



2017

INTEGRATED
ANNUAL REPORT



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About this Report

The Directors of Letshego Holdings (Namibia) Limited (Letshego Namibia) are pleased to present the 2017 Integrated Annual Report. This is our inaugural Report and describes our strategic intent to be Namibia's leading inclusive finance group, as well as our commitment to sustainable value creation for all our stakeholders.

Our 2017 Integrated Annual Report provides our stakeholders with a balanced, concise and transparent commentary on our strategy, performance, operations, governance and reporting progress.

Our integrated reporting process, as well as the contents of this Report, are guided by the principles and requirements of the International Integrated Reporting Framework (IIRC), the King Code of Governance Principles for South Africa (King III), and is in accordance with the 'core' level of the Global Reporting Initiative (GRI) G4. In addition, this Report has been developed in accordance with Namibian Stock Exchange (NSX) Listing Requirements and the Corporate Governance Code for Namibia (NamCode).

While directed primarily at shareholders and providers of capital, this Report should prove of interest to all our other stakeholders, including our Letshego team, customers, strategic partners, Governments and regulators, as well as the communities in which we operate.

This Report is not externally assured; however, the Letshego Namibia Board Audit and Risk Committee is responsible for ensuring corporate accountability and the management of associated risks, combined assurance and integrated reporting. This Report is approved by the Letshego Holdings (Namibia) Limited Board of Directors.

We welcome written comments and feedback from our stakeholders that relate to both this Report and other general matters. Enquiries regarding the Report should be directed to the Company Secretary, Anna Susanna van Zyl, at the registered address that

can be found in the Annual Financial Statements: Significant Accounting Policies.

SCOPE

The 2017 Integrated Annual Report covers the 12-month period from 1 January to 31 December 2017.

The Report encompasses our two business operations: Letshego Bank Namibia Limited (LBN) and Letshego Micro Financial Services Namibia (Pty) Limited (LMFSN). Collectively, the entities are referred to as Letshego Holdings Namibia Limited (LHN).

The central theme of the Report is the utilisation of various forms of capital to create sustainable value, which is our main goal. We offer an integrated account of our financial and non-financial performance during 2017 in working towards this goal. In line with the central theme of sustainable value creation for all our stakeholders, the Report includes a synopsis of the material issues affecting our Group. We consider as material those issues, opportunities and challenges that are likely to impact delivery of our strategic intent and ability to create value in the short, medium and long terms.

We apply the principles of stakeholder inclusiveness, sustainability context, materiality and completeness when assessing which information to include in our Integrated Annual Report.

We apply the principles of accuracy, balance, clarity, comparability, reliability and timeliness when assessing the quality of information included in this Report.

FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this Report, or any verbal statements made by officers, Directors, prescribed officers or employees acting on our behalf, constitute or are based on certain assumptions that might change or be subject to revision. These statements involve risk and uncertainty, as they relate to events and circumstances that may or may not occur. Factors that could cause actual future results to differ materially from those in the forward-looking statements include inter alia: global and domestic economic conditions; the nature of the banking sector; changes in customer profiles and choices; interest rates; credit and the associated risks of borrowing and funding; rating agencies' outcomes; gross and operating margins; capital management; and competitive and economic regulatory factors. We do not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information, future events or otherwise. The forward-looking statements have not been reviewed or reported on by our external auditors.

MATERIALITY

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

The material issues presented in the Report were identified through a stakeholder review process. This comprised formal and informal interviews with investors, sector

analysts, executive and non-executive Letshego team members, as well as selected Letshego customers, both at focus-group and individual level.

The specific areas reviewed with the potential to impact value creation include strategic, financial, environmental, social, competitive and legislative issues.

Identified issues are ranked according to relevance and potential impact on Letshego Namibia and its business model. This process is managed by the Executive Management team and escalated to the board of directors accordingly.

Where possible, our performance is benchmarked against our peers based on publicly available information.

Material issues identified as having an impact on operations are escalated accordingly, first to the holding company's executive management team and then to the Board, to obtain necessary support to incorporate them into the Group's set strategy and priorities for the year.

A NOTE ON DISCLOSURES

We are not prepared to disclose confidential data such as granular data on remuneration, yields and margins, as we deem these to be competitively sensitive information given the industry in which we operate.

We use infographics to report on certain metrics while retaining proprietary information. We welcome individual conversations relating to any aspect of our competitively sensitive operations that we have not publicly disclosed.

All monetary figures used in the Report are in Namibian dollars (N\$).

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



OUR STAKEHOLDERS

-  Customers and communities
-  Our Shareholders
-  Our People
-  Future Acquisitions
-  Our Governments
-  Our Strategic Partners
-  Our Regulators

OUR UNIQUENESSES

-  Simple
-  Appropriate
-  Accessible
-  Ethical
-  Responsive
-  Inclusive



OUR BUSINESS

We are following a path that is changing the way we do business. These changes bring with them significant opportunities and risks. In this section of our Integrated Annual Report, we outline our journey to offering improved and additional solutions to create value for our stakeholders.

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Letter from our Chairperson



A high priority for Letshego Namibia is to know and understand its customers and to ensure that channels of communication between our customers and Letshego remain open and easily accessible.

BECOMING NAMIBIA'S LEADING INCLUSIVE FINANCE GROUP

Letshego Namibia started its transformational journey three years ago and we are pleased to note that the Group has since achieved significant milestones in its journey to becoming Namibia's leading inclusive finance group. Looking back over the past year, Letshego Namibia has celebrated many successes. Our key highlights are as follows:

- Refreshing our Letshego brand uniformly across our 16 access points nationwide.
- Obtaining principal issuer status from MasterCard.
- Empowering Namibians by creating investment opportunities through our listing on the NSX.
- Launching our All-in-1 LetsGo value proposition to customers.
- Gaining market insights through a social impact survey.
- Continued investment in our IT platforms to support of strategic intent.
- Solidifying our partnership with the Financial Literacy Initiative (FLI).

LETSHEGO'S BRAND PROMISE

Our brand refresh was completed in 2017 with our renewed brand promise 'Let's improve life', positioning Letshego as a brand that aims to make a positive difference in people's lives. Staying true to this promise, we endeavour to provide an enhanced customer experience aimed at delivering simple, appropriate and accessible solutions to the financially underserved in a sustainable manner.

Our people, with their innate sense of loyalty and pride, champion our brand by upholding our promise to 'Let's improve life', ensuring a continued and exceptional customer experience. We will endeavour to deliver this same level of customer experience by identifying opportunities to increase market share through enhanced marketing campaigns and consumer solutions.

Our footprint now stretches across the country, with 36% accessibility to our customers in all major towns. We have a representation network of 16 access points nationwide, a growing network of direct sales agents, with internet banking, mobile banking and debit card facilities available to our customers.

Letshego aims to provide access anytime, anywhere, as we believe that mobile and other digital channels will disrupt traditional banking services. It is therefore imperative that we embed a customer-centric culture and remain innovative in everything we do.

COMMITTED TO IMPROVING LIVES

Letshego Namibia's strategic intent and mandate positively aligns with the Government's agenda to enhance financial inclusion. As stated in the National Harambee Prosperity Plan,

"the most effective way to address poverty is through wealth creation – this can be accomplished by growing the economy in a sustainable, inclusive manner and through the creation of decent employment opportunities".

Similarly, Letshego's brand promise to 'Let's improve life' aligns with our national agenda and is further underpinned by Letshego's Strategic Social Investment (SSI) initiatives that are directed towards health, education and improving the lives of our Namibian communities.

We recognise that sustainability lies in our ability to manage our risks from a holistic point of view. This includes the identification of relevant environmental, social and governance-related risks. A social impact survey was conducted in which over 100 Letshego customers across Namibia participated to better understand and be able to demonstrate progress in terms of improving livelihood outcomes through increased access to financial services. The results of the survey showed that most loans disbursed were applied towards productive loan use, and that many of our customers are familiar with mobile banking and possess good financial management skills. Our major productive loan use categories are affordable housing and education.

FUTURE PROSPECTS

We are looking forward to continued growth and believe that driving a financially inclusive agenda will help to achieve the broad-based economic development and poverty eradication needed in society. Hence, our inclusive finance agenda will form an integral part of our strategy.

As a holder of a commercial deposit taking licence, Letshego Bank Namibia has already launched platforms that will enable it to offer broader and more financially inclusive customer services through its diversification into non-Governmental consumer lending, payment and saving solutions, as well as providing financial solutions to the micro and small entrepreneur segments.

A high priority for Letshego Namibia is to know and understand its customers and to ensure that channels of communication between our customers and Letshego remain open and easily accessible. We seek to understand our customer needs and to provide innovative solutions that will address these needs.

With our strategy for 2018 duly formalised, Letshego will begin to pave the way towards building a leading inclusive finance group in Namibia. We look forward to witnessing the positive impacts we will have on our communities.

OUR THANKS

On behalf of the Board of Letshego Holdings (Namibia) Limited, I would like to extend my sincere appreciation to the management team, valued employees and customers for their commitment and support in achieving a number of transformational milestones throughout 2017. I also wish to extend my most sincere gratitude to our investors, regulators, communities and commercial partners for continuously challenging our concepts, testing our resilience and ultimately contributing to the sustainable infrastructure that will support our future growth.

**INDEPENDENT NON-EXECUTIVE DIRECTOR
CHAIRMAN OF THE LHN AND LBN BOARDS**
John Eugene Shepherd

Chief Executive Officer's Review



At a time where disruptive technologies are changing the way we interact and transact, it is imperative that businesses embrace these technologies in order to remain relevant. At Letshego Holdings Namibia, we fully understand this fundamental concept, which is why we follow a business model that challenges the conventional approach to accessing financial solutions, and positions our capabilities to align to changing market trends.

To ensure we remain focused on delivering our strategic aims and goals, we continue to show how proud we are of achieving the key milestones and strong results for 2017:

- Profit after tax: Growth of 17%
- Final dividend of 19.2 Namibian cents per share for the year.
- Total revenue increased 14% year-on-year.
- Loan book increased 14% year-on-year.
- Non-performing loans decreased from 4.4% to 3.9% due to better recovery rates.
- Launch of our All-in-1 LetsGo value proposition to targeted customer base.

We will continue improving lives through sustainable shareholder value creation based on these results.

EMBRACING FINANCIAL INCLUSION

We believe that driving an inclusive finance agenda is the catalyst to achieving broad-based economic development and eradicating poverty. As such, financial inclusion forms an integral part of our strategy.

Upholding this belief, we have successfully launched our LetsGo value proposition to Windhoek-based customers, providing a platform on which to test our channel implementation and broaden our access capability. We aim to provide access anytime, anywhere, and we will now be able to provide broad-based financial solutions to our customers through our access capability via agency banking, internet banking and mobile financial services along with debit card capabilities.

At Letshego Namibia, financial literacy is core to providing responsible and ethical lending practices. By empowering our customers with financial literacy skills, we aim to help our customers make more informed decisions in managing their money.

GROWING THE FRANCHISE

We are growing our franchise by diversifying into deposit-taking capabilities and have raised over N\$90 million worth of deposits by our financial year-end. Letshego Namibia remains committed to providing services that are holistic across financial needs and with various stakeholders in the supply chain – covering savings, borrowings, payments and investment at a micro-level.

We have reached over 52,000 borrowers and 116 depositors. Our consumer lending through a deduction at source model remains our core business and we continue to be leaders in our market – we currently retain the dominant market share for micro-loans in Namibia through our deduction at source solution. This enables us to advance our inclusive Namibian agenda nationwide by providing access to those who are financially underserved.

Another highlight in the year under was Letshego Namibia's successful listing on the NSX on 28 September 2017; a significant milestone in laying our foundation and building our legacy in Namibia.

We adopted a first-of-its-kind approach to launching a financially inclusive Initial Public Offer (IPO) in the country by offering shares to ordinary Namibians. This was an empowerment opportunity for Namibia and was called 'Ekwafo Letu', meaning 'our support'.

Our IPO strategy reflected Letshego's everyday manner of doing business, which is to take the time to extend our reach to Namibians located far and wide, empower individuals with increased awareness of the merits of managing their hard-earned money, and enhance customer experience with a simple, affordable and accessible share offer.

ENHANCING CUSTOMER EXPERIENCE

Letshego Namibia adopts a customer-centric change culture. As customer experience becomes increasingly important in the industry, our culture helps to gain valuable insights and offers rich experiences by anticipating customer needs and knowing how to solve them.

We endeavour to deliver this same level of customer experience by identifying opportunities that would increase market share through enhanced marketing campaigns and innovative consumer solutions.

Our LetsGo All-in-1 solution, which enables customers to pay and be paid, wherever they may be located, launched in 2017. LetsGo is a low fee solution designed to encourage a greater number of Namibians to become part of the banking sector where funds deposited are payable on demand either in person or via direct debit or electronic fund transfer (EFT). Consumer lending through a deduction at source model enables the advancement of our inclusive agenda across the country, providing rural and financially underserved people with access to our financial services.

EMBEDDING A FUTURE CAPABILITY MODEL

Our organisation's reliable and scalable system ensures customer satisfaction for all our customers and provides a central source of information into customer insights. We continue to invest in our IT platforms to increase our customer experience, access and enhance the management of operational risks and financial reporting.

A standardised governance and compliance framework has been implemented to ensure that Letshego Namibia is aligned to international best practices, allowing us to provide a more comprehensive set of customer solutions.

Employee training and development is important and we have implemented

initiatives for skills improvement, employee wellness and enhanced communication channels, all of which ensure alignment and – ultimately – business sustainability.

LOOKING AHEAD

It is with a sense of pride and gratitude that I close my review. Letshego Namibia has overcome many challenges this year yet has still managed to sail through these strong headwinds to achieve good results.

My sincere thanks to my team and our Board members for their continued support and dedication to making our transformation a reality.

We look forward to yet another exciting year together.

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER
Ester Kali

Our Journey

October 1997

Edu-Loan Namibia (Pty) Limited is incorporated.

August 2008

Letshego Holdings Limited acquires Edu-Loan Namibia (Pty) Limited.

November 2009

Letshego Holdings Limited changes its name to Letshego Financial Services (Namibia) (Pty) Limited during 2009.

14 July 2014

Obtained provisional banking licence

19 February 2016

Letshego Financial Services (Namibia) (Pty) Limited is converted to a public company and changes name to Letshego Financial Services (Namibia) Limited.

2017



1. Letshego Namibia celebrates 10-year anniversary.
2. Listing on NSX (28 September 2017)

March 2016

New Head Office premises in Windhoek

July 2016

New Access Point opens in Katutura

5 July 2016

Letshego Financial Services (Namibia) Limited obtains Banking Licence.

24 February 2016

Letshego Holdings Namibia (Pty) Limited is incorporated

2017 Milestones

EMBEDDING THE FUTURE CAPABILITY MODEL

- Investment in local skills development (January 2017)
- Strengthening of operational and channel platforms (January 2017)
- Refreshed brand rolled out across entire access network (June 2017)
- Internal launch of LetsGo Debit Card through MasterCard (November 2017)

EMBRACING FINANCIAL INCLUSION

- Partnership with FLI to extend financial literacy to employees and customers (March 2017)
- Targeted launch of our LetsGo solutions in Windhoek (August 2017)
- LetsGo channel implementation at all branches through internet banking, mobile phone banking, WiCode and Debit Card through MasterCard (November 2017)

ENHANCING CUSTOMER EXPERIENCE

- Enhanced collection processes to complement recoveries drive (September 2017)







GROWING THE FRANCHISE

- Growth in direct sales agent (DSA) business in Namibia (January 2017)
- Letshego Namibia listed on Namibian Stock Exchange (September 2017)



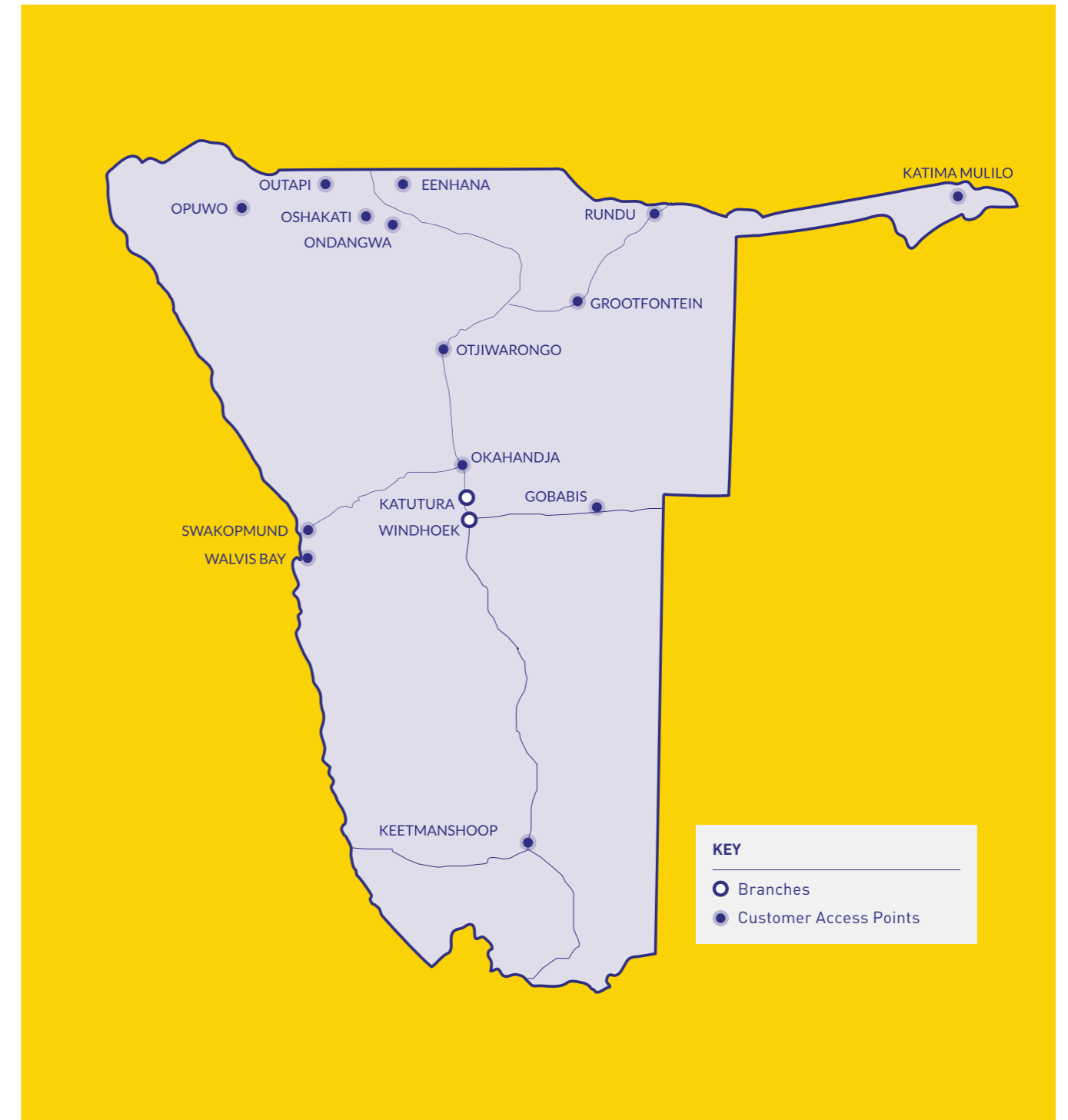
Our Uniqueness

We have six core values that, when combined, make us unique.

Core uniqueness	Description	Result	Outcome
 SIMPLE	Straightforward and uncomplicated	<ul style="list-style-type: none"> We communicate in a straightforward and uncomplicated manner. We interact with our customers in a similar manner. 	We believe that this value results in faster response times, better risk management and greater customer satisfaction.
 ACCESSIBLE	Welcoming and consistent	<ul style="list-style-type: none"> We embrace diversity in our teams and in our ideas. We actively listen to customers to gain insight into their concerns. 	We believe that by being accessible, we create the platform to develop insight and drive innovation.
 RESPONSIVE	Receptive and compassionate	<ul style="list-style-type: none"> We actively assist and collaborate with one another to produce the best outcomes. We respect all cultures, both our own and those of other people. We strive to proactively address customer concerns and questions. 	We believe that collaboration creates better solutions and reduces costs.
 APPROPRIATE	Relevant and suitable	<ul style="list-style-type: none"> We ensure that our actions and engagements with our stakeholders are in keeping with our uniqueness 	We believe that appropriateness supports real value creation.
 ETHICAL	Honest and principled	<ul style="list-style-type: none"> We commit to uphold ethical standards for ourselves, to provide ethical leadership for our colleagues, and to be responsible financial partners to our customers. 	We believe that ethical conduct creates brand value, social licence and faster routes to market.
 INCLUSIVE	Embracing and proactive	<ul style="list-style-type: none"> We share in both our failures and successes. 	We believe that inclusivity results in an organisation that is more than the sum of its parts.

Our Footprint

Letshego Namibia supports approximately 52,000 customers, leveraging both physical and digital access channels. Our physical network comprises 16 outlets across the country, with customer access further extended by Letshego's digital channels which include internet and mobile access, WiCode and Debit Cards. Inclusive finance solutions include short to medium term, unsecured consumer loans to salaried employees, in both the public and private sectors.



Our Structure

EMBRACING FINANCIAL INCLUSION

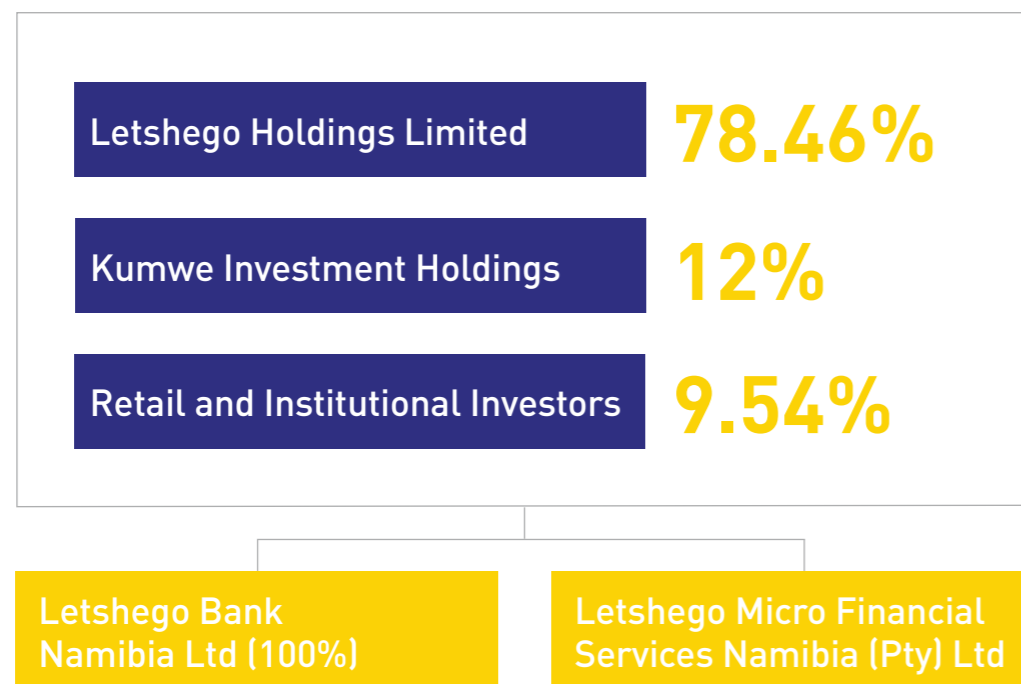
Letshego Holdings Limited (LHL) holds 78.46% of the issued share capital in LHN and is incorporated in the Republic of Botswana. Its equity is listed on the Botswana Stock Exchange

(BSE) under the abbreviated name 'Letshego Holdings Limited', share code 'LETSHEGO' and ISIN BW 000 000 0322. Kumwe Investment Holdings, a public company incorporated in Namibia, holds 12.00% of the issued share capital in LHN and the remaining 9.54% is held by a broad spectrum of retail and institutional investors.

LETSHEGO NAMIBIA'S REGULATORS



LETSHEGO HOLDINGS NAMIBIA'S GROUP STRUCTURE AS AT 31 DECEMBER 2017



Financial Highlights

We are committed to achieving **growth, performance and sustainable** returns for our shareholders. We are also committed to delivering on our financial inclusion mandate for our customers and communities.

The achievement of these goals comes with risks and challenges, all of which require patient (long-term) capital and a readiness to seize opportunities. These risks can be defined as follows:

- Interest rate risk:** This risk arises from the mismatch in the re-pricing of assets and liabilities, resulting in variability in the earnings of the Group. Work is underway to achieve a blend of fixed and variable rate liabilities in order to mitigate the impact of interest rate risk.
- Funding risk:** With the business on a growth trend, funding risk remains significant in terms of the impact to the Group. To manage this, a loan facility has been established with LHL and draw-downs are available on request. Management also continues to be proactive in sourcing alternative funding. This risk will be further mitigated as LBN grows its deposit base.
- Credit risk:** This is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers. The Group has formulated policies and procedures for the assessment, approval and review of credit risk exposures.

PAT ¹ (N\$'m)			Net disbursements (N\$'m)			Net advances (N\$'m)		
2015	2016	2017	2015	2016	2017	2015	2016	2017
272	330	385	507	762	833	1,885	2,119	2,424

NPLs ² to average advances (%)			Customer Deposits (N\$'m)
2015	2016	2017	2017
0.0%	1.1%	0.0%	90,205

During 2017, we achieved a number of positive results. These included increasing our loans and advances to customers by N\$300 million, and improving our profit after tax (PAT) to N\$385 million, up from N\$330 million in 2016. We managed to reduce our non-performing loans ratio to 3.9%, an

improvement from 4.4% in 2016. This allowed us to reduce our impairment provision by N\$9.5 million. We had lower-than-expected increases in our cost to income ratio, currently at 24%, which is within our target range of 28%. We improved our return on equity ratio to 23%, up from 22% the previous year,

and our return on assets increased by 1% to 15%. We achieved earnings per share of 77 cents, up from 66 cents in 2016. Our headline earnings per share increased by 9% to 72 cents.

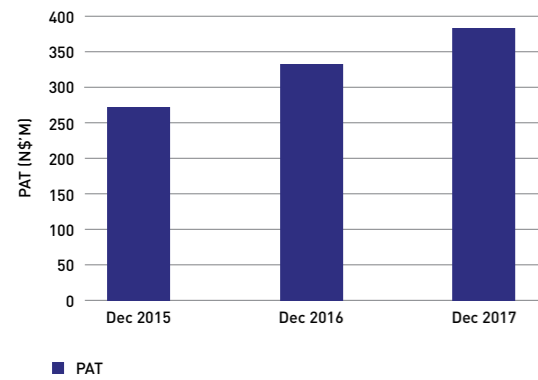
Our market capitalisation is approximately N\$2 billion, representing 6% of the NSX's local index.

¹ Profit after tax

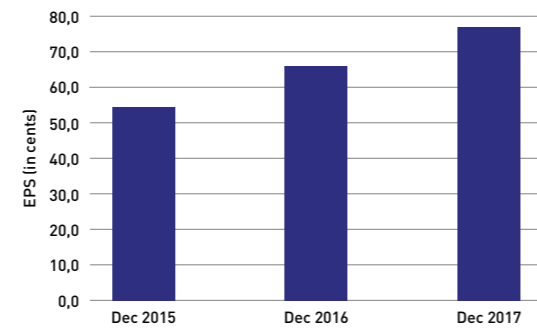
² Loan Loss Ratio

Financial Highlights (continued)

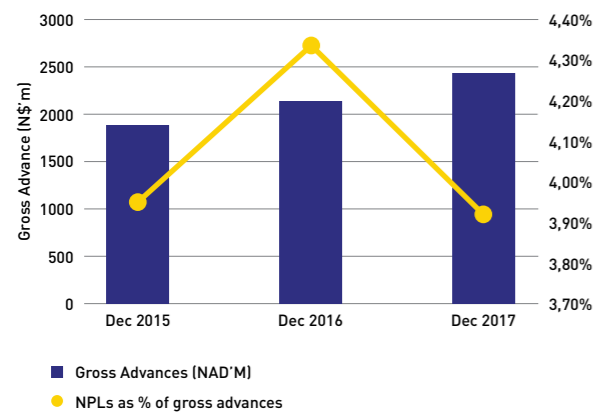
Profit After Tax (N&'m)



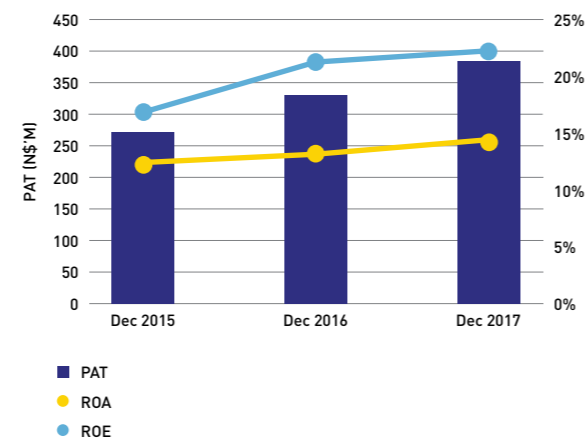
Basic Earnings per Share (cents)



Gross Advances and NPLs



ROA vs ROE vs PAT



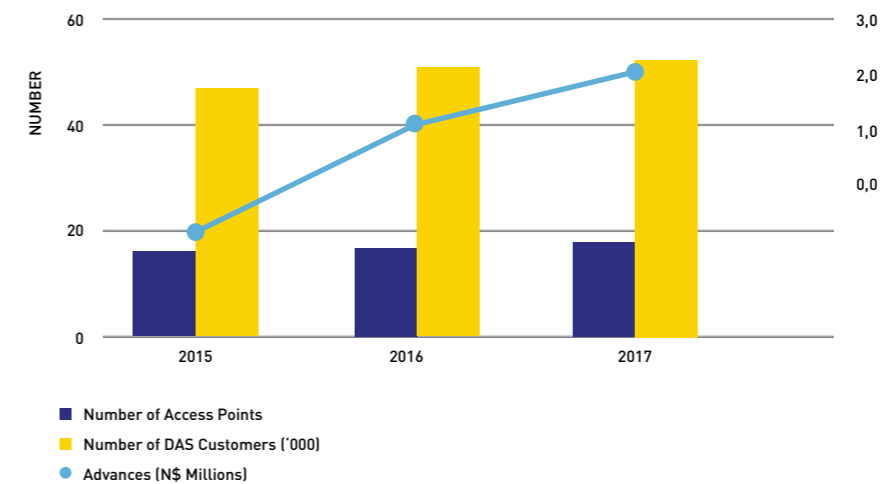
Non-Financial Highlights

In addition to measuring our financial performance, we also measure our non-financial performance. Our performance indicators are focused on specific financial inclusion parameters set at a Group level, but reflecting our geographic context. They can be summarised as follows:

1. **Improving access** to banking solutions for a customer base that is defined as underserved by financial institutions.
2. **Developing bespoke service offerings** that are targeted at key development requirements in the communities within which we operate. We currently focus on:
 - a. Deduction at source (DAS) lending to Government and non-Government employees.
 - b. Affordable Housing.
 - c. Education.
 - d. Agricultural business support.
 - e. Micro and Small Entrepreneurs (MSE) business support.
 - f. Savings.
 - g. Informal and Mobile Lending.
3. **Tracking levels of improving life** among our customer base once they have been introduced to and start using our solutions.

Tables that form part of the accompanying narratives provide an overview of how we are increasing access to financial solutions for our customers.

Growth in Advances with Increased Access Points



Increased access to our solutions is key to growing our franchise. The results from our latest social impact survey reflect that walk-in branches are shown to be strategically located, with 73% of our customers living less than 10 km from a walk-in branch. We continue to invest in improving access to our solutions, as we believe this will allow us to reduce the costs associated with providing solutions to our customers. In addition, we are enhancing the efficiency and utilisation of our current branch network to roll out our banking solutions.

Non-Financial Highlights (continued)

Tracked non-financial performance indicators

Indicators	2015	2016	2017
Access points	16	16	16
Full-time employees (FTEs)	66	86	98
Commission-based direct sales agent (DSAs)	15	11	11
Borrowers	47,000	51,000	52,000
Savers	N/A	N/A	116
Training spend (N\$ '000)	720	218	465
Training spend (N\$'000 per FTE)	11	3	5
Training spend as % of employee costs	4%	1%	1%

Through the introduction of digital learning platforms, we have managed to reduce our spending per employee and reduce our operating costs.

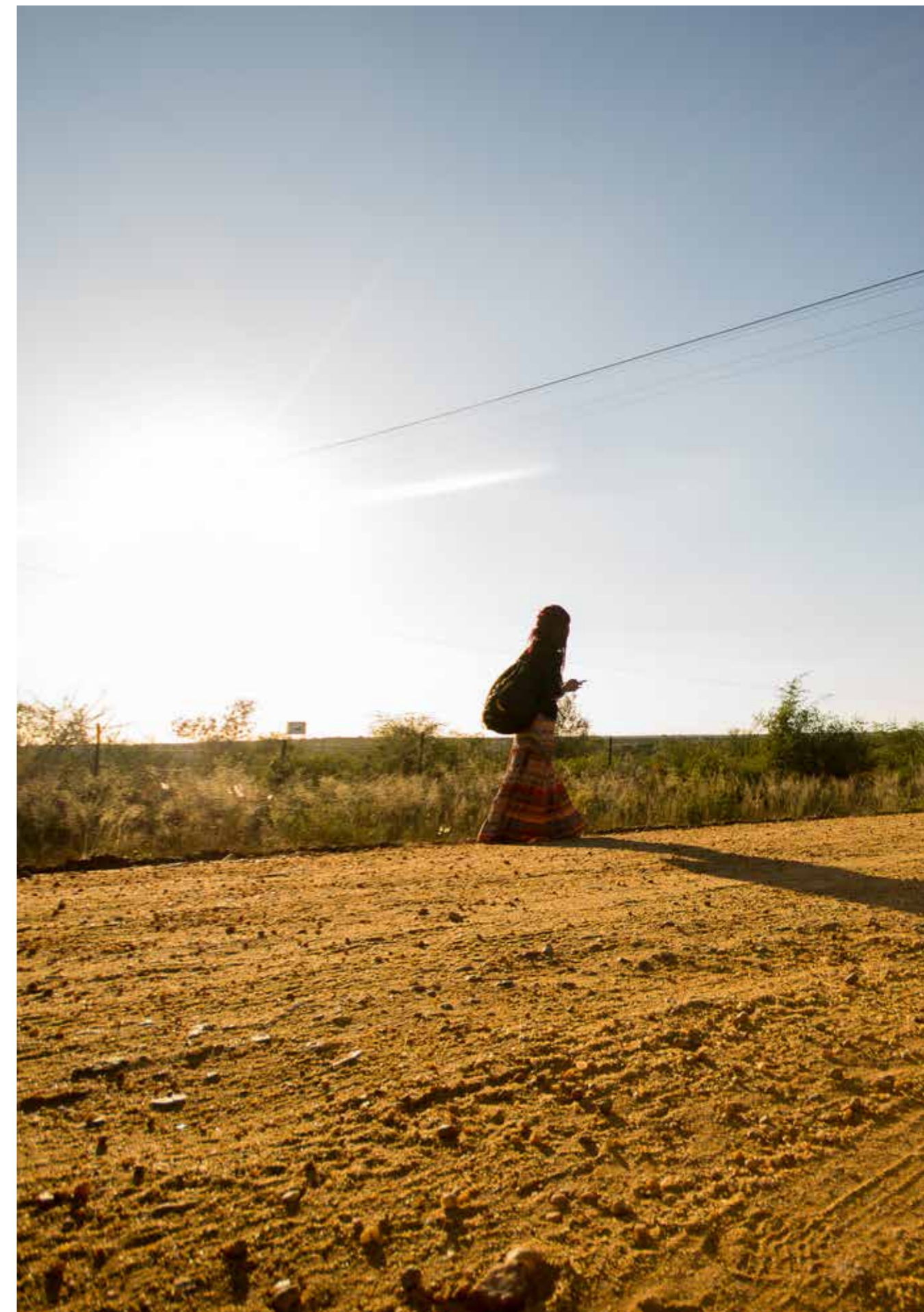
Understanding our customers is essential to the development of appropriate financial solutions. Our own research, which is corroborated by other research findings, shows that the increased level of savings in our customer base is an indication of lower levels of over-indebtedness, and the subsequent lowering of credit risk. We have continued to introduce initiatives to encourage a culture of saving, which

has culminated in the launch of our LetsGo savings solution.

The number of customer savings accounts opened are 109 000 and closed with deposits/savings due to customers of N\$102 million. This is strong progress in our first few months of being able to offer savings solutions.

Tracked social performance indicators:

Indicator	2016	2017
% Portfolio issued to women	39%	37%
Customers with formal and informal savings	42%	99%
Level of productive use of loan	69%	79%
Customers less than 10km from access to Letshego solutions	69%	72%





OUR PEOPLE

Our people are key to achieving our goals. In this section, we will highlight our people and their efforts to achieve our goals of increasing sustainable financial inclusion across Africa.

Board of Directors	26
Executive Management Team	29
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Directors



JOHN EUGENE SHEPHERD

- Independent Non-Executive Director
- Chairman of the LHN and LBN Boards

BComm (University of Stellenbosch); BComm Honours (Unisa); MBA (University of South Queensland)

Fellow Chartered Company Secretary (FCIS); Fellow Chartered Certified Accountant (FCCA); Chartered Professional Accountant CPA - (BC)

Mr. Shepherd has over 20 years' experience in finance and accounting, of which the majority was served in senior management positions.

Mr. Shepherd is appointed as the Finance Director of Pupkewitz Holdings (Pty) Ltd, one of Namibia's largest retail companies as of June 2012. Moreover, he is the Company Secretary for the Pupkewitz Group. His responsibilities as Finance Director include the establishment of risk management systems and full Group accounting function.

Prior to Pupkewitz, he was the Manager of Finance and Administration at the National Petroleum Corporation (Namcor). Moreover, he served as the Acting Managing Director of Namcor from February 2012 until June 2012.

Mr. Shepherd served on the Board of Directors of the Southern African Institute of Chartered Secretaries and Administrators.



RAIRIRIRA MBAKUTUA MBETJIHA

- Non-Executive Director

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

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

Mr. Mbetjiha is the Chairman of the MMI Holdings Namibia Board of Directors; he further serves as a Director on various Boards including that of Business Connexion Namibia.



ESTER KALI

- Executive Director and Chief Executive Officer for LHN and LBN

Financial Services Advanced Diploma and Credit Diploma (Institute of Bankers South Africa)

MBA in Strategic Management (Maastricht School of Management)

Ms. Kali joined Letshego Namibia in November 2014 as Chief Executive Officer from FNB Namibia, where she held the position of Head of Retail and Business Banking. She is responsible for leading the Namibian subsidiary in developing and executing the overall country strategy in line with the Group's strategic intent and brand promise. Under her leadership, Letshego Bank Namibia obtained its banking license.

She has over 30 years' experience in the banking industry of which 20 years consisted of various management roles she served. As the Executive Head of Retail and Business Banking, she was responsible for, inter alia, providing guidance and direction towards the achievement of the strategic goals and objectives of the business. She was further responsible for the development of strategies to improve operational risk management in retail banking.

Ms. Kali is a respected member of the banking industry, having served as the Chairman of the Payments Association of Namibia from August 2006 to May 2008. Moreover, she has served as a member of the Executive Committee for the Institute of Bankers Namibia from 2012 to 2014.



SVEN BLOCH VON BLOTTNITZ

- Chairman of Credit Committee
- Independent Non-Executive Director

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

Mr. von Blottnitz holds the position of General Manager: Finance at Namib Desert Diamonds (Pty) Ltd (NAMDIA) since 1 June 2017, having previously been the Chief Financial Officer at the Namibian Students Financial Assistance Fund (NSFAF) as of August 2015. Prior to joining NSFAF, he served as the General Manager of Finance and Administration at the Namibia Training Authority.

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

Directors



MYTHRI SAMBASIVAN-GEORGE

- Non-Executive Director
- Member of Board Audit and Risk Committee

Fellow Certified Chartered Accountant (UK); Chartered Management Accountant (CIMA UK) Fellow of the Botswana Institute of Chartered Accountants (BICA)

Mrs. Sambasivan-George joined Letshego Holdings Limited in 2010 as Group Finance Manager with a mandate to streamline operational, process and reporting control and quality across the Group's footprint. This included overseeing the implementation of an integrated banking and financial reporting system from the Group's finance and ICT shared service centre.

In 2014, she moved to Letshego's newly created Group Head of Corporate Affairs function. She is responsible for driving the stakeholder engagement and communications agenda, championing brand equity and directing the Group's corporate social investment.

Prior to joining Letshego, she gained over 10 years' experience in the accounting and advisory profession, the last 7 of which were in senior management in KPMG's Audit and Assurance division.



ROSALIA MARTINS-HAUSIKU

- Independent Non-Executive Director

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

Mrs. Martins-Hausiku joined the Motor Vehicle Accident Fund in 2004 as Corporate Relations Officer and became the Manager of Corporate Affairs in 2006.

Prior to becoming the Chief Executive Officer for the Motor Vehicle Accident Fund (MVA) Namibia, Mrs. Martins-Hausiku held several managerial positions over the 13 year period that she has been with MVA Namibia.

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



MARYVONNE PALANDUZ

- Independent Non-Executive Director
- Member of Board Audit and Risk Committee

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

Ms. 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.

Executive Management Team



ESTER KALI (49)

- Executive Director and Chief Executive Officer for LHN and LBN

Financial Services Advanced Diploma and Credit Diploma (Institute of Bankers South Africa)

MBA in Strategic Management (Maastricht School of Management)

Ms. Kali joined Letshego Namibia in November 2014 as Chief Executive Officer from FNB Namibia, where she held the position of Head of Retail and Business Banking. She is responsible for leading the Namibian subsidiary in developing and executing the overall country strategy in line with the Group's strategic intent and brand promise. Under her leadership, Letshego Bank Namibia obtained its banking license.

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Ms. Kali is a respected member of the banking industry, having served as the Chairman of the Payments Association of Namibia from August 2006 to May 2008. Moreover, she has served as a member of the Executive Committee for the Institute of Bankers Namibia from 2012 to 2014.



NICOLAAS PETRUS (NP) ESTERHUYSE (36)

- Chief Executive Officer LMFSN

Association of Chartered Certified Accountants (ACCA) UK, Honours in Financial Accounting (UNISA), B.Compt (UNISA), B.Comm Management Accounting (Stellenbosch)

NP schooled in South Africa and after finishing his degrees with Stellenbosch University and University of South Africa, started his career in 2003 with Ernst and Young in Namibia and the UK. He qualified as a Chartered Accountant in 2009, after being employed with Ernst and Young for eight years.

In 2011, he joined Standard Bank Namibia's subsidiary, Liberty Life Namibia, as the Head of Finance. During late 2012, NP joined Letshego Financial Services (Pty) Ltd as the Chief Financial Officer.

NP currently serves as the CEO and Executive Director of Letshego Micro Financial Services (Namibia) (Pty) Ltd.



GREG MADHIMBA (33)

- Chief Financial Officer

B.Compt (Honours) (UNISA)
CA (Namibia)
ACI dealing certificate – The Financial Markets Association

Greg started his career at Stier Vente Associates where he completed his articles in 2009 after passing his final CA examinations during 2008.

He later worked at Ernst & Young from 2010 to 2013 as Manager in the Advisory Service Line. In 2013 he joined Vivo Energy Namibia as Corporate Treasurer and Credit Manager, before joining Nedbank Namibia Treasury Department as Foreign Exchange Dealer in 2014.

Greg has experience in the areas of financial risk management, credit management, performance improvement, business controls and corporate governance. In October 2016, Greg joined Letshego as Finance Manager. He is currently the CFO of LHN and LBN

Executive Management Team



O'RUTE UANDARA (36)

- Chief Operations Officer

Certified Associate of the Institute of Bankers (CAIB) SA, Management Development Program and Leadership Development Program

O'Rute joined Letshego in May 2015 as the Chief Operations Officer responsible for the overall operations environment, leading, directing and ensuring operational efficiency as well as the alignment of operations to the business strategy.

O'Rute has 17 years of banking experience, having started his banking career in 1999 with Bank Windhoek, where he fulfilled various roles within the branch and overall banking operations. He joined Cavmont Bank Limited (CBL) in Zambia on secondment during 2010, a subsidiary of Capricorn Investment Holdings (CIH), where he was instrumental in the implementation of various strategic projects. He fulfilled the role of Operations Manager at CBL (Zambia) from 2010 to 2012 after which he relocated to Namibia to join the Development Bank of Namibia (DBN) as the Operations Manager.



CHRISZELDA GONTES (31)

- Chief Risk Officer

Master of Law & Business (Germany), Certificate in International Business Law (Germany), LLB (UNAM), B.Juris (UNAM)

Chriszelda Gontes is the Chief Risk Officer and is responsible for the risk, compliance, legal and company secretarial functions for the Letshego Group Namibia.

She previously worked for Old Mutual Finance & Old Mutual Life as a Risk & Compliance Specialist, the German Technical Corporation as a Policy Review & Capacity Building Coordinator and also worked in Frankfurt Germany for Mainova Energy in the Compliance department.

Chriszelda joined Letshego in May 2015. She holds a Master of Law & Business from the Bucerius Law School & WHU School of Management in Hamburg, Germany, Bachelor of Laws- University of Namibia, Baccalaureus Juris- University of Namibia and a certificate in International Business Law, Bucerius Law School, Germany. She is a member of the Compliance Institute of Southern Africa.



NATASHA WINKLER (37)

- Head of Financial Inclusion

B.Comp (UNISA)

Natasha Winkler is the Head of Financial Inclusion for the Letshego Namibia Group of companies in May 2015 and is responsible for sales, marketing and corporate affairs functions within the Group.

Prior to holding this position, Natasha was employed at Nedbank, Deloitte and First National Bank in various managerial roles within the finance and administration functions.

Natasha Winkler holds a B.Compt degree obtained from the University of South Africa and completed 5 years audit articles with PricewaterhouseCoopers in the Windhoek office. Other specialist areas includes property management and database management.



MARIO SHILONGO (33)

- Senior Internal Auditor

Bachelor of Accounting (UNAM)

Mario joined Letshego in June 2015. His primary responsibility is to ensure that the Internal Audit function helps Letshego achieve its objectives by evaluating and improving the effectiveness of control, risk management and governance processes.

Prior to joining Letshego, Mario started his career at Standard Bank Namibia in various departments. He later joined Price Waterhouse Coopers Namibia in the Risk Advisory department, where he consulted various clients in different industries and gained extensive knowledge on risk management



DIANA MOKHATU (50)

- Head of Human Resources

MSc Human Resource Development and Management Associate Member (Assoc CIPD), Certified Balanced Scorecard Professional

Diana has over 20 years of experience in the Human Resources field as a Generalist. She worked in the area of Adult Education, the Diamond and Oil Industry and now Banking. She played a very critical role as a Change Agent in the Team that ensured a smooth transition from Shell to Vivo Energy in Namibia.

Most recently, Diana worked in executive and management roles at Nedbank and Vivo Energy respectively, where she was responsible for Human Resource strategy and management.

Diana joined Letshego in May 2016.

During September 2016, she undertook advanced training with the Balanced Scorecard Institute, through the George Washington University College of Professional Studies; and became a Certified Balanced Scorecard Professional and Strategic Management, which is an aspect of the Human Resources Function she is very passionate about.



Customer testimonials and improving life campaign winners.

1.

Julius Indongo, a Namibian professional boxer became a customer of Letshego in 2007. Julius applied for a loan to complete a building project for his home. He was delighted when Letshego approved his application for a N\$25 000 loan and has since built backyard flats in order to earn additional income from renting out these flats. Each flat generates an additional income of N\$5000 monthly, giving him the ability to repay his loan and generate additional income to improve the lives of his family.

“AS A CUSTOMER OF LETSHEGO, I TRUST AND RESPECT THIS INSTITUTION AND THEIR FACILITIES ARE A BENEFIT.”



2.

Rizzy Rizz was our IPO activations champion that promoted our inclusive finance IPO across various locations in Namibia.

“THIS IPO WAS HARD WORK – DRIVING MORE THAN 6,000 KILOMETERS IN JUST 23 DAYS! SOME DAYS WERE REALLY LONG, HOT AND REALLY DUSTY! BUT I ENJOYED THE FACT THAT THE PEOPLE WERE WARM, FRIENDLY AND WELCOMING – AND MOST IMPORTANTLY, I ENJOYED THE EXPERIENCE AS I WAS PLAYING A DIRECT ROLE IN EMPOWERING PEOPLE WITH KNOWLEDGE, AND DOING SO IN THE LOVE OF MY OWN COUNTRY.”



3.

Jeckonia Kapewasha lives in the northern region of Namibia and works as a principal at the Oupumako Combined School. With his salary at the time, Jeckonia was unable to provide for all the needs of his family. In 2011, he applied for a loan at Letshego to construct 10 flats to generate regular rental income to help in supporting his family financially. He was pleased with this project as it is paying off well. He managed to repay his loan and pay for his three children’s school fees at a private school. He looks forward to extending his project by adding additional rooms to increase his rental income even more.

“I AM VERY HAPPY WITH LETSHEGO AND I WOULD LIKE TO THANK LETSHEGO FOR IMPROVING MY LIFE.”

4.

Matheus Martin is an ambulance driver from Otjiwarongo and lives with his wife and children. Matheus’s dream was to build a brick house for his family as they have been living in a shack for many years. He struggled to save money to enable him to build a family house. A close friend referred him to Letshego for financial assistance and Matheus decide to apply for a loan with Letshego.

“THEY AGREED TO GIVE ME THE MONEY TO BUILD A HOUSE FOR HIS FAMILY. MY WIFE AND CHILDREN WERE VERY HAPPY WITH MY PLANS.” MATHEUS BROKE DOWN HIS OLD TIN SHACK AND MANAGED TO BUILD A 4-BEDROOM HOUSE WITH A KITCHEN AND A LIVING ROOM. NOW THEY HAVE TOILETS AND RUNNING WATER AND ELECTRICITY. “THE LOAN FROM LETSHEGO CHANGED AND IMPROVED NOT ONLY MY LIFE, BUT ALSO THOSE OF MY FAMILY MEMBERS. THANK YOU LETSHEGO FOR IMPROVING MY LIFE.”



5.

Peggy Mufalali is from the Zambezi region and works at the Sikosinyana Senior Secondary School. Peggy’s salary was not enough to cover her family’s expenditure and she decided to start a business, but needed capital to start off with. Peggy contacted Letshego and applied for a loan to get her catering business started. The financial assistance from Letshego enabled Peggy to generate additional income of around N\$25,000 per month from her catering business, additional funds to fully repay her loan as well as buying a car and paying tuition fees for her two children. Peggy got involved in charity work and donated some of her extra money to orphanages and learners at different schools.

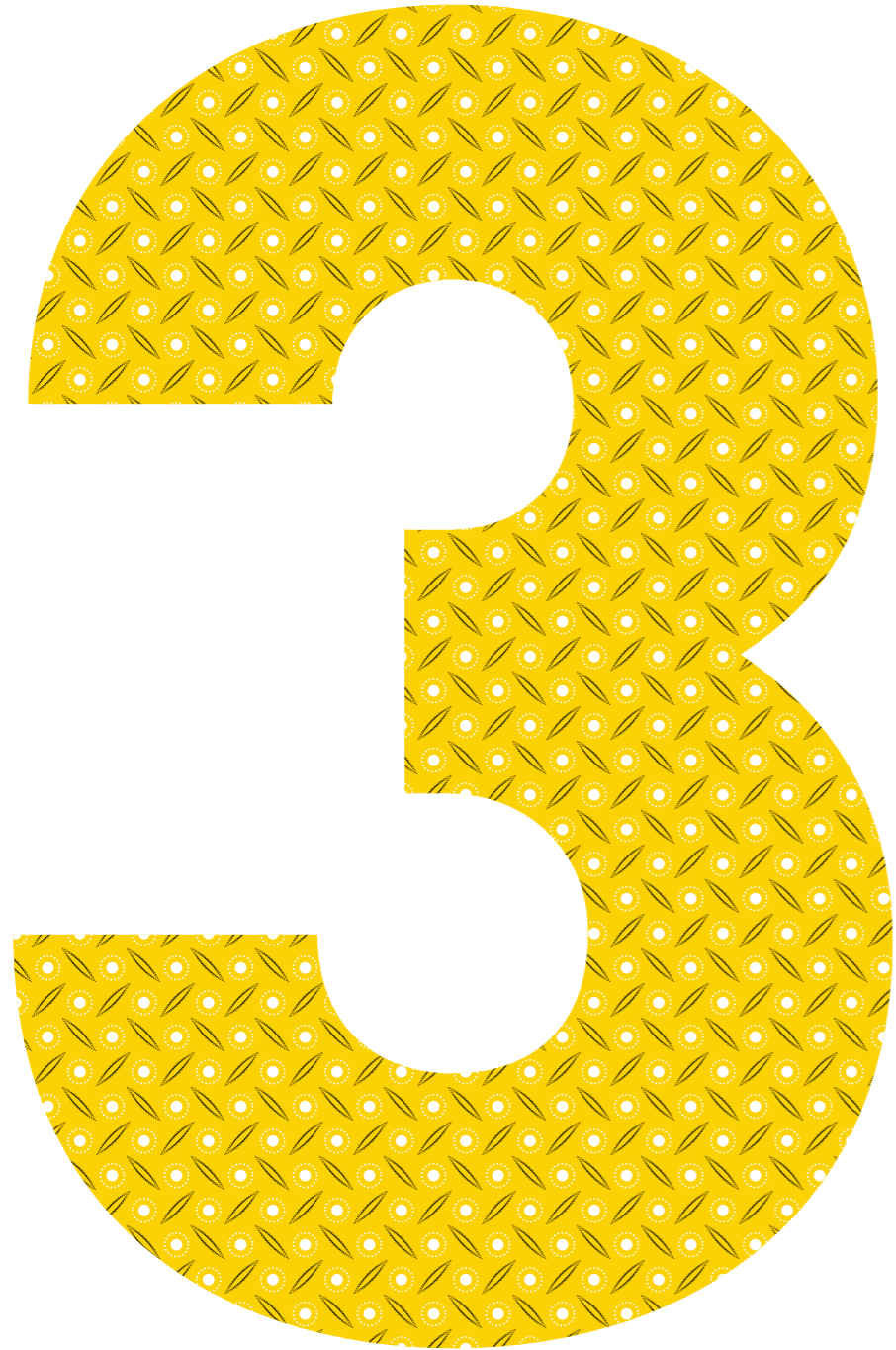
“THANK YOU LETSHEGO FOR IMPROVING MY LIFE SO THAT I AM IN A POSITION TODAY TO HELP OTHERS.”

6.

Veronica is a cleaner working at Ponthofie Senior Secondary School in Northern Namibia. She decided to approach Letshego for financial assistance to start her chicken project. In October 2015, after her loan was approved, Veronica bought her first chickens and started to sell the chickens at the local football tournaments and local expos.

“WITH THIS PROJECT, I MANAGED TO INCREASE MY MONTHLY INCOME AND WAS ABLE TO BUILD MY HOUSE. THUS FAR, I HAVE MANAGED TO PURCHASE BRICKS, DOORFRAMES AND WINDOWS. I ONLY NEED THE CEMENT TO COMPLETE MY HOUSE. I THANK YOU LETSHEGO FOR IMPROVING MY LIFE.”





STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

At Letshego Namibia, our strategic intent is clear – to be Namibia’s leading inclusive finance group by delivering strong performance, substantial growth and returns for our shareholders. We believe that the delivery of inclusive finance across Namibia will significantly contribute to sustained socio-economic development. In our efforts to realise our vision, we carefully consider the interests of our material stakeholders and the possible impact of our actions.

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STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

Our Strategic Intent

Three years ago, we began a journey to position ourselves in such a way that we can better deliver on our inclusive financial mandate. This has been a journey of diversification and transformation through customers and access channels. We have come a long way since then by rolling out additional customer solutions and channels for

a wider-ranging customer base. However, our strategic intent to be Namibia's leading inclusive finance group remains unchanged, and we continue to deliver on our mandate by providing simple, appropriate and accessible solutions to underserved communities in a sustainable manner.

Even though our strategic intent remains, we consider it imperative to review our approach in order to safeguard our long-term sustainability in a rapidly changing operating environment.



*Hands depict our commitment to our people and to governance

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

Stakeholder Mapping Process

Our stakeholders are essential to achieving our vision. By enhancing our relationships with our stakeholders, we are also able to enhance our ability to deliver, defend and develop the values we hold dear. Our stakeholders are the entities or individuals who are most likely to be significantly affected by our activities, and whose actions can affect

our ability to successfully achieve our mission.

Our stakeholders are engaged through a process of ongoing feedback through formal and informal interviews with investors, sector analysts, executive and non-executive Letshego team members and selected Letshego customers, both

at focus-group and individual levels. This process is managed by the executive leadership team and supported by Letshego's Boards of Directors at the holding company and across Letshego's subsidiaries.



*Our customers remain at the centre of everything we do. Whether it's our Strategic Intent, capabilities in productivity, automation and efficiency, the selection of strategic partners, or how we engage with our stakeholders, every element of our business works towards one core goal: Increasing Financial Inclusion and enhancing our Customer Experience.

Our Key Stakeholders

We have identified our key stakeholders as follows:

Letshego Key Stakeholders

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2017
 Our customers and communities	<p>Customers are our reason for existence, providing an income source. We therefore have a customer-centric business model.</p> <p>Customers are the inspiration for our innovations. They help to grow the business by enhancing brand reputation and market presence.</p>	<p>To maintain ongoing engagement with our customers, we utilise a variety of methods. We engage directly through face-to-face interaction at our branches and our direct sales agents, as well as via our call centre and our annual social impact survey.</p> <p>We engage indirectly through media platforms such as newspapers and radio, and via various internet platforms including our website.</p>	<ul style="list-style-type: none"> • 'Improving lives' campaign • Direct marketing campaign • IPO roadshow • Trade fairs and shows • Thought leadership articles • Financial investments through SSI
 Our people	<p>Employees are the main channel to providing services to our customers. They are the face of the business and the custodians of the brand.</p> <p>Employees drive our innovation, providing market intelligence (solutions and customer feedback), helping manage risk during customer on-boarding, and are key in improving our financial performance.</p>	<p>Regular communication also takes place to provide employees with strategic direction and keep them informed about Group activities. The employee feedback and engagement are conducive to a good working environment.</p> <p>We engage directly through face-to-face meetings, and indirectly through newsletters, training programmes, our intranet and social media platforms.</p>	<ul style="list-style-type: none"> • Town hall meetings • Roadshows • Live the rhythm, Own the pace • Quarterly newsletter • Family Day • Teambuilding events • Financial wellness programme • CEO engagements • Internal communications
 Our unions	<p>Discussions with unions enable us to better relate to our people. This helps us to improve our brand reputation and assists with improving market stability.</p>	<p>Our unions represent the collective interests of our people, and their participation is critical to gauging the issues affecting our people as well as our issues in general.</p> <p>We engage directly through face-to-face meetings with shop stewards, union leaders and individual members.</p>	<ul style="list-style-type: none"> • Wage negotiations • People matters

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2017
 Our shareholders	<p>Our shareholders provide us with the capital to expand and sustain our operations.</p> <p>They also assist us in demonstrating our commitment to local ownership requirements.</p>	<p>Understanding our shareholder expectations guides our strategy to achieve sustainable returns. We engage our shareholders through prescribed engagements such as Securities Exchange News Services (SENS) announcements, our Annual General Meeting (AGM), Board meetings and Integrated Annual Reports.</p> <p>We also communicate at our results presentations and via media releases.</p>	<ul style="list-style-type: none"> • Gala dinners • AGMs • Board meetings • Ad-hoc meetings
 Our governments	<p>Our relationship with Government allows us to maintain our Deduction at Source codes, which is a significant enabler of revenue.</p> <p>This relationship also allows access to a significant customer base. By sharing knowledge of lessons learnt in other geographies, our relationship with Government is further strengthened.</p>	<p>Our engagements with Governments ensure that we are contributing to national priorities.</p> <p>We engage through our participation in Government-sanctioned events and our sessions during Deduction at Source code renewals.</p>	<ul style="list-style-type: none"> • Financial inclusion survey (Stats Namibia) • Gala dinner • DAS renewal meeting • Namibia Senior. Secondary Certificate (NSSC) Educational Awards
 Our regulators	<p>Our relationship with our regulators helps us maintain compliance with legislation.</p> <p>This in turn generates confidence for our other stakeholders, especially our customers and investors.</p>	<p>Our regulatory engagements provide guidance on regulation compliance and help maintain our attitude of a responsible corporate citizen.</p> <p>We engage through scheduled meetings and industry forums.</p>	<ul style="list-style-type: none"> • Scheduled meetings • Industry forums • Bankers' Association meetings
 Our strategic partners	<p>Our strategic partners allow us to extend our solution offerings to customers, which allows us to focus on our core business and improve our operational efficiencies.</p> <p>Our strategic partners allow us to accelerate our strategic implementation, and help to leverage expertise from other markets. This relationship provides access to essential platforms necessary for engaging on policy matters.</p>	<p>Our strategic partners extend our capabilities and provide us with insights pertaining to our business.</p> <p>We engage through face-to-face meetings and Group-level engagements.</p>	<ul style="list-style-type: none"> • Stakeholder events • Scheduled meetings • FLI workshops

Our Material Issues Identification and Management Process

To clearly identify material issues that may affect our operations, we use a process that is supported by our Executive Management Team to review, identify, rank and ultimate agree on the approach and strategy to manage that material issue that is in the interest of sustainable business practice. Our material issues identification process can be summarised as follows:

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



Material Stakeholder Issues

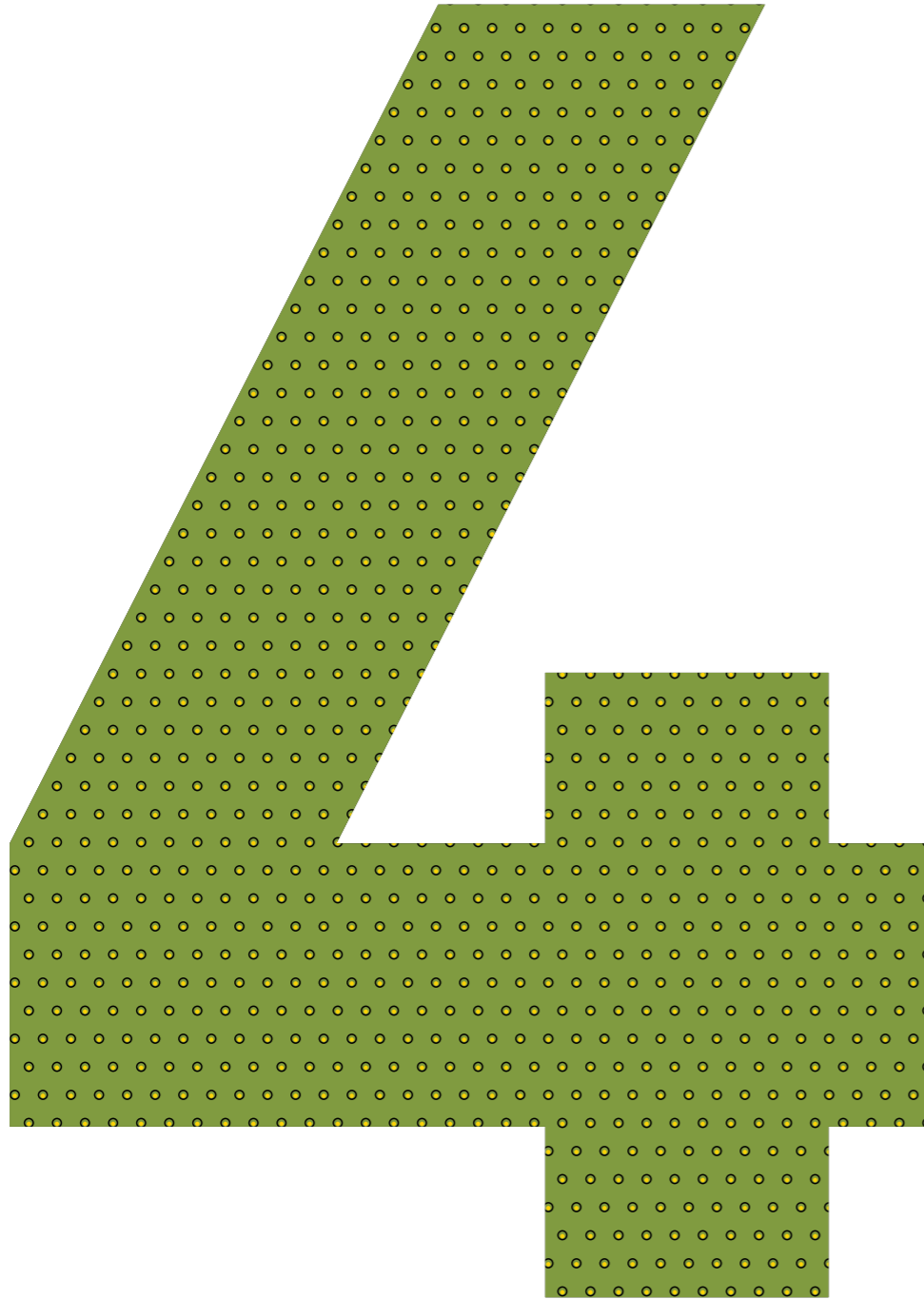
We engaged our stakeholders throughout the year on material issues. The following table summarises the most material stakeholder issues identified.

Material Stakeholder Issues

Stakeholder	Material issue (to the stakeholder)	Letshego response to material issue identified	Logo to find section in report
 Our customers and communities	Customers have, on ad-hoc occasion, queried the insurance component of fees paid.	The regulator stipulates that an insurance cost is included in our pricing to customers. Currently we price for risk because we do not take collateral from customers. We are currently in negotiations with the regulator on this issue to avoid having to transfer any unnecessary costs to the customer.	 
	Customers are concerned that if they are not Government employees, they may not have access to Letshego solutions.	The new banking licence we have acquired should lead to diversification of solutions and increased access for non-Government employees.	 
	As customer expectations continue to grow, our engagement with them needs to be increasingly customer-centric in order to ensure responsiveness and the delivery of appropriate levels of service.	On closer investigation, we found that customer satisfaction is low in some sectors due to factors beyond our control (e.g. drought affecting the agricultural sector). We are continuously looking for opportunities to assist customers in managing their financial situations and building resilience to external factors – for example, introducing savings solutions.	
 Our people	As employee engagement around our growth strategy increases, employees have recommended looking at ways to improve access to our physical branches for our customers and employees.	We are revisiting our access points and branch locations to increase our capacity to accommodate our employees and customers. We are also working diligently to upgrade our branches to support our new solution offerings.	
		Any conclusions in this regard will have to be balanced against our social performance targets relating to access to our services, to ensure that neither customers nor our employees are placed in a worse off position due to a branch relocation.	

 Our people	<p>Our people share ideas around how we as a business can better leverage our differentiators, thereby enhancing our brand value.</p>	<p>The micro-finance industry in Namibia suffers a poor reputation. However, we differentiate ourselves from other lenders by having strong policies on customer protection and responsible lending. We are also unique in that we monitor, assess and publish our results in terms of our social impact and use this information to make decisions regarding our lending practices.</p> <p>As we move into a more commercial space, our reputation as a trusted lender should significantly improve. However, we will maintain our focus on the underserved markets.</p> <p>Our regulator still does not clearly differentiate between micro-finance businesses such as ours and micro-finance businesses that cannot clearly demonstrate their policies and procedures to safeguard customer interests.</p> <p>We anticipate that our transition into a new business model will improve the reputation of our business and our people will be able to raise our flag even higher within their communities.</p>	
	<p>Our people are supportive of our transition to a new business model. They also require additional support to manage the change in a way that maintains high engagement levels.</p>	<p>We will be strengthening our capacity to address not only our people issues, which is the traditional focus of Human Capital, but also our people on the issues that affect their lives and their productivity.</p> <p>Despite the slight deterioration in our employee engagement results, we are pleased that our employee turnover remains low, indicating a willingness and commitment to work towards finding solutions to our challenges.</p> <p>Consistent and clear communication is critical to creating shared values and understanding of how we create value. To achieve this, we will be increasing our resources by appointing more supervisors and managers, thereby focusing on two-way communication between our people and management.</p>	
	<p>Employees have expressed an interest in increasing their understanding of how to draw greater benefit from Letshego's reward and incentive structures.</p>	<p>At Letshego, our people remain our top priority. Over the last three years, employee salaries have been adjusted upwards and increases have outpaced inflation.</p> <p>We continue to invest in developing and improving skills across the business.</p> <p>Our people are empowered with financial wellness and literacy training, which enables them to better manage their own finances.</p>	

 Our unions	<p>Our union has expressed an interest in deepening our mutually beneficial partnership.</p>	<p>We continue to proactively engage our union on a regular basis, to facilitate two-way communication and agreement between all relevant stakeholders.</p>	
 Our shareholders	<p>Our shareholders are interested to know they can support our ability to deliver financial returns, given our changing operations and a weak economy.</p>	<p>We are pleased that we have been able to deliver a strong financial performance, despite economic challenges during the year. However, it is important to convey that our ability to deliver strong financial returns in a sustainable manner over the long term requires significant investments to be made in the business.</p>	
	<p>Our shareholders are interested to know they can support our diversification objectives to reduce concentration risk.</p>	<p>Letshego Namibia remains committed to diversifying its customer offering to reduce concentration risk. We have renewed our Deduction at Source codes for a further five years, and introduced a direct debit system. Our deposit-taking licence will support the diversification of our customer base.</p>	 
  Our regulators and government	<p>Our Government is interested in how we can assist them achieve national priorities.</p>	<p>Contributions to the tax base are one of the main resources that Government has to achieve national objectives. In addition, during a period of weak economic growth we continue to increase our employee complement, creating jobs and reducing the burden on the state.</p>	 
	<p>Our regulators are interested in our views on how to reduce over-indebtedness of customers and financial exclusion.</p>	<p>In line with Government policy, Letshego is committed to reducing over-indebtedness and increasing financial inclusion in Namibia. We monitor and regularly report on the productive use of our loan solutions. We ensure that risk and affordability assessments are done for each loan granted, and we assist our customers by providing debt consolidation services. We encourage the productive use of loans through our 'Improving lives' campaign. Our deposit-taking licence will allow for higher levels of financial inclusion.</p>	
 Our strategic partners	<p>Strategic partners are interested in understanding the link between Group and the Namibian subsidiary. They wish to explore how centralised decision-making at Group level impacts decisions within LHN.</p>	<p>We are part of a larger pan-African Group, thus Group alignment is a consideration. We want to leverage our pan-African footprint to be more efficient, as this reduces costs and the savings can be passed on to customers or invested in improving solutions. We are committed to local procurement, and support local partners where possible. Letshego Namibia is committed to enhancing and growing our strategic partnerships for the benefit of all stakeholders</p>	



USE OF OUR FIVE CAPITALS

Our continued sustainability and our ability to sustainably create long-term value for our stakeholders is inextricably linked not only to the availability of certain forms of capital, but also to how we utilise this capital and manage our impact. This determines the value that we are able to generate. Our capitals and an explanation of what they represent are provided in this section.

Financial Capital	48
Human Capital	50
Intellectual Capital	54
Manufactured Capital	55
Social Capital	56
Measuring our Social Impact	57

CREATION OF VALUE



NET LOANS DISBURSED	TOTAL NUMBER OF BORROWING CUSTOMERS	TRAINING SPEND PER FTE	GOVERNMENT TAXES PAID
N\$ 2.424 bn	52000 Total	N\$ 5 000	N\$ 127 354 mil
	116 With Savings		

NUMBER OF EMPLOYEES	GENDER SPLIT	EMPLOYEE STAFF GROWTH	NO. OF TRAINING INTERVENTIONS
FTE 98	60%	14%	230
COMMISSION BASED 11	40%		

LOANS PAID OUT WITHIN 3 HOURS	DEVELOPMENT OF BANKING SOLUTIONS INFRASTRUCTURE	VALUE-ADDED PAYMENTS SERVICES AND INTEGRATED MOBILE TRANSACTIONS CAPABILITY	DEVELOPMENT OF STRATEGIC PARTNERSHIPS
50%	<ul style="list-style-type: none"> Improved data centre to improve connectivity and reduce bottlenecks. Improved business continuity infrastructure and frameworks Card Management System, facilitating the issuance of the LBN MasterCard debit card 		4

INCREASE IN NET ADVANCES TO CUSTOMERS YOY	SAVINGS IN FIRST YEAR OF LAUNCH:	IMPROVEMENT IN LOAN PROCESSING TIME:	REDUCTION IN LOAN LOSS RATIO:
14%	N\$ 90 mil	209%	2016 4.4% 2017 3.9%

PRODUCTIVE LOAN USE	IPO LAUNCH WITH MORE THAN 3,600 APPLICATIONS, VALUED AT APPROXIMATELY N\$184 MIL	INCREASE IN PRODUCTIVE LOAN USE ENTRIES.	FEMALE CUSTOMERS
79%		52%	37%

USE OF OUR FIVE CAPITALS



USE OF OUR FIVE CAPITALS Financial Capital

To grow the franchise and make strategic investments, we source capital from various debt and equity sources. Our ability to source financial capital at affordable rates is a significant component of **our ability to provide and develop solutions for our customers, adhere to regulatory requirements and provide a conducive working environment for our people.**

OVERALL PERFORMANCE

During 2017, we generated N\$680 million in economic value through revenue. We distributed this value to stakeholders in various forms. Our people received N\$37 million in the form of wages and benefits, while our strategic partners and suppliers earned N\$15 million. We returned N\$113 million to shareholders by way of dividends. Our contributions to Government in the form of taxes amounted to N\$127 million, while our community investments through strategic social initiatives was valued at N\$793,000. To sustain our business, N\$285 million was retained.

USE OF FINANCIAL CAPITAL

Financial ratios have remained within expectation during the implementation of our investments in IT systems and transformation strategy. Although the upgrades of our IT infrastructure were the main source of infrastructure investment, these expenses will soon bear fruit as customer begin to adopt our additional access channels and solutions.

MAIN SOURCE OF INCOME

Deduction at source remains a significant income earner. However, as banking solutions are adopted, we foresee a reduction in our reliance on the deduction at source income stream.

CONCENTRATION RISK

We successfully negotiated with our regulator to renew our Deduction at Source codes for a further five years. This will not reduce our concentration risk; however, it will ensure that we continue to have the ability to provide our customers with access to much needed financial solutions.

Use of our Financial Capital

			TARGET MET?
BORROWINGS	Cost of borrowings remained stable at 12.5%; however, borrowings increased by 21% resulting in a 14% increase in interest expense.	↑	✓
COST TO INCOME RATIO	Cost to income ratio increased to 24%.	↑	✓
COST OF CREDIT	Cost of credit risk was within target level at 1%.	—	✓
DIVIDENDS	A dividend of 19.2 cents per share was paid, achieving a 25% dividend pay-out ratio.	↑	✓



USE OF OUR FIVE CAPITALS

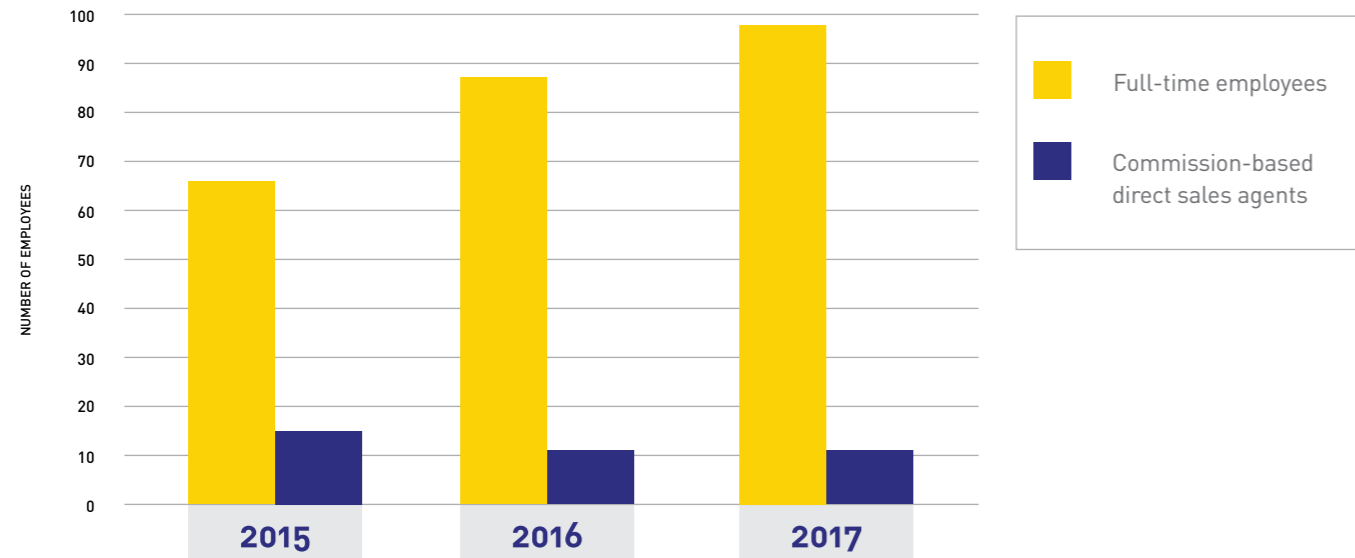
Human Capital

Our people are our greatest asset, ambassadors of our brand, and the source of our competitive advantage. It is their commitment, experience, skills and engagement that allow us to provide solutions to our customers in a responsible manner, which in turn ensures customer satisfaction, brand reputation, regulatory compliance and sustainable profit. Our people are supported by our strong leadership team who stimulate a high-performance culture. We are committed to investing in our people to both attract and retain this high-performing and value-aligned team.

EMPLOYEE PROFILE

Our commitment to improving our gender representation is also reflected in our employee profile, with the majority of our team being female. We consider this to be a significant contribution to the achievement of sustainable development goals, but also because gender diversity supports innovation and enables us to relate more authentically to a significant part of our customer base.

Letshego Staff Profile 2015-2017



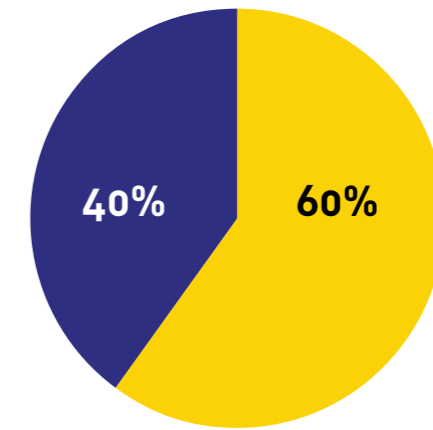
OUR UNIQUENESSES

Our uniquenesses drive every aspect of our business, ensuring we reach our customers in a way which is:



GENDER

We are working towards an equitable gender split in our workforce.



TRAINING AND DEVELOPMENT

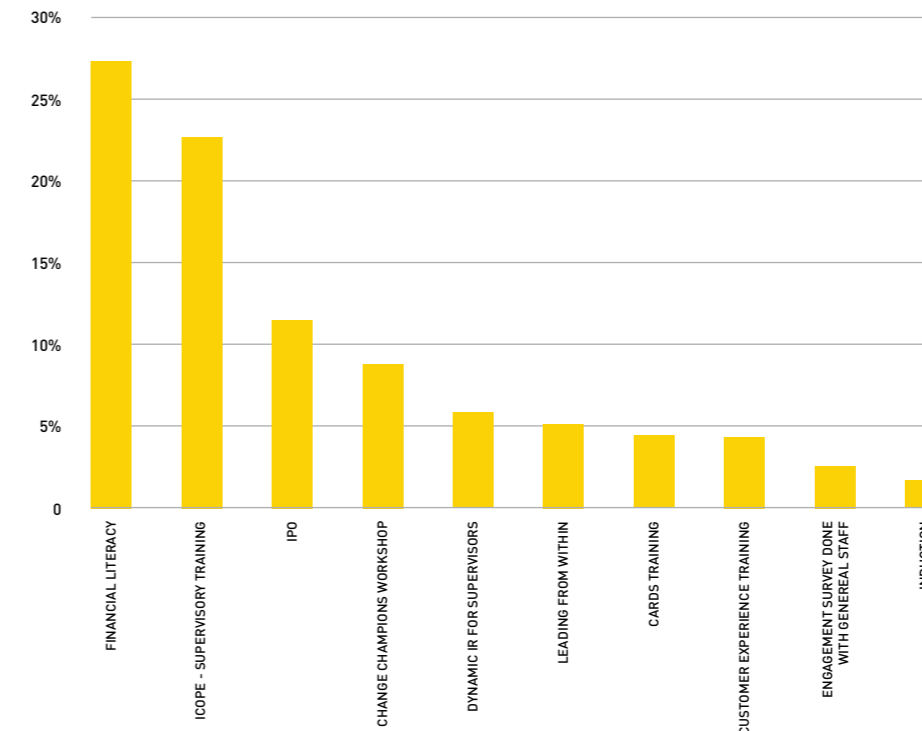
We continue to invest in our more than 100 people across the country. During 2017, staff were trained on different interventions, in training areas that include financial literacy training, customer experience training and management training courses. Our management training focuses on ensuring that our management teams are capacitated to maintain alignment,

implement initiatives and adapt to changing environments. We also dedicated a significant amount of our training spend to ensuring a smooth IPO launch.

As we move forward, we plan to strengthen employee engagement through the appointment of additional supervisors and managers, including a People Relations Manager, to improve communication channels. In addition, we will identify employee engagement champions to deliver real-time feedback

on employee issues and develop solutions to employee concerns. This will impact on our costs, but we believe it is a worthwhile and a necessary investment in our people that is essential to remain competitive and retain our valued talent.

As we bring this plan to realisation, we will continue to recognise and reward our high-performing team members. Despite this tough period, our employee turnover remains low, and we attribute this primarily to our employee value proposition.





Human Capital (continued)

DELIVERY OF SERVICES

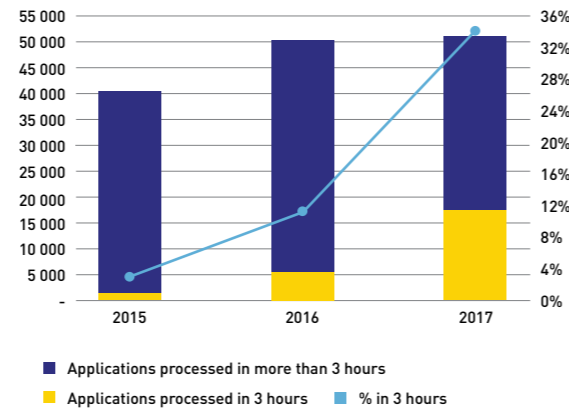
In our effort to enhance the customer experience, we have taken steps to reduce the time previously taken to approve a loan. We have updated and streamlined our process to allow for same-day approval and disbursement of the loan. Simultaneously, we enhanced the process to identify knowledge gaps within the employee complement, which we have addressed through one-on-one training.

FINANCIAL PERFORMANCE

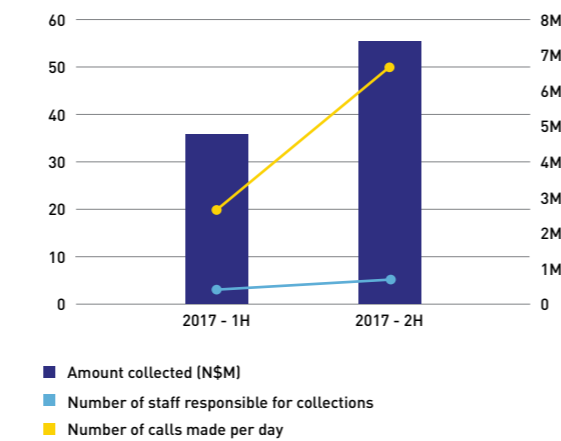
We implemented early arrears initiatives during the second half of 2017. We aimed to proactively identify customers who had missed their payments within less than 5 days, and then engage them to identify reasons for non-payment and make arrangements for future payments. We increased the number of people responsible for collections by 67%, reduced the number of accounts per employee by 25%, and set daily targets for customer engagement. Together with other financial management initiatives, we were able to improve our collection rates by almost 55% and reduce our non-performing loan book, which is currently at 3.9% down from 4.4% in the previous year. We were also able to release N\$9.5 million from our impairment provision as a result of the higher quality portfolio.

Making use of automated payment systems and other technologies has reduced the pressure on our employee complement. However, we are mindful of employee pressures and are constantly looking for ways to keep our team motivated to continue delivering results.

APPROVAL TIME FOR LOAN APPLICATIONS



INCREASED HUMAN CAPITAL FOCUS ON COLLECTIONS



EMPLOYEE COMMITMENT TO SUCCESSFUL IPO

Our Namibian Stock Exchange listing would not have been possible without the commitment of our people, who covered over 6,000 km and who engaged with people who had never bought shares before, with respect and

diligence. They educated the Namibian public about the share offer, what it means to buy shares, and empowered individuals about both the risks and rewards of buying shares. We hope to see more Namibians participating in the trading of shares on the NSX because of the knowledge they gained from the roadshows. Our community engagement sessions leveraged the

proven impact of 'community theatre', where actors role-played realistic scenarios to engage audiences and explain and unpack technical and financial theories. The approach is an active demonstration of our commitment to providing simple, appropriate and accessible solutions to the financially underserved in a sustainable manner.



Reached and empowered more than 75,000 individuals



Across 13 towns and communities



With close to 3,600 qualifying applications received.



Community sessions covered seven official languages, while distributing educational literature and a clear financial literacy focus and inclusion



Intellectual Capital

Our investments in our systems and processes are vital to ensure that we can increase access to Letshego Namibia solutions, expand our footprint, maintain our market presence, and improve our customer experience of our brand, while remaining compliant with applicable legislation. During 2017, our focus was largely on ensuring that we have a sound base from which to launch our deposit taking capability. We have invested significantly in our technological infrastructure to ensure that we are able to launch these exciting new offerings without exposing Letshego to undue risk and disappointing our customer base.

INFRASTRUCTURE

During 2017, we focused our attention on developing our capabilities for deposit-taking, including enhancing our systems to ensure that the functionality remains stable while the number of transactions taking place increases. We also focused on improving our Management Information Systems to ensure accurate reporting of transactions and system stability. We managed to improve our loan application and improved our turnaround time from an average of one day to disburse 50% of our loans within three hours.

In order to mitigate any risks surrounding the ability of our IT infrastructure to adequately support banking operations we prioritised capital investment in IT infrastructure by inter alia increasing data centre capacity to cater for increased transaction volumes, gearing up internet connectivity and increasing data replication capacity. The focus of these initiatives is to effectively reduce system performance related incidents. We upgraded capacity for International Multiprotocol Label Switching (MPLS) to cater for the increased data volumes from 3 Mb/s to 5 Mb/s. We increased capacity for replication from 7 Mb/s to 10 Mb/s.

This upgrade will enable the Dataguard replication of Core Banking and get RPO below 10 minutes. We achieved full resilience on Head Office connectivity with Microwave backup service at full capacity. Lastly, we enhanced Management Information System (MIS) reporting to enable timely view on system performance gaps and decision-making on areas of improvement.

CUSTOMER PROTECTION

The risk of cybercrime has increased worldwide and the Namibian market has been identified among the African countries as being highly susceptible to this risk as cyber-attacks evolve and become more sophisticated in nature. This posed serious operational risks to the business, particularly during the IPO and launch of the banking operations of LBN, which was expected to raise the public profile of Letshego. Although currently this risk is considered moderate / high, mitigating actions incorporated by LBN include, inter alia, the implementation of secure information technology infrastructure and implementation of strict Information and Communication Technology (ICT) policies, procedures and security measures.

RISK MANAGEMENT

All loans are assessed for compliance with customer protection principles by conducting thorough risk assessments and affordability checks for all loans granted, to prevent over-indebtedness. Each customer is taken through all the loan terms and conditions to ensure that the solution is appropriate for them, and that they understand the conditions of the loan and can adhere to them. Also, we assist customers to improve their credit profiles by offering consolidation of loans with other lenders. This assists customers to better manage their finances, as well as improve their chances of accessing finance from other financial service providers, even if the provider is not Letshego

PARTNERSHIPS

Letshego adopts a consistent and methodical approach in identifying and engaging potential strategic partners. Successful partnerships arise from shared values, beliefs and principles between organisations with complimentary skills, with positive outcomes enhanced by mutually adaptive and flexible cultures. It's important that not only our customers gain tangible value from any strategic partnerships forged, but also the organisations and shareholders participating in the partnership. This ensures mutual support, facilitation and progress towards achieving our mutually agreed goals.

Letshego categorises strategic partnerships into four areas of focus : Digital Partnerships; Sustainability Partnerships; Ecosystem Partnerships; and Commercial Partnerships.



Manufactured Capital

Enabling and innovating access to our financial solutions remains the cornerstone of our strategic agenda to increase financial inclusion in the Namibian Market.

ACCESS

To compliment our existing branch network, we continue to collaborate with local companies to provide additional access points to bring financial services to our customers, in line with successful models that have been deployed in other African countries. We have begun to identify potential partners and see this as a unique opportunity to deliver inclusive financial services.

We will soon launch platforms that will enable us to offer broader based and more financially inclusive customer services through our diversification into non-Government consumer lending, payments and savings solutions, as well as providing financial solutions to the MSE sector.

FINANCIAL SOLUTIONS

During the implementation of phase 1 of the internal employee pilot more than 60 LetsGo solutions were opened. Phase 2 of the employee pilot included the debit card launch along with our USSD, IB and WiCode channels. A successful customer campaign targeted a selection of 500 customers who were invited to try our LetsGo solutions with limited access capability, and activities are ongoing to ensure omni-channel capability is ready to offer to customers in a broader launch planned in the second quarter of 2018. We successfully upgraded both our Windhoek and Katutura branches in readiness for the banking services launch.

EFFICIENCIES

Part of being accessible relates to how long it takes to access our solutions. We have worked hard over the past three years to improve this aspect of our service. By re-examining our processes, we identified areas for improvement between branch processing and quality assurance. By taking advantage of modern technology, we have been able to improve our processing time significantly over the past three years.



We cannot succeed if our communities fail. We therefore recognise the importance of strengthening our communities and our interactions with them. Our levels of social capital represent a key indicator of our long-term sustainability. We are proud to contribute to our communities through our investments in Social Strategic Initiatives (SSIs) and to use our position as a trusted financial institution and representative of the aspirations of our customers to advocate for conditions that are conducive to achieving sustainable and economically vibrant communities.

SOCIAL SURVEY

We have progressed since we first conducted a social impact survey, which has given us a deeper understanding of how our customers' social conditions are affected by Letshego's business model, solutions and services, and equipped us with a unique understanding of our market conditions and customer needs. The results of this survey are outlined in 'Customer Trends' within this section.

CUSTOMER PROTECTION

We protect our customers by compliance with regulations relating to lending practices. We go beyond this to monitor levels of financial literacy amongst our customer base to ensure that they can make informed decisions. In addition, through proactive management of arrears, we assist customers who have fallen behind in their commitments to take steps to improve their credit health.

CUSTOMER SATISFACTION

The level of customer satisfaction was constant across the various major loan uses, however due to conditions that are largely beyond the control of Letshego, some customers report lower satisfaction levels. As we improve our understanding of customer loan use, we will be able to better manage their expectations going forward.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement during 2017 was critical to the listing of Letshego on the NSX. We engaged many existing

and new customers to offer them the chance to play an even greater role in our journey to becoming Namibia's leading inclusive financial group. Aside from the listing activities, we engaged our customers through our improving lives campaigns and through our SSI.

'EKWAFO LETU' MILESTONE

Our listing on the NSX, the second African listing in the Letshego family, adds to the overall deepening of the country's capital markets and diversification of investments. The listing reflects our confidence in the Namibian economy. The over 3,600 qualifying applications valued at a total of N\$182 million that were received during the four-week share offer period reflects Namibia's confidence in our organisation. Members of the public and non-institutional investors contributed N\$40 million towards this total, with the remaining N\$142 million raised through offers from leading institutional investors. Despite only listing in the last few months of 2017, we showed our commitment to shareholders by declaring a dividend of 19.20 cents per share.

A strong capital market benefits the local economy by providing a credible option for international, regional and local investors to participate in Namibia's growth potential. In addition, we see the stock exchange as having a role to play in the distribution of income and wealth creation in the economy. Our listing contributes to these national objectives as expressed in the Financial Sector Strategy and National Development Plans through Letshego's inclusiveness

and localisation imperatives. Letshego has put in place comprehensive credit policies and procedures across the Group to ensure that thorough customer credit appraisals are done and due loan processes are followed when granting loans to customers.

THOUGHT LEADERSHIP

Our position as a responsible lender gives us a platform for further discussions relating to responsible lending and inclusive finance.



MEASURING OUR SOCIAL IMPACT

During 2017, we continued to invest in improving our understanding of our customers and their lives. We felt that this investment and the insights derived are an essential element of developing our strategy going forward, and providing enhanced solutions and service.

The customer surveys we conduct are reviewed and analysed by an independent organisation that specialises in stakeholder engagement, and other complementary activities.

In general, Letshego Namibia maintained its performance standards during 2017. When these 2017 scores are compared with the 2016 benchmark; there is no change in the overall ratings achieved. However, lower scores were recorded for Access and Agri-Business, while higher scores were achieved for Affordable Housing, Education and MSE Business. No change was recorded for Improving Life

Customer survey focused on the areas of:

ACCESS:

A predominant barrier to financial inclusion

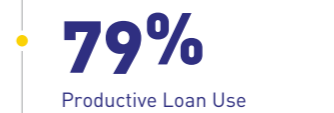
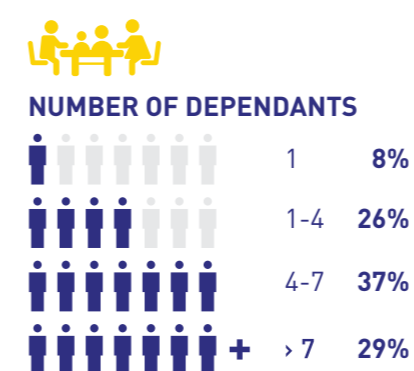
PRODUCTIVE USAGE:

A significant influencer of financial health and resilience

IMPROVING LIVES:

A measurement of whether an individual's quality of life has been tangibly improved by either one or a culmination of committed attributes Letshego strives to deliver, namely access, simplicity and appropriateness of financial solutions.

LET SHEGO NAMIBIA CUSTOMER TRENDS



Data sourced from customer surveys conducted in 2017 by independent research partner, in accordance with international research standards.



'IMPROVING LIVES' CAMPAIGN

We at Letshego Namibia are in a privileged position to grant loans to those in need and at the same time stay true to our brand promise of 'Let's improve life'. Through our 'Improving Lives' campaign, we promote the productive use of our loan facilities. We invite our customers to tell their story on how Letshego Namibia made their lives easier, be that by using our solutions to start a small business, undertake home renovations or put their children through school. Stories are assessed based on the loan benefits to the individual, their communities and their ability to generate revenue for Letshego. The winners of our campaign will be invited to be part of a motivational series. If on-boarded, we use their real-life experiences via a video series to facilitate further engagement with stakeholders, and to motivate sales employees. Our employees are also encouraged to gather these stories. The winning stories in 2017 were mostly from customers who started businesses in their local communities, with a strong focus on community upliftment through increasing access to basic goods and services. We are pleased to note a significant increase in entries relating to MSE business activities.

APPROVAL TIME FOR LOAN APPLICATIONS

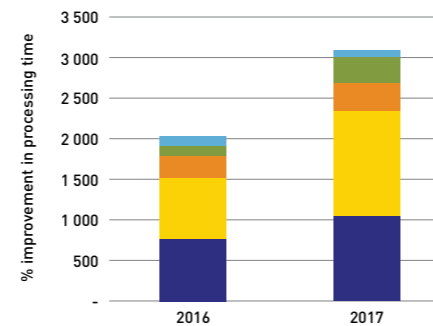
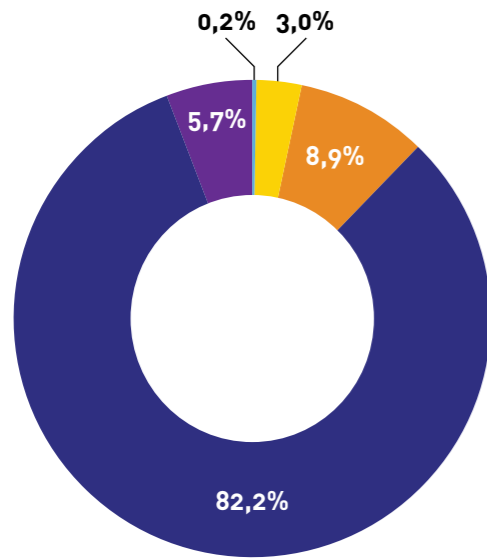


Figure 1: Productive Improving lives entries per category

■ Education ■ Home improvement ■ Farming
■ MSE Business ■ Health



Letshego Namibia held a gala evening on 25 July 2017 under the theme 'Improving lives through inclusive finance'. This event celebrated our ILC 2016 campaign winners, who were invited to attend the occasion and receive recognition for their efforts



■ Economic Development ■ Education ■ Entrepreneurship
■ Health ■ Sports

We believe that investing in our communities secures our future, which is why we actively support social investments in strategic areas. During 2017, we supported 11 such initiatives with a total spend of N\$793 000. Our education initiatives focus on financial education to improve financial literacy and skills deepening, for both customers and the public. Our support of the health segment is directed towards chronic non-communicable diseases such as diabetes, hypertension, cardiovascular and respiratory diseases. During 2017, the bulk of funding was targeted at education initiatives, with over 5,400 direct beneficiaries⁴.



Letshego Namibia's Chief Operations Officer, O'Rute Uandara, hands over stationery supplies to Blouberg Primary School in Kalahari, Namibia.



Letshego Namibia's Head of Financial Inclusion, Natasha Winkler, handed over a LetsGo savings solution, valued at N\$5 000 to one of our country's top performing students, Muupa Kabajani, at the LetsGo All-in-1 launch.

⁴ Initiatives that have a municipal or sector focus are not included as the number of direct beneficiaries cannot be accurately counted.



CORPORATE GOVERNANCE REPORT

At Letshego Namibia, we are committed to maintaining strong principles of corporate governance, to foster accountability and responsibility for effective performance and ethical behaviour. We strongly believe that mindful and integrated corporate governance application protects the Board, executives and employees while undertaking their duties and ensures stakeholder confidence in our ability to manage and achieve meaningful value creation.

We have previously operated in line with the King III and following the listing, we are working to become fully compliant with the NamCode. This will further enhance our commitment to integrating inclusive corporate governance practices across all areas of our business.

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Composition and Structure of The Board	62
Board Evaluation and Meetings	63
Compliance with the NamCode	73

STRENGTHENING GOVERNANCE

As with most of our activities undertaken during 2017, there was a large focus on ensuring that we were prepared for both the listing on the NSX and with keeping in line with the requirements to engage in responsible banking practices. With this in mind, we focused on the key areas of Business Strategy, Risk and Oversight, Governance and Stakeholder Engagement.

We strengthened our Board with the appointments of two more Independent Non-Executive Directors (INEDs) and improved overall governance with the appointment of a Company Secretary. We also revised our governance structure and established new Boards for LHN and our two subsidiaries. In addition, we reviewed and updated the remuneration structure for Directors. Lastly, in preparation for the listing, we reviewed all policies approved during 2015 and obtained regulatory approval required to restructure Letshego Namibia.

COMPOSITION AND STRUCTURE OF THE BOARD

Letshego Namibia's Board membership comprised seven Directors as at 31 December 2017. The Board is in the process of appointing an additional Director to the Credit Committee (CC), which should comprise a minimum of three Directors. The Board comprised four INEDs, two Non-Executive Directors (NEDs) and two Executive Directors (EXDs) as follows:

Director	Status	Number of Committees of Membership	Main Board	Board Audit and Risk Committee (BARC)	Credit Committee (CC) ⁵
John Eugene Shepherd (C)	INED	1	✓ ^C		
Ester Kali (CEO)	EXD	1	✓		
Sven Bloch von Blottnitz	INED	2	✓	✓ ^C	✓ ^C
Mythri Sambasivan-George	NED	2	✓	✓	✓
Rairirira Mbakutua Mbetjiha	NED	1	✓		
Rosalia Martins-Hausiku	INED	1	✓		
Maryvonne Palanduz	INED	2	✓	✓	✓
	INED	4			
Summary of composition	NED	2			
	EXD	1			

C	Chairman	EXD	Executive Director	NED	Non-Executive Director
CEO	Chief Executive Officer	INED	Independent Non-Executive Director		

Following the successful listing of LHN on the NSX, the chairperson of the LHN and LBN Boards submitted notice of his intention to resign during 2018. Efforts are underway to recruit a new Board member.

The NEDs are individuals who objectively contribute a wide range of industry skills, knowledge and experience to the Board and are not involved in the daily operations of LHN. All NEDs have unrestricted access to Executive Management and

leadership at any time. When required, NEDs are entitled to access the external auditors and, at Letshego's expense, are able to seek independent professional or expert advice on any matters pertaining to the Group. The LHN Audit and Risk Committee (ARC) has constant interaction and independent consultation with the Group ARC and Internal Audit functions, which report directly to the Chairperson of the ARC.

⁵ No credit committee meeting took place in 2017 as the lending solution for the bank is yet to be implemented.

Board Evaluation and Meetings

During 2017, the Board was evaluated in line with King III and NamCode requirements. The results of the 2017 Board evaluation reflected that the Letshego Namibia Board was on overall satisfied with the new governance model, composition of the Board, Director expertise and reporting. Going forward, more focus will be placed on Board training and the establishment of additional Board committees to continuously strengthen the Board and ensure that the Board is adequately capacitated in carrying out

its fiduciary duties in line with its scope of responsibilities.

The Board self-assessment and appraisal processes are designed to review the effectiveness of the Board and members of various sub-committees. The self-assessment exercise provides open and constructive two-way feedback to members, which enables the collective establishment of acceptable levels of performance across various principal governance areas.

The Board meets at least quarterly. Four regular Board meetings were held during 2017. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled Board and committee meetings to enable effective discharge of their responsibilities. At least one-third of the NEDs rotate after every AGM in line with the Board Charter.

ROLE OF THE BOARD

The Board provides effective leadership based on an ethical foundation and ensures that Letshego Namibia and its subsidiaries are, and are seen to be, responsible corporate citizens. An ERMF is used to align strategy and risk.

In addition, the Board:

- ensures Letshego Namibia has an effective independent BARC;
- oversees the governance of risk by ensuring that appropriate ERMFs are in place and functioning effectively;
- manages the governance of enterprise information technology;
- ensures compliance with applicable laws and adherence to non-binding rules, codes and standards;
- puts in place an effective risk-based Internal Audit function and plan.

THE ARTICLES OF ASSOCIATION AND 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
- Roles and powers of the Board as distinct from the roles of the shareholders, the Chairperson, individual Board members, the Company Secretary and other executives of Letshego Namibia
- 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 Letshego Namibia, declaration of conflicts of interest, Board meeting documentation, alternative dispute resolutions, business rescue proceedings and procedures
- Appointments, induction, training and evaluation processes of Directors and members of Board sub-committees.

COMPANY SECRETARY

The Company Secretary plays a critical role in Letshego, acting as an advisor to the Board and guiding individual Directors in areas such as corporate governance, updates on legal and statutory amendments and the effective execution of Directors' responsibilities and fiduciary duties. The Company Secretary ensures that Board and sub-committee charters are kept up to date, and that Board papers are circulated in good time. Also, she assists in eliciting responses, input and feedback for the Board meeting. The Chief Risk Officer works closely with the Company Secretary and provides Corporate Governance Support for Board sub-committees, including ensuring that the correct procedures are followed for the appointment of Directors.

Whenever deemed necessary, the Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the Board. If necessary, the services and guidance of the corporate sponsor and other experts are procured to ensure that the Directors have adequate insight to discharge their responsibilities effectively.

Board Process

PERFORMANCE APPRAISAL OF EXECUTIVE LEADERSHIP AND MANAGEMENT

EXDs, senior leadership and management are appraised based on predetermined strategic objectives and achievement of specific performance targets that are approved by the Board annually.

APPOINTMENTS TO THE BOARD

LHN's Board has due regard to skill and experience, diversity and the appropriate balance of EXDs, NEDs and INEDs when making or recommending appointments to the Board. The objective is for the Board composition to reflect a majority INEDs.

SUCCESSION PLANNING

In terms of succession planning, the Board is required to identify an adequate pool of candidates who can potentially be nominated as Board members for LHN. The Board will finalise the succession plan during the second quarter of 2018.

The Board further has oversight of and approves the appointment of qualified and competent executive officers to administer the affairs of the company.

GOVERNANCE AND RISK MANAGEMENT TRANSFORMATION

As part of the introduction of lending solutions within LBN in the near future, a separate CC will be fully operational in the second quarter of 2018, whose mandate will be to assist the Board in discharging its duties, and will be responsible for, inter alia, the review and approval of loans, implementing mitigating strategies for all credit risks, and overall maintenance of portfolio quality. To enhance governance and risk management in the business, management sub-committees were initiated, namely the Asset Liability Committee (ALCo), Risk Management Committee (RMC), Procurement Committee (ProCo), Management Credit Committee (MCC), and the Information Technology Management Committee (ITMC).

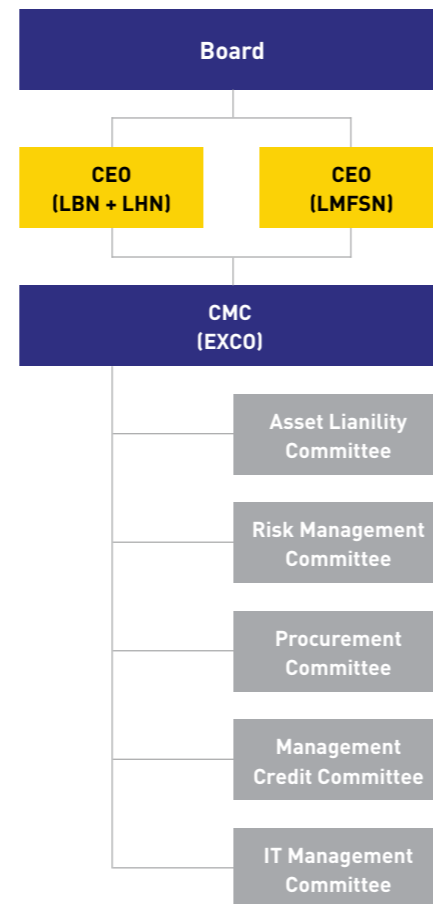


Figure 22: Letshego Namibia's Governance Committee structure

COMPOSITION OF THE BOARD AND ITS SUB-COMMITTEES

	Committee	Purpose	Composition (at 31 December 2017)	Quorum	Frequency of meeting
1	Board Audit and Risk Committee (BARC)	<ul style="list-style-type: none"> Assists the Board in discharging its duties relating to ensuring the safeguarding of assets, the operation of adequate systems and control processes, and the preparation of financial statements and reporting in compliance with legal requirements and accounting standards. The membership consists of not less than three Board-appointed Directors, one of whom is an INED. The LHL ARC provides ultimate oversight of the Internal Audit function for the Group, including LGN. 	INEDs Sven Bloch von Blottnitz (Chairperson) Maryvonne Palanduz NEDs Mythri Sambasivan-George Independent attendees PWC (Only for AFS approval) Management attendees Chriszelda Gontes (CRO) Ester Kali (CEO) Gregory Madhimba (CFO) O'Rute Uandara (COO) Permanent invitee Mario Shilongo (Senior Internal Auditor) Epifania Murwira (Risk Analyst) Werverley Kasper (Company Secretary designate)	The quorum for decisions of the Committee shall be the majority of the members of the Committee present throughout the meeting of the Committee	Quarterly

	Committee	Purpose	Composition (at 31 December 2017)	Quorum	Frequency of meeting
2	Credit Committee (CC)	<ul style="list-style-type: none"> Formulates credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements Establishes the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Larger facilities require approval by the Board CC, or the Board of Directors, as appropriate. Reviews and assesses credit risk: The credit function assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. Limits concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities). Develops and maintains the Group's risk gradings to categorise exposures according to the degree of risk of default. The current risk-grading framework consists of six grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by the Risk function. Develops and maintains the Group's processes for measuring incurred credit losses (ICL): This includes processes for: <ul style="list-style-type: none"> Initial approval, regular validation and back-testing of the models used; and Incorporation of forward-looking information. Reviews compliance of business units with agreed exposure limits, including those for selected industries, country risk and solution types. Regular reports on the credit quality of local portfolios are provided to Group Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ICL allowances. Provides advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk. 	Independent Non-Executive Directors Sven Bloch von Blottnitz (Chairperson) Maryvonne Palanduz Non-Executive Directors Mythri Sambasivan-George Management attendees Chriszelda Gontes (CRO) Ester Kali (CEO) Gregory Madhimba (CFO) O'Rute Uandara (COO) Permanent invitee Mario Shilongo (Senior Internal Auditor) Epifania Murwira (Risk Analyst) Werverley Kasper (Company Secretary designate)	Majority if members present who shall vote on the matter for decision	Meetings of the Committee will be held as the Committee deems to be appropriate; however, the Committee should meet at least once each year. The chairperson of the Committee or any member of the Committee may call further meetings.

EXECUTIVE MANAGEMENT COMMITTEES

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

	Committee	Purpose	Composition	Quorum	Frequency of meeting
1	Executive Management Committee (EXCO)	<ul style="list-style-type: none"> Delivers on the country's business strategy against the country's collective agenda and budget, and reports on such progress to the regional heads as well as escalating any significant risks or issues on a timely basis Monitors external developments in the country's operations and internal risk issues arising to ensure that appropriate actions are taken to protect the reputation and franchise of LHL and to mitigate potential financial losses Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement, underpinned by exemplary governance and effective cost control Provides unified leadership on key strategic and other business initiatives in the country Promotes and implements an effective risk management framework that encapsulates setting of risk appetite, management discipline, anticipation and compliance across the country, and escalating any significant issues to regional heads and the Head of Risk and Assurance, as appropriate Ensures that the country's business is operating according to the highest standards of regulatory compliance and best practice as defined by external regulations and internal policies and procedures respectively, including banking and labour laws and anti-money laundering (AML) legislation, KYC, ALM and any other regulatory requirements Approves and recommends to LHL all new solutions and service offerings. 	<ul style="list-style-type: none"> Ester Kali (Chief Executive Officer - LBN, LHN) NP Esterhuise (Chief Executive Officer - LMFSN) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer) Natasha Winkler (Head of Financial Inclusion) Diana Mokhatu (Head of Human Resources) Mario Shilongo (Senior Internal Auditor) 	Majority of EXCO members	Monthly

	Committee	Purpose	Composition	Quorum	Frequency of meeting
2	Asset Liability Committee (ALCo)	<ul style="list-style-type: none"> Overall authority for market risk is vested in the ALCo. The ALCo sets up limits for each type of risk in aggregate and for portfolios, with market and liquidity risks being primary factors in determining the level of limits set for trading portfolios. The ALCo is the monitoring body for compliance with these limits and is assisted by Management in its day-to-day monitoring activities, which include monitoring changes in the Group's interest rate exposures, including the impact of the Group's outstanding or forecast debt obligations. Is responsible for setting the overall hedging strategy of the Group. Management is responsible for implementing that strategy by putting in place the individual hedge arrangements. Views interest rate in the banking book to comprise of the following: <ul style="list-style-type: none"> Re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Group's assets and liabilities; and Yield curve risk, which includes the changes in the shape and slope of the yield curve. Monitors and manages these risks in adherence to the Group's risk appetite and meets on a monthly basis to analyse the impact of interest rate risk on the Group and reports directly to the BARC on a quarterly basis. The techniques used to measure and control interest rate risk by the ALCo includes re-pricing profiles, sensitivity/scenario analysis and stress testing. 	<ul style="list-style-type: none"> Ester Kali (Chief Executive Officer - LBN, LHN) NP Esterhuise (Chief Executive Officer - LMFSN) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer) Natasha Winkler (Head of Financial Inclusion) Diana Mokhatu (Head of Human Resources) Charmaine Davis (Accountant) Epifania Murwira (Risk Analyst) Lusia Haimbodi (Accountant) 	A quorum for Committee meetings will consist of at least five of the standing members present or represented	At least one meeting per calendar month must be held. At the request of the CFO, the Chairperson may at any time convene a meeting of the Committee.

EXECUTIVE MANAGEMENT COMMITTEES (CONTINUED)

	Committee	Purpose	Composition	Quorum	Frequency of meeting
3	Risk Management Committee (RMC)	<ul style="list-style-type: none"> Has the ultimate business responsibility for the management of all key risks and ensures compliance to all of LBN's policies Assists the Board of Directors in its responsibility to oversee that the overall risk management process is at an appropriate level Ensures that LBN possesses an efficient and effective risk management plan that covers all types of risks. In addition, the RMC is responsible for setting, assessing, reducing, monitoring and reporting risk levels for the attention of the Board. Approves risk parameters, appetite and profile within the Board-approved limits and ensures appropriate accountability Promotes an appropriate control culture and sets the tone accordingly Actively scans and reviews the risk environment of LBN and implements mitigating strategies for all risks. 	<ul style="list-style-type: none"> Ester Kali (Chief Executive Officer – LBN, LHN) NP Esterhuysen (Chief Executive Officer – LMFSN.) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer) Natasha Winkler (Head of Financial Inclusion) Diana Mokhatu (Head of Human Resources) Mario Shilongo (Senior Internal Auditor) Ramona Coetzee (Operations Manager) Epifania Murwira (Risk Analyst) Alpha Haihambo (AML and Compliance Officer) 	Four members of the RMC, of which at least two should be EXCO members (executives), where one of the two EXCO members is from the responsible department	The Committee shall meet at least once a month on a date before the monthly LBN EXCO meetings or at such times as may be requested by the RMC Chairperson, and there may be additional meetings as necessary, if the majority of the Committee members request them.
4	Procurement Committee (ProCo)	<ul style="list-style-type: none"> Independently reviews and evaluates purchasing documentation (including bids from suppliers) and awards/recommends contracts for the procurement of goods and services by the Bank in a fair, objective, equitable, transparent, competitive and cost-effective manner and in line with sound corporate governance principles. The ProCo has to ensure that the Bank's procurement policies and procedures are properly followed in the procurement process. 	<ul style="list-style-type: none"> Ester Kali (Chief Executive Officer – LBN, LHN) NP Esterhuysen (Chief Executive Officer – LMFSN) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) Chriszelda Gontes (Chief Risk Officer) Natasha Winkler (Head of Financial Inclusion) Diana Mokhatu (Head of Human Resources) Mario Shilongo (Senior Internal Auditor) 		
5	Management Credit Committee (MCC)	<ul style="list-style-type: none"> Ensures compliance with the Credit Risk Policies to the extent and on the basis set out within its mandate or terms of reference Acts as a decision-making function within the defined authority as delegated by the Board CC from time to time Effectively enhances the credit discipline within LBN Ensures that Board CC expectations, directives and requirements for credit are met and implemented accordingly 	<ul style="list-style-type: none"> Ester Kali (Chief Executive Officer – LBN, LHN) NP Esterhuysen (Chief Executive Officer – LMFSN) Gregory Madhimba (Chief Financial Officer) O'Rute Uandara (Chief Operating Officer) 	Four members of the RMC, of which at least two should be EXCO members (executives), where one of the two EXCO members is from the responsible department	The Committee shall meet at least once per month on a date before the monthly LBN EXCO meetings or at such times as may be requested by the MCC Chairperson, or a majority of the Committee members.

EXECUTIVE MANAGEMENT COMMITTEES (CONTINUED)

	Committee	Purpose	Composition	Quorum	Frequency of meeting
5	Management Credit Committee (MCC)	<ul style="list-style-type: none"> Actively scans and reviews the credit risk environment of LBN and implements mitigating strategies for all credit risks (risk management) Provides tools to monitor, manage and measure delivery of the credit risk objectives (credit risk performance management) 	<ul style="list-style-type: none"> Chriszelda Gontes (Chief Risk Officer) Natasha Winkler (Head of Financial Inclusion) Diana Mokhatu (Head of Human Resources) Mario Shilongo (Senior Internal Auditor) 		
6	Information Technology Management Committee (ITMC)	<ul style="list-style-type: none"> Ensures that the IT strategy is aligned with the strategic objectives of the organisation (strategic alignment) Ensures maximum optimisation of resources to sustain business operations in the most effective and efficient manner (resource optimisation) Ensures that expectations for IT are met (benefits realisation) Mitigates all IT risks (risk management) Provides tools to monitor, manage and measure delivery of these objectives (performance management) 	<ul style="list-style-type: none"> O'Rute Uandara (Chief Operations Officer) Angelo van Wyk (IT Manager) Chriszelda Gontes (Chief Risk Officer) Natasha Winkler (Head of Financial Inclusion) Ramona Coetzee (Operations Manager) 	Majority of EXCO members	Monthly

ATTENDANCE AT MEETINGS

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

	Main Board	Audit and Risk Committee	Credit Committee ^^
John Eugene Shepherd (Chairperson)	5/5	1/4	1/4
Ester Kali (CEO)	5/5	4/4	4/4
Sven Bloch von Blottnitz	5/5	4/4	4/4
Mythri Sambasivan-George	5/5	4/4	4/4
Rairirira Mbakutua Mbetjiha	4/5		
Rosalia Martins-Hausiku	3/5		
Maryvonne Palanduz	3/5	2/4	2/4

Credit Committee ^^ The Credit Committee met conjointly with Audit and Risk Committee during the year under review.

Board fees are as follows:

Sitting Fee – Board Chairperson	N\$26,800 per meeting
Sitting Fee – Directors *	N\$21,440 per meeting
Annual retainer – Chairperson	N\$160,800
Annual retainer – Directors ^	N\$128,600
Sitting Fee – BARC Chairperson	N\$20,100 per meeting
Sitting Fee – BARC members	N\$16,080 per meeting

* With exception of Mr Rairirira Mbakutua Mbetjiha whose sitting fee is the local currency equivalent of USD2,575 per meeting.

^ With exception of Mr Rairirira Mbakutua Mbetjiha whose annual retainer is the local currency equivalent of USD6,180.

REMUNERATION POLICY

Executive directors' remuneration as at 31 December 2017				
Name	For Management Services	Bonus	Pension	Total
Ester Kali (CEO)	1 696 052	701 680	169 996	2 567 728

Executive directors' remuneration as at 31 December 2016				
Name	For Management Services	Bonus	Pension	Total
Ester Kali (CEO)	1 560 000	576 000	167 232	2 303 232

All figures in N\$

In terms of the Long Term Incentive Scheme, 75,051 LHL ordinary shares vested to Ester Kali for no consideration during March 2018 that related to the 31 December 2017 financial year end.

Director's remuneration						
Director	Status	Main Board	Annual Retainer	Audit and Risk Committee	Credit Committee **	Total
John Eugene Shepherd (Chairperson)	INED	134 000	160 800	16 080		310 880
Ester Kali	EXD					
Sven Bloch von Blottnitz	INED	107 200	128 640	80 400		316 240
Mythri Sambasivan-George	NED					
Rairirira Mbakutua Mbetjiha	NED	138 976	81 258			220 234

REMUNERATION POLICY (CONTINUED)

Director's remuneration (continued)						
Director	Status	Main Board	Annual Retainer	Audit and Risk Committee	Credit Committee **	Total
Rosalia Martins-Hausiku	INED	64 320	75 040			139 360
Maryvonne Palanduz	INED	64 320	85 760	32 160		182 240
Total						1 168 954

** No separate fees were paid to the CC members as the CC met conjointly with BARC.

All figures in N\$

NON-EXECUTIVE DIRECTORS (NEDs)

After conducting research into trends in NED remuneration during 2016, new remuneration packages were approved by the Board and implemented during 2017. NEDs' fees are fixed for two years. Generally, Directors of LHN and its subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. NEDs do not receive any fees that are related to the performance of the Group and do not participate in any share-based payments or incentives.

Top three earners who are not executive directors as at 31 December 2017				
Employee	For Management Services	Performance Bonus	Pension	Total
Employee 1	1 506 251	347 400	141 423	1 995 074
Employee 3	1 031 666	400 000	95 557	1 527 223
Employee 2	1 113 280	230 000	100 497	1 443 777

Top three earners who are not executive directors as at 31 December 2016				
Employee	For Management Services	Performance Bonus	Pension	Total
Employee 1	1 500 951	350 000	145 223	1 996 174
Employee 2	973 021	375 000	90 489	1 438 510
Employee 3	1 066 642	260 000	94 584	1 421 226

All figures in N\$

In terms of the Long Term Incentive Scheme, 199,733 LHL ordinary shares vested to the top three earners for no consideration during March 2018 that related to the 31 December 2017 financial year end. In the prior period, 247,500 LHL ordinary shares vested to the top three earners, during March 2017 that related to the 31 December 2016 financial year end.

Executive Management of LGN comprising LHL, 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 basic salary of participants, which vest at the end of three years, based on aforementioned 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 LHL 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.

GOVERNANCE AND COMPLIANCE IT FRAMEWORK

Letshego Namibia continues to enhance its IT governance framework as its operations and sustainability are critically dependent on IT. Specifically, IT supports Letshego Namibia'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 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 utilised.
- Compliance requirements are understood and there is an awareness of risk, allowing the Group's risk appetite to be managed.
- Performance is optimally tracked and measured and the envisioned benefits are realised, including implementation of strategic initiatives, resource utilisation and the delivery of IT services.
- Synergies between IT initiatives are enabled and, where applicable, IT choices are made in the best interest of the Group as a whole.

LEGAL COMPLIANCE

Letshego Namibia had an effective legal and compliance framework implemented through its ERMF, which covers compliance with specific primary legislation, regulations, rules, codes and standards in terms of the NamCode.

ASSETS AND LIABILITIES MANAGEMENT (ALM)

ALM is the responsibility of the BARC. The BARC deals with the management of capital adequacy, currency, liquidity, interest rates and market as well as credit risks ensuring that the regulatory prudential ratios are maintained.

GOVERNANCE AND COMPLIANCE

The Letshego Namibia Board is ultimately responsible for overseeing compliance with laws, rules, codes and standards in terms of the NamCode and/or any other international best practice governance standards. The Board has delegated responsibility to management for the implementation of an effective legal compliance framework and corporate governance framework and processes, as envisaged by the NamCode.

Through the Governance and Compliance Function, Letshego Namibia remains resolute in implementing and embedding enterprise-wide Compliance and Corporate Governance Frameworks premised on the following enablers:

- Corporate Governance Framework for Letshego Holdings Namibia and its subsidiary Boards
- Relevant Group-wide policies
- Group-wide Code of Ethical Conduct

and Whistleblowing Facility

- Commitment to the Group strategy and brand promise

In response to findings made by the Financial Intelligence Centre (FIC), during 2017, Letshego Namibia will be undertaking the following activities during 2018:

- Reviewing all IPO transactions done through LBN to ensure that source of funds/source of income is obtained
- Designing and implementing a documented transaction monitoring process to ensure effective monitoring of transactions
- Reviewing exception reports in order to determine their adequacy and additional scenarios/exception reports are being developed
- Reviewing and updating its Financial Intelligence Act (FIA) Compliance programme to ensure full compliance with requirements of the FIA and that the reporting obligations relating to EFT reporting are clearly outlined in the FIA Compliance programme
- Reviewing and updating the requirements of identification of beneficial ownership
- Ensuring that all EFT transactions above N\$99,999 are reported to the FIC with immediate effect
- Developing and implementing EFT exception reports to ensure that the AML function can easily identify reportable transactions
- Ensuring that the FIA reporting obligations are part of the Internal Audit scope and ongoing quality review
- Developing and implementing ongoing sanction screening processes for existing customers.

COMPLIANCE WITH THE NAMCODE

Letshego Holdings Namibia applies the principles of the NamCode. The principles of King III, are fully contained within the NamCode, and therefore our compliance with the NamCode, also entails compliance with the principles of King III. The Board is satisfied with the manner in which Letshego Holdings Namibia applying the principles of the NamCode. What follows is a summary of our evaluation of where we have complied, or if not, the explanation:

Ref.	NamCode Reference	Namcode Principle (s)	2017	Commentary
1. Ethical leadership and corporate citizenship				
1.1	NamCode	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	NamCode	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	Letshego Holdings Namibia 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 operates. Further, this policy ensures that Letshego Holdings Namibia is a socially responsible corporate citizen and occupies a positive and impactful role in its subsidiaries and communities.
1.3	NamCode	The Board should ensure that the Company's ethics are managed effectively.	Applied	Letshego Holdings Namibia has a code of ethics policy approved by the Board and the responsibility to oversee the performance against the principles is delegated to the Board Audit & Risk Committee. Section 5.2.2 of the Board charter stipulates that the Board should determine and set the ethical tone of the Company values, including framework of the code for ethical conduct, ethical business principles and practices, requirements for responsible corporate citizen.
2. Boards and Directors				
2.1	NamCode	The Board should act as the focal point for and custodian of corporate governance.	Applied	The Board Charter clearly set out the Board responsibilities and the Board meets at least four times per year. According to section 5.2.2 of the Charter, the Board must satisfy itself that the Company and Subsidiary Companies are governed effectively in accordance with corporate governance best practices including risk management, legal compliance management, appropriate and relevant nonbinding industry rules, codes and standards.
2.2	NamCode	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	The principle is recognized in the Board Charter and it is part of the Board's responsibility to determine the strategies and strategic objectives of the Company and ensure that the strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced.
2.3	NamCode	The Board should provide effective leadership based on an ethical foundation.	Applied	Refer to principle 1.1 above.
2.4	NamCode	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	NamCode	The Board should ensure that the Company's ethics are managed effectively.	Applied	Refer to principle 1.3 above.
2.6	King III; NamCode	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 above on composition of the Board and its subcommittees. The Committee's terms of reference outline the roles, powers, responsibilities and membership. As set out elsewhere in this report, during 2016 and 2017 the majority of members of the Board Audit & Risk Committee were Independent.
2.7	NamCode	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.

COMPLIANCE WITH THE NAMCODE (CONTINUED)

Ref.	NamCode Reference	Namcode Principle (s)	2017	Commentary
2. Boards and Directors (continued)				
2.8	NamCode	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 Information Technology Management Committee (ITMC) for the oversight and to ensure effective IT governance.
2.9	NamCode	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 Risk Management Committee at management level will meet monthly to consider the level of adherence of the Company to rules, codes and appropriate standards.
2.10	NamCode	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	NamCode	The Board should appreciate that stakeholders' perceptions affect the company's reputation.	Applied	The potential impact of stakeholders' perceptions on the reputation of Letshego Holdings Namibia is highly appreciated 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	NamCode	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	NamCode	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	NamCode	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	NamCode	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.
2.16	NamCode	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 Chairman are separate in line with the NamCode.
2.17	NamCode	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.	Partially 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 board continues to strengthen compliance with this requirement and aims to be fully compliant in the ensuing year.

Ref.	NamCode Reference	Namcode Principle (s)	2017	Commentary
2. Boards and Directors (continued)				
2.18	NamCode	The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	Applied	The Board membership is comprised of seven Directors of which four are Independent Non-Executive Directors (INEDs), two Non-Executive Directors (NEDs) and one Executive Director (EXD), being the Chief Executive Officer.
2.19	NamCode	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 competent and can contribute to the business, judgment calls are made by the Board the criteria to be considered are clearly spelled out in the Board Charter. All Non-Executive Directors 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	NamCode	The induction of and on-going training and development of Directors should be conducted through formal processes.	Partially Applied	The role of the Chairman includes the need to ensure that all Directors are appropriately made aware of their responsibilities through a tailored induction programme ensuring that a formal programme of continuing professional education is adopted at Board level. While an induction program is in place and adhoc training is provided in specific areas to the Directors, ongoing training and development of Directors is not conducted through a formal process. The board continues to strengthen compliance with this requirement and aims to be fully compliant in the ensuing year.
2.21	NamCode	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 of the Company.
2.22	NamCode	The evaluation of the Board, its Committees and the individual Directors should be performed every year.	Applied	The last formal Board evaluation was performed in 2017. The results of the self-assessment show that there is a need for the company to appoint more independent directors with complimentary experience to the core business of LBN. This process was completed during 2017.
2.23	NamCode	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	Applied	The Board has created the following Committees with clearly defined terms of reference: (i) The Board Audit & Risk Committee (ii) The Credit Committee
2.24	NamCode	A governance framework should be agreed between the Company and its subsidiary Boards	Applied	Letshego Holdings Namibia and its Subsidiaries have a well-established governance framework approved by the Board supported by respective Charters. During 2017, all Subsidiary Boards were reconstituted with a view to ensuring that they are made up of a majority of Independent Non-Executive Directors.
2.25	NamCode	The Company should remunerate Directors and Executives fairly and responsibly.	Partially Applied	The Board is responsible for setting and administering remuneration of Directors and Executives. It has adopted remuneration practices which support the company's growth, performance and returns strategy. The board continue to strengthen this requirement and aims to establish a REMCO in the ensuing year.
2.26	NamCode	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	NamCode	Shareholders should approve the Company's remuneration policy.	Applied	At each AGM, held annually for the purposes 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.
Remuneration Committee				
2.28	Namcode	Unless legislated otherwise, the board should appoint the remuneration, and nomination committee as standing committees annually.	Not Applied	The board continue to strengthen this requirement and aims to establish a REMCO in the ensuing year.

COMPLIANCE WITH THE NAMCODE (CONTINUED)

Ref.	NamCode Reference	Namcode Principle (s)	2017	Commentary
3. Audit Committee				
3.1	NamCode	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	NamCode	Audit committee members should be suitably skilled and experienced independent nonexecutive directors.	Partially Applied	Majority of the members are independent non-executive directors.
3.3	NamCode	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	NamCode	The Audit Committee should oversee integrated reporting.	Applied	The Board Audit & Risk Committee Charter requires the Committee to oversee, and take responsibility for the integrity of the integrated annual report.
3.5	NamCode	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	In line with the Board Audit & Risk Committee Charter, the Committee ensures that the combined assurance received from the external and internal auditors is appropriate to address all the significant risks facing the Company.
3.6	NamCode	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Applied	The Board Audit & Risk Committee Charter requires the Committee to annually review the appropriateness of the expertise and adequacy of the resources on the finance function and the experience of the senior members of management responsible for the finance function. The Committee evaluated the suitability of the expertise and experience of the new Chief Finance Officer before appointment by the board during 2017.
3.7	NamCode	The Audit Committee should be responsible for overseeing of internal audit.	Applied	The Board Audit & Risk Committee monitors and supervises the effectiveness of the Internal Audit function and ensures that the roles and functions of the External Audit and Internal Audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the company's systems of internal control and reporting.
3.8	NamCode	The Audit Committee should be an integral component of the risk management process.	Applied	The Committee Charter of the Board Audit & Risk Committee requires the committee to oversee the Company's risk management process.
3.9	NamCode	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The Board Audit & Risk Committee recommends to the Board which firm(s) should be appointed in the event of change of external auditor(s), their reappointment and removal. Further 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	NamCode	The Audit Committee should report to the Board and Shareholders on how it has discharged its duties.	Applied	The Chairman of the Board Audit & Risk Committee reports to the Board at all its meetings and minutes of the meeting are provided to the Board. The Chairperson of the Committee attends the Annual General Meeting to answer questions concerning matters falling within the ambit of the Committee and appropriate disclosures are made in the IAR.

Ref.	NamCode Reference	Namcode Principle (s)	2017	Commentary
4. The governance of risk				
4.1	NamCode	The Board should be responsible for the governance of risk.	Applied	The Board Charter confirms the Board's responsibility for the governance risk and has delegated this to the Board Audit & Risk Committee. The Committee is responsible for the development and implementation of the ERM Framework including the policies, systems and processes, induction programs and appropriate training to ensure effective governance of risk.
4.2	NamCode	The Board should determine the levels of risk tolerance.	Applied	The Board Audit & Risk Committee assists the Board in discharging its duties relating to the setting of Letshego Holdings Namibia's levels of risk tolerance. The risk appetite and tolerance levels contained in the ERM Framework were approved by the Board. The Board will review and approve recommendations to amend the risk appetite & tolerance levels by management committees.
4.3	NamCode	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	Applied	The Board Charter established the Board's responsibility for risk governance and delegated LHN's risk management responsibilities to the Board Audit & Risk Committee.
4.4	NamCode	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	The Board Audit & Risk Committee assists the Board in discharging its duties relating to the responsibility to design, implement and monitor the risk management plan. The Committee approves the risk policies, strategies and plans for the effective management of risk including the establishment of risk management committees and the delegation of matters to those committees.
4.5	NamCode	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	NamCode	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	Letshego Holdings Namibia 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 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	NamCode	The Board should ensure that management considers and implements appropriate risk responses.	Applied	The Board Audit & Risk Committee ensures that management develops adequate risk responses and that the Committee considers and evaluates such responses. Risks are identified, assessed and monitored in line with the ERM framework and reported to the Committee on a quarterly basis.
4.8	NamCode	The Board should ensure continual risk monitoring by management.	Applied	The Board Audit & Risk Committee approves the risk strategy and plans on an annual basis for effective implementation by Management. The Executive 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	NamCode	The Board should receive assurance regarding the effectiveness of the risk management process	Applied	The Board receives risk assurance reports from Board Audit & Risk Committee on a quarterly basis after the committee reviews the report submitted by Management.
4.10	NamCode	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 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 Letshego Holdings Namibia.

COMPLIANCE WITH THE NAMCODE (CONTINUED)

Ref.	NamCode Reference	Namcode Principle (s)	2017	Commentary
5. The governance of information technology				
5.1	NamCode	The Board should be responsible for information technology (IT) governance.	Applied	The Board Charter recognizes the Board's responsibility for IT governance and the Board Audit & Risk Committee ensures that an IT governance charter and policies are established and implemented. This is supported by the Information Technology Management Committee at management level.
5.2	NamCode	IT should be aligned with the performance and sustainability objectives of the Company.	Applied	Letshego Holdings Namibia'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	NamCode	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	The Board Audit & Risk Committee Charter requires the Committee to ensure that management is responsible for the implementation of the structures, processes and mechanisms for the IT governance framework. This is supported by the Information Technology Management Company Committee (ITMC)
5.4	NamCode	The Board should monitor and evaluate significant IT investments and expenditure.	Applied	According to the Company's Information Technology Management Committee Charter, the Committee is responsible for the assessment of value delivered to the organisation through significant investments in technology and information, including the evaluation of projects through the life cycles and significant operational expenditure.
5.5	NamCode	IT should form an integral part of the Company's risk management.	Applied	The IT Governance Framework and the Enterprise Risk Management framework of Letshego Holdings Namibia include 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 Letshego Namibia's risk management.
5.6	NamCode	The Board should ensure that information assets are managed effectively.	Applied	It is the responsibility of the Board Audit & Risk Committee to ensure that Letshego Holdings Namibia has systems in place for the management of information that include the protection of privacy of personal information and the continual monitoring of security of this information, irrespective of whether this information is at rest, in transmission or at disposal of IT Assets.
5.7	NamCode	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 authorized access.
6. Compliance with laws, rules, codes and standards				
6.1	NamCode	The Board should ensure that the Company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.	Applied	Through the Board Audit & Risk Committee, the Board is able to address legal and compliance requirements of the institution, governed by a Legal, Compliance and Anti-money Laundering Framework. The Legal and Compliance update is a standing item in the Risk & Compliance report; in which the Board is appraised on legal and compliance risk and deliberates over the applicable legislations and the approach to the stated laws.
6.2	NamCode	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 Letshego Holdings Namibia 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.

Ref.	NamCode Reference	Namcode Principle (s)	2017	Commentary
6. Compliance with laws, rules, codes and standards (continued)				
6.3	NamCode	Compliance risk should form an integral part of the company's risk management process.	Applied	The Enterprise Risk Management framework and the Legal, Compliance and Anti-Money Laundering framework establishes Letshego Holdings Namibia's compliance risk standards. Management uses the tools to manage compliance risk from first, second and third lines of defence.
6.4	NamCode	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	NamCode	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. A Quality Assurance Improvement Program of Internal Audit processes is reviewed annually by the Board Audit & Risk Committee. The last review was conducted in November 2017 and the Board Audit & Risk Committee is satisfied with progress made on implementation of the program.
7.2	NamCode	Internal audit should follow a risk-based approach to its plan.	Applied	The Internal Audit Function follows a risk-based approach in its annual audit planning that is considered and approved by the Board Company Audit & Risk Committee. The risk based planning direct time and effort toward the risks that most affect LHN's ability to implement strategy and achieve goals. The plan is reviewed quarterly in response to changes in LHN's business drivers, significant risks, operational programs and systems.
7.3	NamCode	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Applied	Internal Audit reports quarterly to the Board Audit & Risk Committee on its assessment of internal controls and overall control consciousness of Letshego Holdings Namibia. 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	NamCode	The Audit Committee should be responsible for overseeing internal audit.	Applied	The Board Audit & Risk Committee is responsible for overseeing Internal Audit. The Committee approves the Internal Audit charter, the annual internal audit plan, the budget and the resource plan of the function. Also, the Committee receives communication on Internal Audit's performance and significant findings. The Committee approves the appointment, removal and remuneration of the Senior Internal Auditor.
7.5	NamCode	Internal audit should be strategically positioned to achieve its objectives.	Applied	The Internal Audit function is independent and reports to the Board Audit & Risk Committee. The Senior Internal Auditor is a permanent invitee to the Country Management Committee, has the respect and cooperation of both the Board and Management and has unrestricted access to the Board Audit & Risk Committee Chairman and members, including private meetings without management (executive sessions).

COMPLIANCE WITH THE NAMCODE (CONTINUED)

Ref.	NamCode Reference	Namcode Principle (s)	2017	Commentary
8. Governing stakeholder relationships				
8.1	NamCode	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 Letshego Holdings Namibia's 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 in order to protect Letshego Holdings Namibia's reputation.
8.2	NamCode	The Board should delegate to management to proactively deal with stakeholder relationships.	Applied	The Board has delegated the effective management of stakeholder relationships to the Board Audit & Risk Committee and the Country Management Committee. To this end, the following policies were approved by the Board for implementation by management and staff: (i) Reputational Risk Policy (ii) External Communication Policy (iii) Sustainability and Environmental, Social, Governance Policy (iv) Strategic Social Investment Policy.
8.3	NamCode	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	NamCode	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	NamCode	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	Letshego Holdings Namibia 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 and its subsidiaries.
8.6	NamCode	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	NamCode	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	NamCode	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	In addition to Letshego Holdings Namibia's financial reporting, sustainability reporting is treated as part of the Strategic Social Investment initiatives in this integrated annual report.
9.3	NamCode	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.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK (ERMF)

We recognise that risk management is fundamental to the sustainability of its operations. A strong risk management culture ensures an appropriate balance between the diverse risks and rewards inherent in any transaction and underpins sound decision-making. We aim to ensure that risk management is embedded in all our processes and culture.

The ERMF provides minimum requirements for sound risk management practices to ensure that risks faced by LBN are managed in an integrated, consistent and comprehensive manner. The Risk Management Framework emphasises the five key pillars of a sound risk management framework, namely, adequate board oversight, adequate senior management oversight, sound risk management policies and operating procedures, strong risk measurement, monitoring and control capabilities, and adequate internal controls. The risk

principles and methodologies in this framework are based on best practices and local regulatory requirements and are not intended to be exhaustive or prescribe a uniform set of risk management requirements for LBN. The level of sophistication of the process, and internal controls used to manage risks, will depend on the nature, scale and complexity of LBN's activities. However, specific attention will be given to the identification, measurement, monitoring and mitigation techniques to be used for each type of identified risk.

The diagram below summarises the key elements of the enhanced ERMF.



RISK PHILOSOPHY AND CULTURE

In support of the enhanced ERMF, we subscribe to a risk philosophy and culture that says risk is best managed at inception. Our employees are considered risk managers responsible for addressing and managing risks that arise from their business activities. These changes and improvements continue to contribute to the empowerment of our employees and the desire to continue to build a profitable, socially responsible and sustainable organisation. In the process, our engagement with stakeholders at all levels is also improving in pursuance of our organisational goals.

RISK APPETITE AND TOLERANCE

Our risk appetite represents the amount of risk we are willing to accept in the achievement of our objectives. It is effected through the Group-wide Risk Management process and specific risk appetite and tolerances are outlined in the various policies. In assessing risk appetite during the year, the Board and management considered the needs and expectations of our shareholders, customers and employees and the desire to continue to build a profitable, socially responsible and sustainable organisation. As an entity that provides customer solutions that are essentially of a compliance nature, our Board and management, acknowledge that stakeholder expectations are likely to become more exacting. Therefore, we will not accept risks that could expose us to:

- unacceptable levels of financial loss relative to strategic and operational targets;
- breaches of legislative or regulatory non-compliance;
- damage to our reputation;
- unacceptable interruption to the provision of services to customers;
- damage to relationships with our customers and key stakeholders;
- health and safety metrics below target.

POLICIES AND PROCEDURES

During the year, a number of policies were reviewed and approved by the Board of Directors. Various procedures were also developed and approved by management. The policies and procedures are presented in a simple and appropriate format that is consistent with, and proportional to, the nature, complexity and scale of our activities. Adequate systems to monitor compliance with established policies and procedures are in place. These include Internal Audit Programmes, Compliance Risk Monitoring Plans and Compliance Risk Monitoring Reviews. Emphasis is also placed on Environmental, Social and Governance (ESG) programmes to ensure that we deliver on our mission to build a sustainable organisation.

INTERNAL CONTROL

We continue to implement a system of effective internal controls as a critical component of our ERMF. Internal controls developed are an integral part of our policies, procedures and processes and are established by the Board and management to provide reasonable assurance on the safety, effectiveness and efficiency of our operations, the reliability of financial and managerial reporting, and compliance with regulatory requirements in our points of representation. An effective internal control system is therefore a fundamental mechanism for reducing the scope of risks faced by the Group. The control library is updated annually by the Risk function and contains corrective controls (e.g. supervision, exception reporting and reconciliation), detective controls (e.g. call back, review and validation) and preventative controls (e.g. succession planning, code of ethics and business plan). Key internal controls include the code of ethics, delegation of authority, segregation of duties, succession planning and customer complaints management.

RISK IDENTIFICATION, MEASURING, MONITORING AND REPORTING

Letshego uses various techniques and tools in identifying, measuring,

monitoring and reporting on risk, in line with our risk maturity level and in accordance with the regulatory requirements in the countries in which we operate and in line with international best practice. The key risk tools and techniques are detailed in the various Letshego manuals.

In addition, an Operational Risk Manual is in place to ensure effective risk identification and control process through Risk and Control Self Assessments, Key Risk Indicators, Incident Management Reporting and Risk Registers.

REPUTATION MANAGEMENT

Internal and external matters that can impact our reputation are regularly monitored and reported on. Corporate communication is managed in a structured manner to ensure that accurate information is disseminated consistently to all stakeholders. All customer complaints are tracked and appropriate corrective action is implemented as soon as practicable. We use an internally developed customer satisfaction index to ensure that critical aspects of customer service delivery are maintained at a high level. Where relevant, we adhere to industry-regulated codes of conduct.

EXTERNAL AUDIT

The external auditors are responsible for reporting on whether the financial statements are fairly presented and that they are prepared in compliance with International Financial Reporting Standards (IFRS). In addition, their audit includes an assessment of selected key internal controls. The preparation of the annual financial statements and the adequacy of the system of internal controls remain the responsibility of the Directors.

INTERNAL AUDIT

We have an Internal Audit function that was established to assist with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk

management, control and governance processes. In addition, the Internal Audit function provides independent and quality assurance for risk management.

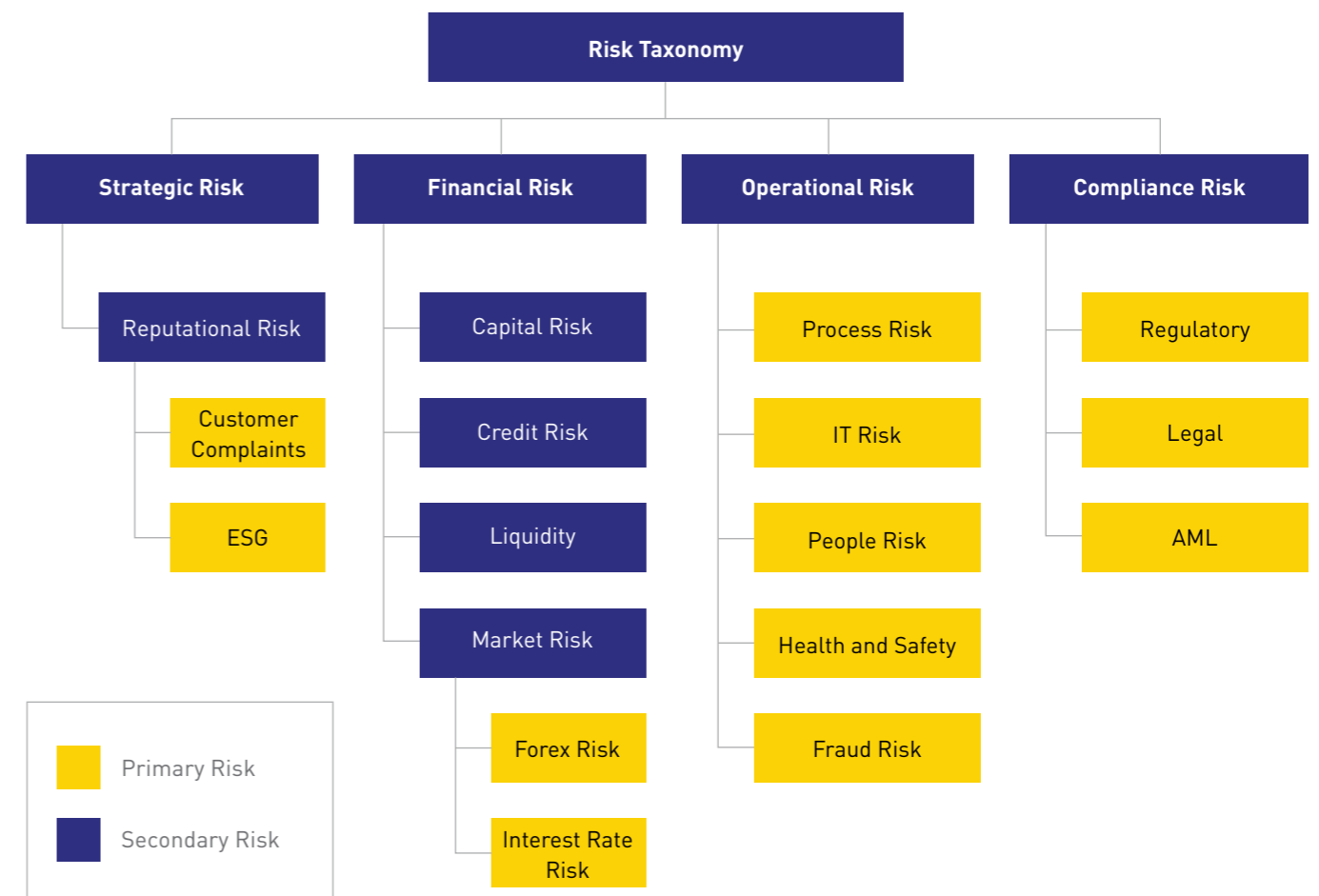
Our Head of Internal Audit has direct and unrestricted access to the Chairperson of the Audit Committee and is a permanent invitee of the Audit Committee. The Internal Audit team conducts its work in accordance with the internal auditing standards set by the Institute of Internal Auditing - this requires compliance with professional codes of conduct and ethics that are promulgated from time to time by relevant professional

bodies as well as recommended international best practices in corporate governance.

LETSHEGO'S RISK TAXONOMY

Below is the Group's Risk Taxonomy at Group level, where risk types are classified into four categories as indicated in the diagram. At country level, however, the strategic and financial risks are unbundled to increase the number of primary risks to eight, which is in line with most of our subsidiaries' regulatory requirements.

LETSHEGO'S RISK TAXONOMY





LETSHEGO IS IMPROVING MY LIFE



Gaining Africa Experience Through Letshego's International Assignment Programme

OLGA GORESES joined Letshego Namibia 7 years ago as an Approvals Clerk (Quality Assurance Office), and today, she works as a Business Analyst in the Operations Team in Windhoek.

In 2016, Letshego offered Olga the opportunity to broaden her experience and understanding in regional technology, innovation and systems, by participating in the Group's international assignment programme. Through this initiative, Olga spent time in Letshego's operations in both Kenya and Rwanda, enhancing her skills and aptitude in the Group's core banking model, TCS Bancs.

Sharing her experience, Olga reflected,

"Initiatives like this, not only enable our people to gain technical and leadership experience, but also provide us with direct insight into the Group's diverse culture and inclusive strategy – both internally amongst our peers across Africa, and externally in extending financial inclusion to more communities.

One's ability to communicate and integrate with different cultures is truly a strength, and I have learnt to listen and reflect more before taking action. By enabling Letshego people to gain and share their expertise across the

continent, it is inspiring to see how a company's culture can be enriched and empowered.

Thank you Letshego for providing me with unique opportunities and experiences which have not only helped my personal development, but my career potential too.

Letshego is a great place to live and learn, and I look forward to being able to deliver greater value in my home country Namibia, as a result of my international assignment."





Financials

Company Information

Registration number:	2016/0145
Registered address:	18 Schwerinsburg Street P. O. Box 11600 Windhoek, Namibia
Company Secretary:	Bonsai Secretarial Compliance Services PO Box 90757 Windhoek, Namibia
Auditors:	PricewaterhouseCoopers PO Box 1571 Windhoek, Namibia
Sponsoring Brokers:	IJG Securities (Pty) Limited PO Box 186 Windhoek, Namibia
Transfer Secretary:	Transfer Secretaries (Pty) Limited PO Box 2401 Windhoek, Namibia

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Directors' Responsibility Statement

For the year ended 31 December 2017

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements and annual financial statements of Letshego Holdings (Namibia) Limited, comprising the statements of financial position at 31 December 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.

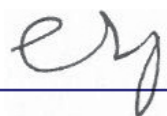
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk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

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

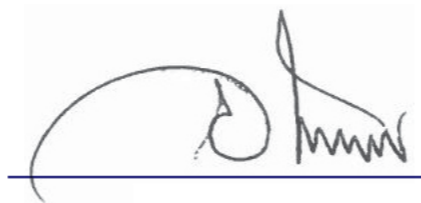
The auditor is responsible for reporting on whether the consolidated and separate annual financial statements are fairly presented in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Letshego Holdings (Namibia) Limited, as identified in the first paragraph, set out on pages 94 to 152, were approved by the directors on 14 March 2018 and signed on their behalf by:



JOHN EUGENE SHEPHERD
Chairman



ESTER KALI
Chief Executive Officer

Independent Auditor's Report

To the shareholders of Letshego Holdings (Namibia) Limited



OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Letshego Holdings (Namibia) Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

WHAT WE HAVE AUDITED

Letshego Holdings (Namibia) Limited's consolidated and separate financial statements, set out on pages 94 - 152 comprise:

- the directors' report for the year ended 31 December 2017;
- the consolidated and separate statements of financial position as at 31 December 2017;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

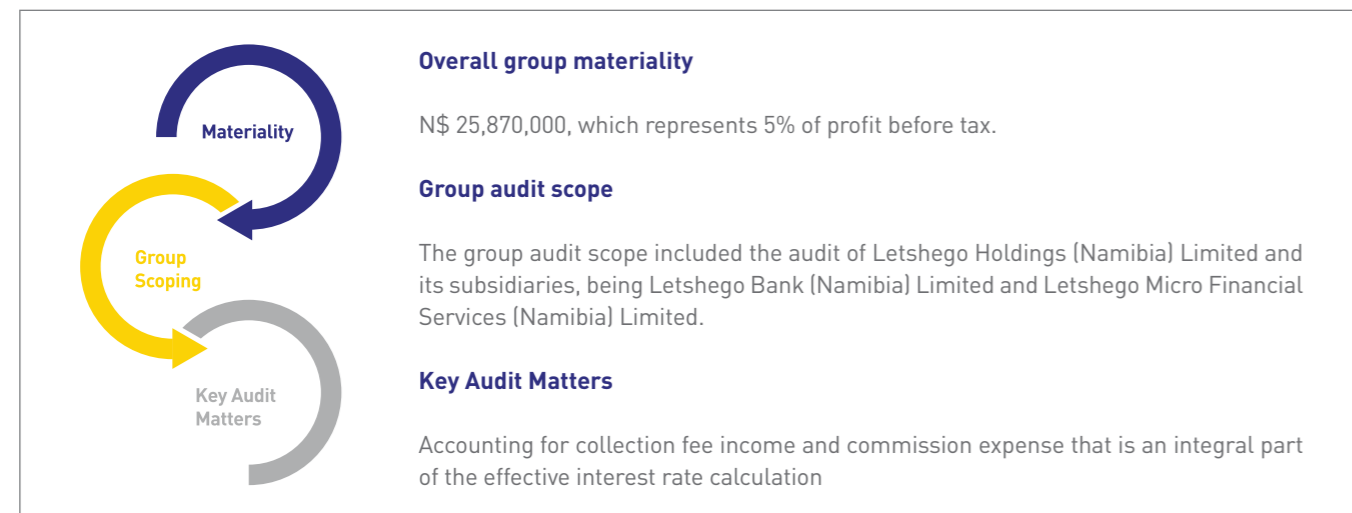
BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with this code and in accordance with other ethical requirements applicable to performing audits in Namibia.



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

MATERIALITY

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

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

Overall group materiality	N\$ 25,870,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

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

The key audit matters described below relate to the consolidated financial statements of the Group. We have determined that there are no key audit matters in respect of the separate financial statements of the Company to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Accounting for collection fee income and commission expense that are an integral part of the effective interest rate calculation (Refer to notes 3(c)(i) and (ii), 20, 21 and 22 to the financial statements.)	
<p>The Group charges various upfront and recurring fees to its loan customers and makes upfront commission payments to its sales agents.</p> <p>Some of the upfront and recurring fees relate to income earned when the Group provides a service to the customers or on the 'execution of a significant act' as defined by International Accounting Standard 18 Revenue ("IAS 18"). IAS 18 requires such revenue to be recognised when the service is rendered and charged to the customer.</p> <p>Collection fees are charged on a monthly basis to the customer, without specific services being rendered for such fee income. As defined by International Accounting Standard 39 – Financial Instruments ("IAS 39"), 'transaction costs' are incremental costs that are directly attributable to the acquisition or disposal of a financial asset or liability. Transaction costs include commission paid to sales agents.</p> <p>In accordance with IAS 18 and IAS 39, the collection fees and transaction costs are considered as an integral part of the determination of the effective interest rate used in the subsequent measurement of the underlying financial asset at amortised cost. This means that collection fee income should not be recognised when charged, and that commission costs should not be expensed when incurred, but should be recognised over the term of the underlying loan and advance on the same basis as is done for interest earned.</p> <p>The Group analyses all fees and commission to determine their true nature for purposes of appropriate classification thereof in the statement of comprehensive income. The Group furthermore applies complex models in order to determine the appropriate deferral of such amounts. For these reasons, we determined the accounting for collection fee income and commission costs to be a matter of most significance to our audit.</p>	<p>We obtained an understanding of how management determined the nature of the various fees and commission expenses and tested them by using the following criteria:</p> <ul style="list-style-type: none"> Contractual terms for fee and commission charges; Timing and conditions on which fees and commission are charged; and The nature and extent of services rendered for such fees. <p>Based on our audit procedures above, we found that fees classified by the Group as fee income met the relevant requirements of IAS 18 to be classified and recognised as such.</p> <p>With respect to fees which the Group determined should be recognised as part of the effective interest rate over the term of the loan, we inspected a sample of contracts, obtained the contractual loan terms, value of fees and repayments made in terms of those contracts, and independently calculated the amounts to be deferred. Our calculation approximated that of management.</p> <p>We tested commission paid during the year on a sample basis. We furthermore obtained a report of commission paid detailing the value of commission paid per loan, obtained the contractual loan terms for the loans on which commission was paid and independently calculated commission expense amounts to be deferred. Our testing did not identify a material amount of commission expense that should be deferred.</p>
Based on the Group's analyses:	
<ul style="list-style-type: none"> The Group asserted that the impact of deferral of collection fees as part of interest income was material and an adjustment was made to the effective interest rate; The Group asserted that the impact of deferral of commission expense was not material and, accordingly, did not defer any such costs; The Group classified fees that were determined to be interest income as such in the consolidated financial statements; and Group recognised fees that were determined to relate to specific services as fee income in the consolidated financial statements. 	

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Letshego Holdings (Namibia) Limited and its subsidiaries Annual Financial Statements for the year ended 31 December 2017, which we obtained prior to the date of this auditor's report and the information included in Letshego Holdings (Namibia) Limited's integrated annual report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

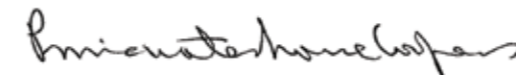
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Louis van der Riet.



PricewaterhouseCoopers
Chartered Accountants (Namibia)
Registered Accountants and Auditors

Per: Louis van der Riet
Partner

Windhoek
27 March 2018

Director's Report

For the year ended 31 December 2017

The directors present their report to the shareholders, together with the audited annual financial statements of Letshego Holdings (Namibia) Limited ("the company") and the audited consolidated annual financial statements of the company and its subsidiaries ("the group") for the financial year ended 31 December 2017.

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

During the year under review, the authorised and issued share capital of the company was changed from 1,000,000 ordinary shares with a par value of 10 cents each to 500,000,000 ordinary shares with a par value of 0.02 cents each.

4. Dividends

No dividends were declared or recommended during the period under review (2016: N\$ Nil).

5. Directors and secretary

The following persons were directors during the period under review:

Rairirira Mbakutua Mbetjiha**	Non-executive
Ester Kali**	Executive
John Eugene Shepherd**	Independent Non-executive; Chairman
Sven von Blottnitz^*	Independent Non-executive
Mythri Sambasivan-George^^	Non-executive
Maryvonne Palanduz**	Independent Non-Executive (Appointed 18 May 2017)
Rosalia Martins-Hausiku**	Independent Non-Executive (Appointed 18 May 2017)

** Namibian ^^ Indian ^* German

The secretary of the company is Bonsai Secretarial Compliance Services.

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 2017 are N\$968 million. Full details of the borrowings are shown in notes 12 and 13 to the consolidated annual financial statements.

9. Major capital expenditures

The Group made additions to its capital assets of N\$4.472 million 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 company to meet its foreseeable cash requirements. In addition, there has been no material change in the markets in which the Group and the separate company operates and it has the necessary skills to continue operations. On this basis the directors consider that the Group and the separate company has adequate resources to continue operating for the foreseeable future and therefore deem it appropriate to adopt the going concern basis in preparing the company's financial statements for this reporting period.

11. Investing in subsidiaries

Subsidiaries of Letshego Holdings (Namibia) Limited	Number of shares held	Issued ordinary share capital and premium N\$'000	Effective holding	
			2017 %	2016 %
Letshego Bank Namibia Limited	999 994	100	100	100
Letshego Micro Financial Services (Namibia) (Pty) Ltd	1 000 000	570 100	99,9	99,9

Financial details of subsidiaries	Aggregate income of subsidiaries before tax		Total investment	
	2017 N\$'000	2016 N\$'000	2017 N\$'000	2016 N\$'000
Letshego Bank Namibia Limited	123 980	302 735	100	100
Letshego Micro Financial Services (Namibia) (Pty) Ltd	359 383	64 668	570 100	100

12. Material post reporting date events

A dividend of 19,2 cents per ordinary share has been declared since the end of the reporting period. Apart from this, the directors are not aware of any matters or circumstances arising since the end of the financial period and up to the date of this report, that would require adjustment of, or disclosure in, these annual financial statements.

Post year end, the majority shareholder, Letshego Holdings Limited, shareholding changed to Letshego Mauritius Limited, following obtaining all regulatory approvals.

13. Auditors

PricewaterhouseCoopers was appointed as auditors in 2017 and will continue in office in accordance with the Namibian Companies Act with the approval of the shareholders.

Statements of Financial Position

At 31 December 2017

	Notes	COMPANY		GROUP	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		N\$	N\$	N\$	N\$
ASSETS					
Cash and cash equivalents	6	24 538 527	-	323 676 300	159 626 020
Other receivables	7,1	19 674 767	46 803 205	125 874 656	68 162 540
Intercompany receivable	7,2	22 831 373	9 974 507	-	-
Advances to customers	8	-	-	2 424 222 108	2 118 679 317
Property and equipment	9	-	-	11 103 787	10 501 139
Investment in subsidiaries	27	1 914 353 808	1 344 353 808	-	-
Deferred taxation	11.3	-	-	-	6 622 256
Current taxation	11.4	7 233 463	-	15 086 702	-
Total assets		1 988 631 938	1 401 131 520	2 899 963 553	2 363 591 272
LIABILITIES AND EQUITY					
Liabilities					
Trade and other payables	10	88 624	-	43 445 879	42 446 012
Deferred taxation	11,3	-	-	3 452 689	-
Current taxation	11.4	-	4 822 314	-	2 022 105
Borrowings	12	-	-	63 555 736	-
Intercompany payables	13,2	-	-	907 139 354	799 420 084
Deposits due to customers	14	-	-	90 205 059	-
Total liabilities		88 624	4 822 314	1 107 798 717	843 888 201
Shareholders' equity					
Share capital	15	100 000	100 000	100 000	100 000
Retained earnings		644 289 506	52 055 398	873 985 170	602 062 144
Capital reorganisation reserve	27	1 344 153 808	1 344 153 808	701 024 198	701 024 198
Equity settled share based payment reserve	16	-	-	1 970 626	1 431 886
		1 988 543 314	1 396 309 206	1 577 079 994	1 304 618 228
Non - controlling interests		-	-	215 084 843	215 084 843
Total equity		1 988 543 314	1 396 309 206	1 792 164 837	1 519 703 071
Total liabilities and equity		1 988 631 938	1 401 131 520	2 899 963 554	2 363 591 272

Statements of Comprehensive Income

At 31 December 2017

	Note	COMPANY		GROUP	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
		N\$	N\$	N\$	N\$
Interest income from lending activities	20	-	-	563 374 872	450 025 683
Credit impairment release / (charge)	8	-	-	9 552 790	(22 083 259)
Interest after impairment		-	-	572 927 662	427 942 424
Other interest income	20	55 755	-	12 375 910	3 465 074
Interest expense	20	-	-	(114 037 821)	(99 943 214)
Net interest income after impairment		55 755	-	471 265 751	331 464 284
Dividend income		570 000 000	-	-	-
Fee income	21	-	-	2 228 794	1 943 413
Other operating income	23	35 254 806	62 162 272	206 605 614	230 269 335
Employee benefits	18	-	-	(37 857 658)	(26 638 004)
Other operating expenses	19	(1 257 785)	(11 303)	(124 826 783)	(107 484 980)
Operating profit before taxation	17	604 052 776	62 150 969	517 415 718	429 554 048
Taxation	11	(11 818 668)	(10 095 571)	(132 159 358)	(99 601 566)
Profit for the year		592 234 108	52 055 398	385 256 360	329 952 482
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		592 234 108	52 055 398	385 256 360	329 952 482
Basic earnings per share (cents)	31	118	10	77	66
Fully diluted earnings per share (cents)	31	118	10	77	66

Statements of Changes in Equity (Company)

For the year ended 31 December 2017

	Share capital N\$	Share based payment reserve N\$	Retained earnings N\$	Capital reorganisation reserve N\$	Ordinary shareholders' reserve	Non-controlling interest * N\$	Total equity N\$
As at 1st January 2017	100 000	-	52 055 398	1 344 153 808	1 396 309 206	-	1 396 309 206
Net asset value of subsidiary acquired							
Total comprehensive income for the year							
Profit and total comprehensive income for the period	-	-	592 234 108	-	592 234 108	-	592 234 108
Dividends paid							
Transactions with equity holders, recorded directly in equity							
Contributions by equity holders							
Shares issued							
Share based payment transactions							
As at 31 December 2017	100 000	-	644 289 506	1 344 153 808	1 988 543 314	-	1 988 543 314
As at 1st January 2016	-	-	-	1 344 153 808	1 344 153 808	-	1 344 153 808
Net asset value of subsidiary acquired							
Total comprehensive income for the year							
Profit and total comprehensive income for the period	-	-	52 055 398	-	52 055 398	-	52 055 398
Dividends paid							
Transactions with equity holders, recorded directly in equity							
Contributions by equity holders							
Shares issued	100 000	-	-	-	100 000	-	100 000
Share based payment transactions							
As at 31 December 2016	100 000	-	52 055 398	1 344 153 808	1 396 309 206	-	1 396 309 206

Statements of Changes in Equity (Group)

For the year ended 31 December 2017

	Share capital N\$	Share based payment reserve N\$	Retained earnings N\$	Capital reorganisation reserve N\$	Ordinary shareholders' reserve	Non-controlling interest * N\$	Total equity N\$
As at 1st January 2017	100 000	1 431 886	602 062 143	701 024 198	1 304 618 227	215 084 843	1 519 703 070
Total comprehensive income for the period							
Profit and total comprehensive income for the year	-	-	385 256 360	-	385 256 360	-	385 256 360
Dividend paid	-	-	(113 333 333)	-	(113 333 333)	-	(113 333 333)
Transactions with equity holders, recorded directly in equity							
Contributions by equity holders							
Shares issued	-	538 740	-	-	538 740	-	538 740
Share based payment transactions	-	-	-	-	-	-	-
As at 31 December 2017	100 000	1 970 626	873 985 170	701 024 198	1 577 079 994	215 084 843	1 792 164 837
As at 1st January 2016	-	462 926	272 071 491	701 124 198	973 658 615	215 084 843	1 888 743 458
Prior period adjustment to retained earnings	-	-	38 170	-	38 170	-	38 170
Total comprehensive income for the period							
Profit and total comprehensive income for the year	-	-	329 952 482	-	329 952 482	-	329 952 482
Dividends paid	-	-	-	-	-	-	-
Transactions with equity holders, recorded directly in equity							
Contributions by equity holders							
Shares issued	100 000	-	-	(100 000)	-	-	-
Share based payment transactions	-	968 960	-	-	968 960	-	968 960
As at 31 December 2016	100 000	1 431 886	602 062 143	701 024 198	1 304 618 228	215 084 843	1 519 703 071

* The Non-controlling interest relates to the preference share holders who do not share in the profit.

Statements of Cash Flows

For the year ended 31 December 2017

	Notes	COMPANY		GROUP	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
		N\$	N\$	N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit before taxation		604 052 776	-	517 415 718	429 554 048
Interest paid		-	-	114 037 821	99 943 214
Dividends received		(570 000 000)	-	-	-
Adjusting items of a non-cash nature:					
Depreciation	9	-	-	3 869 823	4 616 941
Impairment allowance on advances	8	-	-	(9 213 797)	21 603 193
Equity settled share based payment transactions	16	-	-	538 740	968 960
Changes in working capital:					
Movement in advances to customers	8	-	-	(296 328 994)	(254 883 280)
Movement in other receivables	7	27 128 438	-	(57 712 116)	38 359 045
Movement in trade and other payables	10	88 624	-	999 867	(1 666 929)
Movement in customer deposits	14	-	-	90 205 059	-
		61 269 838	-	363 812 121	338 495 192
Tax paid	11,4	(23 874 445)	-	(139 193 220)	(103 359 912)
Net cash flow from operating activities		37 395 393	-	224 618 901	235 135 280
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of motor vehicles, furniture and equipment	9	-	-	(4 472 472)	(2 948 102)
Dividend received		570 000 000	-	-	-
Dividend paid		-	-	(113 333 333)	-
Investment in subsidiary		(570 000 000)	-	-	-
Net cash (used in) / from investing activities		-	-	(117 805 805)	(2 948 102)

	Notes	COMPANY		GROUP	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
		N\$	N\$	N\$	N\$
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans received		570 000 000	-	670 000 000	-
Loans repaid		(570 000 000)	-	(606 444 264)	-
Interest paid		-	-	(114 037 821)	(99 943 214)
Increase in intercompany loans	13	(12 856 865)	-	137 719 270	140 191 354
Repayments of intercompany loans		-	-	(30 000 000)	(165 000 000)
Net cash generated from financing activities		(12 856 865)	-	57 237 185	(124 751 860)
Net movement in cash and cash equivalents		24 538 528	-	164 050 281	107 435 318
Movement in cash and cash equivalents					
At the beginning of the year		-	-	159 626 020	52 190 702
Movement during the year		24 538 528	-	164 050 281	107 435 318
At the end of the year	6	24 538 528	-	323 676 301	159 626 020

** No cashflow statement is presented for the Company for 2016 as it did not have a bank account.

Significant Accounting Policies

For the year ended 31 December 2017

1. REPORTING ENTITY

Letshego Holdings (Namibia) Limited is a Company domiciled in Namibia. The address of the Company's registered office is 18 Schwerinsburg Street, Windhoek, Namibia. The consolidated financial statements of Letshego Holdings (Namibia) Limited as at and for the year ended 31 December 2017 comprise the Company and the interest in its two subsidiaries, namely, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Pty) Ltd. The Group is primarily engaged in the provision of banking and other financial services to members of the public.

2. BASIS OF PREPARATION

a) These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

b) Functional and presentation currency

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

c) Use of estimates and judgment

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 Note 5 and 8.

Go on concern

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

Impairment of advances to customers

Advances impairment allowances represent management's best estimate of losses incurred in the loan portfolios at the reporting date. The Group exercises judgement in making assumptions and estimations when calculating advances impairment allowances on both individually and collectively assessed advances.

Impairment allowances are calculated using the accounting policy as described in note 3. f) ix). In determining the impairment allowance, the timing and amount of the expected cash flows are the most significant judgements applied by the Group. Historical loss rates, probability of default and credit quality of the advances are taken into account in determining the expected cash flow on the advances. The determination of these cash flows requires the exercise of considerable judgement by management involving matters such as local economic conditions and outlook. In addition, the use of statistically assessed historical information is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

Refer to paragraph 5.1.1 for a detailed analysis of impairment of advances, specifically the sensitivity around the estimation of impairments of advances.

Current and deferred taxation

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

Interest in subsidiaries

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

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

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

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

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

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

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

Contingent consideration is classified either as equity, financial asset or a financial liability. Such amounts classified as a financial asset 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

Significant Accounting Policies (continued)

For the year ended 31 December 2017

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 acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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

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

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

Capital re-organisation reserve accounting

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

b) Foreign currency transactions

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

c) Revenue recognition

Revenue comprises interest income and non-interest income.

i) Interest income

Interest income is accrued on a yield to maturity basis by reference to the principal outstanding and the interest rate applicable.

- 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 IAS 18 Revenue, 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 or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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

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

ii) Fee income

Fees are recognised on an accrual basis when the service has been rendered.

iii) Dividend income

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

d) Leases

i) Group and Company acting as a lessee – Operating leases

Leases which merely confer the right to the use of an asset rather than the risk and rewards incidental to ownership thereof, are treated as an operating lease, with the lease payments made to the profit or loss on a straight line basis over the life of the lease contract as they become due.

Assets held under other leases that are classified as operating leases and are not recognized in the Group and Company's statement of financial position.

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 and equipment, 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

Significant Accounting Policies (continued)

For the year ended 31 December 2017

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 instruments

The Group applies IAS 39 for the recognition, classification and measurement and derecognition of financial assets and financial liabilities and for the impairment of financial assets. Currently the Group does not apply hedge accounting as defined in IAS 39. The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date.

All financial instruments are measured initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

i) Classification

Financial assets

The Group and Company classifies its financial assets under the following categories:

- loans and accounts receivable;
- held to maturity;

ii) Initial measurement

The Group and Company initially recognises loans and advances, debt securities issued and intercompany liabilities on settlement date. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date when the Group and Company becomes party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue. For financial assets or liabilities classified as fair value through profit and loss, the transaction costs are expensed upfront in profit and loss as part of operating expenses.

Financial liabilities

The Group and Company classifies its financial liabilities, except for financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

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.

iii) Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification:

- Financial assets and financial liabilities at fair value through profit or loss

Financial instruments classified as held for trading

This category includes instruments that are held for trading. The fair value gains and losses from changes in fair value on derivatives are taken to finance costs and similar charges in the consolidated statement of total comprehensive income as these derivatives are used to economically hedge the Group's borrowings for interest rate risk. The Group currently does not hold any financial instruments in this category.

Financial instruments designated at fair value through profit or loss

The Group can elect on the date of initial recognition, to designate a financial asset or financial liability at fair value if in doing so it would reduce an accounting mismatch, is being managed on a fair value basis or includes a non-closely related embedded derivative that would otherwise require bifurcation. The fair value gains and losses from changes in fair value are taken to 'other gains or losses' in profit or loss. The Group currently does not hold any financial assets or financial liabilities in this category.

- Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the positive intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale. The Group currently does not hold any financial assets in this category.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's advances are included in the loans and receivables category. These advances arise when the Group provides money, goods or services directly to a debtor with no intention to trade the receivable. Loans and advances originated by the Group are in the form of personal unsecured loans and are either paid back in fixed equal instalments or, in the case of credit cards, are revolving credit facilities.

Advances are classified as loans and receivables and are measured at amortised cost using the effective interest rate method, less any impairment losses through the use of an allowance account whereby the amount of the losses are recognised in profit or loss. Origination fees and monthly service fees that are integral to the effective interest rate are capitalised to the value of the loan and amortised to profit or loss over the contractual life of the loan using the effective interest rate method.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to the need for liquidity or changes in interest rates, exchange rates or equity prices. Gains and losses arising from changes in fair value are recognised directly in equity, until the asset is disposed of or it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Interest income is excluded from the fair value gains and losses which are recognised in other comprehensive income. The Group currently does not hold any financial assets in this category.

- Financial liabilities at amortised cost

All financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost.

iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees that form an integral part of the effective interest rate) through the expected life of the financial asset/liability or, where appropriate, a shorter period.

v) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when transfer of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group and Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On the derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the derecognised part of the asset) and the sum of (i) the consideration received (including any new asset obtained minus any new liability assumed) and (ii) any cumulative gain or loss that has been recognised in other comprehensive income is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group and Company is recognised as a separate asset or liability in the statement of financial position.

Significant Accounting Policies (continued)

For the year ended 31 December 2017

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. The Group and Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the Group and Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group and Company retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group and Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group and Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group and Company retains obligations to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

The Group and Company derecognises a financial liability when its contractual obligation are discharged, cancelled or expire.

vi) 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.

vii) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

viii) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, in a normal arm's length, orderly transaction between knowledgeable, willing parties on the measurement date in the principal market or, in its absence, in the most advantageous active market to which the Group and Company has access at that date.

When available, the Group and Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Refer to note 5.1.4 for more detail regarding fair value measurement.

f) Financial instruments (continued)

ix) Impairment of financial instruments

At each reporting date the Group and Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes the following observable data:

- significant financial difficulties of the borrower or issuer;
- default or delinquency in payments by the borrower;
- the restructuring of a loan or advance payment by the Group and Company on terms that it otherwise would not have considered;
- indications that a borrower or issuer will enter into bankruptcy;
- the disappearance of an active market for an equity security; or
- observable data relating to a Group and Company of assets, such as adverse changes in the payment status of borrowers or issuers within the Group and Company, or economic conditions that correlate with defaults from the Group and Company.

The Group and Company considers evidence of impairment for loans and advances and investment securities held-to-maturity at both a specific asset and collective level. All individually significant loans and advances and investment securities held-to-maturity are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities held-to-maturity that are not individually significant are then collectively assessed for impairment by collating together loans and advances and investment securities held-to-maturity with similar credit risk characteristics, based on historical loss factors.

When evaluating the collective impairment, the company uses a statistical model of historical trends of the probability of default, the recovery period and the values of loss incurred, and makes an adjustment based on management's judgement as to whether current economic and credit conditions are such that the actual losses are larger or smaller than suggested by historical trends. Default rates, loss rates and the expected time of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted from the asset's original effective interest rate.

Impairment losses of investment securities available-for-sale are recognized by the reclassification of accumulated losses on the fair value reserve in equity for profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any repayment and amortization, and the current fair value, minus a previous impairment loss in profit or loss. Transactions occurred in impairment losses attributable to the application of the effective interest method are reflected as a component of the interest obtained.

If in a subsequent period, the impairment fair value of investments held for sale increase, and if this increase is related to an event that has occurred after the recognition of the impairment loss, the impairment loss is reversed in profit or loss; otherwise, any increase in fair value is recognized through other comprehensive income. Any subsequent recovery in the impairment fair value of an equity security available-for-sale is always recognised in other comprehensive income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognised.

Currently, all advances are assessed for impairment on a portfolio basis due to the large number of insignificant balances within the portfolio.

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 cashflows 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.

For portfolio (collective) assessment of impairment, financial assets are Grouped on the basis of similar credit characteristics which indicate the borrower's ability to pay in accordance with the contractually agreed terms. For the purposes of portfolio impairment assessment, the impairment provisioning is divided into following categories:

- Provision for IBNR (incurred but not yet reported)
- Portfolio specific impairments (PSI); and
- Specific impairments (SI).

Significant Accounting Policies (continued)

For the year ended 31 December 2017

Provision for IBNR

In order to provide for the latent losses in a Group of loans that have not yet been identified as specifically impaired, an impairment for incurred but not yet reported ("IBNR") losses is recognised on a historical loss patterns and estimated emergence periods. Loans and receivables that are neither past due nor impaired are collectively assessed for the IBNR impairment provision. Neither past due nor impaired is defined by the Group as loans and receivables that are contractually up to date with all payments due.

Portfolio specific impairments

Loans and receivables that have missed up to 3 payments contractually are assessed collectively for portfolio specific impairment provisioning. These loans are still considered to be part of the performing loan portfolio.

Specific impairments

Loans and receivables that have missed 4 or more instalments are assessed for specific impairments. These loans form the non-performing loan portfolio.

x) 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.

xi) 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.

xii) Trade and other payables

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

g) Property and equipment

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 and equipment have different useful lives, these items are accounted for as a separate item of property and equipment.

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 Bank. 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 and equipment, 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 and Company will obtain ownership by the end of the lease term. The estimated useful life of significant items of property and equipment are as follows:

Computer equipment	3 years
Office furniture	4 years
Office equipment	5 years
Leasehold improvements	3 years
Motor vehicles	5 years

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 Bank 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.

Significant Accounting Policies (continued)

For the year ended 31 December 2017

k) Provisions

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

l) Equity

Equity is the residual interest in the assets of the Group after deducting all liabilities of the Group. All transactions relating to the acquisition and sale or issue of shares in the Group, together with their associated costs, are accounted for in equity.

m) Share capital and reserves

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

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

n) Dividends

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

o) Contingent liabilities

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

p) Related parties

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

q) Investment in subsidiaries

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

r) Cell accounting

A cell captive structure represents an agreement between an insurance entity and the group to facilitate the writing of insurance business. The Group has entered into an agreement with an insurance company under which the insurance company sets up an insurance cell within its legal entity, for example the corporate entity subscribes 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 corporate entity.

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS

a) New standards and interpretations and amendments effective for the first time for 31 December 2017 year-end

Standard/Interpretation	Effective date	Executive Summary
Amendment to IAS 7 – Cash flow statements	Annual periods beginning on or after 1 January 2017	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.
Statement of cash flows on disclosure initiative	(published Feb 2016)	

b) New standards and interpretations and amendments issued but not effective for 31 December 2017 year-end

Standard/Interpretation	Effective date	Executive Summary
IFRS 15 – Revenue from contracts with customers	Annual periods beginning on or after 1 January 2018 (published May 2014)	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
IFRS 9 – Financial Instruments (2009 & 2010)	Annual periods beginning on or after 1 January 2018 (published July 2014)	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

Significant Accounting Policies (continued)

For the year ended 31 December 2017

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS (CONTINUED)

b) New standards and interpretations and amendments issued but not effective for 31 December 2017 year-end

Standard/Interpretation	Effective date	Executive Summary
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	<p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.</p> <p>Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.</p>

The Group will perform a comprehensive assessment of the impact that IFRS 9 will have on the financial statements. The following new standards and interpretations will not have a material impact on the Group:

- Amendment to IAS 12 – "Income taxes"
- Amendment to IFRS 2 - "Share based payments"
- Amendment to IFRS 15 - "Revenue from contracts with customers"
- IFRS 4 - "Insurance Contracts"
- IAS 40 - "Investment Property"
- IFRIC 22 - "Foreign Currency Transactions and Advance Consideration"
- Amendment to IFRS 10 - "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures" on sale or contribution of assets"

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

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

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 6 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.

Significant Accounting Policies (continued)

For the year ended 31 December 2017

5.1.1 Credit Risk (continued)

Management of credit risk (continued)

- 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 and Company reports impairment in accordance with IAS 39: Financial Instruments: Recognition and measurement that requires impairment allowances to be held against identified exposures. The impairment of an advance and resulting charge to the profit or loss is recognised only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition. The list of potential loss events is contained in accounting policy note f) vii). No allowance for impairment losses is made for advances which are insured under credit insurance, which applies to the LMFSN advances portfolio.

The specific impairment calculation is done on all the individual accounts that have been identified according to a risk rating allocated to the default category.

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

- Advances
- Financial assets (other than advances)

(a) 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\$50,000 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.

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

Collection and restructures

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

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

External recovery

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

Significant Accounting Policies (continued)

For the year ended 31 December 2017

5.1.1 Credit Risk (continued)

Management of credit risk (continued)

Impairments

The product portfolio that carries credit impairment is the unsecured loan portfolio. The Group applies a model methodology against this portfolio to determine the level of credit impairment required. Advances are considered impaired if and only if, there is objective evidence of impairment as a result of events that occurred after the initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be measured reliably. The Group conservatively applies the principle of objective evidence and views "one cent-one day" late payment as objective evidence of impairment. Once a financial asset has been impaired, the interest rate used to discount the cash flows for the purpose of measuring the impairment is the original contractual rate. The impairment is not sensitive to the rate.

The Group uses CS ("Collectability Status") classification for the purposes of identifying the type of impairment to be calculated within the portfolio. CS is defined as the number of days that an account is in arrears.

The categories used to identify impairment are as follows:

Collectability Status	No of Days overdue	Provision type
01	Current	IBNR
02	Current	IBNR
03	31 – 60 days	PSI
04	61 – 90 days	PSI
05	91 – 180 days	SI
06	181 - 360 days	SI
07	>360 days	Fully impaired

The advances within the Group comprise a large number of small, homogenous loans mainly to public sector employees where instalments are directly deducted from the employee's salary. The loans are originated at the Group's branches. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates per category of CS. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical loss experience on the eventual losses encountered from similar delinquent portfolios.

In outline, the statistical analyses are performed on a portfolio basis as follows:

The impairment charge for IBNR provision for CS 01 to CS 02 advances:

- The impairment calculation utilises the results of the statistical analyses referred to above to estimate the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period.
- Emergence period - also referred to as LEP (loss emergence period), represents the Group's estimate (for accounting purposes) of the average amount of time from the point at which a loss is incurred (but not yet identified) to the point at which the loss is observed and confirmed. The Group currently utilises a 90 day emergence period.
- In considering the occurrence of a loss event over the life of a loan, it is assumed that there is a constant risk of the loss event occurring at any point in the life of the loan.

The impairment charge for PSI and SI provision for CS 03 to CS 06 advances:

- Advances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets and ratified between default statistics, is performed in order to develop an historical base for statistics on probability of default (PD).

- These derived statistics, based on actual experience, are used in plotting default values on a model curve that reflects the risk profile of the portfolio.
- The expected amount outstanding when default occurs that is not subsequently recovered, or the loss given default (LGD), is taken into account in calculating the impairment allowance.

For fully impaired/write offs:

Advances in the CS 07 category are fully impaired and netted off against the impairment allowance account for specific impairment. Such write-off is recorded as impairment through a direct reduction of carrying amount of the financial asset. Therefore, gross advances are reflected net of advances that have been written off.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experience

All impaired loans and advances are reviewed on a monthly basis and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in profit or loss.

The entity holds 110 "Class A" shares, of par value N\$0.01 each, 85% holding in Hollard Life Namibia Limited, a cell captive which provided insurance cover for qualifying credit loss events on the entity's customer advances portfolio. The investment entitled the entity to utilise the Hollard Life Namibia Limited life insurance licence.

Credit Quality

	COMPANY		GROUP	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Analysis of credit quality				
	Advances	Advances	Advances	Advances
	N\$	N\$	N\$	N\$
Financial assets that are neither past due nor specifically impaired		-	2 341 584 172	2 047 530 372
Past due and specifically impaired		-	95 701 278	93 426 084
Total credit exposure	-	-	2 437 285 450	2 140 956 456
Total impairments				
Incurring but not reported (IBNR)	-	-	(3 936 055)	(7 206 469)
Portfolio specific impairment	-	-	(197 337)	(436 350)
Specific impairment	-	-	(8 929 950)	(14 634 320)
Net advances	-	-	2 424 222 108	2 118 679 317
Impairment as a % of gross advances				
CS 01 to CS 02:	0,00%	0,00%	0,17%	0,35%
CS 03 to CS 04:	0,00%	0,00%	0,66%	1,14%
CS 05 and higher:	0,00%	0,00%	13,59%	26,46%
Total impairment as a % of total gross advances	0,00%	0,00%	0,54%	1,04%
Reconciliation of allowance account				
Balance at the beginning of the year	-	-	22 277 139	193 880
Impairment raised (note 8)	-	-	80 323 717	91 700 469
Bad debt write-offs/(recovery)	-	-	(89 537 514)	(69 617 210)
Balance at the end of the year	-	-	13 063 342	22 277 139

Significant Accounting Policies (continued)

For the year ended 31 December 2017

5.1.1 Credit Risk (continued)

Management of credit risk (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 fully 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.

Assumptions:

The impairment calculation assumes that all write-offs will occur within 2 years after observing a performing set of loans. The sensitivity to this assumption is outlined below. An emergence period of 12 months is assumed which is in line with the Namibian government credit rating being revised on an annual basis.

The probability of default (sovereign default) (PD) is assumed as 0,33%, the loss given default (sovereign default) as 100% and historic loss rate as 0,02%.

Should the historic loss rate increase to 0,05% (assuming five years from performing to write-off) and 0,06% (assuming maximum historic write-off rate and five years from performing to write-off), the impairment will increase by N\$850 594 and N\$1 135 938 respectively.

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 exists 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 size of the original loan advanced.

Loans

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N\$	% of total carrying amount
2017 - Group				
<5 000	2 984	2,73%	16 502 752	0,68%
5 000 - 10 000	13 130	11,98%	70 606 398	2,91%
10 000 -20 000	24 718	22,56%	250 160 260	10,32%
20 000 - 50 000*	68 738	62,73%	2 086 952 698	86,09%
Total	109 570	100,00%	2 424 222 108	100,00%
2016 - Group				
<5 000	2 790	2,84%	12 910 775	0,61%
5 000 - 10 000	12 051	12,23%	61 320 409	2,89%
10 000 -20 000	22 762	23,11%	224 122 691	10,58%
20 000 - 50 000*	60 894	61,82%	1 820 325 442	85,92%
Total	98 497	100,00%	2 118 679 317	100,00%

*Maximum loan amount is N\$50,000

The concentration risk per employer is as follows:

- Public sector 99,9%
- Other employers 0,1%

Significant Accounting Policies (continued)

For the year ended 31 December 2017

5.1.1 Credit Risk (continued)

Management of credit risk (continued)

(b) 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 7.1.

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

2017 - Company	Total carrying amount	Single largest exposure to a single counter-party	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
Cash and cash equivalents						
Cash and cash equivalents	24 538 527	24 083 995	-	-	-	24 538 527
Total	24 538 527	24 083 995	-	-	-	24 538 527
2017 - Group						
Cash and cash equivalents						
Cash and cash equivalents	122 604 666	122 604 666	122 604 666	-	-	-
Deposits with Bank of Namibia	201 071 634	201 071 634	201 071 634	-	-	-
Other receivables	120 575 965	114 659 755	-	-	-	120 575 965
Total	444 252 265	438 336 055	323 676 300	-	-	120 575 965
2016 - Group						
Cash and cash equivalents						
Cash and cash equivalents	159 026 020	159 026 020	159 026 020	-	-	-
Deposits with Bank of Namibia	600 000	600 000	600 000	-	-	-
Other receivables	60 047 920	57 089 785	-	-	-	60 047 920
Total	219 673 940	216 715 805	159 626 020	-	-	60 047 920

5.1 Financial risk factors

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.

Significant Accounting Policies (continued)

For the year ended 31 December 2017

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 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.

2017 - Group	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-interest sensitive items	Non-financial instruments	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Assets								
Cash and cash equivalents	323 676 300	-	-	-	-	-	-	323 676 300
Other receivables	-	-	-	-	-	120 575 965	5 298 690	125 874 655
Net advances	996 094	2 635 688	61 956 392	233 460 195	2 125 173 739	-	-	2 424 222 108
Current taxation	-	-	-	-	-	-	15 086 702	15 086 702
Property and equipment	-	-	-	-	-	-	11 103 787	11 103 787
Total assets	324 672 394	2 635 688	61 956 392	233 460 195	2 125 173 739	120 575 965	31 489 179	2 899 963 552
Liabilities and equity								
Deposits due to customers	90 205 059	-	-	-	-	-	-	90 205 059
Trade and other payables	-	-	-	-	-	35 645 240	7 800 638	43 445 878
Borrowings	-	-	-	63 555 736	-	-	-	63 555 736
Intercompany payables	-	-	904 692 967	-	-	2 446 387	-	907 139 354
Deferred tax liability	-	-	-	-	-	-	3 452 689	3 452 689
Ordinary shareholders' equity	-	-	-	-	-	-	1 792 164 837	1 792 164 837
Total liabilities and equity	90 205 059	-	904 692 967	63 555 736	-	38 091 627	1 803 418 164	2 899 963 554
On balance sheet interest sensitivity	234 467 335	2 635 688	(842 736 575)	169 904 459	2 125 173 739	-	-	-

2016 - Group	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-interest sensitive items	Non-financial instruments	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Assets								
Cash and cash equivalents	159 626 020	-	-	-	-	-	-	159 626 020
Other receivables	-	-	-	-	-	60 047 920	8 114 620	68 162 540
Net advances	1 123 514	2 316 023	46 874 687	176 756 596	1 891 608 497	-	-	2 118 679 317
Deferred tax asset	-	-	-	-	-	-	6 622 256	6 622 256
Property and equipment	-	-	-	-	-	-	10 501 139	10 501 139
Total assets	160 749 534	2 316 023	46 874 687	176 756 596	1 891 608 497	60 047 920	25 238 015	2 363 591 272
Liabilities and equity								
Trade and other payables	-	-	-	-	-	30 643 182	11 802 829	42 446 011
Current taxation	-	-	-	-	-	-	2 022 106	2 022 106
Intercompany payables	-	-	12 965 923	84 189 954	700 703 296	1 560 911	-	799 420 084
Ordinary shareholders' equity	-	-	-	-	-	-	1 519 703 071	1 519 703 071
Total liabilities and equity	-	-	12 965 923	84 189 954	700 703 296	32 204 093	1 533 528 006	2 363 591 272
On balance sheet interest sensitivity	160 749 534	2 316 023	33 908 764	92 566 642	1 190 905 201	-	-	-

Significant Accounting Policies (continued)

For the year ended 31 December 2017

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 NAD 11.62 million in net income (before tax).

2017 - Group	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months
	N\$	N\$	N\$	N\$
Financial assets				
Cash and cash equivalents	323 676 300	323 676 300	Namibia Prime	6 473 526
Advances	2 424 222 108	-	N/A	-
	2 747 898 408	323 676 300		6 473 526
Financial liabilities				
Intercompany payables	907 139 354	904 692 967	Namibia Prime	(18 093 859)
	907 139 354	904 692 967		(18 093 859)
Net effect on the statement of total comprehensive income				(11 620 333)

2016 - Group	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months
	N\$	N\$	N\$	N\$
Financial assets				
Cash and cash equivalents	159 626 020	159 626 020	Namibia Prime	3 192 520
Advances	2 118 679 317	-	N/A	-
	2 278 305 337	159 626 020		3 192 520
Financial liabilities				
Intercompany payables	799 420 084	797 859 173	Namibia Prime	(15 957 183)
	799 420 084	797 859 173		(15 957 183)
Net effect on the statement of total comprehensive income				(12 764 663)

5.1 Financial risk factors (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.

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

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

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

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

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

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

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

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

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

Significant Accounting Policies (continued)

For the year ended 31 December 2017

5.1 Financial risk factors (continued)

5.1.3 Liquidity risk (continued)

Assets and liabilities maturities as at 31 December 2017

2017 - Group	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-financial assets and liabilities	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Assets							
Cash and cash equivalents	323 676 300	-	-	-	-	-	323 676 300
Other receivables	-	120 575 965	-	-	-	5 298 690	125 874 655
Net advances	67 938 064	133 307 014	568 073 550	90 791 323	1 564 112 157	-	2 424 222 108
Deferred tax asset	-	-	-	-	-	15 086 702	15 086 702
Property and equipment	-	-	-	-	-	11 103 787	11 103 787
Total Assets	391 614 364	253 882 979	568 073 550	90 791 323	1 564 112 157	31 489 179	2 899 963 552
Liabilities and equity							
Deposits due to customers	90 205 059	-	-	-	-	-	90 205 059
Trade and other payables	35 645 240	-	-	-	-	7 800 638	43 445 878
Borrowings	13 555 736	-	37 500 000	12 500 000	-	-	63 555 736
Intercompany payables	-	2 446 387	96 931 296	129 241 848	678 519 823	-	907 139 354
Deferred tax liability	-	-	-	-	-	3 452 689	3 452 689
Ordinary shareholders' equity	-	-	-	-	-	1 792 164 837	1 792 164 837
Total liabilities and equity	139 406 035	2 446 387	134 431 296	141 741 848	678 519 823	1 803 418 164	2 899 963 554
Net liquidity gap	252 208 329	251 436 592	433 642 254	(50 950 525)	885 592 334	-	-

2016 - Group	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 months up to 12 months	Greater than 12 months up to 24 months	Greater than 24 months	Non-financial assets and liabilities	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Assets							
Cash and cash equivalents	159 626 020	-	-	-	-	-	159 626 020
Other receivables	-	60 047 920	-	-	-	8 114 620	68 162 540
Net advances	59 058 560	115 363 081	495 016 702	577 283 763	871 957 210	-	2 118 679 317
Deferred tax asset	-	-	-	-	-	6 622 256	6 622 256
Property and equipment	-	-	-	-	-	10 501 139	10 501 139
Total Assets	218 684 580	175 411 001	495 016 702	577 283 763	871 957 210	25 238 015	2 363 591 272
Liabilities and equity							
Trade and other payables	30 643 182	-	-	-	-	11 802 829	42 446 011
Current taxation	-	-	-	-	-	2 022 106	2 022 106
Intercompany payables	-	1 560 911	18 996 647	113 979 882	664 882 644	-	799 420 084
Ordinary shareholders' equity	-	-	-	-	-	1 519 703 071	1 519 703 071
Total liabilities and equity	30 643 182	1 560 911	18 996 647	113 979 882	664 882 644	1 533 528 006	2 363 591 272
Net liquidity gap	188 041 398	173 850 091	476 020 055	463 303 881	207 074 566	-	-

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.

2017 - 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\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Borrowings	63 555 736	14 146 233	12 943 767	25 579 760	12 610 942	-	-	65 280 702
Intercompany payables	907 139 354	16 461 370	84 753 237	98 768 220	197 536 440	592 609 320	362 150 140	1 352 278 727
	970 695 090	30 607 603	97 697 004	124 347 980	210 147 382	592 609 320	362 150 140	1 417 559 429

2016 - 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\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Borrowings	-	-	-	-	-	-	-	-
Intercompany payables	799 420 084	-	-	31 789 502	190 737 010	573 771 942	556 316 280	1 352 614 734
	799 420 084	-	-	31 789 502	190 737 010	573 771 942	556 316 280	1 352 614 734

Significant Accounting Policies (continued)

For the year ended 31 December 2017

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

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

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

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

Fair value for disclosure

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

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

General

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

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 IAS 39 are limited to incurred loss events;
- The impairment cash flows are not reduced by the net insurance premiums the Group expects to pay across to insurance providers;
- The impairment cash flows are not reduced by expected cost of collection."

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

5.1.4.2 Assets and liabilities for which fair value is disclosed*

2017 - Group	Level 1	Level 2	Level 3	Total	Carrying Amount
	N\$	N\$	N\$	N\$	N\$
Financial assets					
Net advances	-	-	2 488 754 584	2 488 754 584	2 424 222 108
Total			2 488 754 584	2 488 754 584	2 424 222 108
Financial liabilities					
Borrowings	-	-	63 555 736	63 555 736	63 555 736
Intercompany payables	-	-	907 139 354	907 139 354	907 139 354
Total			970 695 090	970 695 090	970 695 090
2016 - Group					
	N\$	N\$	N\$	N\$	N\$
Financial assets					
Net advances	-	-	2 035 576 800	2 035 576 800	2 118 679 317
Total			2 035 576 800	2 035 576 800	2 118 679 317
Financial liabilities					
Intercompany payables	-	-	799 420 084	799 420 084	799 420 084
Total			799 420 084	799 420 084	799 420 084

- * The following items fair value is not disclosed as these assets and liabilities closely approximate their carrying amount due to their short term or on demand repayment terms:
- Cash and cash equivalents;
 - Accounts receivables and other assets;
 - Creditors and accruals
 - Intercompany receivable

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

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

Significant Accounting Policies (continued)

For the year ended 31 December 2017

5.1 Financial risk factors (continued)

5.1.5 Analysis of financial assets and liabilities

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

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

2017 - Company	Loans and receivables N\$	Held-to-maturity financial instruments N\$	Financial instruments at fair value through profit and loss N\$	Amortised cost N\$	Total N\$	Up to 12 months N\$	Greater than 12 months N\$
Financial assets							
Other receivables	19 674 767	-	-	-	19 674 767	19 674 767	-
Intercompany receivable	22 831 373	-	-	-	22 831 373	22 831 373	-
Total financial assets	42 506 140	-	-	-	42 506 140	42 506 140	-
Financial liabilities							
Trade and other payables	-	-	-	88 624	88 624	88 624	-
Borrowings	-	-	-	-	-	-	-
Intercompany payables	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	88 624	88 624	88 624	-

2016 - Company	Loans and receivables N\$	Held-to-maturity financial instruments N\$	Financial instruments at fair value through profit and loss N\$	Amortised cost N\$	Total N\$	Up to 12 months N\$	Greater than 12 months N\$
Financial assets							
Other receivables	46 803 205	-	-	-	46 803 205	46 803 205	-
Intercompany receivable	9 974 507	-	-	-	9 974 507	9 974 507	-
Total financial assets	56 777 712	-	-	-	56 777 712	56 777 712	-
Financial liabilities							
Trade and other payables	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Intercompany payables	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-	-

2017 - Group	Notes	Loans and receivables N\$	Held-to-maturity financial instruments N\$	Financial instruments at fair value through profit and loss N\$	Amortised cost N\$	Total N\$	Up to 12 months N\$	Greater than 12 months N\$
Financial assets								
Cash and cash equivalents		323 676 300	-	-	-	323 676 300	323 676 300	-
Other receivables		120 575 965	-	-	-	120 575 965	120 575 965	-
Net advances		2 424 222 108	-	-	-	2 424 222 108	65 588 174	2 358 633 934
Total financial assets		2 868 474 373	-	-	-	2 868 474 373	509 840 439	2 358 633 934

2017 - Group	Notes	Loans and receivables N\$	Held-to-maturity financial instruments N\$	Financial instruments at fair value through profit and loss N\$	Amortised cost N\$	Total N\$	Up to 12 months N\$	Greater than 12 months N\$
Financial liabilities								
Trade and other payables		-	-	-	35 645 240	35 645 240	35 645 240	-
Borrowings		-	-	-	63 555 736	63 555 736	51 055 736	12 500 000
Intercompany payables		-	-	-	907 139 354	907 139 354	99 377 683	807 761 671
Total financial liabilities		-	-	-	1 006 340 330	1 006 340 330	186 078 659	820 261 671

2016 - Group	Notes	Loans and receivables N\$	Held-to-maturity financial instruments N\$	Financial instruments at fair value through profit and loss N\$	Amortised cost N\$	Total N\$	Up to 12 months N\$	Greater than 12 months N\$
Financial assets								
Cash and cash equivalents		159 626 020	-	-	-	159 626 020	159 626 020	-
Other receivables		60 047 920	-	-	-	60 047 920	60 047 920	-
Net advances		2 118 679 317	-	-	-	2 118 679 317	50 314 224	2 068 365 094
Total financial assets		2 338 353 257	-	-	-	2 338 353 257	269 988 164	2 068 365 094
Financial liabilities								
Trade and other payables		-	-	-	30 643 182	30 643 182	30 643 182	-
Borrowings		-	-	-	-	-	-	-
Intercompany payables		-	-	-	799 420 084	799 420 084	18 996 647	778 862 526
Total financial liabilities		-	-	-	830 063 266	830 063 266	49 639 829	778 862 526

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 strives to maintain a strong capital base. Managed capital comprises of share capital, common control reserve, share based payment reserve and retained earnings. The Group's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's strategic focus is to maintain an optimal mix of available financial resources, while continuing to generate sufficient capital to support the growth of the Group's operations within the parameters of the risk appetite set by the Board.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Significant Accounting Policies (continued)

For the year ended 31 December 2017

5.1 Financial risk factors (continued)

5.1.6 Capital management

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 at 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 First National Bank of Namibia loan in note 12 are:

- Bad Debts Ratio does not exceed 10%
- Cash Collection Ratio exceeds 85%

Notes to the financial statements

For the year ended 31 December 2017

	COMPANY		GROUP	
	31 December 2017 N\$	31 December 2016 N\$	31 December 2017 N\$	31 December 2016 N\$
6. CASH AND CASH EQUIVALENTS				
Cash and balances with banks	24 538 527	-	323 529 002	159 490 148
Money market placements	-	-	147 298	135 872
	24 538 527	-	323 676 300	159 626 020
For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:				
Bank balances	24 538 527	-	323 669 128	159 615 823
Cash on hand	-	-	7 172	10 197
	24 538 527	-	323 676 300	159 626 020

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

7. RECEIVABLES

7.1 Other Receivables

Financial				
- Profit share receivable from cell captive	19 674 767	46 802 980	114 659 754	57 089 785
- Deposits	-	-	2 558 628	728 839
- Sundry receivables	-	225	3 357 583	2 229 296
Non-financial				
- Prepayments	-	-	-	5 314 620
- Deferred fees	-	-	2 144 238	2 800 000
- Value Added Taxation	-	-	3 154 453	-
	19 674 767	46 803 205	125 874 656	68 162 540

At year end, the carrying amounts of accounts receivable approximate closely to their fair values due to the short-term maturities of these assets.

7.2 Intercompany receivable

Financial				
- Intercompany current account - Letshego Micro Financial Services (Namibia) (Pty) Ltd	22 831 373	9 974 507	-	-
	22 831 373	9 974 507	-	-

The above intercompany receivables are unsecured and currently bear no interest. These loans are of a short-term nature and have no fixed repayment terms.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2017

8. ADVANCES TO CUSTOMERS

	COMPANY		GROUP	
	31 December 2017 N\$	31 December 2016 N\$	31 December 2017 N\$	31 December 2016 N\$
Gross advances to customers	-	-	2 437 285 450	2 140 956 456
Less: Impairment allowance on advances	-	-	(13 063 342)	(22 277 139)
Net advances to customers	-	-	2 424 222 108	2 118 679 317
Impairment allowance on advances				
Balance at the beginning of the year	-	-	22 277 139	673 946
Impairment adjustment - Increase/(decrease) for the year	-	-	(9 213 797)	21 603 193
Balance at the end of the year	-	-	13 063 342	22 277 139
The balance at the end of the year consists of the following:				
Provision for bad debt (general)	-	-	3 936 055	7 206 469
Provision for bad debt (specific)	-	-	9 127 286	15 070 670
	-	-	13 063 341	22 277 139
(Reversals)/Charges in the profit or loss	-	-	80 323 717	91 700 469
Amounts written off	-	-	(89 876 507)	(69 617 211)
Recoveries during the year	-	-	(9 552 790)	22 083 259
Exposure to credit risk				
Net advances to customers	-	-	2 424 222 108	2 118 679 317
Maximum exposure to credit risk	-	-	2 424 222 108	2 118 679 317

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.

9. PROPERTY AND EQUIPMENT

GROUP

At 31 December 2017

	Furniture and fittings N\$	Office equipment N\$	Computer equipment N\$	Motor vehicles N\$	Leasehold improvements N\$	Total N\$
Cost	3 847 294	5 129 318	17 866 152	482 298	2 614 860	29 939 922
Accumulated depreciation	(2 595 873)	(2 690 256)	(12 132 284)	(92 178)	(1 325 544)	(18 836 135)
Carrying amount	1 251 421	2 439 062	5 733 868	390 120	1 289 316	11 103 787

At 31 December 2017

Opening net amount at 1 January 2017	1 600 224	3 197 406	3 823 994	136 957	1 742 558	10 501 139
Additions	389 141	201 407	3 509 232	309 300	63 391	4 472 472
Depreciation charge	(737 944)	(959 751)	(1 599 358)	(56 137)	(516 633)	(3 869 823)
Carrying amount	1 251 421	2 439 062	5 733 868	390 120	1 289 316	11 103 787

At 31 December 2016

Cost	3 458 153	4 927 912	14 356 919	172 998	2 551 469	25 467 451
Accumulated depreciation	(1 857 929)	(1 730 506)	(10 532 925)	(36 041)	(808 911)	(14 966 312)
Carrying amount	1 600 224	3 197 406	3 823 994	136 957	1 742 558	10 501 139

At 31 December 2016

Opening net amount at 1 January 2016	2 292 761	3 892 086	4 038 376	-	1 946 755	12 169 978
Additions	24 315	206 257	2 261 454	172 998	283 078	2 948 102
Depreciation charge	(716 852)	(900 938)	(2 475 835)	(36 041)	(487 276)	(4 616 941)
Carrying amount	1 600 224	3 197 406	3 823 995	136 957	1 742 557	10 501 139

10. TRADE AND OTHER PAYABLES

Financial

- Trade payables	-	-	32 008 111	28 926 024
- Other payables	-	-	3 637 129	1 717 158

Non-financial

- Audit fee provision	88 624	-	673 200	568 523
- Personnel related	-	-	6 185 060	3 828 577
- Value Added Taxation	-	-	-	5 100 607
- Withholding Tax	-	-	942 379	2 305 123
	88 624	-	43 445 8789	42 446 012

Notes to the financial statements (continued)

For the year ended 31 December 2017

	COMPANY		GROUP	
	31 December 2017 N\$	31 December 2016 N\$	31 December 2017 N\$	31 December 2016 N\$
11. TAXATION				
11.1 Income tax expense				
Current tax expense	11 818 668	10 095 571	122 084 413	104 844 766
Deferred tax (income)/expense :				
- Origination and reversal of temporary differences	-	-	10 074 945	(5 243 200)
Total Income tax expense	11 818 668	10 095 571	132 159 358	99 601 566
11.2 Reconciliation of current taxation				
Profit before taxation	604 052 776	62 150 969	517 415 718	429 554 048
Tax calculated at standard rate - 32%	193 296 888	19 888 310	165 573 030	137 457 295
Income not subject to tax - dividends	(181 478 220)	(9 792 739)	(33 413 672)	(38 182 776)
Non-deductible expenses	-	-	-	327 047
Effective tax rate	1,96%	16,24%	25,54%	23,19%
11.3 Deferred taxation				
The balance comprises:				
- Motor vehicles, furniture and equipment	-	-	(1 292 324)	(983 287)
- Prepayments	-	-	(408 286)	(16 512)
- Provisions	-	-	5 366 430	6 599 838
- Share based payments	-	-	689 079	516 682
- Income received in advance	-	-	-	505 535
- IAS 18 adjustment	-	-	(7 807 588)	-
	-	-	(3 452 689)	6 622 256
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% (2016: 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.				
11.4 Current taxation				
Opening balance	4 822 314	-	2 022 105	537 251
Charge to profit or loss	11 818 668	10 095 571	122 084 413	104 844 766
Payments made during the period	(23 874 445)	(5 273 257)	(139 193 220)	(103 359 912)
Taxation liability/(asset)	(7 233 463)	4 822 314	(15 086 702)	2 022 105

	COMPANY		GROUP	
	31 December 2017 N\$	31 December 2016 N\$	31 December 2017 N\$	31 December 2016 N\$

12. BORROWINGS

First National Bank of Namibia Loan	-	-	63 555 736	-
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The loan from First National Bank of Namibia is guaranteed by Letshego Holdings Limited and bears interest at Namibia prime less 0.3%. The loan is repayable in quarterly instalments and matures on 31 January 2019.

13. INTERCOMPANY PAYABLES

13.1 Intercompany payable - Letshego Holdings Limited	-	-	904 692 967	797 859 173
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The net intercompany payable amount is after deducting the deferred arrangement fees as these originated on the loan facility with the ultimate holding company, Letshego Holdings Limited. 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 monthly instalments and is to mature on 30 November 2024.

13.2 Intercompany payable - Erf 8585 (Pty) Ltd	-	-	2 446 387	1 560 911
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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	-	-	907 139 354	799 420 084
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Banking facilities
There were no overdraft facilities in place at the end of the financial period, (2016: N\$ Nil).

14. DEPOSITS DUE TO CUSTOMERS

Current accounts	-	-	24 525	-
Term deposits	-	-	90 180 534	-
Total deposits due to customers	-	-	90 205 059	-

15. SHARE CAPITAL

Authorised share capital 500 000 000 ordinary shares of 0.02 cents each (2016: 1 000 000 ordinary shares of 10 cents each)	100 000	100 000	100 000	100 000
Issued share capital 500 000 000 ordinary shares of 0.02 cents each (2016: 1 000 000 ordinary shares of 10 cents each)	100 000	100 000	100 000	100 000

Notes to the financial statements (continued)

For the year ended 31 December 2017

16. EQUITY SETTLED SHARE BASED PAYMENT RESERVE

Under the conditional Long Term Incentive Plan (LTIP), conditional share awards are granted to management and key employees. The number of vesting share awards (currently outstanding) is subject to certain non-market conditions. Shares are issued and settled in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange. The fair value of the shares is valued according to the listed price on the Botswana Stock Exchange at grant date. Letshego Holdings Limited is liable to fulfil the obligation to the employees on the awards granted.

Shares granted in terms of the plan may not exceed 10% of the issued ordinary shares of the holding company, Letshego Holdings Limited. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

The allocation of share awards under the plan relating to management of Letshego Bank (Namibia) Limited was made on 1 February 2013, 2014 and December 2014 respectively. The vesting period of the share awards from grant date is three periods.

Company				
	December 2017		December 2016	
	Number of share awards		Number of share awards	
Granted during prior periods	-		-	
Granted in current period	-		-	
Exercised during the period	-		-	
Forfeited during the period	-		-	
Exercisable and outstanding at the end of the period	-		-	

Group				
	December 2017		December 2016	
	Number of share awards	Exercise Price	Number of share awards	Exercise Price
Granted during prior periods	1 463 800	NAD 3.07/3.06/3.20	867 500	NAD 2.51/3.22/3.21
Granted in current period	714 200	NAD 2.73	596 300	NAD 3.35
Exercised during the period	(247 500)	NAD 3.07	-	-
Forfeited during the period	(52 500)	NAD 3.07	-	NAD 3.22/3.21./3.35
Exercisable and outstanding at the end of the period	1 878 000	NAD 3.06/3.20./2.73	1 463 800	NAD 3.22/3.21./3.35

COMPANY		GROUP	
31 December 2017	31 December 2016	31 December 2017	31 December 2016
N\$	N\$	N\$	N\$

17. PROFIT BEFORE TAXATION

The following items have been recognised in arriving at profit before taxation:

Advertising and promotions	-	-	2 633 690	2 191 709
Auditors' remuneration	362 348	-	818 331	869 837
- current period	436 138	(73 790)	(51 506)	869 837
- prior period	(73 790)	73 790	869 837	-
Consultancy costs - professional services	12 879	10 251	7 988 028	4 459 267
Computer services costs	-	-	3 218 221	2 245 445
Depreciation	-	-	3 869 823	4 616 941
Directors' emoluments				
- for services as director	-	-	1 168 954	659 323
- for management services	-	-	2 567 728	4 068 357
Rental - premises	-	-	5 294 475	4 196 116
Employee benefit expense	-	-	32 268 245	22 569 647

18. EMPLOYEE BENEFIT EXPENSE

Employee benefit expense				
Salaries	-	-	20 485 667	15 828 260
Key management personnel	-	-	8 432 657	5 026 798
Pension fund contributions	-	-	2 607 081	1 871 103
Medical aid contributions	-	-	1 426 501	1 021 867
Social security	-	-	100 746	99 802
Incentive bonuses	-	-	4 787 131	2 789 375
Staff training and welfare	-	-	17 875	800
	-	-	37 857 658	26 638 004

Notes to the financial statements (continued)

For the year ended 31 December 2017

	COMPANY		GROUP	
	31 December 2017 N\$	31 December 2016 N\$	31 December 2017 N\$	31 December 2016 N\$
19. OPERATING EXPENSES BY NATURE				
Sales related expense	-	-	12 940 856	11 042 009
Auditors remuneration	362 349	-	818 332	869 837
Collection fees	-	-	32 759 223	27 541 258
Consulting and secretarial	12 879	10 251	7 988 028	4 459 267
Management fees	-	-	37 083 849	34 984 763
Employee benefit expense	-	-	32 268 245	22 569 646
Depreciation (note 9)	-	-	3 869 824	4 616 941
Net (recovery) / impairment of bad debts on financial assets	-	-	(9 552 790)	22 083 259
Directors' remuneration - for services as directors	-	-	1 168 954	659 323
Directors' remuneration - for management services	-	-	2 567 528	4 068 357
Computer related expenses	-	-	3 218 221	2 245 445
Office rental	-	-	5 294 475	4 196 116
Travel and accommodation	19 805	-	1 347 571	1 430 908
Social responsibility projects	-	-	720 498	542 680
Arrangement fees	782 000	-	1 418 151	440 519
Telephone & Fax	-	-	2 290 520	2 037 506
Legal fees	-	-	-	706 111
Operational expenses	80 752	1 052	16 929 966	11 712 297
	1 257 785	11 303	153 131 651	156 206 242

20. FINANCE INCOME AND COSTS

Interest income on advances	-	-	563 374 872	450 025 683
Other interest income:				
- Interest received on short term bank deposits	55 755	-	12 375 910	3 465 074
Interest expense:				
- Related party loans	-	-	114 037 821	99 943 214
Net interest income	55 755	-	461 712 961	353 547 543

COMPANY		GROUP	
31 December 2017 N\$	31 December 2016 N\$	31 December 2017 N\$	31 December 2016 N\$

21. FEE INCOME

Postage fees	-	-	2 225 619	1 943 413
Fees and commission earned from services to customers	-	-	3 175	-
	-	-	2 228 794	1 943 413

22. FEE AND COMMISSION EXPENSE

Collection fees	-	-	32 759 223	27 541 258
Commission expense	-	-	9 858 808	8 387 104
	-	-	42 618 031	35 928 362

23. OTHER OPERATING INCOME

Levies recovered in respect of overpayment	-	-	-	4 046 112
Dividend income - cell captive	35 254 806	62 162 272	206 605 614	223 973 595
Other sundry income	-	-	-	2 249 629
	35 254 806	62 162 272	206 605 614	230 269 335

24. OPERATING LEASE COMMITMENTS

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

Not later than 1 year	-	-	3 408 176	3 274 259
Between 1 year and 3 years	-	-	4 798 331	2 404 133
	-	-	8 206 507	5 678 392

These operating lease commitments are in respect of property rentals and office equipment rentals.

25. RELATED PARTIES

	Letshego Micro Financial Services (Namibia) (Pty) Ltd (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 (CEO)
	Gregory Madhimba (CFO)
	NP Esterhuysen (CEO LMFSN)
	O Uandara (COO)
	N Winkler (Head: FI)
	M Shilongo (Senior Internal Auditor)
	D Mokhatu (Head: HR)
	C Gontes (CRO)
Directors:	Rairirira Mbakutua Mbetjiha
	Ester Kali
	John Eugene Shepherd
	Sven von Blottnitz
	Maryvonne Palanduz
	Mythri Sambasivan-George

Notes to the financial statements (continued)

For the year ended 31 December 2017

COMPANY		GROUP	
31 December 2017	31 December 2016	31 December 2017	31 December 2016
N\$	N\$	N\$	N\$

25. RELATED PARTIES (CONTINUED)

25.1 Related party balances

Loan accounts - Owing to related parties

Letshego Holdings Limited - loan	-	-	904 692 967	797 859 173
Total loan accounts	-	-	904 692 967	797 859 173

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 monthly instalments and is to mature on 30 November 2024

25.2 Related party transactions

Interest paid to related parties

Letshego Holdings Limited	-	-	105 734 645	99 935 657
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Rent paid to related parties

Erf Eight Five Eight Five (Proprietary) Limited	-	-	1 326 960	1 326 960
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Management fees paid to related parties

Letshego Holdings Limited	-	-	37 083 849	33 972 011
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The amount classified as management fees under note 17 is made up as follows:

Fees payable to Letshego Holdings Limited	-	-	33 375 464	30 883 646
Withholding tax paid on imported management services	-	-	3 708 385	3 088 365
	-	-	37 083 849	33 972 011

COMPANY		GROUP	
31 December 2017	31 December 2016	31 December 2017	31 December 2016
N\$	N\$	N\$	N\$

25. RELATED PARTIES (CONTINUED)

25.2 Related party transactions (continued)

Arrangement fees paid to related parties

Letshego Holdings Limited	-	-	1 418 151	440 519
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The fees are calculated as 1% of the capital sum of the loan facility with Letshego Holdings Limited. The fees continue to be unwound over the life of the facility, being 120 months which commenced on 1 August 2011. As from 09 September 2017, the loan facility and the associated arrangement fees has been taken over by related party, Letshego Micro Financial Services (Pty) Ltd.

Compensation paid to key management personnel	-	-	8 432 657	5 026 798
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Compensation paid to directors

Sitting fees paid to non-executive directors	-	-	1 195 754	659 323
	-	-	1 195 754	659 323

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

26. SECURITY

NAD 2.085 billion of the customer advances portfolio (note 8) is registered as security for a Medium Term Note programme floated by the holding company on the Johannesburg Stock Exchange and the Botswana Stock Exchange. The programme in issue is for a combination of fixed and floating rate notes which originally matured respectively December 2015 (ZAR 475 million) and December 2016 (ZAR 225 million), bearing a weighted average rate of 10.6% nominal annual interest cost. The notes issued on the Botswana Stock Exchange have a weighted average rate of 10.2% nominal annual interest cost with the last note maturing in period 2027.

Notes to the financial statements (continued)

For the year ended 31 December 2017

	GROUP
	31 December
	2016
	N\$

27. ACQUISITION OF SUBSIDIARIES

(a) Summary of acquisitions

On 5 July 2016 Letshego Holdings (Namibia) Limited acquired 99,999% of the issued share capital of Letshego Bank Namibia Ltd. Details of the purchase consideration, the net assets acquired and negative goodwill are as follows:

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 (31 December 2015). Comparative amounts are thus restated as if the combination had taken place on 01 January 2015.

	As at 05 July 2016:	As at 01 January 2015:
		N\$
Purchase consideration (refer to (b) below):		
Cash paid		100 000
Total purchase consideration		100 000
Carrying value of assets and liabilities acquired:		
Cash	45 762 296	48 033 443
Other receivables	112 824 643	63 969 852
Intercompany receivable	53 552 071	20 516 997
Advances to customers	1 932 258 251	1 607 217 895
Deferred taxation	1 251 260	3 343 381
Current taxation	6 728 020	(14 818 738)
Property and equipment	10 814 235	5 904 067
Trade and other payables	(32 263 100)	(53 893 908)
Intercompany payable	(1 198 181)	-
Borrowings	(785 475 687)	(764 063 948)
Non-controlling interest - Preference shares attributable to Ultimate Parent Company	-	(215 084 843)
Capital reorganisation reserve	(1 344 153 808)	(701 024 198)
Net assets acquired	100 000	100 000

COMPANY		GROUP	
31 December	31 December	31 December	31 December
2017	2016	2017	2016
N\$	N\$	N\$	N\$

27. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Capital reorganisation reserve	1 344 153 808	1 344 153 808	701 024 198	701 024 198
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On 7 April 2016 Letshego Holdings (Namibia) Limited acquired 100% of the issued share capital of Letshego Micro Financial Services (Namibia) (Pty) Ltd. Details of the purchase consideration, the net assets acquired and negative goodwill are as follows:

Purchase consideration (refer to (b) below):

Cash paid	100 000
Total purchase consideration	100 000

Carrying value of assets and liabilities acquired:

Cash	100 000
Less: negative goodwill	(100 000)
Net assets acquired	-

(b) Purchase considerations

Inflow / (Outflow) of cash to acquire Letshego Bank (Namibia) Ltd, net of cash acquired:

Cash consideration	100 000
Less: cash balances acquired	45 762 296
Net inflow of cash – investing activities	45 662 296

Inflow / (Outflow) of cash to acquire Letshego Micro Financial Services (Namibia) (Pty) Ltd, net of cash acquired:

Cash consideration	100 000
Less: cash balances acquired	100 000
Net inflow of cash – investing activities	-

Notes to the financial statements (continued)

For the year ended 31 December 2017

27. INVESTMENT IN SUBSIDIARIES

	COMPANY		GROUP	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	N\$	N\$	N\$	N\$
Investment in Letshego Micro Financial Services (Namibia) (Pty) Limited at cost	570 100 000	100 000	-	-
Investment in Letshego Bank (Namibia) Limited at cost	1 344 253 808	1 344 253 808	-	-
	1 914 353 808	1 344 353 808	-	-

28. CAPITAL COMMITMENTS

	COMPANY		GROUP	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	N\$	N\$	N\$	N\$
Budgeted, not yet authorised	-	-	-	-
Authorised	-	-	31 389 000	24 083 662

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

29. SEGMENT INFORMATION

The Group considers its banking and other financial services operations as one operating segment. There are no other components. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Chief Executive Officer of the Group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking and other financial services operation, the Chief Executive Officer reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activity, which have been disclosed in the various notes to the consolidated financial statements.

29.1 Entity-wide disclosures

29.1.1 Products and services

Operating segment

- Banking operations

Brand

- Letshego

Description

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

Products and services

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

29.1.2 Geographical segments

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

29.1.3 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.

30. NET DEBT RECONCILIATION

	COMPANY		GROUP	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	N\$	N\$	N\$	N\$
Cash and cash equivalents	24 538 528	-	323 676 301	159 626 020
Borrowings repayable within one year	-	-	(150 433 419)	(20 557 558)
Borrowings repayable after one year	-	-	(820 261 671)	(778 862 526)
Net debt	24 538 528	-	(647 018 790)	(639 794 064)

	COMPANY		GROUP	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	N\$	N\$	N\$	N\$
Cash and cash equivalents	24 538 528	-	323 676 301	159 626 020
Gross debt - fixed interest rates	-	-	-	-
Gross debt - variable interest rates	-	-	(970 695 090)	(799 420 084)
Net debt	24 538 528	-	(647 018 790)	(639 794 064)

Notes to the financial statements (continued)

For the year ended 31 December 2017

31. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit for the year/period by the weighted average number of ordinary shares in issue during the year/period, excluding ordinary shares purchased by the company and held as treasury shares.

Headline earnings per share is calculated by dividing the Group's profit for the year/period, after excluding identifiable remeasurements, net of tax, by the weighted average number of ordinary shares in issue during the year/period, excluding ordinary shares purchased by the company and held as treasury shares.

Earnings				
Profit for the period	592 234 108	52 055 398	385 256 360	329 952 482
Headline adjustments	-	-	(26 773 457)	-
Remeasurement included in equity accounted earnings	-	-	(26 773 457)	-
Headline earnings	592 234 108	52 055 398	385 256 360	329 952 482
Number of ordinary shares in issue at year end (note 15)	500 000 000	100 000 000	500 000 000	100 000 000
Weighted average number of ordinary shares in issue during the period*	500 000 000	500 000 000	500 000 000	500 000 000
Diluted weighted average number of ordinary shares in issue during the period	500 000 000	500 000 000	500 000 000	500 000 000
Earnings per ordinary share (cents)				
Basic	118	10	77	66
Fully diluted	118	10	77	66
Headline earnings per ordinary share (cents)				
Basic	118	10	72	66
Fully diluted	118	10	72	66

* For comparability, 2016 number includes additional shares that arose from the share split in 2017.

32. EVENTS OCCURRING AFTER THE REPORTING DATE

A dividend of 19,2 cents per ordinary share has been declared subsequent to the reporting date.

Notice of Annual General Meeting

Notice is hereby given that the 2nd Annual General Meeting of the Company will be held at the Avani Windhoek Hotel, 129 Independence Avenue, Windhoek, Namibia on Friday, 29 June 2018 at 16:30 with registration to commence at 16:00 for the following purposes:

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
REGISTRATION NUMBER: 2016/0145
("THE COMPANY")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2nd Annual General Meeting of the Company will be held at the Avani Windhoek Hotel, 129 Independence Avenue, Windhoek, Namibia on Friday, 29 June 2018 at 16:30 with registration to commence at 16:00 for the following purposes:

ORDINARY BUSINESS

ORDINARY RESOLUTIONS

Shareholders are advised that in order for all ordinary resolutions to be passed, votes in favour must represent at least 50% + 1 (fifty percent plus one) of all votes cast and/or exercised at the meeting in respect of these resolutions.

To consider and pass the following ordinary resolutions:

1. Resolution 1

To receive and adopt the Annual Financial Statements for the financial year ended 31 December 2017, including the Directors' Report and the report of the Independent Auditors.

2. Resolution 2

To ratify the dividends declared and paid since the last Annual General Meeting a final dividend of 19.2 cents (N\$0.192) per share paid to Shareholders on 30 April 2018 and a special dividend totaling N\$113,333,333 paid to Shareholders on 15 March 2017.

3. Resolution 3

- 3.1 To confirm the re-election of Mr. John Eugene Shepherd who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers himself for re-election.
- 3.2 To confirm the re-election of Mr. Rairirira Mbakutua Mbetjiha who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers himself for re-election;

4. Resolution 4

- 4.1 To approve the remuneration of the Directors for the financial year ending 31 December 2017 as disclosed in Note 19 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director is disclosed in the Corporate Governance section of the Annual Report.
- 4.2 To confirm the remuneration structure of the Directors for the financial year ending 31 December 2018. The board fees and the retainer structure is set out in the Corporate Governance section of the Annual Report.

5. Resolution 5

To approve the remuneration of the Auditors for the financial year ending 31 December 2017 as disclosed in Note 19 to the Annual Financial Statement in the Annual Report.

6. Resolution 6

- 6.1 To approve and confirm the re-appointment of PricewaterhouseCoopers as external auditors for the ensuing year;
- 6.2 To authorize the directors to determine the remuneration of the Auditors for the next financial year ending 31 December 2018 estimated at N\$930,130.

Notice of Annual General Meeting (continued)

7. Resolution 7

To approve that the authorized, but unissued ordinary shares in the capital of the Company be placed under the control of the directors of the Company until the next annual general meeting, who are authorized to allot such shares at their discretion, subject at all times to the provision of the Companies Act, (Act 28 of 2004), as amended, the Company's Articles of Association and the Listing Requirements of the NSX.

SPECIAL BUSINESS

SPECIAL RESOLUTIONS:

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions: Shareholders are advised that in order for all special resolutions to be passed, votes in favour must represent at least 75% (seventy five percent) of all votes cast and/or exercised at the meeting in respect of these resolutions.

8. Special Resolution 1

To change the following paragraph of the Articles of Association now reading:

"40. The Company shall hold its first annual general meeting within a period of eighteen (18) months after the date of its incorporation and thereafter, hold an annual general meeting within six (6) months of the end of its financial year. The annual general meeting shall be held at such time and place as the directors may determine."

to read

"40. The Company shall hold its first annual general meeting within a period of eighteen (18) months after the date of its incorporation and thereafter, hold an annual general meeting within the time period as specified by the Companies Act of 2004 as amended. The annual general meeting shall be held at such time and place as the directors may determine."

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

BY ORDER OF THE BOARD

NOTE:

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

Dated at WINDHOEK on 6 June 2018.

REGISTERED OFFICE

Unit 6, Gold Street Business Park
Gold Street, Prosperita, Windhoek

P O Box 90757
Windhoek, Namibia

Tel. +264 61 305072
Fax. +264 61 423211

Form of Proxy

LETSHEGO HOLDINGS (NAMIBIA) LIMITED
REGISTRATION NUMBER 2016/0145 ("THE COMPANY")

I, _____ OF _____
BEING A MEMBER OF THE COMPANY, HEREBY APPOINT _____ OF _____
OR FAILING HIM _____ OF _____
OR FAILING HIM _____ OF _____

AS MY PROXY TO VOTE FOR ME AND ON MY BEHALF AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON 29 JUNE 2018 AND AT ANY ADJOURNMENT THEREOF AS FOLLOWS:

	In favour of	Against
<p>ORDINARY RESOLUTIONS</p> <p>Shareholders are advised that in order for all ordinary resolutions to be passed, votes in favour must represent at least 50% + 1 (fifty percent plus one) of all votes cast and/or exercised at the meeting in respect of these resolutions.</p> <p>1. Resolution 1</p> <p>To receive and adopt the Annual Financial Statements for the financial year ended 31 December 2017, including the Directors' Report and the report of the Independent Auditors.</p> <p>2. Resolution 2</p> <p>To ratify the dividends declared and paid since the last Annual General Meeting a final dividend of 19.2 cents (N\$0.192) per share paid to Shareholders on 30 April 2018 and a special dividend totalling N\$113,333,333 paid to Shareholders on 15 March 2017.</p> <p>3. Resolution 3</p> <p>3.1 To confirm the re-election of Mr. John Eugene Shepherd who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers himself for re-election.</p> <p>3.2 To confirm the re-election of Mr. Rairirira Mbakutua Mbetjiha who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers himself for re-election;</p> <p>4. Resolution 4</p> <p>4.1 To approve the remuneration of the Directors for the financial year ending 31 December 2017 as disclosed in Note 19 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director is disclosed in the Corporate Governance section of the Annual Report.</p> <p>4.2 To confirm the remuneration structure of the Directors for the financial year ending 31 December 2018. The board fees and the retainer structure is set out in the Corporate Governance section of the Annual Report.</p>		

Directors: J E Shepherd; E. Kali, M. Sambasivan-George; R M Mbetjiha; S Bloch von Blotnitz; R N Martins-Hausiku; M Palanduz

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	In favour of	Against
<p>5. Resolution 5</p> <p>To approve the remuneration of the Auditors for the financial year ending 31 December 2017 as disclosed in Note 19 to the annual Financial Statement in the Annual Report.</p> <p>6. Resolution 6</p> <p>6.1 To approve and confirm the re-appointment of PricewaterhouseCoopers as external auditors for the ensuing year;</p> <p>6.2 To authorize the directors to determine the remuneration of the Auditors for the next financial year ending 31 December 2018 estimated at N\$930,130.</p> <p>7. Resolution 7</p> <p>To approve that the authorized, but unissued ordinary shares in the capital of the Company be placed under the control of the directors of the Company until the next annual general meeting, who are authorized to allot such shares at their discretion, subject at all times to the provision of the Companies Act, (Act 28 of 2004), as amended, the Company's Articles of Association and the Listing Requirements of the NSX.</p> <p>SPECIAL RESOLUTIONS:</p> <p>To consider and, if deemed fit, to pass, with or without modification, the following special resolutions:</p> <p>Shareholders are advised that in order for all special resolutions to be passed, votes in favour must represent at least 75% (seventy five percent) of all votes cast and/or exercised at the meeting in respect of these resolutions.</p> <p>8. Special Resolution 1</p> <p>To change the following paragraph of the Articles of Association now reading:</p> <p>"40. The Company shall hold its first annual general meeting within a period of eighteen (18) months after the date of its incorporation and thereafter, hold an annual general meeting within six (6) months of the end of its financial year. The annual general meeting shall be held at such time and place as the directors may determine."</p> <p>to read</p> <p>"40. The Company shall hold its first annual general meeting within a period of eighteen (18) months after the date of its incorporation and thereafter, hold an annual general meeting within the time period as specified by the Companies Act of 2004 as amended. The annual general meeting shall be held at such time and place as the directors may determine."</p> <p>To transact other business which may be transacted at an Annual General Meeting</p>		

(Indicate instruction to proxy by way of a cross in space provided above.) Unless otherwise instructed, my proxy may vote as he thinks fit.

Signed this day of 2018 Signature _____

(Note: A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and on a poll vote in his stead, and such proxy need not also be a member of the company.)

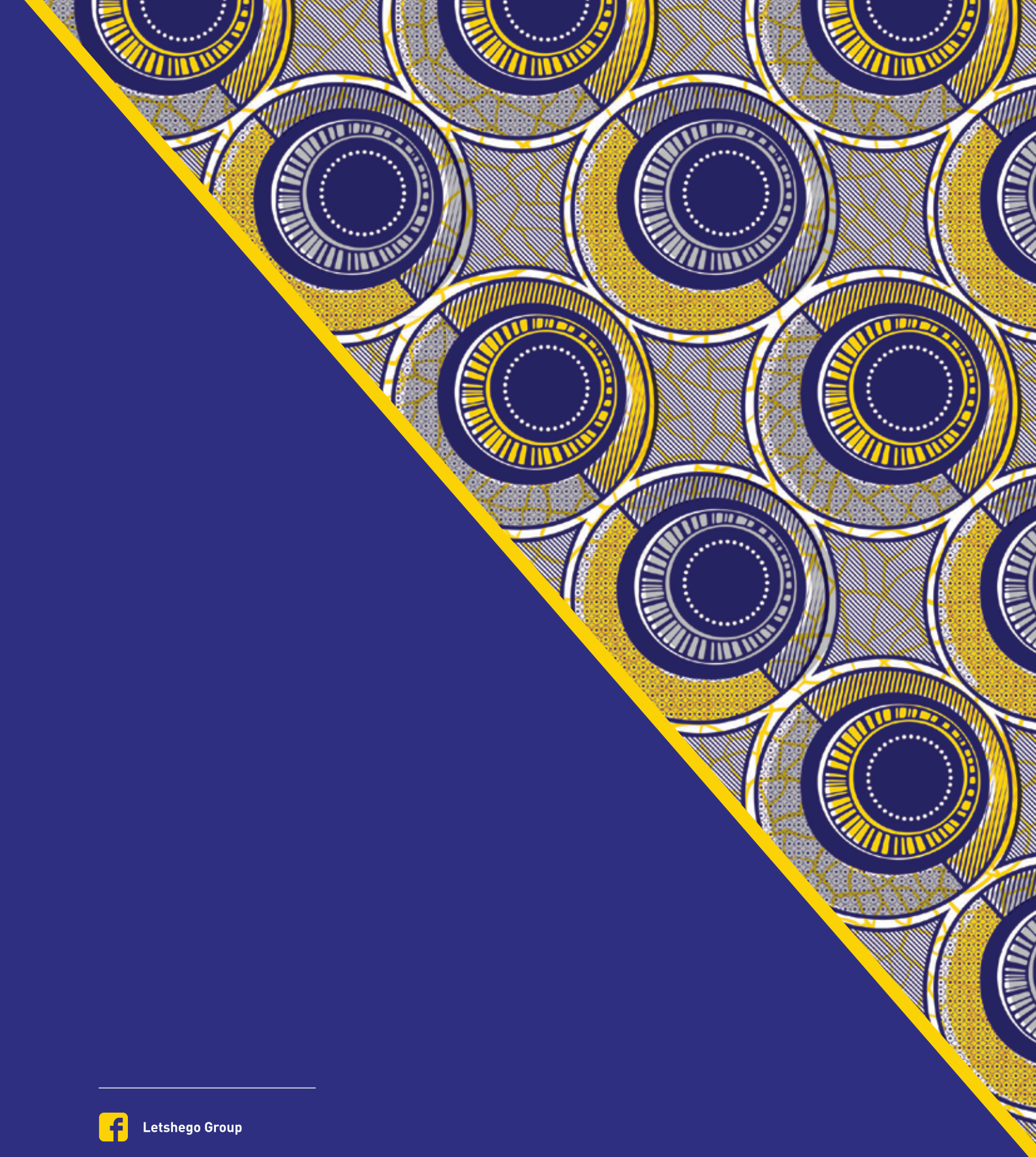
Directors: J E Shepherd; E. Kali, M. Sambasivan-George; R M Mbetjiha; S Bloch von Blotnitz; R N Martins-Hausiku; M Palanduz

List of Abbreviations

AGM	Annual General Meeting
ALCo	Asset Liability Committee
ALM	Assets and Liabilities Management
AML	Anti-money Laundering
ARC	Audit and Risk Committee
BARC	Board Audit and Risk Committee
BCM	Business Continuity Management
BoN	Bank of Namibia
BSE	Botswana Stock Exchange
CC	Credit Committee
CDD	Client Due Diligence
DSA	Direct Sales Agent
EDD	Environmental Due Diligence
EFT	Electronic Funds Transfer
ERM	Enterprise Risk Management
ERMF	Enterprise-wide Risk Management Framework
ESG	Environmental, Social and Governance
EXD	Executive Director
FIA	Financial Intelligence Act
FLI	Financial Literacy Initiative
FTE	Full-time employee
GHRC	Group Human Resources Committee
GNC	Group Nominations Committee
GRI	Global Reporting Initiative
ICL	Incurred credit loss
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Framework
INED	Independent Non-Executive Director
IPO	Initial Public Offering
ITMC	Information Technology Management Committee
KING III	King Code of Governance Principles for SA

KYC	Know Your Client
LBN	Letshego Bank Namibia Limited
LGN	Letshego Group Namibia
LHL	Letshego Holdings Limited
LHN	Letshego Holdings Namibia Limited
LLR	Loan Loss Ratio
LMFSN	Letshego Micro Financial Services Namibia (Pty) Limited
LTIP	Long-term Incentive Plan
ManCo	Management Committee
MCC	Management Credit Committee
MIS	Management Information System
MPLS	Multiprotocol Label Switching (MPLS)
MSE	Micro and small entrepreneurs
N\$	Namibian dollars
NAMFISA	Namibia Financial Institutions Supervisory Authority
NED	Non-Executive Directors
NPL	Non-Performing Loan
NSX	Namibian Stock Exchange
PAT	Profit after Tax
ProCo	Procurement Committee
PWC	PriceWaterhouseCoopers
RMC	Risk Management Committee
RPO	Recovery Point Objective
SENS	Securities Exchange News Services
SSI	Strategic Social Investment
Act	Companies Act 28 of 2004

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



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