,475)**	**(79,254)**
Carrying amount	**514**	**1,445**	**8,173**	**-**	**3,536**	**7,916**	**21,584**
At 31 December 2022							
Opening net amount at 1 January 2021	**573**	**1,937**	**6,078**	**-**	**4,127**	**5,660**	**18,375**
Additions	**310**	**136**	**7,837**	**-**	**668**	**7,134**	**16,085**
Depreciation charge	**(369)**	**(628)**	**(5,742)**	**-**	**(1,259)**	**(4,878)**	**(12,876)**
Carrying amount	**514**	**1,445**	**8,173**	**-**	**3,536**	**7,916**	**21,584**
At 31 December 2021							
Cost	5,322	8,094	39,349	482	8,249	23,257	84,754
Accumulated depreciation	(4,749)	(6,157)	(33,271)	(482)	(4,122)	(17,597)	(66,379)
Carrying amount	573	1,937	6,078	-	4,127	5,660	18,375
At 31 December 2021							
Opening net amount at 1 January 2020	829	1,370	9,013	64	1,662	9,306	22,244
Additions	197	1,194	4,098	-	3,332	2,761	11,582
Depreciation charge	(453)	(627)	(7,033)	(64)	(867)	(6,407)	(15,451)
Carrying amount	573	1,937	6,078	-	4,127	5,660	18,375

Property, plant and equipment and right-of-use assets are of a long-term nature (non-current).

COMPANY

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

12. Trade and other payables

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
Financial				
- Trade payables	**40,550**	80,880	**40**	16
- Accruals	**2,676**	2,724	**43**	3
- Other payables	**6,890**	5,822	**294**	223
- Deferred cell captive income	**172,978**	129,069	**131,945**	68,398
Non-financial				
- Audit fee provision	**1,486**	1,870	**192**	220
- Personnel related	**13,204**	13,261	**-**	-
- Value Added Taxation	**1,360**	1,827	**-**	-
- Withholding Tax	**2,406**	3,297	**-**	-
	241,550	238,750	**132,514**	68,860
Current	**241,550**	238,750	**132,514**	68,860
Non-current	**-**	-	**-**	-
	241,550	238,750	**132,514**	68,860

Trade payables are unsecured and are usually paid within 30 days of recognition.
The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

13. Lease liabilities

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
Amounts recognised in the statement of financial position				
Current lease liabilities	**3,989**	4,006	-	-
Non-current lease liabilities	**4,897**	3,633	-	-
	8,886	7,639	-	-
Reconciliation of lease liabilities				
Opening balance	**7,639**	11,162	-	-
Additions	**7,134**	3,141	-	-
Modifications	**(641)**	-	-	-
Interest expense	**699**	71	-	-
Payments	**(5,945)**	(6,735)	-	-
Closing balance	**8,886**	**7,639**	-	-

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.

Refer to note 4(d)(i) for more information on the accounting policy for leases.

There were additions of N$7.1 million (2021: N$3.1 million) to right-of-use assets during the 2022 financial year.

	Group		Company	
Amounts recognised in the statement of comprehensive income				
Depreciation charge on right-of-use assets - Buildings	**4,878**	6,407	-	-
Interest expense on lease liabilities	**699**	71	-	-
Expense relating to leases of low value assets	**629**	734	-	-
Expense relating to short-term leases	**1,252**	-	-	-
	7,458	7,212	-	-

The total cash outflows relating to leases is N$7.8 million (2021: N$7.5 million)

14. Taxation

		Group		Company	
		31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
14.1	**Income tax expense**				
	Current tax expense	**44,045**	54,744	**-**	-
	Current year	**47,034**	54,744	**-**	-
	Prior years	**(2,989)**	-	**-**	-
	Deferred tax (income)/expense :				
	- Origination and reversal of temporary differences	**(2,943)**	(2,170)	**414**	(538)
	Total Income tax expense	**41,102**	52,574	**414**	(538)
14.2	**Reconciliation of current taxation**				
	Profit before taxation	**391,517**	355,803	**328,542**	213,950
	Tax calculated at standard rate - 32%	**125,285**	113,857	**105,134**	68,464
	Income not subject to tax - dividend income (cell captive) and interest on money market placements	**(128,027)**	(93,791)	**(110,978)**	(69,639)
	Prior year tax expense	**(2,989)**	-	**-**	-
	Non-deductible expenses	**46,833**	32,508	**6,258**	637
		41,102	52,574	**414**	(538)
	Effective tax rate	**10.50%**	14.78%	**0.13%**	(0.25%)

14. Taxation

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
14.3 Deferred taxation				
The Group has disclosed the deferred tax assets and the deferred tax liabilities separately.				
Deferred tax asset				
The balance comprises:				
- Property, equipment and right-of-use assets	**(4,030)**	(3,625)	**-**	-
- Prepayments	**(592)**	(592)	**-**	-
- Impairment allowance on advances[1]	**3,868**	879	**-**	-
- Leave pay, bonus and other provisions[1]	**5,318**	5,226	**-**	-
- Share based payments	**738**	760	**-**	-
- Lease liabilities	**2,843**	2,445	**-**	-
- EIR adjustment	**(2,017)**	(2,143)	**-**	-
- Assessed loss	**124**	538	**124**	538
	6,252	3,488	**124**	538
Current	**-**	-	**-**	-
Non-current	**6 252**	3 488	**124**	538
	6,252	**3,488**	**124**	**538**

1 Prior year amounts have been restated to correct a presentation error. The restatement has no impact on total deferred tax asset.

	Group		Company	
Deferred tax liabilities				
The balance comprises:				
- Prepayments and deferred expenses	**(5,413)**	(4,841)	**-**	
- Impairment allowance on advances	**1,817**	2,701	**-**	-
- EIR adjustment	**(2,190)**	(3,333)	**-**	
- Deferred arrangement fees	**(917)**	(1 409)	**-**	-
	(6,703)	(6,882)	**-**	-
Current	**-**	-	**-**	-
Non-current	**(6 703)**	(6 882)	**-**	-
	(6,703)	**(6,882)**	**-**	-

14. Taxation (continued)

		Group		Company	
		31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000

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% (2021: 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 2022 N$'000	Group 31 December 2021 N$'000	Company 31 December 2022 N$'000	Company 31 December 2021 N$'000
Opening balance		**81,736**	80,653	**7,347**	7,354
Charge to profit or loss	Current year	**(47,034)**	(54,744)	**-**	-
	Prior years	**2,989**	-	**-**	-
Payments made during the period		**22,333**	59,483	**-**	-
Refund received		**(5,833)**	(3,656)	**-**	(7)
Taxation asset		**54,191**	81,736	**7,347**	7,347
Current		**54,191**	81,736	**7,347**	7,347
Non-current		**-**	-	**-**	-
		54,191	**81,736**	**7,347**	**7,347**

15. Borrowings

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
Commercial Bank 1				
Facility 1	**338,158**	150,000	**-**	-
Facility 2	**255,941**	250,000	**-**	-
Facility 3	**256,068**	250,000	**-**	-
	850,167	650,000	**-**	-

Commercial Bank 1 are secured revolving credit facilities guaranteed by Letshego Namibia Holdings Limited and bear interest at Namibia Prime less 0.14% (facility 1), Namibia Prime less 0.32% (facility 2) and Namibia Prime less 0.52% (facility 3). Interest on the loans are repayable quarterly and the loans mature on 12 March 2023, 08 December 2023 and 15 December 2024 respectively. The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods.

Commercial Bank 2				
Loan 1	**50,357**	83,730	**-**	-
Loan 2	**203,324**	75,947	**-**	-
Loan 3	**473,576**	458,780	**-**	-
	727,257	618,457	**-**	-

Commercial Bank 2 are secured term loans guaranteed by Letshego Namibia Holdings Limited and bear interest at Namibia Prime less 0.25% (loan 1), Namibia Prime less 0.3% (loan 2) and 3 month JIBAR plus 2.6% (loan 3) repayable in bi-annual instalments and mature on 7 June 2024, 31 January 2025 and 15 November 2023 respectively. The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods.

Development Finance loan	**512,775**	479,329	**-**	-

Development Finance loan is a secured term loan guaranteed by Letshego Namibia Holdings Limited and bears interest at LIBOR plus 3.75%. Interest on the loan is repayable quarterly and the loan matures on 15 June 2026. The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods.

Listed Bond Programme				
Listed Bond 1	**233,905**	233,012	**233,905**	233,012
Listed Bond 2	**200,104**	-	**200,104**	-
	434,009	233,012	**434,009**	233,012

Listed Bond 1 is a medium term loan guaranteed by Letshego Micro Financial Services (Namibia) (Pty) Ltd and bears interest at 3 month ZAR-JIBAR-SAFEX plus 3.55%. Interest on the loan is repayable quarterly and the loan matures on 17 May 2024. Listed Bond 2 is a medium term loan guaranteed by Letshego Micro Financial Services (Namibia) (Pty) Ltd and bears interest at 3 month ZAR-JIBAR-SAFEX plus 2.80%. Interest on the loan is repayable quarterly and the loan matures on 29 June 2025. The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods.

Total borrowings	**2,524,208**	1,980,798	**434,009**	233,012
Current	**1,067,614**	608,780	**-**	-
Non-current	**1,456,594**	1,372,018	**434,009**	233,012
	2,524,208	1,980,798	**434,009**	233,012

Risk exposures

Details of the group's and company's exposure to risks arising from current and non-current borrowings are set out in note 5.

16. Amounts due to Parent Company

		Group		Company	
		31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
16.1	**Amounts due to parent company - Letshego Holdings Limited**	**77,918**	191,210	**-**	-
	Reconciliation of Amounts due to parent company:				
	Opening balance	**191,210**	585,750	**-**	-
	Movement in the current year	**(113,292)**	(394,540)	**-**	-
	Closing balance	**77,918**	191,210	**-**	-

The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan is repayable in variable instalments and matures on 10 May 2024.

16.2	**Intercompany payable - Erf 8585 (Pty) Ltd**	**(944)**	518	**-**	-

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.

Total intercompany payables	**76,974**	191,728	**-**	-

17. Deposits due to customers

Current accounts	**28,103**	22,721	**-**	-
Term deposits	**507,584**	363,348	**-**	-
Total deposits due to customers	**535,687**	386,069	**-**	-
Current	**535,687**	386,069	**-**	-
Non-current	**-**	-	**-**	-
	535,687	386,069	**-**	-

18. Share capital

Authorised share capital				
500 000 000 ordinary shares of 0.02 cents each (2021: 500 000 000 ordinary shares of 0.02 cents each)	**100**	100	**100**	100
Issued share capital				
500 000 000 ordinary shares of 0.02 cents each (2021: 500 000 000 ordinary shares of 0.02 cents each)	**100**	100	**100**	100

19. Equity settled share based payment reserve

Under the conditional Long Term Incentive Plan (LTIP), conditional share awards are granted to management and key employees. The number of vesting share awards (currently outstanding) is subject to certain non-market conditions. Shares are issued and settled in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange. The fair value of the shares is valued according to the listed price on the Botswana Stock Exchange at grant date. Letshego Holdings Limited is liable to fulfil the obligation to the employees on the awards granted.

Shares granted in terms of the plan may not exceed 10% of the issued ordinary shares of the holding company, Letshego Holdings Limited. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

The allocation of share awards under the plan relating to management of Letshego Bank (Namibia) Limited was made on 1 January 2020, 2021 and 2022 respectively. The vesting period of the share awards from grant date is three periods.

	Group			
	31 December 2022		**31 December 2021**	
	Number of share awards	**Exercise price**	**Number of share awards**	**Exercise price**
Granted during prior years	**5,190**	NAD2.19/0.94/0.99	**3,918**	NAD 2.56/2.24/0.97
Granted in current year	**1,433**	NAD 1.87	**2,141**	NAD 0.99
Exercised during the year	**(589)**	NAD 2.19	**(478)**	NAD 2.50
Forfeited during the period	**(483)**	NAD 2.19	**(391)**	NAD 2.50
Exercisable and outstanding at the end of the year	**5,551**	NAD0.94/0.99/1.87	**5,190**	NAD 2.56/2.24/0.99
Fair value of awards exercisable and outstanding at the end of the year	**2,123**		**2,376**	

		Group		Company	
		31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
20.	**Profit before taxation**				
	The following items have been recognised in arriving at profit before taxation:				
	Advertising and promotions	**2,262**	2,486	**25**	264
	Auditors' remuneration	**2,723**	2,437	**365**	337
	Consultancy costs - professional services	**12,993**	16,601	**1,502**	1,790
	Computer services costs	**1,693**	1,533	**-**	-
	Depreciation	**12,876**	15,451	**-**	-
	Directors' emoluments				
	- for services as director	**1,770**	1,409	**-**	-
	- for management services	**7,579**	4,841	**-**	-
	Rental - low value and short-term leases	**1,881**	2,523	**-**	-
	Employee benefit expense (excluding directors' remuneration - for management services)	**76,716**	76,144	**29**	30
21.	**Employee benefit expense**				
	Salaries[1]	**44,021**	40,159	**29**	30
	Key management personnel[1]	**20,045**	16,433	**-**	-
	Pension fund contributions	**5,723**	5,175	**-**	-
	Medical aid contributions	**4,120**	3,482	**-**	-
	Social security	**184**	170	**-**	-
	Share based payment expense[1]	**1,316**	1,122	**-**	-
	Incentive bonuses	**8,817**	14,304	**-**	-
	Staff welfare	**69**	140	**-**	-
		84,295	80,985	**29**	30

1 Key management personnel line for 2021 has been updated to include the salaries and benefits of the executive directors. These were included in the 'Salaries' line in the prior year. The note was also updated to disclose share payment expense separately. There was no change to total employee benefit expense.

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
22. Operating expenses by nature				
Sales related expense[1]	9,726	7,266	17	-
Advertising and promotions[1]	2,262	2,486	25	264
Auditors remuneration - audit services	2,723	2,437	365	337
Collection fees	35,515	31,933	-	-
Consulting and secretarial	12,993	16,601	1,502	1,790
Management fees	34,936	56,444	-	-
Depreciation (note 11)	12,876	15,451	-	-
Directors' remuneration - for services as directors	1,770	1,409	-	-
Computer related expenses	1,693	1,533	-	-
Office rental	1,881	2,523	-	-
Travel and accommodation	1,672	1,203	43	-
Social responsibility projects	800	1,032	-	-
Telephone & Fax	4,654	4,715	-	-
Guarantee fees	16	7,631	-	-
Subscriptions	18,076	12,334	232	169
VAT expense	11,539	14,631	-	-
Security costs	3,681	2,982	-	-
Insurance	79,384	73,784	2,287	7,838
Bank charges	11,013	11,198	1,712	-
Repairs and maintenance[2]	6,340	9,242	-	-
Other operational expenses[1,2]	14,226	7,629	80	1,359
Unrealized foreign exchange loss	558	-	-	-
	268,334	**284,465**	**6,263**	**11,757**

1 The presentation of this note has been enhanced to provide more useful information to the users. Prior year figure has been updated to disclose advertising and promotions expense separately which was previously included as part of sales related expenses, and to also include the withholding tax relating to 'other operating expenses' as part of the other operating expenses line. There was no change to total operating expenses.

2 The presentation of this note has been enhanced to provide more useful information to the users. Prior year figure has been updated to disclose repairs and maintenance expense separately. There was no change to total operating expenses.

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
23. Net interest income				
Interest income calculated using the effective interest income method - Advances to customers	**631,382**	582,345	**-**	-
Other interest income calculated using the effective interest income method				
- Interest income on short term bank deposits	**18,387**	3,836	**89**	9
- Interest income on bonds	**18,092**	2,343	**-**	
- Interest income on loans to related parties	**-**	-	**29,449**	8,736
Total interest income	**667,861**	588,524	**29,538**	8,745
Interest expense calculated using the effective interest rate method	**(214,435)**	(121,232)	**(28,210)**	(10,425)
- Borrowings	**(177,611)**	(61,215)	**(28,210)**	(10,425)
- Deposits due to customers	**(25,370)**	(13,357)	**-**	-
- Lease liabilities	**(699)**	(71)	**-**	-
- Shareholder's loan - LHL	**(10,755)**	(46,589)	**-**	-
Net interest income	**453,426**	467,292	**1,328**	(1,680)
24. Fee income				
Postage fees	**174**	127	**-**	-
Fees and commission earned from services to customers	**46,421**	23,779	**-**	-
	46,595	23,906	**-**	-
25. Other income				
Dividend income - cell captive	**248,432**	204,568	**121,629**	65,855
Dividend income *	**-**	-	**211,877**	161,562
Sundry Income	**6,126**	8,967	**-**	-
	254,558	213,535	**333,506**	227,417

* An ordinary dividend of N$212 million (2021: N$162 million) was received from Letshego Micro Financial Services (Namibia) (Pty) Ltd and Letshego Bank (Namibia) Limited during the current year.

26. Related parties

	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)
	Karl-Stefan Altmann (Chief Financial Officer)
	O'Rute Uandara (Chief Operating Officer)
	James Damon (Head of Credit)
	Aletta Shifotoka (Chief Risk Officer)
	Barend Kruger (Head of Consumer Division)
	Diana Mokhatu (Head of People and Culture)
	Mignon Klein (Head of Legal, Governance and Compliance and Company Secretary)
	Natasha Winkler (Head of Marketing and Products)
Directors:	Maryvonne Palanduz
	Ester Kali
	Karl-Stefan Altmann
	Rosalia Martins-Hausiku
	Sven von Blottnitz
	Maria Nakale
	Kamogelo Chiusiwa
	Kudzai Chigiji

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000

26. Related parties (continued)

26.1 Related party balances

Loan accounts - Receivables from related parties

	Group 2022	Group 2021	Company 2022	Company 2021
Letshego Micro Financial Services (Namibia) (Pty) Ltd			**431,636**	93,715
Letshego Bank (Namibia) Ltd			**26,981**	106,875
			458,617	200,590

The above intercompany receivables are unsecured and bears interest at Namibian prime rate. These loans are of a short-term nature and have no fixed repayment terms.

Loan accounts - Owing to related parties

	Group 2022	Group 2021	Company 2022	Company 2021
Letshego Holdings Limited - loan	**77,918**	191,210	**-**	-
Erf 8585 (Pty) Ltd	**(944)**	518	**-**	-
	76,974	191,728	**-**	-

The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan is repayable in variable instalments and matures on 10 May 2024.

The intercompany loan with Erf 8585 (Pty) Ltd is unsecured and currently does not bear interest and has no fixed repayment terms.

Advances

	Group 2022	Group 2021	Company 2022	Company 2021
Advances to key management personnel	**1,779**	1,412	**-**	-

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

Deposits

	Group 2022	Group 2021	Company 2022	Company 2021
Deposits from key management personnel and directors	**770**	205	**-**	-

Deposits include current and savings accounts.

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
26.2 Related party transactions				
Interest expense				
Letshego Holdings Limited	**10,755**	46,589	**-**	-
Net interest income				
Key management personnel and directors	**69**	50	**-**	-
Interest income				
Letshego Bank (Namibia) Limited	**-**	-	**15,210**	6,957
Letshego Micro Financial Services (Namibia) (Pty) Ltd	**-**	-	**14,239**	1,779
	-	-	**29,449**	8,736
Rent expense				
Erf Eight Five Eight Five (Proprietary) Limited	**2,362**	2,335	**-**	-
Guarantee fees expense				
Letshego Holdings Limited	**16**	7,631	**-**	-
Management fees expense				
Letshego Holdings Limited	**34,936**	56,444	**-**	-
Dividend income from related parties				
Letshego Bank (Namibia) Limited	**-**	-	**51,695**	42,179
Letshego Micro Financial Services (Namibia) (Pty) Ltd	**-**	-	**160,182**	119,383
	-	-	**211,877**	161,562

The amount classified as management fees under note 22 is made up as follows:

Fees payable to Letshego Holdings Limited	**31,442**	50,800	**-**	-
Withholding tax paid on imported management services	**3,494**	5,644	**-**	-
	34,936	56,444	**-**	-

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	**31 December 2022 N$'000**	31 December 2021 N$'000
26.2 Related party transactions (continued)				
Compensation expense to key management personnel 1				
Short-term benefits	**17,582**	15,183	**-**	-
Post employment benefits	**2,464**	1,250	**-**	-
	20,046	16,433	**-**	-

1 Compensation expense to key management personnel for 2021 has been updated to include the salaries and benefits of the executive directors and to split the compensation expense into the various categories of employee benefits. There was no change to total employee benefit expense.

	Group		Company	
Compensation expense directors				
Sitting fees paid to non-executive directors	**1,770**	1,409	**-**	-
	1,770	1,409	**-**	-

27. Capital reorganisation reserve

The capital reorganisation reserve arose on 5 July 2016 when Letshego Holdings (Namibia) Limited acquired 99,999% of the issued share capital of Letshego Bank Namibia Limited.

This transaction was a capital re-organisation in the form of a common control combination. As a result, for purposes of consolidation, the transaction was treated as if the combination had taken place at the beginning of the earliest comparative period presented at the time, which was 01 January 2015. Details of the purchase consideration, the net assets acquired and negative goodwill are as follows:

	N$'000	N$'000
	Group	**Company**
Carrying value of assets and liabilities acquired:	As at 01 January 2015:	As at 01 January 2015:
Cash	48,033	45,762
Other receivables	63,970	112,825
Intercompany receivable	20,517	53,552
Advances to customers	1,607,218	1,932,258
Deferred taxation	3,343	1,251
Current taxation	(14,819)	6,728
Property, plant and equipment	5,904	10,814
Trade and other payables	(53,894)	(32,263)
Intercompany payable	-	(1,198)
Borrowings	(764,064)	(785,476)
Non-controlling interest - Preference shares attributable to Ultimate Parent Company	(215,085)	-
Capital reorganisation reserve	(701,024)	(1,344,154)
Net assets acquired	100	100

	Group		Company	
	31 December 2022 N$'000	**31 December 2021 N$'000**	**31 December 2022 N$'000**	**31 December 2021 N$'000**
Capital reorganisation reserve	**701,024**	701,024	**1,344,154**	1,344,154

28. Investment in subsidiaries

Investment in Letshego Micro Financial Services Namibia (Pty) Ltd at cost	-	-	**570,200**	570,200
Investment in Letshego Bank Namibia Limited at cost	-	-	**1,344,154**	1,344,154
	-	-	**1,914,354**	1,914,354

29. Capital commitments

Authorised but not contracted for	41,411	41,411	**-**	-

The capital commitments are for the purchase of property and equipment and will be funded by the Group's cash resources.

30. Segment information

The Group considers its banking and other financial services operations as one operating segment. There are no other components. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Chief Executive Officer of the Group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking and other financial services operation, the Chief Executive Officer reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activity, which have been disclosed in the various notes to the consolidated and separate financial statements.

30.1 Entity-wide disclosures

30.1.1 Products and Services

Operating segment

- Banking operations

Brand

- Letshego

Description

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

Products and services

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

30.1.2 Geographical segments

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

30.1.3 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.

31. Net debt reconciliation

The net debt is made up of cash, borrowings and lease liabilities. Other changes include non-cash movements 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 2022 N$'000	31 December 2021 N$'000	31 December 2022 N$'000	31 December 2021 N$'000
Cash and cash equivalents	**320,815**	287,048	**499**	329
Amount due to parent company- repayable after one year[1]	**(76,974)**	(191,728)	**-**	-
Borrowings repayable within one year (including lease liabilities)	**(1,071,603)**	(612,786)	**-**	-
Borrowings repayable after one year (including lease liabilities)	**(1,538,466)**	(1,375,652)	**(434,009)**	(233,012)
Net debt	**(2,366,228)**	(1,893,118)	**(433,510)**	(232,683)
Cash and cash equivalents	**320,815**	287,048	**499**	329
Gross debt - variable interest rates	**(2,687,043)**	(2,180,165)	**(434,009)**	(233,012)
Net debt	**(2,366,228)**	(1,893,118)	**(433,510)**	(232,683)

1 Prior year figures have been updated to include amounts due to parent company as part of net debt. The restatement has no impact on the statement of financial position, statement of comprehensive, statement of cash flows and statement of changes in equity.

	Group		Company	
	31 December 2022 N$'000	31 December 2021 N$'000	31 December 2022 N$'000	31 December 2021 N$'000

32. Earnings and headline earnings per share

Basic earnings per share is calculated by dividing the Group's and company's profit for the year by the weighted average number of ordinary shares in issue during the year/period, excluding ordinary shares purchased by the company and held as treasury shares.

Headline earnings per share is calculated by dividing the Group's and company's profit for the year, after excluding identifiable remeasurements, net of tax, by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

	Group 31 December 2022 N$'000	Group 31 December 2021 N$'000	Company 31 December 2022 N$'000	Company 31 December 2021 N$'000
Earnings				
Profit for the year	**350,415**	303,229	**328,128**	214,488
Headline adjustments	**-**	-	**-**	-
Remeasurement included in equity accounted earnings	**-**	-	**-**	-
Headline earnings	**350,415**	303,229	**328,128**	214,488
Number of ordinary shares in issue at year end (note 18)	**500,000**	500,000	**500,000**	500,000
Weighted average number of ordinary shares in issue during the year	**500,000**	500,000	**500,000**	500,000
Diluted weighted average number of ordinary shares in issue during the year	**500,000**	500,000	**500,000**	500,000
Earnings per ordinary share (cents)				
Basic	**70**	61	**66**	43
Fully diluted	**70**	61	**66**	43
Headline earnings per ordinary share (cents)				
Basic	**70**	61	**66**	43
Fully diluted	**70**	61	**66**	43

33. Changes in cash flows arising from financing activities

The table below details changes in the cash flows arising from the financing activities, including both cash and non-cash changes. Cash flows arising from the financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

GROUP	Lease liabilities N$'000	Loans from related parties N$'000	Interest bearing borrowings N$'000	Assets held to hedge long-term borrowings N$'000
Balance at 01 January 2022	**7,639**	**191,728**	**1,980,798**	**480,017**
Cash flows				
Financing cash inflow	**-**	**100,249**	**576,185**	**-**
Financing cash outflow	**(6,586)**	**(225,758)**	**(210,945)**	**19,125**
Non-cash flow changes				
Revaluation of foreign currency borrowing	**-**	**-**	**558**	**-**
Interest	**699**	**10,755**	**177,611**	**-**
Lease additions	**7,134**	**-**	**-**	**-**
Balance at 31 December 2022	**8,886**	**76,974**	**2,524,208**	**499,142**

GROUP[1]	Lease liabilities N$'000	Loans from related parties N$'000	Interest bearing borrowings N$'000	Assets held to hedge long-term borrowings[1] N$'000
Balance at 01 January 2021	11,162	587,411	842,465	-
Cash flows				
Financing cash inflow	-	452,380	1,667,465	-
Financing cash outflow	(6,735)	(894,651)	(590,347)	(480,017)
Non-cash flow changes				
Interest	71	46,589	61,215	-
Lease additions	3,141	-	-	-
Balance at 31 December 2021	**7,639**	**191,728**	**1,980,798**	**(480,017)**

33. Changes in cash flows arising from financing activities (continued)

COMPANY	Interest bearing borrowings N$'000
Balance at 01 January 2022	233,012
Cash flows	
Financing cash inflow	200,997
Financing cash outflow	(28,210)
Non-cash flow changes	
Movement in accrued interest	28,210
Balance at 31 December 2022	**434,009**

COMPANY[1]	Interest bearing borrowings N$'000
Balance at 01 January 2021	-
Cash flows	
Financing cash inflow	233,012
Financing cash outflow	(10,425)
Non-cash flow changes	
Movement in accrued interest	10,425
Balance at 31 December 2021	**233,012**

1 Prior year amounts have been restated to correct a presentation error. The restatement has no impact on the Statement of Financial position, Statement of Comprehensive Income and Statement of Changed in Equity.

34. Events occurring after the reporting date

A dividend of 44.89 cents per ordinary share has been declared subsequent to the reporting date and will be paid on 15 June 2023.

Last date to trade cum dividend - Friday 26 May 2023
First date to trade ex-dividend - Monday 29 May 2023
Last date to register - Friday 02 June 2023
Dividend payment date - Thursday 15 June 2023

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

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Notice to shareholders of the 7th annual general meeting (AGM) to be held on 11 august 2023 at 12h00.

Notice is hereby given to all shareholders of Letshego Holdings Namibia Limited (**"the Company"**) in respect of the Annual General Meeting ("AGM") for the financial year ended 31 December 2022, which will be held at the Company's registered address on the 1st floor of Letshego Bank Namibia Limited, 18 Schwerinsburg Street, Windhoek and would be conducted by way of, and will be accessible to shareholders through electronic communication via Microsoft Teams on Friday, 11 August 2023 at 12h00 (with registration to commence at 11h00), to deal with the business as stated in the AGM Notice, and to consider and if deemed fit, to pass the resolutions set out hereunder in the manner set out in the Namibian Companies Act, together with the Namibian Listings Requirements ('NSX LR') and the provisions of the Company's statutory documentation. The Microsoft Teams link will be circulated to Shareholders on Friday 4 August 2023.

Shareholders are advised that the Integrated Annual Report will be available on the website of the Company **https://www.letshego.com/namibia** as of 14 July 2023.

A Shareholder is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a shareholder. Proxy forms should be deposited at Letshego Holdings Namibia Limited, 1st Floor, Letshego Bank Namibia Ltd, 18 Schwerinsburg Street, Windhoek or to the office of the Transfer Secretary at 4 Robert Mugabe Avenue (entrance from Dr Theo-Ben Gurrirab Street) or emailed to the Company Secretary at **mignonk@letshego.com** not less than 48 hours before the meeting.

ORDINARY AND SPECIAL RESOLUTIONS

To consider and pass the following ordinary and special resolutions:

1. Resolution 1: Annual Financial Statements

To receive, consider and adopt the Annual Financial Statements for the financial year ended 31 December 2022 including the Directors' Report and the report of the Independent Auditors.

2 Resolution 2: Dividend Declaration

To ratify the dividends declared and paid since the previous Annual General Meeting,

2.1 An interim dividend of 25.20 cents (N$0.2520) per share paid to shareholders on 4 November 2022.

2.2 A final dividend of 44.89 cents (N$0.4489) per share paid to shareholders on 15 June 2023

3. Resolution 3

To re-elect by separate resolutions the independent non-executive directors who retire in accordance with Article 63 of the Company's Articles of Association, and in accordance with the provisions of the Companies Act, and the NSX LR.

3.1 To approve that Ms. Rosalia Martins-Hausiku who retires by rotation, will be available for re-election.

Mrs. Martins-Hausiku joined the Motor Vehicle Accident Fund in 2004 as Corporate Relations Officer and become 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 also serves as Director for the African Leadership Institute.

3.2 To confirm that Ms. Mansueta-Maria Nandjila Nakale who retires by rotation and being eligible, offers herself for re-election.

Ms. Nakale have over 20years' experience in the financial sector with specialization in investment management and financial sector supervision. She possesses extensive knowledge on corporate governance, strategy formulation and implementation, investment management and strong ability to interpret legislative instruments. She has held several directorships in both the private and public sectors over the past 17 years.

4. Resolution 4

4.1 To approve, on the recommendation of the Audit and Risk Committee (ARC), the appointment of Ernst and Young Namibia ('EY Namibia') and the auditing partner Danica van Wyk as the Company's independent external auditor for the following financial year. Further that the terms of engagement and the fees of the independent external auditor be determined and approved by the ARC of the Company.

5. Resolution 5

5.1 To approve the remuneration of the Independent Non-Executive Directors for the financial year ending 31 December 2022 as disclosed in Note 20 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director are disclosed under the Corporate Governance section of the Annual Report.

5.2 To confirm that the remuneration structure of the Independent Non-Executive Directors for the financial year ending 31 December 2023 will remain unchanged from the prior year.

6. Resolution 6

The adoption of the before mentioned resolutions will authorise any director of the Company to execute all documentation and do all such further acts and things as he/she may in his/her discretion considers appropriate to implement and give effect to the resolutions mentioned above.

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

Voting will by proxy only. The exact voting process is set out in the proxy form accompanying this document. Proxy forms can be downloaded from the website on www.letshego.com/namibia/. Shareholders are required to submit their votes by proxy to the Transfer Secretaries of the Company who will submit their votes at the Annual General meeting on their behalf. The holders of ordinary shares will each be entitled to one vote for every ordinary share held.

Proxies: the form of proxy for the Annual General Meeting which sets out the relevant instruction for its completion, accompanies this notice. In order to be effected, duly completed Forms of Proxy must be submitted to the Transfer Secretaries of the Company by no later than 12:00 on 9 August 2023 or deliver by hand at 4 Robert Mugabe Avenue (entrance from Dr Theo-Ben Gurrirab Street)

By order of the Board

M Klein
Company Secretary

Registered Office
18 Schwerinsburg Street
Windhoek
12 July 2023

Sponsor
IJG Securities (Pty) Ltd
Member of the NSX
4th Floor, 1@Steps, C/O Grove & Chasie Street P O Box 186, Windhoek, Namibia Registration No. 95/505

FORM OF PROXY

ORDINARY AND SPECIAL RESOLUTIONS

For completion by holders of ordinary shares

(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held virtually via Microsoft Teams on Friday 11 August 2023 at 12h00, with registration to commence at 11h00.

I/We (name/s in block letters)

of (address) being a member of Letshego Holdings Namibia Limited hereby appoint (see note 2)

Appoint (see note 2):

1 or failing him/her,

2. or failing him/her,

3. The Chairman of the meeting,

as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

			For	Against	Abstain
Ordinary resolution number	**1**	**Annual Financial Statements**			
Ordinary resolution number	**2.1**	**Dividend Declaration**			
Ordinary resolution number	**2.2**	**Dividend Declaration**			
Ordinary resolution number	**3.1**	**Director rotation**			
Ordinary resolution number	**3.2**	**Director rotation**			
Ordinary resolution number	**4**	**Appointment of auditors**			
Special resolution number	**5.1**	**Independent Director fees 2022**			
Special resolution number	**5.2**	**Independent Director fees 2023**			
Special resolution number	**6**	**Authority of Directors**			

Signed at on this day of 2023

Signature

Assisted by (where applicable)

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Please read the notes hereof.

NOTES

1. A Shareholder may insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairperson of the Annual General Meeting". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairperson, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.
3. Forms of proxy must be lodged at or posted to The Company Secretary, Letshego Holdings (Namibia) Limited, 1st Floor, Letshego Bank Namibia Ltd, 18 Schwerinsburg Street, Windhoek or emailed to the Interim Company Secretary at mignonk@letshego.com, to be received not less than 48 hours before the Annual General Meeting.
4. The completion and lodging of this form will not preclude the relevant Shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.
5. The Chairperson of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the Shareholder concerned wishes to vote.
6. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.
8. At a meeting of Shareholders a poll may be demanded by:
    - not less than five shareholders having the right to vote at the meeting or;
    - a Shareholder or shareholders representing not less than 10 per cent of the total voting rights of all Shareholders having the right to vote at the meeting;
    - a Shareholder or Shareholders holding shares in the Company that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10 per cent of the total. Where a poll is taken, votes shall be counted according to the votes attached to the shares of each Shareholder present in person or by proxy and voting
9. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.
10. Where ordinary shares are held jointly, all joint Shareholders must sign.
11. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

ABBREVIATIONS

ARC	Audit and Risk Committee
BCP	Business Continuity Action Plan
BoN	Bank of Namibia
CAR	Capital Adequacy Ratio
CCC	Corona Crisis Committee
CTI	Cost to Income Ratio
CLI	Credit Life Insurance
DAS	Deduction at source
EAC	Enterprise Active Customers
EFT	Electronic Funds Transfer
ESOP	Employee Share Ownership Plan
GDP	Gross domestic product
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Framework
King IV	King IV Code of Governance Principles for South Africa
LBN	Letshego Bank (Namibia) Limited
LFSN	Letshego Financial Services Namibia
LHL	Letshego Holdings Limited
LHN	Letshego Holdings (Namibia) Limited
LLR	Loan Loss Ratio
LMFSN	Letshego Micro Financial Services (Namibia) (Pty) Limited
NamCode	Namibia's Corporate Governance Code
NAMFISA	Namibia Financial Institutions Supervisory Authority
NCD	Non-communicable disease
NPS	National Payment System
PAR	Portfolio at risk
PPE	Personal protective equipment
NSX	Namibian Stock Exchange
OD	Organisational Design
PAT	Profit after tax
PBMT	Profit before management fees and tax
PSD	Payment system determination
ROE	Return on Equity
RPA	Robotic process automation
UN SDGs	United National Sustainable Development Goals
SSI	Strategic Social Investment
STI	Short-term insurance
USSD	Unstructured supplementary service data
WfH	Work-from-home

COMPANY INFORMATION

Registration number
2016/0145

ISIN:
NA000A2DVVH

Share code (NSX):
LHN

REGISTERED ADDRESS:
18 Schwerinsburg Street
PO Box 11600
Windhoek
Namibia

AUDITOR:
Ernst & Young Namibia
PO Box 1857
Windhoek, Namibia

ACTING COMPANY SECRETARY:
Amanda Bruyns
Letshego Holdings Namibia
18 Schwerinsburg Street
Windhoek
Namibia

SPONSORING BROKER:
IJG Securities (Pty) Limited
PO Box 186
Windhoek, Namibia

www.letshego.com