



PROSPECTUS 2017

*Ekwafo  
Letu*

“Our Support”

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**LETSHEGO HOLDINGS (NAMIBIA) LIMITED**  
(INCORPORATED IN THE REPUBLIC OF NAMIBIA)  
(REGISTRATION NUMBER 2016/0145)  
(DATE OF REGISTRATION: 24 FEBRUARY 2016)  
SHARE CODE: LHN ISIN: NA000A2DVV41  
("LHN" OR "THE COMPANY")

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**PROSPECTUS**

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Prepared and issued in terms of the provisions of the Companies Act, 2004 (Act 28 of 2004), as amended, and the Listings Requirements of the Namibian Stock Exchange ("the NSX") and relating to the Public Offer of LHN shares for sale of:

- a maximum of 100,000,000 existing ordinary shares sold by existing shareholders at an Offer price of 470 cents per share to members of the general public in terms of a Public Offer, thereby selling LHN shares to the value of N\$ 470 million ("the Public Offer"); **[18]** and
- the subsequent listing of all of LHN's issued ordinary share capital on the NSX.

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Opening date of the Public Offer at 09:00 on	25 August 2017
Closing date of the Public Offer at 12:00 on <b>[19]</b>	22 September 2017
Anticipated listing date on the NSX on	28 September 2017

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This Prospectus complies with the Companies Act and the Listings Requirements for the purpose of providing information to the applicants about the Public Offer by the current shareholders of LHN. In respect of the Public Offer only, this Prospectus is an invitation to the public to apply to purchase such shares from the current shareholders in LHN.

Following a Share Split, the authorised share capital of LHN comprises 500,000,000 [five hundred million] ordinary shares with a par value of N\$ 0.00020 per share. The issued ordinary share capital of LHN currently comprises 500,000,000 [five hundred million] ordinary shares with a par value of N\$ 0.00020 per share and, after the Public Offer, shall remain unchanged.

The 100,000,000 ordinary shares offered in terms of the Public Offer rank pari passu with all other ordinary shares issued by LHN.

Subject to the required spread of shareholders being obtained in terms of the Listings Requirements, the NSX has granted LHN a listing on the NSX under the abbreviated name "Letshego Holdings Namibia", share code "LHN" and ISIN NA000A2DVV41, with effect from the start of trade on 28 September 2017.

The Directors of LHN accept, collectively and individually, full responsibility for the accuracy of the information contained herein and certify that, to the best of their knowledge and belief, there are no omissions of facts or considerations which would make any statements of fact or opinion contained in this Prospectus false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Prospectus contains all information required by law and the Listings Requirements.

PricewaterhouseCoopers, whose reports are included in this Prospectus, have given and have not, prior to registration of this Prospectus, withdrawn their written consent to the inclusion of their reports in the form and context in which they appear. The sponsor, advisor, legal advisor and transfer secretary, whose names are included in this Prospectus, have given and have not, prior to registration, withdrawn their written consents to the inclusion of their names in the capacities stated and, where applicable, to their reports being included in this Prospectus.

A copy of this Prospectus, accompanied by the documents referred to in paragraph 39, was registered by the Registrar of Companies on 14 August 2017 in terms of section 151(1) of the Namibian Companies Act.

An abridged version of this Prospectus will be published on the Namibian Exchange News Services ("NENS") of the NSX and in the Namibian press on 25 August 2017 and on or about 28 August 2017, respectively.

## ADVISORS LOGOS



## CORPORATE INFORMATION [1(1), 1(2), 3, 4, 5]

### SECRETARY AND REGISTERED ADDRESS [5]

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Bonsai Secretarial Compliance Services  
Registration Number T331/2003  
Shop 48, Second Floor  
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Windhoek, Namibia  
(P.O. Box 90757, Windhoek, Namibia)  
Telephone: (+264) 61 305 072

### TRANSFER SECRETARIES

Transfer Secretaries (Pty) Limited  
Registration Number 93/713  
Robert Mugabe Ave No 4 (Entrance from  
Burg Street)  
Windhoek, Namibia  
(P.O. Box 2401, Windhoek, Namibia)  
Telephone: (+264) 61 227 647  
E-mail: ts@nsx.com.na

### ADVISOR

IJG Advisory Services (Pty) Ltd  
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100 Robert Mugabe Avenue  
Windhoek, Namibia  
(P.O. Box 186, Windhoek, Namibia)  
Telephone: (+264) 61 383 500  
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### LEGAL PRACTITIONERS [4]

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### SPONSORING BROKER

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Member of the NSX  
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Windhoek, Namibia  
(P.O. Box 186, Windhoek, Namibia)  
Telephone: (+264) 61 383 500  
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### AUDITORS AND REPORTING ACCOUNTANTS [3]

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Registered Accountants and Auditors  
Practice Number 9406  
344 Independence Avenue  
Windhoek, Namibia  
(P O Box 1571, Windhoek, Namibia)  
Telephone: (+264) 61 284 1000  
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### LETSHEGO HOLDINGS (NAMIBIA) LIMITED

Registration number 2016/0145  
1st Floor, Letshego Place  
18 Schwerinsburg  
Windhoek, Namibia  
(P.O. Box 11600, Windhoek, Namibia)  
Telephone: (+264) 61 321 6600

### BANKER [4]

Letshego Bank (Namibia) Limited  
Registration number 97/373  
1st Floor, Letshego Place  
18 Schwerinsburg  
Windhoek, Namibia  
(P.O. Box 11600, Windhoek, Namibia)  
Telephone: (+264) 61 321 6600

### HOLDING COMPANY [1(2)]

Letshego Holdings Limited  
Registration number 98/442  
Letshego Place  
22 Khama Crescent  
Gaborone, Botswana  
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Telephone: (+267) 364 3000

### BANKER [4]

First National Bank Namibia  
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Windhoek, Namibia  
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Telephone: (+264) 61 299 2111

### PUBLIC RELATIONS & COMMUNICATIONS ADVISORS

Hotwire (Pty) Ltd  
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## SALIENT FEATURES

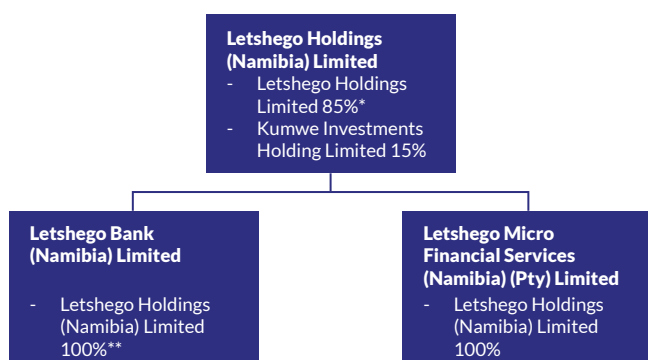
The definitions beginning on page 11 of the Prospectus apply to these Salient Features.

### A. INCORPORATION AND HISTORY [1(1), 1(2), 6(4)]

- A.1. 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 LHL. It was first incorporated as a private company (Letshego Holdings (Namibia) (Pty) Limited) and 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"). LHN was created in accordance with an approved ownership structure by the BoN, which required the banking business of LBN to be carried on separately from its existing microlending business. In terms of the ownership structure LBN will carry on with the banking business and the microlending business will be carried on by LMFSN. Both LBN and LMFSN are wholly owned by LHN.
- A.2. LHL holds 85% of the issued share capital in LHN and is incorporated in the Republic of Botswana. Its equity is listed on the BSE under the abbreviated name "Letshego Holdings Limited", share code "LETSHEGO" and ISIN BW 000 000 0322. The remaining 15% of LHN's shareholding is held by Kumwe, a public company incorporated in Namibia, 100% owned and controlled by PDN.
- A.3. LHL is in the process of transferring its investment in LHN to Letshego Mauritius Limited, a 100% subsidiary of LHL, as part of a Group wide restructure, which entails moving of all its African subsidiaries into the Letshego Mauritius Holding Company. Subject to various Regulatory and Group Financier approvals (refer Risk 12.1), this is expected to be finalised after the IPO.

### B. OVERVIEW OF LHN AND SUBSIDIARIES [6]

- B.1. LHN is the holding company for LHL's banking and microlending businesses in Namibia.
- B.2. LHN has two subsidiaries, namely:
- B.2.1. **Letshego Bank (Namibia) Limited (LBN)**, in which it holds 100% of the issued ordinary share capital; and
- B.2.2. **Letshego Micro Financial Services (Namibia) (Pty) Limited (LMFSN)**, in which it holds 100% of the issued ordinary share capital.



\* 0.5% of these shares are held by nominee shareholders

\*\* 6 shares are held by nominee shareholders

- B.3. LBN was incorporated in Namibia on 16 October 1997 and was initially called Edu-Loan (Pty) Limited. In 2008, Edu-Loan was acquired by LHL and changed its name to LFSN during 2009. During 2016 it was licenced by BoN to conduct banking business in Namibia under licence Certificate number BIC 011. It was converted to a public company to comply with the requirements of the Banking Institutions Act and its name was changed to Letshego Bank (Namibia) Limited. During 2016, LHL and Kumwe restructured their respective holdings in LBN to hold same via LHN to comply with the licensing requirements of BoN.
- B.4. LMFSN was incorporated on 7 April 2016. The BoN required LMFSN to acquire 52% of LBN's loan book as part of BoN's licencing requirements. This was done with effect from 3 August 2016 from which date LMFSN is providing short to medium-term unsecured micro loans to the customers that were previously served by LBN (when it was still called LFSN), under License No 21/2001. LMFSN is licenced and regulated by NAMFISA in terms of the Namibia Financial Institutions Supervisory Authority Act.
- B.5. LBN and LMFSN have a network of 2 branches and 14 customer access points across Namibia offering financially inclusive solutions to customers that include the provision of short to medium-term unsecured consumer loans to salaried employees of the public and private sectors. With the attainment of the Banking licence and the approval of a new corporate ownership structure by the BoN, LBN has transferred 52% of its loan book to LMFSN, to enable LBN to focus on providing retail inclusive finance solutions including savings, payments and lending which are scheduled to be launched during the third quarter of 2017. These products and services will include a range of simple and affordable transactional and savings solutions and services that will predominantly target the lower to middle income segments of the working population using appropriate technology.

### C. THE PUBLIC OFFER [6(6), 18, 19]

#### C.1. The salient features of the Public Offer are as follows:

Public Offer price per share (cents)	470
Minimum number of shares that can be subscribed for	200
Number of LHN shares offered in terms of the Public Offer	100,000,000
Issue consideration in terms of the Public Offer	N\$ 470,000,000
Opening date of the Public Offer at 09:00 on	25 August 2017
Closing date of the Public Offer at 12:00 on	22 September 2017

#### C.2. The main purpose of the Offer and the Listing is to:

- C.2.1. satisfy the BoN licensing conditions for granting a banking license to LBN, which require LBN to achieve a minimum of 45% local ownership within four years of the issue of the license to LBN during July 2016;
- C.2.2. raise the profile of Letshego Group Namibia (LGN) among members of the general public, investors and target markets within Namibia; and
- C.2.3. assist with the development of the NSX and the Namibian Capital Markets.

## SALIENT FEATURES (CONT'D)

### C.3. The listing will allow LHL to:

- C.3.1. create an investment opportunity for Namibians and in the process broaden the PDN ownership in LHN and indirectly in LBN and LMFSN;
- C.3.2. create an opportunity for LHN shareholders to unlock value through the trading of their shares on the NSX;
- C.3.3. to provide employees, suppliers, existing customers and strategic business partners the opportunity to acquire equity ownership and participation in the Company;
- C.3.4. create an opportunity for Government employees and Letshego staff to purchase up to 5,000,000 shares and obtain preferential finance from the Company to acquire these shares, subject to meeting affordability criteria and normal terms and conditions (refer paragraph 30); and
- C.3.5. support the drive towards financial inclusion and the Localisation of the Namibian financial sector.

### C.4. The Public Offer is open to the members of the general public, subject to the Directors' discretion set out in paragraph C.6.

### C.5. This listing will involve the existing shareholders selling down 20% of their current shareholding and no new capital will be raised during the listing process. In order to achieve the aforementioned localisation targets, the Company will before July 2020 either:

- C.5.1. issue new shares; or
- C.5.2. existing shareholders will sell additional shares; or
- C.5.3. achieve this through a combination of the above.

### C.6. The Board of Directors will give preference to Namibian citizens when accepting offers and allocating shares in the following order of priority:

- C.6.1. firstly, to individual PDN;
- C.6.2. secondly, to individual Namibian citizens that are not PDN;
- C.6.3. thirdly, to Namibian registered and controlled companies, close corporations, trusts, pension funds and other recognised corporate bodies; and
- C.6.4. finally, and only in the event that all of the shares on offer cannot be allocated to any of the offerors in C.6.1 to C.6.3 above, the remainder of the shares will be allocated at the Board of Directors' discretion.

### C.7. The Board of Directors will ring fence 5,000,000 shares which can be subscribed for by Government employees and staff of the Company. LMFSN will offer preferential finance, subject to affordability requirements and normal terms and conditions, to the aforementioned to subscribe for these shares.

### C.8. Consolidated Financial Highlights until 31 December 2016 [6(6)]

- C.8.1. LGN, established during 2016, has continued to build on the strong historical performance of LBN, achieving net interest income for the year ending 31 December 2016 of N\$ 354m. LGN has also achieved a compounded annual increase of 20% in Net Asset Value over the 3 years until 31 December 2016 and a Return on Equity of 22% in 2016.

#### LGN Key Performance Indicators

N\$ in 000s	FY14 (11 months) Actual	FY15 Audited	FY16 Audited	FY17 Forecast	FY18 Forecast
Net interest income	204,115	285,896	353,548	406,631	470,903
Net interest income margin	11.0%	9.6%	10.2%	9.8%	10.8%
Net trading income	341,152	481,275	563,677	665,502	795,483
Profit after tax	219,774	272,071	329,952	338,649	397,737
Cost to income ratio (excluding management fees)	15.9%	19.8%	16.9%	21.4%	23.8%
Cost to income ratio (including management fees)	24.6%	28.3%	22.9%	27.8%	29.5%
Price to Earnings ratio at 470 cents per share			7.1	6.9	5.9
Price to Book ratio at 470 cents per share			1.5	1.4	1.2

- C.8.2. LHN delivered compounded annual growth in profit after tax over the three years to 31 December 2016 of 23%. This has been achieved through good annual asset growth, effective credit management and continued focus on efficiencies.

- C.8.3. Through credit management processes, risk-based pricing and bad debt containing initiatives, LGN has maintained bad debts at relatively low levels of less than 1% of the loans and advances over the past 3 years. Had there not been insurance on the deduction at source loans (refer paragraph 3.4 below), bad debts would have been 2% and 4% in 2015 and 2016 respectively.

- C.8.4. LBN has achieved a Return on Equity in each of the three years to December 2016 in excess of 15% and compounded annual Net Asset Value growth of 16%, thereby creating significant shareholders' value.

- C.8.5. It is LHN's policy to pay dividends at a cover of 4 x (25% of profit after tax) in 2018, subject to the available cash resources, applicable capital requirements and the need to fund future growth opportunities.

- C.8.6. The salient features and various contributions of the subsidiary companies of LHN are set out in Annexures 1, 2 and 4.

### D. LISTING ON THE NSX [23]

- D.1. Subject to achieving the required spread of shareholders, the NSX has formally approved the listing of 500,000,000

## SALIENT FEATURES

ordinary shares in the share capital of LHN on the NSX with effect from the start of trading on 28 September 2017. The shares will trade under the abbreviated name "Letshego", with the code "LHN" and ISIN NA000A2DVV41.

### E. EXTRACTS FROM CONSOLIDATED AUDITED HISTORICAL FINANCIAL INFORMATION, UNAUDITED AGGREGATED INCOME STATEMENT AND FORECAST FINANCIAL INFORMATION [6(6)]

#### E.1. Aggregated, historical and forecast income statements [6(6)]

Set out below is an extract from the aggregated audited Consolidated Statements of Comprehensive Income for the

years ended 31 December 2015 and 31 December 2016 and the forecast aggregated Consolidated Statements of Comprehensive Income for the financial years ending 31 December 2017 and 31 December 2018, the preparation of which is the responsibility of the Directors.

The forecast financial information should be read in conjunction with the assumptions set out in Annexure 6 and the Independent Reporting Accountants' Report thereon set out in Annexure 7. The Audited Aggregated Income Statement should be read in conjunction with the Independent Reporting Accountants' Report set out in Annexure 3.

### LETSGEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES STATEMENT OF COMPREHENSIVE INCOME PROFIT FORECAST for the period ending 31 December 2018

	Audited Actual 2015 N\$	Audited Actual 2016 N\$	Unaudited Forecast 2017 <sup>(6)</sup> N\$	Unaudited Forecast 2018 N\$
Interest income <sup>(1)</sup>	382,067,678	453,490,757	522,504,000	579,143,817
Credit impairment charge	(199,867)	(22,083,259)	(8,223,544)	(9,957,492)
<b>Interest after impairment</b>	<b>381,867,811</b>	<b>431,407,498</b>	<b>514,280,456</b>	<b>569,186,325</b>
Interest expense	(96,171,593)	(99,943,214)	(115,872,949)	(108,240,647)
<b>Net interest income after impairment</b>	<b>285,696,218</b>	<b>331,464,284</b>	<b>398,407,507</b>	<b>460,945,678</b>
Fee and commission income	195,578,406	232,212,748	267,094,487	334,537,079
<b>Net trading income</b>	<b>481,274,624</b>	<b>563,677,032</b>	<b>665,501,994</b>	<b>795,482,757</b>
Operating expenses	(113,243,232)	(134,122,985)	(187,125,895)	(237,883,681)
<b>Operating profit before taxation</b>	<b>368,031,392</b>	<b>429,554,047</b>	<b>478,376,099</b>	<b>557,599,076</b>
Taxation	(95,959,902)	(99,601,566)	(139,727,067)	(159,861,674)
<b>Profit for the period</b>	<b>272,071,490</b>	<b>329,952,481</b>	<b>338,649,032</b>	<b>397,737,402</b>
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>272,071,490</b>	<b>329,952,481</b>	<b>338,649,032</b>	<b>397,737,402</b>
Number of shares in issue	1,000,000	1,000,000	-	-
Number of shares in issue after the share split <sup>(2)</sup>	-	-	500,000,000	500,000,000
Weighted number of shares in issue	1,000,000	1,000,000	-	-
Weighted number of shares in issue after share split <sup>(3)</sup>	500,000,000	500,000,000	500,000,000	500,000,000
Basic earnings per share (cents) <sup>(4)</sup>	54	66	68	80
<b>Headline earnings per share (cents) <sup>(4)</sup></b>	<b>54</b>	<b>66</b>	<b>68</b>	<b>80</b>
<b>Price Earnings Ratio at 470 cents per share <sup>(5)</sup></b>	<b>8.6</b>	<b>7.1</b>	<b>6.9</b>	<b>5.9</b>
Book value per share (cents) <sup>(4)</sup>	238	304	347	407
<b>Price to Book Ratio at 470 cents per share <sup>(5)</sup></b>	<b>2.0</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>
Dividends per share (cents) <sup>(4)</sup>	-	-	23	20
Dividends paid <sup>(5)</sup>	-	-	113,000,000	99,434,350
<b>Dividend yield at 470 cents per share</b>	<b>-</b>	<b>-</b>	<b>4.8%</b>	<b>4.2%</b>

#### Notes

- (1) Interest income includes income from lending activities and other income as presented in the Audited Financial Statements per Annexures 2 & 4.
- (2) The actual number of ordinary shares in issue prior to the Public Offer was 500,000,000 which was the result of Share Split of 500 ordinary shares for every one ordinary share.
- (3) The weighted average number of shares in respect of the forecast period is calculated on the assumption there is no change in the number of ordinary shares in terms of the Public Offer and after the Share Split. For ease of illustration, the above assumes that the Share Split had occurred at the beginning of each financial year.
- (4) Earnings, headline earnings and dividend per share for the financial years ended 31 December 2015 and 2016 were calculated on the basis that the Share Split, referred to above, was already effective at those dates.
- (5) The Price Earnings and Price to Book Ratios for the financial year ended 31 December 2015 and 2016 were calculated on the basis that the Share Split, referred to above, was already effective at those dates. Details of the 2017 dividend are included in paragraph 38.
- (6) The unaudited forecast Statement of Comprehensive Income for the year ending 31 December 2017 incorporates actual trading results for the five months ended 31 May 2017.

## SALIENT FEATURES (CONT'D)

### E.2. Audited balance sheet as at 31 December 2015 and 31 December 2016.

Set out below is an extract from the historic audited balance sheet of LHN, the preparation of which is the responsibility of the Directors.

#### STATEMENTS OF FINANCIAL POSITION as at 31 December 2016

	31 December 2015 N\$	31 December 2016 N\$
<b>ASSETS</b>		
Cash and cash equivalents	52,190,701	159,626,020
Other receivables	106,521,585	68,162,540
Intercompany receivable	3,458	-
Advances to customers	1,885,399,230	2,118,679,317
Property and equipment	12,169,978	10,501,139
Deferred taxation	1,379,056	6,622,256
<b>Total assets</b>	<b>2,057,664,008</b>	<b>2,363,591,272</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Trade and other payables	44,112,938	42,446,012
Current taxation	537,251	2,022,105
Intercompany payables	824,270,361	799,420,084
<b>Total liabilities</b>	<b>868,920,550</b>	<b>843,888,201</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <sup>1</sup>	-	100,000
Retained earnings	272,071,491	602,062,144
Capital reorganisation reserve <sup>2</sup>	701,124,198	701,024,198
Equity settled share based payment reserve	462,926	1,431,886
	973,658,615	1,304,618,228
Non-controlling interest	215,084,843	215,084,843
<b>Total equity</b>	<b>1,188,743,458</b>	<b>1,519,703,071</b>
<b>Total liabilities and equity</b>	<b>2,057,664,008</b>	<b>2,363,591,272</b>

#### Notes

- (1) The actual number of ordinary shares in issue at 31 December 2016 was 1,000,000, prior to the Share Split.
- (2) This reserve arose from a capital re-organisation in the form of a common control combination that arose from the new Corporate structure approved by the BoN (refer paragraph A.1 above). This required the formation of LHN and the splitting of the existing businesses between LBN and LMFSN. For purposes of consolidation, the transaction was treated as if the combination and capital reorganisation had taken place at the beginning of the comparative period presented i.e. 1 January 2015.

## SALIENT DATES AND TIMES

Abridged Prospectus published on NENS on or about	25 August 2017
Opening of the Public Offer at 09:00 on	25 August 2017
Abridged Prospectus published in the press on or about	28 August 2017
Closing of the Public Offer at 12:00 on	22 September 2017
Results of the Public Offer announced on NENS on or about	27 September 2017
<b>Listing of LHN on the NSX at 09:00 on</b>	<b>28 September 2017</b>
Results of the Public Offer published in the press on or about	28 September 2017
Refund of surplus Public Offer monies paid (where applicable) on	12 October 2017
Posting of share certificates to shareholders on or about	2 November 2017

### Notes

- (1) The above dates are subject to change. Any such change will be announced on NENS and in the press.
- (2) All dates and times referred to in this Prospectus are Namibian dates and times.

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## DEFINITIONS AND INTERPRETATIONS

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In this Prospectus, annexures and attachments hereto, unless the context indicates otherwise, references to the singular include the plural and vice versa, words denoting one gender include the other, expressions denoting natural persons include juristic persons and associations of persons and vice versa, and words in the first column hereunder have the meanings stated opposite them in the second column, as follows:

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“applicants”	those members of the public that apply for Public Offer shares by way of completion of the applicable Public Offer applications (as the case may be) in terms of the instructions as set out therein;
“banking business”	is banking business as defined in section 1 of the Banking Institutions Act;
“Banking Institutions Act”	Banking Institutions Act of 1998, (Act No.2 of 1998), as amended;
“BID”	Determinations issued by the Bank of Namibia and published in the Government Gazette on any matter which is required or permitted by the Banking Institutions Act, to address issues that are considered necessary and expedient to determine the prudent conduct of the banking business and consistent with the best standards and sound financial management;
“BoN”	Bank of Namibia;
“BSE”	Botswana Stock Exchange;
“business day”	any day other than a Saturday, Sunday or public holiday in Namibia;
“cents”	Namibian cents in the official currency of Namibia;
“the common monetary area”	the Republics of South Africa and Namibia and the Kingdoms of Lesotho and Swaziland;
“Deduction code”	means 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;
“Deduction at Source”	means the monthly collection of predominantly government employee loans directly from the Government payroll offices using Deduction codes;
“Directors” or “Board of Directors”	Directors of LHN, further details of whom appear in paragraph 14;
“emigrant”	any emigrant from the common monetary area whose address is outside of the common monetary area;
“ERM”	Enterprise Risk Management
“Exchange Control Regulations”	the Exchange Control Regulations of Namibia regulated by BoN;

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## DEFINITIONS AND INTERPRETATIONS (CONT'D)

“Group”	Letshego Holdings Limited Group;
“IJG”	IJG Securities (Pty) Limited (Registration number 95/505), a private company incorporated in Namibia and a Member of the NSX;
“IPO”	Initial Public Offering;
“Kumwe”	Kumwe Investments Holding Limited (Registration Number 98/534), a public company incorporated in Namibia;
“the last practicable date”	the last practicable date prior to the finalisation of this Prospectus, which date was 11 August 2017;
“LGN”	Letshego Group Namibia, comprising LHN, LBN and LMFSN collectively;
“LHN” or “the Company”	Letshego Holdings (Namibia) Limited (Registration Number: 2016/0145), a public company incorporated in Namibia;
“LFSN”	Letshego Financial Services (Namibia) (Pty) Limited, which was subsequently converted to a public company during 2016 and changed its name to LBN;
“LHN shareholders” or “shareholders”	registered holders of LHN shares;
“LHN shares” or “shares”	ordinary shares with a par value of N\$ 0.00020 cent each in the issued ordinary share capital of LHN;
“Letshego” or “LHL” or “the Group”	Letshego Holdings Limited (Registration Number Co. 98/442) (BSE Listed), a public company incorporated in Botswana;
“LBN or “the Bank”	Letshego Bank Namibia Limited (Registration Number 97/373), a public company incorporated in Namibia;
“LMFSN”	Letshego Micro Financial Services (Namibia) (Pty) Ltd (Registration Number 2016/0292), a private company incorporated in Namibia;
“Localisation”	Government’s process of increasing the ownership and management of Namibian Companies by Namibian citizens and more particularly PDN;
“the listing”	subject to the achievement of the required spread of local ownership, the proposed listing of the entire issued ordinary share capital of LHN on the NSX, which listing is anticipated to begin at 09:00 on 28 September 2017;
“the Listings Requirements”	the Listings Requirements of the NSX;
“N\$”	Namibia Dollars, the currency of Namibia;

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## DEFINITIONS AND INTERPRETATIONS (CONT'D)

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“NamCode”	The Corporate Governance Code for Namibia;
“Namibia”	the Republic of Namibia;
“NAMFISA”	Namibia Financial Institutions Supervisory Authority, established in terms of the Namibia Financial Institutions Supervisory Authority Act;
“Microlending business”	the business of LMFSN that is regulated by NAMFISA;
“Namibia Financial Institutions Supervisory Authority Act”	The Namibia Financial Institutions Supervisory Authority Act, Act 3 of 2001;
“the Companies Act”	the Companies Act, 2004 (Act 28 of 2004), as amended and of Namibia;
“non-resident”	a person who is resident outside the common monetary area in terms of Exchange Control Regulations;
“the NSX”	the Namibian Stock Exchange, which is licensed as an exchange in terms of the Stock Exchange Control Act 1 of 1985, as amended;
“PDN”	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;
“the press”	collectively Republikein and The Namibian;
“PricewaterhouseCoopers”	PricewaterhouseCoopers Chartered Accountants (Namibia) Registered Accountants and Auditors, the reporting accountants and auditors in respect of this Prospectus;
“prime rate”	the commercial rate of interest as charged by LHN's bankers to its most favoured commercial clients;
“Prospectus”	this bound document dated 14 August 2017, including all annexures and enclosures thereto;
“Public Offer”	the Public Offer, whereby in aggregate a maximum of 100,000,000 ordinary shares will be offered as set out in this prospectus;
“Public Offer application” or “application”	the application form (blue) in respect of the Public Offer attached to this Prospectus inviting members of the general public to participate in the Public Offer;
“Public Offer shares”	the maximum of 100,000,000 LHN shares forming the subject matter of the Public Offer;

## DEFINITIONS AND INTERPRETATIONS (CONT'D)

"Rand" or "R"	South African Rand, the currency of South Africa;
"register"	the register of LHN ordinary shareholders as maintained by the transfer secretaries in terms of the Namibian Companies Act;
"Registrar"	the Registrar of Companies in Namibia;
"NENS"	the Namibian Exchange News Service of the NSX;
"the subsidiaries"	the subsidiaries of LHN, namely, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Pty) Limited;
"transfer secretaries"	Transfer Secretaries (Pty) Limited (Registration Number: 93/713), a private company incorporated in Namibia;
"Share Split"	LHN increased its number of ordinary shares in issue during June 2017, by splitting each share already in issue into 500 ordinary shares in anticipation of the Listing, reducing the nominal value per share from N\$ 0.10 to N\$ 0.00020 per share, to increase the marketability of the shares for the Listing;
"SLA"	A service level agreement;
"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 programme.

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**LETSHEGO HOLDINGS (NAMIBIA) LIMITED**  
(INCORPORATED IN THE REPUBLIC OF NAMIBIA)  
(REGISTRATION NUMBER 2016/0145)  
(DATE OF REGISTRATION: 24 FEBRUARY 2016)  
SHARE CODE: LHN ISIN: NA000A2DVV41  
("LHN" OR "THE COMPANY")

## LHN BOARD OF DIRECTORS

	Non - Executive	Namibian	Independent
John Eugene Shepherd (Chairman)	✓	✓	✓
Sven Bloch von Blottnitz	✓		✓
Mythri Sambasivan-George	✓		
Rairirira Mbakutua Mbetjiha	✓	✓	
Rosalia Martins-Hausiku	✓	✓	✓
Maryvonne Palanduz	✓	✓	✓
Ester Kali (CEO)		✓	

## PROSPECTUS

### 1. INCORPORATION AND HISTORY [1(1), 6(1)(a), 6(1)(b), 6(1)(d), 6(2), 6(5)(a)]

#### 1.1 NAME, ADDRESS AND INCORPORATION (1)

Letshego Holdings (Namibia) Limited was incorporated on 24 February 2016 as a financial sector investment holding company. It was first incorporated as a private company (Letshego Holdings (Namibia) (Pty) Limited) and 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 Act. LHN's registered office is situated at 1st Floor, Letshego Place, Schwerinsburg, Windhoek, Namibia, (transfer office is situated at Robert Mugabe Avenue 4, Windhoek, Namibia). The registered office of LHL is situated at Letshego Place, 22 Khama Crescent, Gaborone, Botswana.

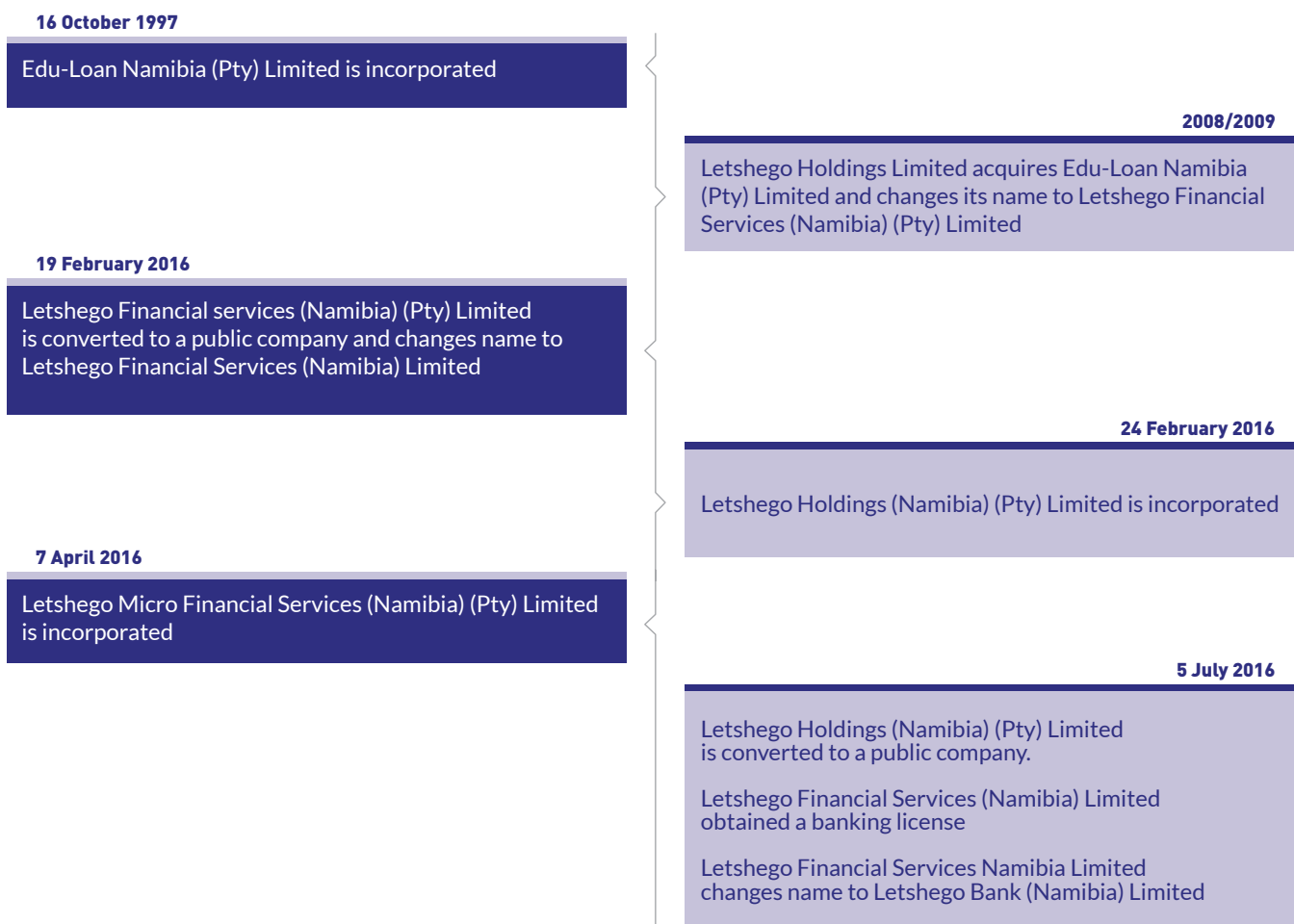
#### 1.2 HISTORY

1.2.1 LHN was established to hold the controlling interest in LBN and LMFSN on behalf of LHL.

1.2.2 LBN was incorporated in Namibia on 16 October 1997 and was initially known as Edu-Loan (Pty) Limited. In 2008, Edu-Loan was acquired by LHL and changed its name to LFSN during 2009. During 2016, it was licenced by BoN to conduct banking business in Namibia under licence certificate number BIC 011, it was converted to a public company and its name was changed to LBN.

1.2.3 LMFSN was incorporated on 7 April 2016. NAMFISA regulates LMFSN under license no. 21/2001. LMFSN has acquired 52% of LBN's loan book and is providing short to medium-term unsecured micro loans to the customers that were previously served by LBN and to members of the public, whilst LBN will focus on providing inclusive finance solutions including savings, payments and lending.

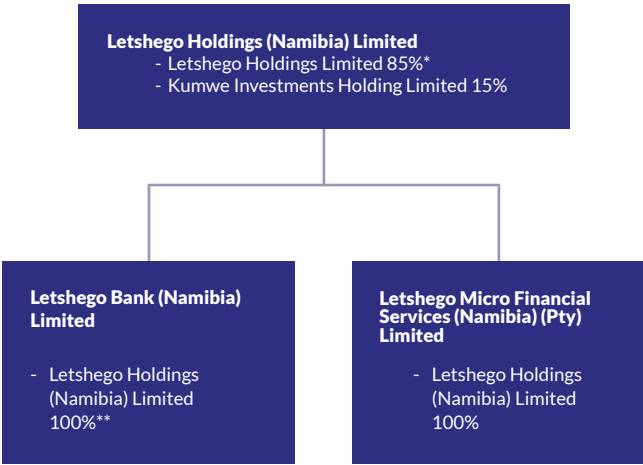
## 2. LETSHEGO GROUP NAMIBIA - TIMELINE



## 3. STATE OF AFFAIRS AND OVERVIEW OF LHN [1(2), 6(1)(a), 6(1)(b), 6(2), 6(4), 6(5)(a)]

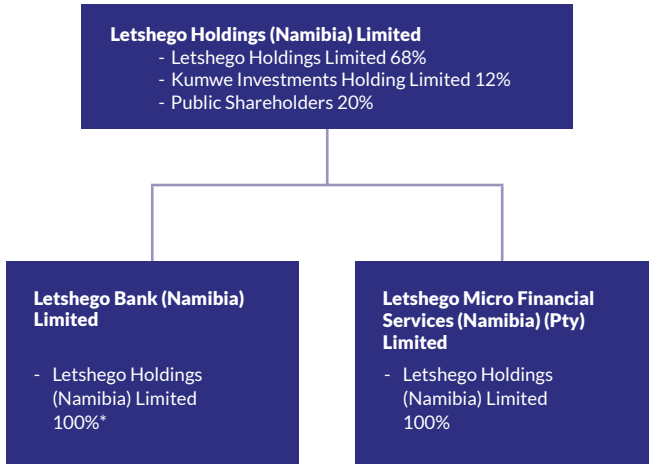
- 3.1 The Company was created following the approval of an ownership structure by the BoN, which required the Banking business to be split from the existing business and both to be held via an investment holding company. Consequently, LBN transferred 52% of its loan book to LMFSN during 2016.
- 3.2 LHN was established to hold the controlling interest in LBN and LMFSN on behalf of its parent company, LHL. LHL holds 85% of the issued share capital in LHN and is incorporated in the Republic of Botswana.
- 3.3 LHL is in the process of transferring its investment in LHN to Letshego Mauritius Limited, a 100% subsidiary of LHL as part of Group wide restructure, which entails moving of all its African investments into the Letshego Mauritius Holding Company. Subject to various Regulatory and Group borrower approvals (refer Risk 12.1), this is expected to be finalised after the IPO.
- 3.4 LGN owns shares in two insurance cell captives, which provides insurance cover for qualifying credit loss events on its subsidiaries' products. The investment entitles LHN and LMFSN to utilise the Hollard Life Namibia Limited life and Hollard Insurance Company of Namibia insurance licenses for the provision of insurance products to clients within LGN. More details are included in paragraph 12.5.
- 3.5 Due to the requirements of the Banking Institutions Act, LBN is not allowed to conduct any insurance business. A SLA was signed between LHN and LBN to provide for LBN to collect insurance premiums on behalf of LHN that relate to the loans and advances recognised in LBN. No commission income is recorded in LBN in terms of the aforementioned SLA.
- 3.6 LHN HAS TWO SUBSIDIARIES, NAMELY:**
- 3.6.1 LBN, in which it holds 100% of the issued ordinary share capital; and
  - 3.6.1 LMFSN, in which it holds 100% of the issued ordinary share capital.

### 3.7 OVERVIEW OF LHN GROUP STRUCTURE – PRE LISTING



\* 0.5% of these shares are held by nominee shareholders  
 \*\* 6 shares are held by nominee shareholders.

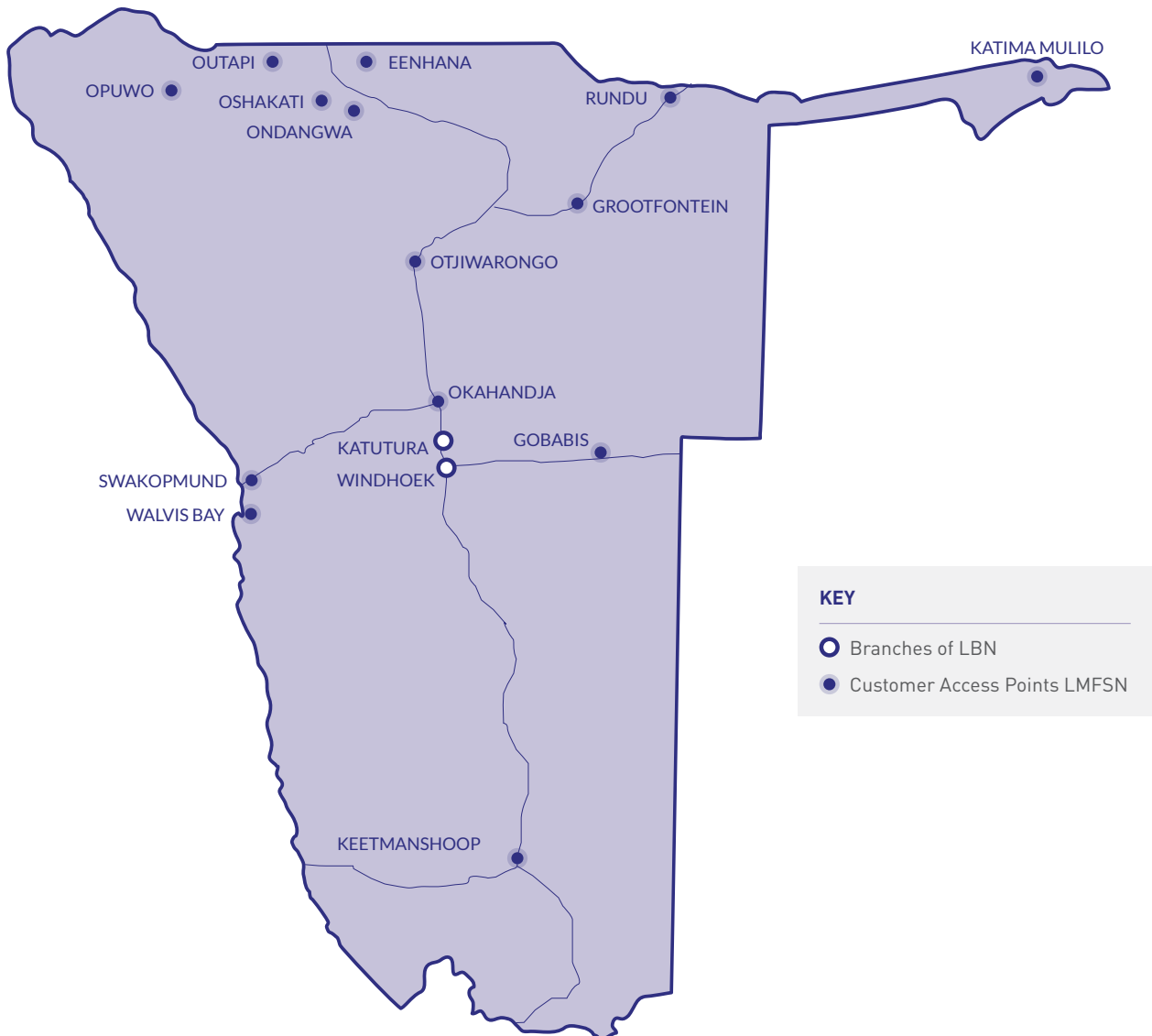
### 3.8 OVERVIEW OF LHN GROUP STRUCTURE – POST LISTING



\* 6 shares are held by nominee shareholders.

### 3.9 LETSHEGO NAMIBIA GROUP DISTRIBUTION NETWORK

As set out in the graphical illustration below, LGN has a distribution network across Namibia and serves approximately 51,000 customers.



## SUMMARY OF MAJOR PERFORMANCE INDICATORS

	LBN 2014 Actual 11 months	Group 2015 Actual 12 months	Group 2016 Actual 12 months	Group 2017 Forecast 12 months	Group 2018 Forecast 12 months
<b>Statement of comprehensive income (N\$)</b>					
Total Income	408,241,691	577,646,084	685,703,504	789,598,486	913,680,896
Net interest income after impairment	204,903,885	285,696,218	331,464,284	398,407,507	460,945,678
Net trading income	341,151,837	481,274,624	563,677,032	665,501,993	795,482,757
Operating Profit	257,375,868	368,031,392	429,554,047	478,376,099	557,599,076
Profit after Tax	219,773,886	272,071,490	329,952,481	338,649,032	397,737,402
<b>Statement of financial position (N\$)</b>					
Total Assets	1,748,985,634	2,057,664,008	2,363,591,272	2,806,737,963	3,025,633,948
Total loans and advances to customers (net of impairments) (Note 1)	1,607,217,895	1,885,399,230	2,118,679,317	2,408,441,732	2,749,194,421
Borrowings	764,063,948	824,270,361	799,420,084	941,191,831	747,191,831
Deposits from customers	-	-	-	33,480,000	155,300,000
<b>Financial Performance (%)</b>					
RoE	24.0%	15.7%	21.7%	19.5%	19.5%
RoA	12.6%	13.2%	14.0%	12.1%	13.1%
<b>Operating Performance (%)</b>					
Net interest margin on average assets	11.7%	15.0%	15.0%	15.4%	15.8%
Charge for impairments to average gross advances	0.0%	0.0%	1.0%	0.3%	0.4%
Non-performing advances as % of gross advances (Note 2)	0.0%	4.0%	4.4%	4.0%	5.4%
Non-interest income as a % of total income (Note 3)	33.4%	33.9%	33.9%	33.8%	36.6%
Cost to income ratio (including management fees) (Note 4)	24.6%	28.3%	22.9%	27.8%	29.5%
Cost to income ratio (excluding management fees) (Note 4)	15.9%	19.8%	16.9%	21.4%	23.8%
<b>Capital Adequacy (%)</b>					
As per BoN regulation (BASEL II)	n/a	n/a	121.4%	83.0%	90.0%
<b>Notes and workings</b>					
<b>Note 1</b>					
Gross advances	1,607,446,920	1,886,073,176	2,140,956,456	2,445,242,671	2,791,657,314
Impairments charge (I/S)	(788,496)	199,867	22,083,259	8,223,544	9,957,492
<b>Note 2</b>					
Non-performing loans		74,725,793	93,426,083	96,842,900	151,240,497
<b>Note 3</b>					
Non-interest income	136,247,952	195,578,406	232,212,748	267,094,487	334,537,079
<b>Note 4</b>					
Net Interest Income	204,903,885	204,903,885	331,464,284	398,407,507	460,945,678
Add back impairments	(788,496)	199,867	22,083,259	8,223,544	9,957,492
Other income	136,247,952	195,578,406	232,212,748	267,094,487	334,537,079
Income	340,363,341	400,682,158	585,760,291	673,725,538	805,440,249
Operating Expenses	83,775,969	113,243,232	134,122,985	187,125,895	237,883,681

The capital adequacy is significantly higher than Banking regulation requirements due to the historic accumulated Tier 1 capital that were utilised for building the business. The forecast reduction over the 3 years from 2016 onwards is due to expected dividend declarations.

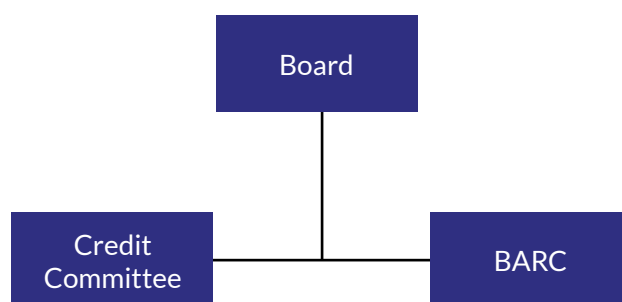
The impairment movement from 2015 to 2016 is due to the initial implementation of the Regulatory requirement on provisioning of the Loan book in LBN as required by BID 2, when the banking license was obtained in 2016.

Although LGN only came into existence during 2016, the transaction was treated as if the combination and capital reorganisation had taken place at the beginning of the comparative period presented i.e. 1 January 2015.

The salient features and various contributions of the companies comprising the LGN are set out in Annexure 1, 2 & 4.

## 4. OVERVIEW OF THE GOVERNANCE STRUCTURE OF LETSHEGO GROUP NAMIBIA [2(1)]

- 4.1 LGN has put in place a Board Audit and Risk Committee (BARC) and a Credit Committee (CC). These committees are governed by comprehensive charters that detail each committee’s responsibilities on behalf of the Board of Directors (Board). These charters are updated regularly in consultation with the Group, to ensure they remain up to date for changes in legislation.



- 4.2 The BARC assists the Board in discharging its duties relating to ensuring the safeguarding of assets, the operation of adequate systems, 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 independent non-executive Director. The LHL Audit Committee provides ultimate oversight of the internal audit function for the Group, including LGN.

- 4.3 Credit risk management is overseen by the CC, that determines credit policy. The CC meets quarterly (or more frequently as required by business volumes) to evaluate the activities of the credit function, the risk function, new business results, arrears, provisioning and regulatory compliance.

### 4.4 THE MEMBERS OF THE LHN & LBN BOARDS ARE:

- ▶ John Eugene Shepherd (Chairman)
- ▶ Sven Bloch von Blottnitz
- ▶ Rosalia Martins-Hausiku
- ▶ Ester Kali
- ▶ Rairirira Mbakutua Mbetjiha
- ▶ Mythri Sambasivan-George
- ▶ Maryvonne Palanduz

### 4.5 THE MEMBERS OF THE BARC ARE:

- ▶ Sven Bloch von Blottnitz (Chairman)
- ▶ Mythri Sambasivan-George
- ▶ Maryvonne Palanduz

### 4.6 THE MEMBERS OF THE CC ARE:

- ▶ Sven Bloch von Blottnitz (Chairman)
- ▶ Mythri Sambasivan-George

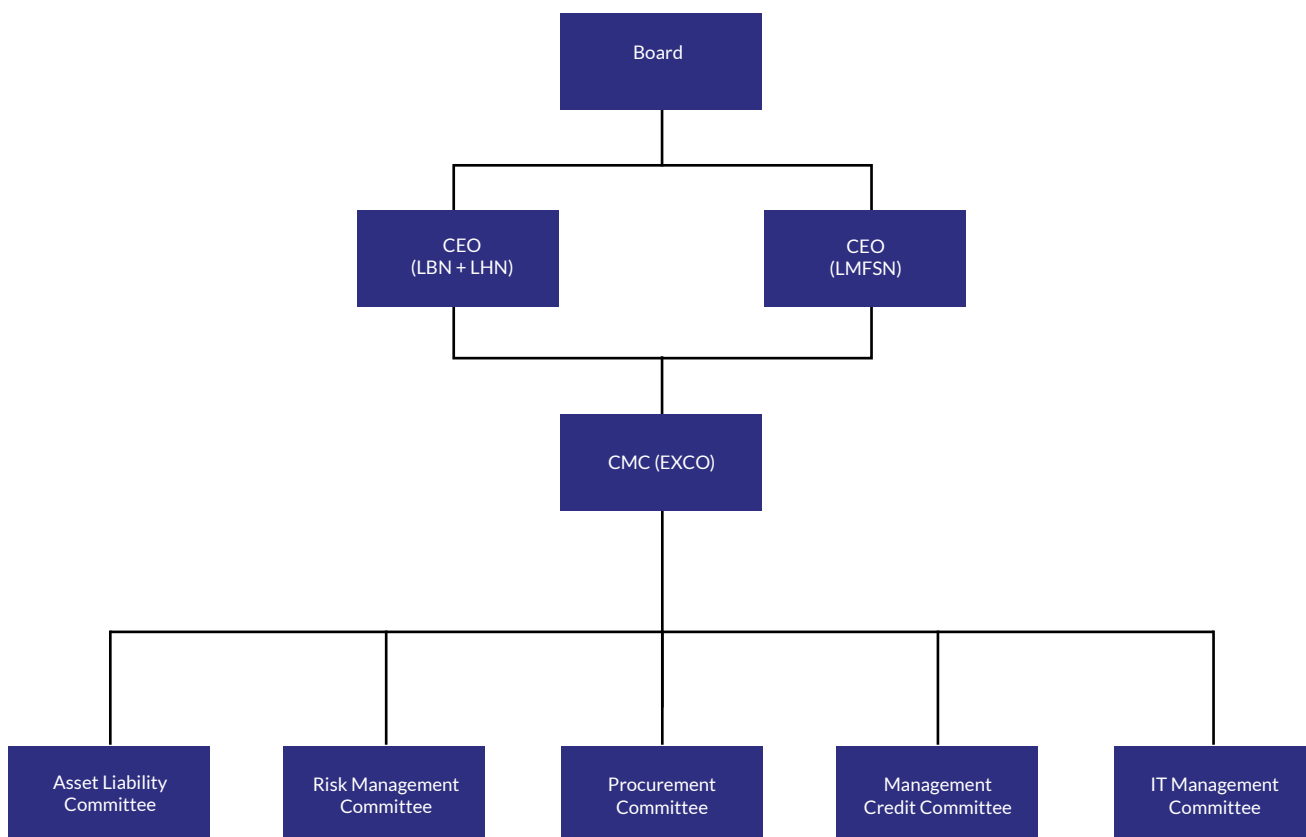
The Board is in the process of appointing an additional Director to the CC, which should comprise a minimum of three Directors. Details of the above Directors and Executive Management CVs are included in paragraph 14.

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

### 4.8 THE MEMBERS OF THE CMC ARE:

- ▶ Ester Kali (Chief Executive Officer – LBN, LHN)
- ▶ Nicholaas Petrus Esterhuysen (Chief Executive Officer – LMFSN, Chief Financial Officer)
- ▶ Greg Madhimba (Chief Financial Officer – designate)
- ▶ 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)

#### 4.9 THE LGN GOVERNANCE STRUCTURE IS ILLUSTRATED AS FOLLOWS:



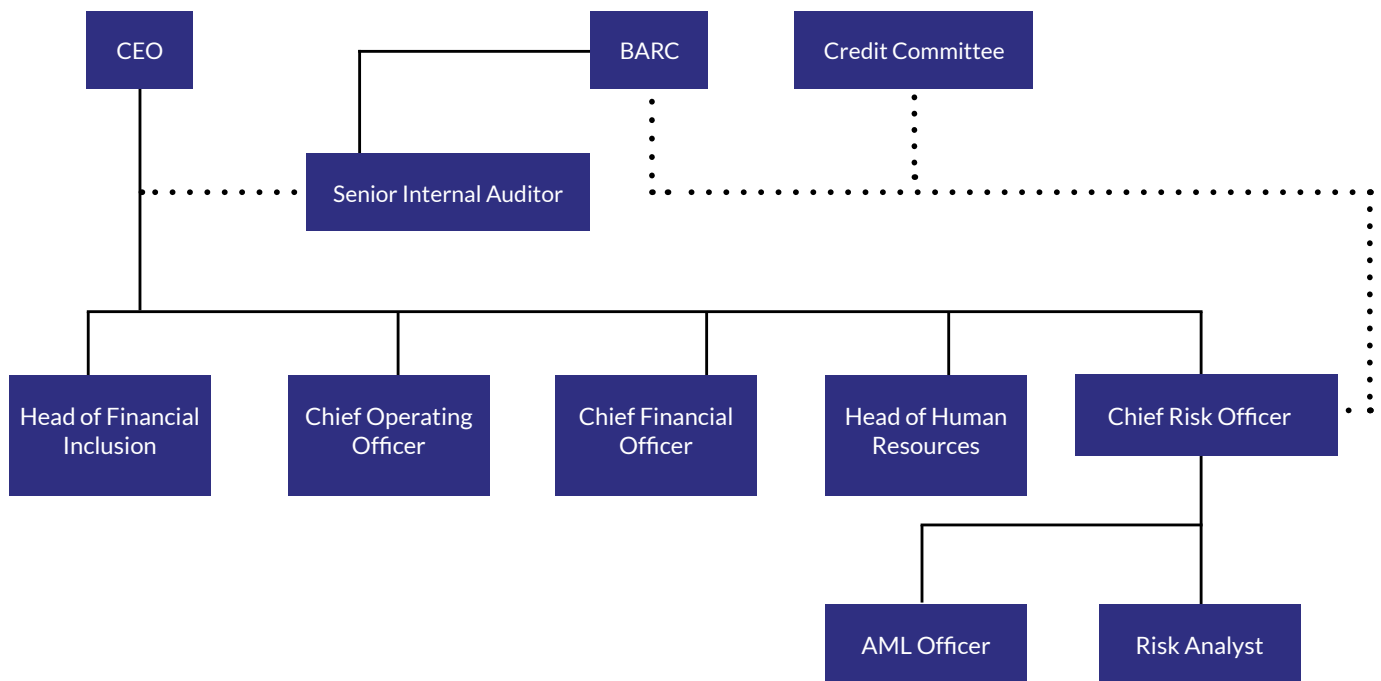
4.10 LGN has developed a robust risk management governance structure in line with the Letshego Group standards. In this regard, they have put in place an Internal Audit and Enterprise Risk Management Framework to manage risks within LGN. These functions report administratively to the CEO and Chief Risk Officer, respectively and functionally to the BARC, CMC and CC.

4.11 LGN has appointed a Chief Risk Officer (CRO) who reports to the CEO. The purpose of the CRO is to promote and sustain a culture of risk management discipline, anticipation and compliance within the country. Also, the CRO is also required to anticipate, and proactively ensure management of all potential risks, including market, credit, operations, information security, regulatory compliance and reputation risks as well as changes to regulatory policies. Further, the CRO is the central source of advice and guidance to the

Board as well as within the company on matters of good governance and changes in legislation.

4.12 The Group has appointed an Internal Audit function that was established to assist with accomplishing its objectives by bringing a risk-based, systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. Also, the Internal Audit function provides independent and quality assurance for risk management. The Head of Internal Audit has direct and unrestricted access to the Chairperson of BARC. The internal audit team conducts its work in accordance with the internal auditing standards set by the Institute of Internal Auditors - 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.

**4.13 EXECUTIVE MANAGEMENT GOVERNANCE STRUCTURE IS ILLUSTRATED AS FOLLOWS:**



**4.14 ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERMF)**

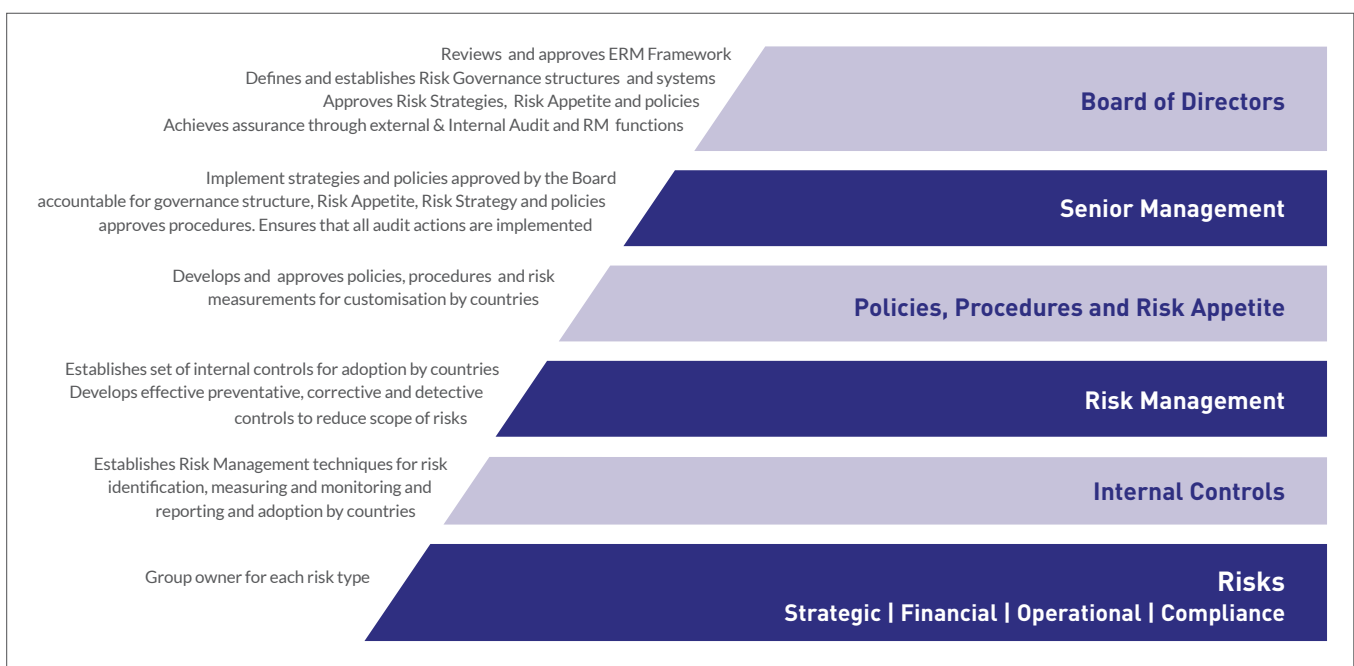
The Group ERMF provides minimum requirements for sound risk management practices with the main aim of having an integrated approach to managing risk. It seeks to adequately identify, measure, monitor, control and mitigate risk.

The Group has implemented its ERMF as a unique way to effectively manage risk across its footprint through the use of a common risk management framework approved by the Board. Whilst ERM frameworks differ from one institution to

the other, the Group has developed a simple and appropriate framework that involves people, processes, and tools. This means individuals or the originators of risk events with defined responsibilities use established, repeatable processes (such as incident reporting and key risk indicators) and the appropriate level of technology (tools) to mitigate risk.

Implementation of ERM during the year has supported better structure, reporting and analysis of risks. Standardized risk reports that track enterprise risks are now being generated by LBN and LMFSN and provide enhanced decision making from the available information.

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



#### 4.14.2 Risk Philosophy and Culture

In support of the enhanced ERM framework, LGN subscribes to a risk philosophy and culture that risk is best managed at inception. Our employees are considered to be risk managers responsible for addressing and managing risks that arise from their business activities.

This approach continues to contribute to the empowerment of our employees and supports their desire to build a profitable, socially responsible and sustainable organisation. Also, in the process, our engagement with stakeholders at all levels is improving as we pursue strategic and organisational goals. Letshego's 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 in conjunction with our strategic intent. The Board and Management acknowledge that stakeholder expectations are likely to become more exacting as financial service sectors become more dynamic and complex.

As a consequence, LGN will not accept risks that could expose us to:

- ▶ unacceptable levels of financial loss relative to strategic and operational targets
- ▶ breaches of legislation 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 being below target

#### 4.14.3 Policies and Procedures

During the year, a number of policies were reviewed and approved by the Board of Directors of LGN. Also, various procedures were 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.

Also emphasis is placed on Environment, Social and Governance programmes to ensure that LGN delivers on its ambition of building a sustainable organisation.

#### 4.14.4 Internal Control

LGN continues to implement systems of effective internal controls as a critical component of our ERM framework. 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 management reporting, and compliance with regulatory requirements. An effective internal control system is, therefore, a fundamental mechanism for reducing the scope of risks faced by LGN. The control library is updated annually by the Group Risk and Assurance function and contains corrective controls such as supervision, exception reporting, reconciliation, detective controls (such as call back, review and validation) and preventative controls (such as 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.

#### 4.14.5 Risk Identification, Measuring, Monitoring and Reporting

Letshego uses various techniques and tools in risk identification, measuring, monitoring and reporting in line with our risk maturity level and in accordance with the regulatory requirements and in line with international best practice. The key risk tools and techniques are detailed in the various Letshego manuals.

In addition, a Group Operational Risk Manual has been developed to ensure effective risk identification and control process through Risk and Control Self-Assessments, Key Risk Indicators, Incident Management Reporting and Risk Registers.

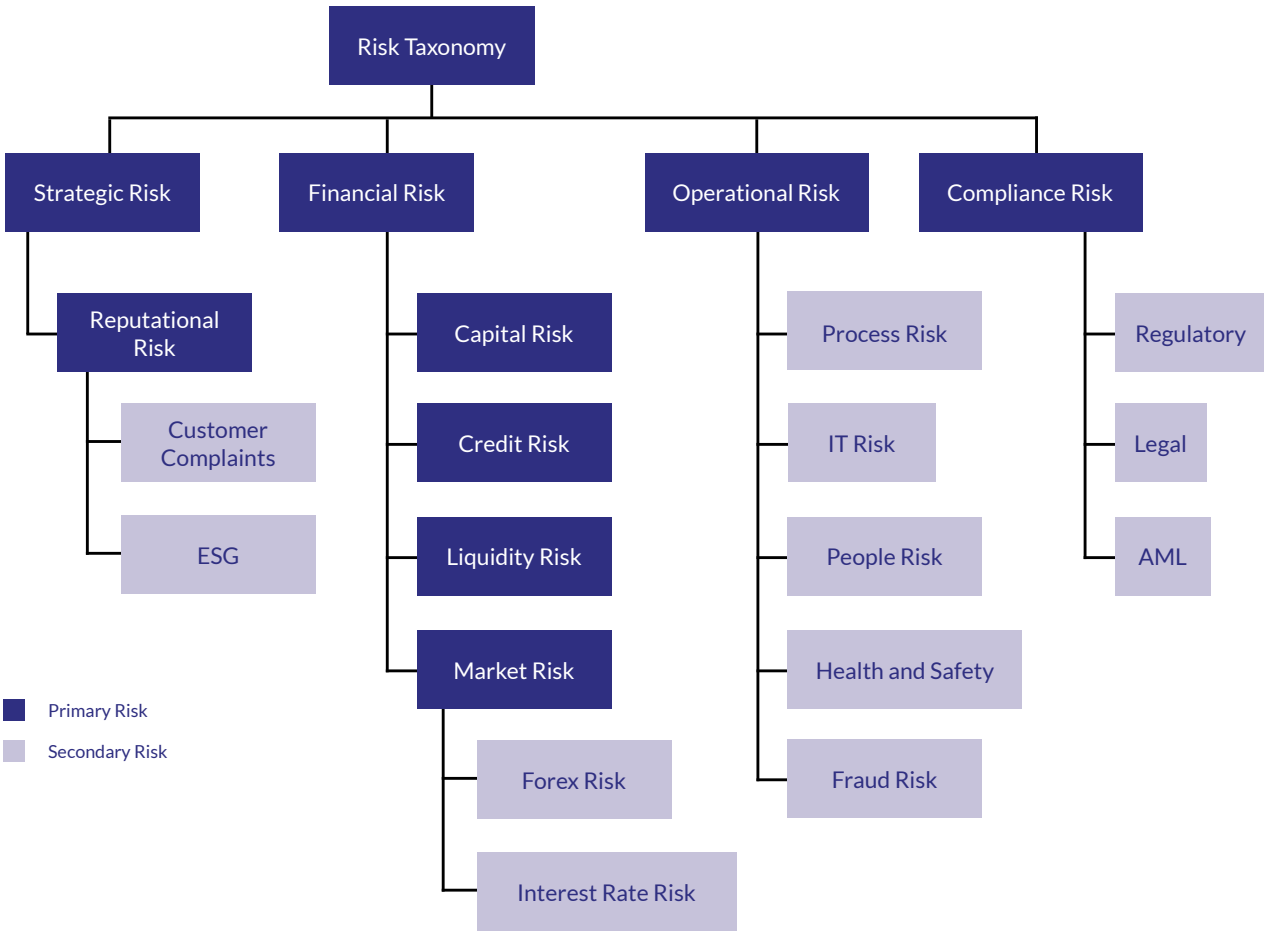
#### 4.14.6 Reputation Management

Internal and external matters that can impact Letshego's 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. LGN adheres to industry-regulated codes of conduct as stipulated by the BoN, NAMFISA and the Registrar of Companies.

#### 4.14.7 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). Also, 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.

**4.14.8 Letshego Risk Taxonomy**

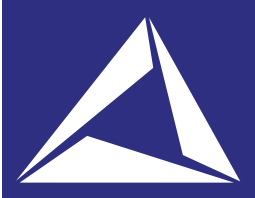
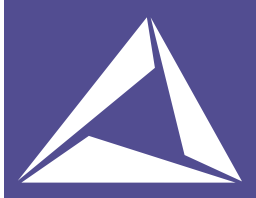
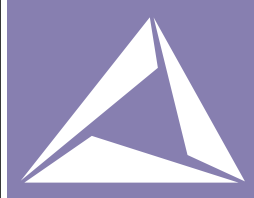
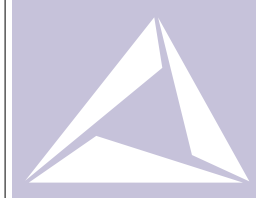


**4.15 NAMCODE ALIGNMENT**

LGN’s Board of Directors remain committed to upholding strong corporate governance, business ethics and integrity. The Board is ultimately responsible for overseeing LGN’s compliance with laws, rules, codes and standards in terms of NamCode and has delegated responsibility to management for the implementation of an effective legal compliance framework and processes, as envisaged by NamCode. As a result, LGN has invested a significant amount of time and resources to bring its Board, Committees and governance structures in line with NamCode and recommended international best practice.

**5. OVERVIEW OF LETSHEGO GROUP NAMIBIA PRODUCT SOLUTIONS**

- 5.1 Letshego Group has four solution offerings. These solutions are people-centric in their design.
- ▶ Firstly, we recognise that every person needs to pay and be paid to engage with their environment.
  - ▶ Secondly, the financially under-served need access to credit and financing to help them grow beyond transacting for basic needs.
  - ▶ Thirdly, once a person is empowered to grow, they need options to save securely for their family’s future.
  - ▶ Fourthly, and above all, the financial inclusion journey should culminate in an improved life, evidenced by better health, work and insurance benefits.

	 <b>LetsPay</b>	 <b>LetsBorrow</b>	 <b>LetsSave</b>	 <b>LetsLive</b>
Customer Centric Solutions	Helping you pay or be paid.	Financing your needs.	Saving for the future.	Improving your life.
Value Proposition	<p>Introducing innovative, technology-driven payment and remittance platforms that enable financial inclusion.</p> <p>This covers daily transactional needs and eliminates the inconvenience of travelling long distances to access physical payment points.</p>	<p>Providing simple and appropriate financial solutions through deduction at source lending, as well as through individual lending to borrowers.</p> <p>Letshego customers are encouraged to use loans productively to improve their lives sustainably through investment in affordable housing, agri-business, education and micro and small businesses.</p>	<p>Letshego encourages its customers to invest money into saving for family needs and aspirations, as well as longer term commitments that will see them improve their lives through income generation or purchasing once off items that are needed for their families.</p>	<p>LetsLive allows our customers to live a life of dignity and prosperity through added micro-insurance and other benefits such as funeral and life cover.</p> <p>Also, LetsLive is about allowing customers to invest in their well being through health and wellness subscriptions, amongst others.</p> <p>In the future, these will extend to wealth and loyalty benefits.</p>
Flexible Options	<p><b>Basic:</b> BoN regulated offering income to customers earning lower than N\$ 2,000.</p> <p><b>Transactional:</b> Pay as you use solution for customers with income higher than N\$ 2,000.</p> <p><b>Staff:</b> Favourably priced transactional solution for all LGN staff members.</p>	<p><b>Deduction at source loan:</b> Loans up to the value of N\$ 50,000 over loan tenures ranging from 6 months to a maximum of 5 years.</p> <p>Other productive lending solutions will be rolled out after we have launched the LetsPay and LetsSave banking solutions.</p>	<p><b>Savings:</b> On demand savings solution that offers above average market returns.</p> <p><b>Term Savings:</b> Investment solutions for customers that are committed and serious about saving over a predetermined timeline.</p> <p>Term savings tenures ranges from 1 month to 12 months</p>	<p><b>Repayment rebates:</b> To reward our lending customers for diligent repayment of deduction at source loans, these customers will be rewarded a rebate on their loan repayments, which will accumulate as a cash benefit that will vest to the customer.</p>

- 5.2 The current product offering in LBN & LMFSN is the LetsBorrow solution which is the deduction at source term loan from 6 months to 60 months to the value of N\$ 50,000 per loan. Government and identified parastatal full time employees are currently eligible for this solution. The features of which include:
- ▶ debt consolidation services;
  - ▶ maximum loan amount of N\$ 50,000 per loan;
  - ▶ permissible number of individual loans per person is up to 6x the amount N\$ 50,000, with maximum exposure at N\$ 300,000 subject to affordability assessments;
  - ▶ the loan repayment periods range between 6 and a maximum of 60 months;
  - ▶ loan eligibility is currently limited to Government and identified parastatal full time employees; and
  - ▶ credit insurance charges.
- 5.3 The banking product solutions that will be offered by the LBN following its launch in the third quarter of 2017, will encourage customers to open a LetsGo transactional account which will be supported by digital channels such as mobile and Internet banking, digital wallets and card solutions.

## 6. OVERVIEW OF LETSHEGO BANK NAMIBIA

- 6.1 LBN is licensed by BoN to conduct banking business in Namibia and is regulated under licence certificate number BIC 011. It was incorporated in Namibia on 16 October 1997 and was initially known as Edu Loan (Pty) Ltd. In 2009, Edu Loan was acquired by LHL, changed its name to Letshego Financial Services (Namibia) (Pty) Ltd and was converted to a public company during 2016 when it also changed its name to Letshego Bank (Namibia) Limited at the time of acquiring its banking licence. It has a network of 2 branches and 14 customer access points across Namibia offering financially inclusive solutions to customers that include the provision of short to medium-term unsecured consumer advances to salaried employees of the public and private sectors.
- 6.2 With the attainment of the banking licence and the approval of a new corporate structure by the BoN, LBN transferred 52% of its loan book to LMFSN, to enable LBN to focus on providing a range of simple and affordable transactional and savings solutions and services that will predominantly target the lower to middle income segments of the working population using leading technology. It is scheduled to launch its retail inclusive finance solutions including savings, payments and lending during the third quarter of 2017. Currently, new loans and top-ups are only issued in LMFSN.
- 6.3 As a group, Letshego's strategy includes building a leading African financial services group which is focused on the low to middle income consumer sector of every economy. The Group aims to do this through creating inclusive finance solutions – for a segment of the market previously un-served by other institutions. Having evaluated the growth opportunities, Letshego believes there is a compelling reason in virtually all its footprint to spur the development of simple, accessible, ethical solutions which create financial empowerment.

- 6.4 To this end, the Group has invested heavily in system implementations and human resources investments that will deliver a highly powerful, integrated and customer servicing infrastructure. This investment will enable the Group to transform its operating model into that of a diversified, innovative financial solutions provider. The first phase of this implementation has been completed and delivered for Letshego Namibia, enabling it to be ready to commence financial inclusion services during the course of 2017. At the same time, the strategy envisions achieving financial inclusion and service diversification in a commercially feasible and responsible way. This is a challenge LGN is confident of succeeding in.

- 6.5 LGN business strategy and mandate positively align with the Government's agenda to promote 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." Key areas of focus include poverty eradication and ensuring the provision of, and access to, basic necessities such as clean drinking water and healthcare for all Namibians. Letshego's brand promise "Let's improve life" aligns with this and is further underpinned by Letshego's Strategic Social Investment focus towards improving livelihoods, health and education of our communities.

- 6.6 LGN will strive to create a financially inclusive society and improve life by enhancing financial education for its customers and the financially underserved in Namibia. In support of this, LBN has signed as a member to the Financial Literacy Initiative (FLI) in an effort to provide access for financial sector customers and other financially under-served groups to receive financial education programmes, to assist them in making informed financial decisions throughout their lives. As part of Letshego's strategic agenda, the business will look to grow its franchise by diversifying into non-government consumer finance, offering savings solutions, providing finance to the micro and small entrepreneur (MSE) segments and financial solutions to the financially underserved segments.

### 6.7 CAPITAL ADEQUACY

- 6.7.1 The BoN has specified a minimum capital amount of N\$ 567m for LBN in order to support its planned operations. At the end of December 2016, the Capital of LBN was N\$ 1.417 billion, which is made up of:
- 6.7.1.1 stated capital and share premium of N\$ 59.6 million;
  - 6.7.1.1 retained earnings of N\$ 1.141 billion;
  - 6.7.1.1 equity settled share based payment reserve of N\$1.6 million; and
  - 6.7.1.1 preference shares of N\$ 215.1 million.

LBN paid two dividends during June and August 2017, which reduced its equity by approximately N\$ 670m.

The preference shares held in LBN are non-cumulative and non-redeemable and as such qualify to be included in Tier 1 capital. The capital adequacy ratio for LBN will then be in the region of 115% from the first day of operation, well above the statutory minimum of 10% and the BoN specified minimum capital amount of N\$ 567m.

- 6.7.2 LBN's capital adequacy process is guided by its Capital and Dividend Policy which provides the framework for managing the Bank's solvency risk. The policy outlines key principles by which key capital investment decisions are identified and implemented in a consistent and structured manner within the Bank as part of the Internal Capital Adequacy Assessment Process.
- 6.7.3 Additionally, the Bank has in place a detailed Capital Plan that presents a comprehensive capitalisation plan in line with the regulatory requirements. According to the capital plan, the Bank's approach to the capitalization process will be driven by its business strategy and risk appetite, taking into account the regulatory environment in which it operates. The Bank's capitalisation objectives include maintenance of a strong capital base to support the development of its business; ensuring adequate capital to meet unexpected losses; complying with the capital requirements of the BoN.
- 6.7.4 The Board of Directors and Senior Management of the Bank are entrusted with the responsibility to regularly review the Bank's risk appetite with a view to ascertain the Bank's ability to maintain a strong capital base that will support the development of its business. The Bank also has in place a dividend plan which indicates that it will declare dividends on an annual basis, subject to:
- 6.7.4.1 its own cash requirements,
  - 6.7.4.2 the minimum capital requirement of N\$ 567m,
  - 6.7.4.3 the Single Party Exposure limit to any party will not exceed 30% of equity,
  - 6.7.4.4 and a minimum of 15% Capital Adequacy Ratio is maintained after declaration of dividends.
- LBN is required to keep its Capital Adequacy ratios higher than Regulatory minimum in line with BoN BID – 5, since the Bank has been operational for less than 3 years.

Indicators	LBN Limits	Regulatory Requirements
Capital Adequacy Ratio	Minimum 15%	Minimum 10%
Tier 1 Capital Ratio	Minimum 9%	Minimum 7%
Leverage Ratio	6%	8%

- 6.7.5 LHL issued a letter of financial support to LBN to show its commitment to ensure that the Bank will remain adequately capitalised at all times.

## 6.8 CREDIT RISK

- 6.8.1 LBN has robust credit risk policies which determine the Bank's lending limits as well as limits on exposures to single borrowers, large exposures and concentration risk.
- 6.8.2 All deduction at source loans are insured as part of the solution offering to clients at the time of extending the loan, with the risk premium covering the total outstanding balance due by the Debtor at the time of write off of the loan – refer to paragraphs 3.4 & 12.5.
- 6.8.3 The total of all exposures outstanding at any time to a single person, or a group of related persons shall not exceed 30% of the Bank's capital funds.

- 6.8.4 The aggregate of all large exposures (i.e. exposures which individually equal or exceed 10 % of the Bank's capital funds) shall not exceed 800% of the Bank's capital funds.

- 6.8.5 Credit Concentration Risk emanates from the fact that the Bank's loan book is heavily concentrated within the Government sector (99.6%), the remainder thereof consists of loans issued to the private sector. As at 31 December 2016, performing loans accounted for 92% of the loan book and non-performing loans (NPLs) were 5% with the remaining 3% being imminent write-offs. The Bank's Portfolio at Risk (PAR 90) at the end of 2016 was 4.9% and the consolidated PAR for the book was 7.7%, above the targeted 5% limit.

## 6.9 LIQUIDITY AND FUNDS MANAGEMENT

- 6.9.1 The Bank has in place a Liquidity Risk Management Policy, a Liquidity Contingency Funding Plan and Interest Rate Risk policies.
- 6.9.2 The Liquidity Risk Management Policy serves to ensure that the Bank maintains effective and on-going liquidity management systems and implements appropriate strategies that provide sufficient liquidity to meet its obligations as they fall due. The policy also specifies the thresholds for liquidity risk limits and indicates the reporting lines for escalation in case of breaches of the limits.
- 6.9.3 The Interest Rate Risk Policy aims to ensure compliance with Basel II and BID-21. The Policy provides for a risk measurement system that can assess the effects of interest rate changes on the Bank's earnings and economic value.
- 6.9.4 The Bank has in place has a comprehensive liquidity contingency funding plan which outlines various steps that should be followed in managing liquidity pressures during a crisis.

## 6.10 BUSINESS CONTINUITY MANAGEMENT PLANS

- 6.10.1 The Bank has put in place a Business Continuity Management (BCM) plans to ensure continued service to customers in the event of a major disaster. The BCM plan enables the Bank to take all reasonable steps in crisis situations to ensure that critical business operations and services are maintained and returned to normal in a planned and prioritised order.
- 6.10.2 The Bank has drawn up a Business Continuity Procedures manual to support the execution of the Business Continuity Plan. The procedure manual shows detailed instructions to be followed and set out clear roles and responsibilities for staff members and lists a series of contingencies that enable key business activities to continue in the event of a crisis or disruption to business.
- 6.10.3 Furthermore, the Bank has an IT Disaster Recovery Plan (DRP) for its Head Office and its Windhoek Branch which details planned backup procedures, network failover procedures, key contacts and alternate location arrangements in case of disaster.

## 6.11 EMPLOYEES

The Bank currently employs 94 staff, who are also outsourced to LMFSN in terms of an SLA – refer to details thereof in Material Contracts in paragraph 28.

## 7. OVERVIEW OF LETSHEGO MICRO FINANCIAL SERVICES NAMIBIA

- 7.1. LMFSN was incorporated on 7 April 2016 and obtained its microlending license in August 2016.
- 7.2. With the attainment of LBN's banking licence and the approval of a new corporate structure by the BoN, LBN transferred 52% of its loan book to LMFSN effective on the 11th of September 2016. This restructure resulted in the micro-lending entity inheriting loans with a shorter time-to-maturity (remaining tenure) in comparison to those in the Bank. Currently, new loans and top-ups for the Deduction at Source business are only issued in LMFSN, and by virtue of this set-up, customers gradually migrate to the LMFSN book thereby making it a very active book with an exceptionally high growth rate.
- 7.3. LMFSN operations are regulated by NAMFISA through the Usury Act, Exemption notice 189, under license no. 21/2001. Core to the business is the granting of unsecured term loans which instalments are collected through a deduction code. This is administered by Avril Payment Solutions (APS), appointed by the Ministry of Finance. The affordability rules of the deduction code stipulate that a client should take home 35% of his/her gross salary or N\$ 750 whichever is the higher amount, however the Company applies a more conservation rule of 35% of gross salary or N\$ 1,200, whichever is higher.
- 7.4. The loan book of LMFSN is currently pledged to the LHL Group borrowing facilities, as security for the LHL Medium Term Note Programme ("MTNP") floated by LHL on the Johannesburg Stock Exchange (JSE), the Botswana Stock Exchange (BSE) and certain other debt facilities. The MTNP in issue is for a combination of fixed and floating rate notes which mature at various dates between September 2017 and November 2027.
- 7.5. LMFSN is providing short to medium-term unsecured advances to the customers that were previously served by LFSN before it became LBN. All loans are insured as part of the solution offering to clients at the time of extending the loan, with the risk premium covering the total outstanding balance due by the Debtor at the time of write off of the loan.
- 7.6. LMFSN and LHN conducts insurance business under a Master Credit Policy, where the underwriter is Hollard Life Namibia Limited and Hollard Insurance Company of Namibia Limited "Hollard" an affiliate of Hollard Alternative Risk Transfer (Pty) Ltd (HART). The policyholder is LMFSN and LHN and covers the risk of loss of money due to the failure of such debtor to pay his or her debt when due or payable.
- 7.7. Hollard administers two cell captives on behalf of LMFSN and LHN.

- 7.8. The above arrangements cover the risk premium on Short term, underwritten by Hollard Insurance Company of Namibia Limited and Life insurance underwritten by Hollard Life Namibia Limited and are incorporated in the solutions offered to clients when taking out a Loan. All loans advanced are unsecured and the insurance covers the risk of loss, due to the failure of any debtor to pay his or her debt.

### 7.9 CREDIT RISK

- 7.9.1 Due to the historical business model of offering payroll loans to government employees, LMFSN has high credit concentration risk, with 99.7% of the loans concentrated in the Government sector and 0.3% of the book for non-government (private) clients.
- 7.9.2 The Deduction at Source methodology reduces credit risk with a consolidated Portfolio at Risk (PAR) of 2% for the year ended 31 December 2016. As at end of Q1 2017, 98% of LMFSN's book consisted of performing loans, 1.4% were NPLs and 0.7% were write-offs.
- 7.9.3 Credit Administration is being enhanced through the sourcing of alternative credit collection methods such as debit orders as well as a revamped in-house Call Centre.

### 7.10 EMPLOYEES

The day to day functions of LMFSN are currently outsourced to LBN in terms of a SLA – refer to details thereof in the Material Contracts in paragraph 28.

### 7.11 BRANCH NETWORK

LMFSN boasts one of the largest footprints in the country within the micro-consumer lending industry. Currently, LHN has 16 customer access points spanning the width and breadth of the country. These are; Windhoek, Okahandja, Otjiwarongo, Grootfontein, Eenhana, Outapi, Gobabis, Katutura, Keetmanshoop, Rundu, Swakopmund, Walvis Bay, Ondangwa, Opuwo, Katima Mulilo and Oshakati - refer paragraph 3.9.

LMFSN has a Call Centre as well as our soon to be launched mobile lending services, which will extend the services of the organisation into areas where there is no physical branch presence.

### 7.12 BUSINESS CONTINUITY MANAGEMENT

LMFSN views Business Continuity Management (BCM) as a fundamental part of its ability to protect its staff and fulfil its fiduciary responsibilities to clients.

LMFSN has implemented a BCM plan with a strong governance model and commitment from the Board and Senior Executive Management. The planning process is risk based and involves the understanding and prioritisation of critical operations across the country, the anticipation of probable threats and the proactive development of strategies to mitigate the impact of those events.

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## 8. SOCIAL IMPACT OF LGN

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### ENVIRONMENTAL, SOCIAL AND GOVERNANCE AGENDA

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# AFRICA'S LEADING INCLUSIVE FINANCE GROUP

At Letshego, we are intent on operating a profitable business on a sustainable basis and we are committed to contributing to Africa's growth and prosperity, as well as to improving the lives of our customers. Letshego's vision is to become Africa's leading inclusive finance group.

We have recognised 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 (ESG) related risks.

To facilitate a better understanding of these risks, Letshego undertook a social and environmental due diligence (SEDD) on key subsidiaries, including Namibia, in 2015 and 2016. No red flags were identified and we were classified as a Category FI-3 investment grade according to the World Bank and IFC Guidelines (Interpretation Note on Financial Intermediaries).

In addition, we embarked on a social impact assessment by means of a customer survey. The objective was to better understand the Letshego customer base, and to feed this information back into the Enterprise-wide Risk Management (ERM) framework. This framework is used to inform business strategy, develop innovative products and ensure adherence to the objectives of becoming Africa's leading inclusive finance group.

To this end key indicators stemming from the analysis of social data collected have been identified, which suggested positive social impact. These indicators have been incorporated into a social scorecard which is currently being rolled out to each subsidiary. The objective of using a social scorecard is to continue to measure these indicators at business level, and to track financial and social performance across the Letshego group.

**8. SOCIAL IMPACT OF LGN (CONT'D)**

# KNOWING OUR CUSTOMER

## MODEL OF SOCIAL IMPACT

Sphere of influence: Letshego Namibia



**Input:** Resources



**Activity:** Loan Approval



**Output:** Loan Issue

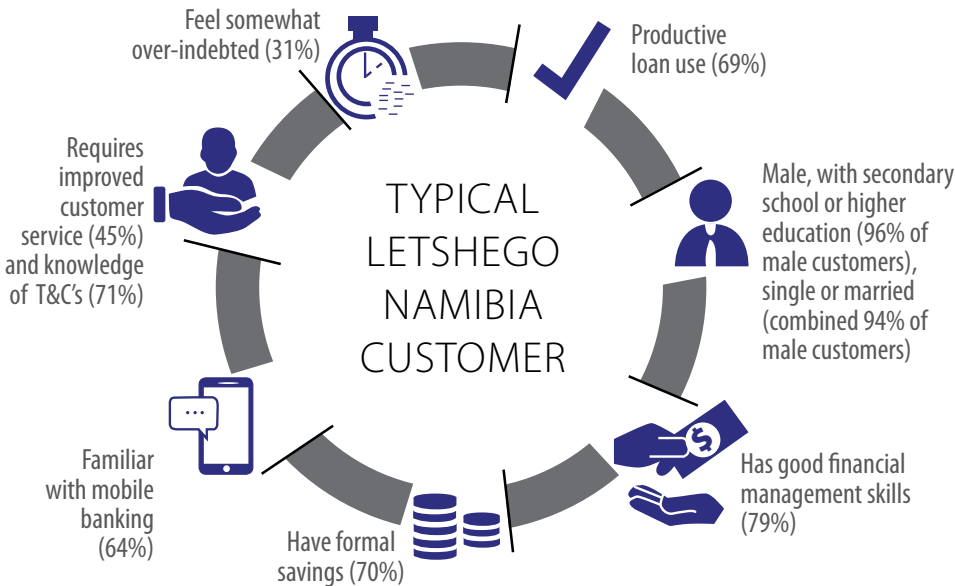
Sphere of Outcome and Impact: Customer



**Outcome:** Loan use and loan repayment



**Impact:** Improve living conditions, self reliance and economic activity



### PRODUCTIVE LOAN USE



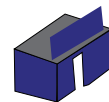
**AFFORDABLE HOUSING**

29% Namibia  
22% Group



**EDUCATION**

13% Namibia  
8% Group



**MSE BUSINESS**

4% Namibia  
12% Group



**AGRI BUSINESS**

12% Namibia  
13% Group

### UNPRODUCTIVE LOAN USE



31% Namibia  
40% Group

## SURVEY INSIGHTS

Customer: Highest Social Risk

- Consumptive loan use;
- Limited education;
- Cohabitation linked to increase default on loans;
- More than 4 dependants;
- No formal savings;
- Feel very over-indebted;
- Some lack realisation they are over-indebted.

Customer: Highest Social Impact

- Women;
- Rural customer;
- 3+ repeat loans;
- Productive loan use;
- Using Letshego to save;
- Access solutions quickly;
- Well informed of T&C's and Letshego solutions.

## UNDERSTANDING OF CUSTOMER PROFILE AND LOAN BEHAVIOUR THAT MAY INFLUENCE OUTCOMES AND IMPACT

Limited

Optimal



**Before 2016**  
Customer application preview



**2016**  
Customer baseline survey and social performance scorecard



**2020**  
Social performance monitoring, increased awareness, financial literacy and productive loan use

## 8. SOCIAL IMPACT OF LGN (CONT'D)

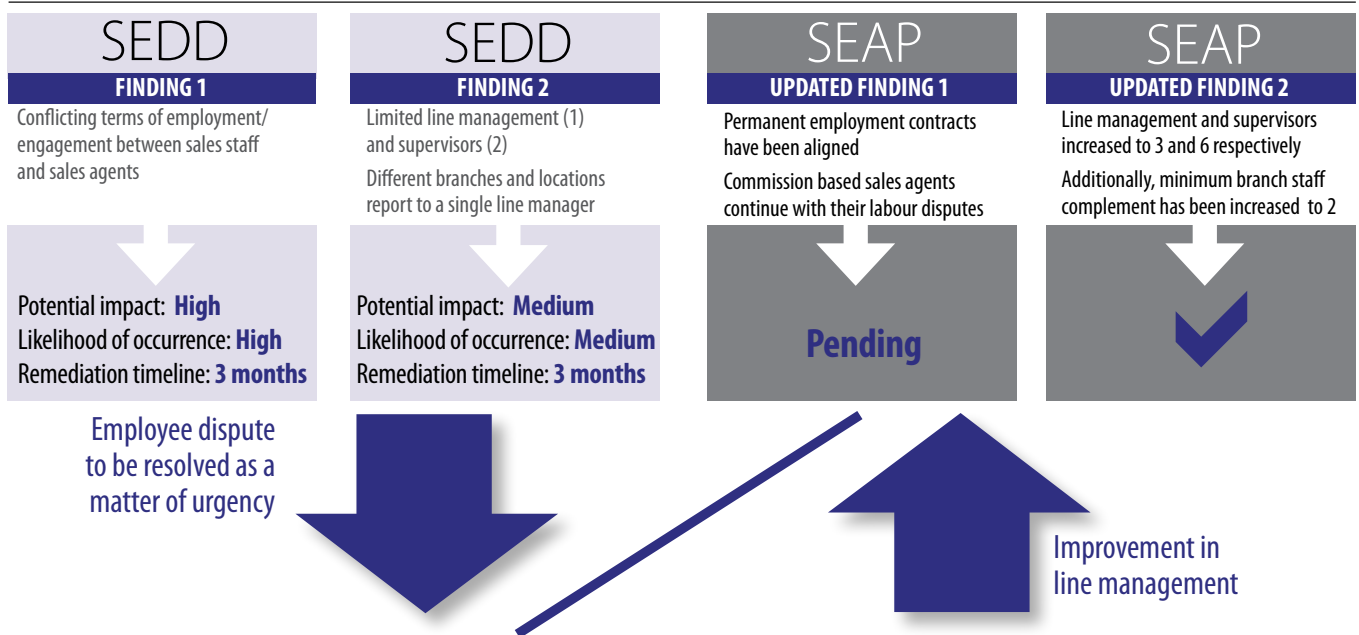
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMPLIANCE:

### Independent third party ESG review by EBS Advisory Pty Ltd

Following from Social and Environmental Due Diligence (SEDD) on Letshego Group, a review of the Social and Environmental Action Plan (SEAP) was conducted in 2017 to confirm close out of issues

### Framework

IFC Performance Standards  
 IFC note on Financial Intermediaries  
 UNEP Statement of Commitment by Financial institutions on Sustainable Development  
 The Client Protection Principles  
 UN Global Compact  
 ILO  
 Local minimum standards



## DEVELOPMENT OF A SOCIAL IMPACT SCORECARD: DEFINED INDICATORS TO BE MONITORED AS WELL AS TARGETS FOR SOCIAL PERFORMANCE

### CUSTOMER PROFILE



Gender;  
 Marital status;  
 Savings;  
 Educational level;  
 Residence.

ACCESS TO FINANCE

### Behaviour

Loan use productive or consumptive;  
 Loan repayment/default;  
 Savings;  
 Repeat loans.

### OUTCOMES MONITORED

### Perception

Letshego's contribution to improved quality of life;  
 Customer service;  
 Financial literacy;  
 Perceived over - indebtedness.

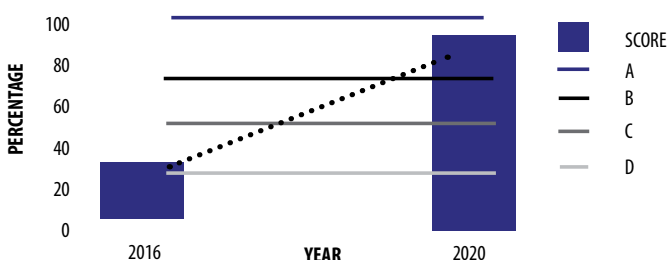
PERFORMANCE EVALUATION

### IMPACT



Improved levels of financial inclusion;  
 Increased levels of disposable income;  
 Increased levels of savings;  
 Improve access to solutions.

### LETSGEGO TARGETED OBJECTIVES REGARDING FINANCIAL INCLUSION (measured against internal scorecard)



Namibian Social Scorecard Focus Areas	LHL Group	Rating LHL Group	Letshego Namibia	Rating Letshego Namibia
Access	40%	C	36%	C
Affordable Housing	37%	C	29%	C
Agricultural Business	28%	C	29%	C
Education	31%	C	33%	C
MSE Business	29%	C	31%	C
Improving Life	58%	B	20%	D
<b>Total Score</b>	<b>37%</b>	<b>C</b>	<b>30%</b>	<b>C</b>

## 9. OVERVIEW OF LETSHEGO GROUP

- 9.1 Over the last eighteen years, Letshego has expanded across Africa from its origins in Botswana. For the year ended December 2016, the Group reported Profit Before Tax of BWP948 million against a 6% increase in gross loans and advances.
- 9.2 LHL holds 85% of the issued share capital in LHN and is incorporated in the Republic of Botswana. Its equity is listed on the BSE under the abbreviated name “Letshego Holdings Limited”, share code “LETSHEGO” and ISIN BW 000 000 0322. The remaining 15% of LHN’s shareholding is held by Kumwe, a company incorporated in Namibia.
- 9.3 Letshego Holdings Limited was incorporated in 1998, is headquartered in Gaborone and has been publicly listed on the Botswana Stock Exchange since 2002. Today it is one of Botswana’s largest indigenous groups, with a market capitalisation in excess of USD500m, placing it in the top 40 listed sub-Saharan African companies (excluding South Africa), and with an agenda focused on inclusive finance. Through its eleven country presence across Southern, Eastern and Western Africa (Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania and Uganda), its subsidiaries provide simple and appropriate consumer, micro finance and savings solutions to the financially underserved.
- 9.4 Letshego is committed to skills development. The Group employs over 3000 team members, representing more than 20 nationalities, servicing a customer base of over 360,000 borrowers and 100,000 depositors through 315 customer access points across Africa.
- 9.5 The Group’s inclusive finance agenda is focused on providing underserved customers with access to simple and appropriate financial solutions. These broad based, innovative and competitively priced solutions include loans between US\$50 and US\$60,000, appropriate to its customers’ every day needs, mainly through the Deduction at Source payroll model.
- 9.6 Letshego diversified its offering in 2012 through the acquisition of Micro Africa Limited in East Africa – providing loans to micro and small entrepreneurs (MSEs), collective groups as well as to low and middle income earners. The MSE portfolio continues to steadily grow - as at December 2016, the total MSE finance book stood at US\$ 71million.
- 9.7 The Group has deposit-taking activities in Ghana, Mozambique, Namibia, Nigeria, Rwanda and Tanzania. Overall, the Group’s solutions encompass savings, borrowings, payments and micro-insurance across the following countries:
- 9.7.1 Ghana – Finance House license
  - 9.7.2 Namibia – Commercial Banking License and Microlending Licence
  - 9.7.3 Mozambique – Commercial Banking License
  - 9.7.4 Nigeria – National Micro-finance Banking License

9.7.5 Rwanda – Micro-finance Banking License

9.7.6 Tanzania – Commercial Banking License

The Group continues to seek deposit-taking licenses to facilitate its financial inclusion agenda in other countries.

9.8 The Letshego Group’s brand, now refreshed in ten of its markets, is trusted across Africa and is known for being responsive to customers’ needs. Letshego is committed to responsible and ethical lending as well as full regulatory compliance in all its countries of operation.

9.9 The Group has continued to achieve a number of key milestones in its transformation agenda towards creating Africa’s leading inclusive finance group and continues to invest in expanding its African footprint and technology delivery platforms. The delivery of this strategy centres on four pillars:

### 9.9.1 Embrace Financial Inclusion

Letshego continues to progress its inclusive finance agenda through engaging stakeholders, and advocating enabling financial inclusion policies as well as piloting agricultural, educational and affordable housing lending projects. It supplements this with a financial literacy program across key customer segments and into communities in which it operates. Letshego is an active contributor to public-private dialogue with Alliance for Financial Inclusion (AFI), a global body of financial regulators focused on financial inclusion, of which Letshego is the sole African private sector partner.

### 9.9.2 Grow the Franchise – Invest and Diversify

Letshego continues to grow in its existing territories and diversify into new African markets. Subsequent to the Nigeria and Tanzania acquisitions, Letshego acquired a Ghanaian non-bank financial institution (currently engaged in lending to the formally employed sector) bringing the total country footprint to eleven, and marking its second entry into West Africa. Further, the Group fully acquired its Namibian banking license in 2016. Also, progress has been made in developing key “fintech” and other strategic relationships. This is all underpinned by continued investment in Letshego’s people and systems.

### 9.9.3 Enhance the Customer Experience - Deliver Simple and Appropriate Solutions

Mozambique and Rwanda are now live with USSD mobile financial services, with card services to be introduced in Mozambique and Namibia in 2017. A number of initiatives to integrate and improve our customer offering have resulted in solutions cutting across the affordable housing, agri-business, education, health, and micro-business sectors. In

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## 9. OVERVIEW OF LETSHEGO GROUP (CONT'D)

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Kenya, Letshego offers mobile micro loans (with 72,000 loans disbursed since launch) and plans are underway to launch the solution in Ghana and Rwanda in 2017 through Mobile Network Operator (MNO) partnerships. Letshego has enhanced its sales delivery model, increasing both accessibility and customer-needs driven service standards across its footprint.

### 9.9.4 Embed the Future Capability Model – Provide Access Anytime, Anywhere

Letshego has invested in innovation in order to provide access anytime, anywhere for customers. This includes the piloting of third party agency banking in Mozambique, and mobile banking, payment and internet banking solutions, soon to launch in Mozambique, Namibia, Rwanda and Tanzania. Across the Group, a core IT system has been implemented in addition to a standardised enterprise risk management framework.

9.10 Social responsibility and sustainability are integral parts of Letshego's business. The Group seeks to address social, environmental and ethical concerns in close co-operation with all its stakeholders.

### 9.11 LETSHEGO:

- supports projects that are apolitical and are not driven by self-interest agendas;
- has created a culture in which employees give back to the community in partnership with other stakeholders – “LetsGive Days”;
- has flagship multi-year Strategic Social Investment programs focused on identifying and supporting practical innovation in tackling Non-Communicable Diseases (NCDs). This is part of the Group's commitment to improving lives, and was launched in 2015 with projects in Kenya and Rwanda underway. Projects in Botswana and Uganda are due to start in 2017;
- The Group commits up to 1% of Profit After Tax annually for investment into programs where real needs exist in the health and education sectors and where productive livelihoods can be promoted.

9.12 The Group's inclusive finance agenda is focused on providing financially under-served customers with access to simple and appropriate financial solutions. Letshego's solutions are broad-based, innovative, competitively priced and customer-needs driven. Letshego serves a variety of financial needs to three key customer segments: micro and small entrepreneurs (MSEs), public and private sector low and middle income earners and individuals in the informal market.

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## 10. PDN PROFILE OF LHN - ECONOMIC EMPOWERMENT

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10.1 Kumwe is a broad-based PDN empowerment group striving for the economic empowerment of Namibians. “Kumwe” means “pulling together” which forms the basis of the company's activities of ensuring greater participation in the economy by previously marginalised individuals. The company's focus rests on sustaining economic growth, employment creation, reduction of income disparities and poverty eradication.

10.2 Kumwe currently has a 15% stake in LHN and focuses on investing in projects within the financial services and information technology sectors where it believes there are untapped opportunities for wealth and job creation. The company enters these sectors through direct investment or part ownership of the business enterprises. 3% of Kumwe's existing shareholding will be available for sale in terms of this offer. Post listing, Kumwe will hold 12% of LHN.

10.3 The Constitution of the Republic of Namibia in Article 23(2) and (3) and Article 95(a) mandates Parliament to enact legislation providing directly or indirectly for the advancement of persons within Namibia who have been socially, economically and educationally disadvantaged by past discriminatory laws or practices; or for the implementation of policies and programmes aimed at redressing social, economic or educational imbalances in Namibian society arising out of discriminatory laws or practices.

10.4 There is currently no general PDN or general black economic empowerment legislation in Namibia.

10.4.1 The Namibian Government, however, strives to create equal employment opportunities, improve conditions for the historically disadvantaged, and eliminate discrimination. The Namibian Government provides guidance on implementing affirmative action in the work place and the Affirmative Action (Employment) Act, 29 of 1998 provides for the preferential treatment of designated groups, being racially disadvantaged persons, women and persons with disabilities in the workplace.

10.4.2 The Government actively encourages partnerships with historically disadvantaged Namibians. Although the Government does not have a codified Black Economic Empowerment (BEE) programme, the Ministry of Labour and Social Welfare's Equity Commission requires all firms to develop an affirmative action plan for management positions and to report annually on its implementation.

10.4.3 The strategic policy thrust of the New Equitable Economic Empowerment Framework (NEEEF), published by the Government during 2015, will be centred on five key pillars: (a) ownership, (b)

## 10. PDN PROFILE OF LHN - ECONOMIC EMPOWERMENT (CONT'D)

- management, control and employment equity (c) human resource and skill development, (d) entrepreneurship development and (e) community investment. The aim of the NEEEF is to provide a clear overarching policy framework into which all other policies will slot. The NEEEF will supersede all other transformation and empowerment policies of Government as well as provide the framework within which all private sector initiatives, past and future will be expected to conform.
- 10.4.4 In support of this objective, especially around the pillar on ownership, the Bank of Namibia requires LHN to obtain 45% local ownership, within 4 years of the issue of the license to LBN. In support of this objective, NAMFISA is also forging ahead in this direction as indicated by its current draft of the Microlending Bill, in which there is a requirement that all microlender institutions be 100% locally owned.
- 10.4.5 To implement the National Equitable Economic Empowerment Framework, the Government has published the National Equitable Economic Empowerment Bill, 2015, which has however been referred back for revision after consultative meetings with the public and industry leaders.
- 10.4.6 The Namibia Financial Sector Strategy: 2010 -2020 aims to have financial institutions owned and controlled by Namibians and the Government of Namibia urged the financial sector to become more inclusive. The aim is that, by 2020 local financial institutions shall be at least 49% owned by Namibians and that the Boards of Directors and management of financial institutions shall be made up of at least 80% Namibians;
- 10.4.7 In his budget speech delivered on 8 March 2017, the Minister of Finance once again placed great emphasis on the importance of financial inclusion reforms and alluded to contemplated legislation aimed at improving Namibian ownership in the sector.
- 10.4.8 LHN is taking the lead in offering improved financial inclusion by making available more shareholding to the general Namibian public by this offering.

## 11. PROSPECTS [6(9)]

11.1 It is anticipated that LGN will demonstrate continued growth.

11.2 LGN's strategic intent is to build a leading Namibian financial services Group with a focus on inclusive finance. To achieve this ambition, LGN has identified four strategic imperatives, and is building its capabilities to deliver on this.

### 11.2.1 Embracing financial inclusion

LGN believes that driving an inclusive finance agenda is the catalyst to achieving broad based economic development and poverty eradication and therefore financial inclusion forms an integral part of its strategy.

Key focus areas to promote Letshego Namibia's inclusive finance agenda:

- Promoting financial literacy initiatives
- Encouraging Namibians to develop their technological abilities and support the use of technology
- Introducing customer focussed solutions
- Encouraging productive loan use
- Embed a social impact scorecard

### 11.2.2 Grow the franchise

The Company's brand and balance sheet growth have been built on providing loans to government employees and its success with this Deduction at Source model has allowed it to expand into adjacent sectors and initiate diversification strategies.

As a holder of a commercial banking licence, LBN will soon launch platforms that will enable it to offer broader based and more financially inclusive customer services through its diversification into non-government consumer lending, payment and savings solutions, as well as providing financial solutions to the micro and small entrepreneur (MSE) segments.

With an existing consumer-lending customer base secured through its Deduction at Source lending business, it will deploy a robust approach to converting its existing customers to deposit taking customers.

Leverage that will enable LGN to deliver sustainable, future growth through its diversification strategy:

- **Government and regulators** – LGN works closely with Government and regulators to facilitate and advocate for the enhancement of regulatory frameworks that are conducive to building its business and the financial services sector.
- **Agency channels** – Agency channels refer to access points and third party entities with established infrastructures that enable it to access markets that it does not typically serve, at a reduced cost.

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## 11. PROSPECTS [6(9)] (CONT'D)

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- **Building internal capacity** – LGN recognises that it is crucial to engage in an effective change management programme with its staff in order to drive alignment across the organisation. Consequently, LGN's leadership and managerial teams have been strengthened with appropriate skills to gear its business throughout its diversification journey.

### 11.2.3 Enhance customer experience

LGN's brand is championed by its people and their sense of loyalty and pride in Letshego ensures a continued and exceptional customer experience. LGN will endeavour to deliver this same level of customer experience by identifying opportunities to increase market share through enhanced marketing campaigns and consumer solutions.

The key thing is for LGN to know its customers and to ensure that its lines of communication between them and LGN remain available and easily accessible. LGN seeks to understand their particular needs and provide innovative solutions to their individual requirements.

LGN will embark on specific initiatives to deliver on its uniquely Letshego customer experience by:

- **Building a reputable brand**
  - The Company of the future will offer simple, appropriate and accessible solutions, thereby providing access to funding to those who may previously not have had access to finance from formal institutions. Remaining true to LGN's brand promise, "Let's Improve Life", Letshego will launch its Improving lives campaign to embed continued awareness of productive lending and the detrimental effects of consumptive lending.
- **Encourage digital communications platforms usage**
  - LGN's website and social media platforms will continue to add to its customers' experience by providing them with convenient, permanent access to simple but valuable information on LGN's products and services, as well as methods of engaging with Letshego.
- **Defining and embedding LGN's customer engagement journey**
  - As LGN embarks on its diversification journey, so too the need arises to take its customers on this journey with it. Letshego Bank Namibia

will roll out a customer engagement plan that defines its messaging and engagement with our customers from onboarding stage, through to educating the customer on all solutions and access channels.

- **Optimising data analytics** – With mining and analysing of LGN's existing customer data at its disposal, LGN believes it will not only be able to predict and understand its customer needs better, but also assess the sales impact of marketing initiatives and as a result focus on initiatives that render a higher return on investment.

### 11.2.4 Embed a future capability model

The importance of mobile technology to the financial services sector cannot be underestimated as it is increasingly becoming the most effective way to provide financial services to the population. With emerging digital technologies disrupting conventional approaches to accessing financial solutions, it is imperative that Letshego Bank positions itself to in this regard.

LGN has identified key enablers to ensure that it deploys a business model that speaks to its changing financial landscape:

- **Strategic partnerships** – Leveraging strategic alliances with established, experienced and reputable partners within existing and potential markets is an integral part of LGN's diversification strategy. Its strategic partners have the requisite experience, capabilities and influence within the markets in which they operate. Partnering with them therefore offers numerous synergies for Letshego.
- **Mobile Network Operators (MNOs)** – MNOs provide the infrastructure, technology and channels to market that enable LGN to provide mobile financial services to its customers. This is in line with LGN's strategic objective of providing "Access, Anytime, Anywhere."

**Access Points** – Not discounting LGN's existing branch network, LGN will continue to partner with local companies to provide additional access points to bring financial services to its customers, in line with successful models which have been deployed in other African countries. LGN has begun to identify potential partners and sees this as a unique opportunity to compete with institutions that typically have larger and less flexible infrastructure to maintain, thereby putting greater pressures on the ability of competitors to deliver on inclusive financial services.

## 12. RISKS

The major risks facing the Company, which applicants need to be aware of, are included below in no particular order.

### 12.1 PLEDGE OF THE LOAN BOOKS OF LMFSN

The loan book of LMFSN is currently pledged to the LHL Group borrowing facilities, as security for the LHL Medium Term Note Programme ("MTNP") floated by the holding company on the Johannesburg Stock Exchange and certain other debt facilities.

### 12.2 RENEWAL OF PAYROLL DEDUCTION CODES

Both LBN and LMFSN are reliant on the Government Deduction Codes for the collection of payroll loans directly off the Government centralised payroll system. These Deduction Codes are administered by Avril Payment Solutions (APS) and issued by the Ministry of Finance. LMFSN's deduction code has been renewed for a further period of 5 (five) years, and will need to be renewed before July 2022.

Should either of these Deduction Codes not be renewed in 2022, this could adversely affect the ability of the respective companies to collect monthly payments from Government employees from the payroll source and alternative collection channels would need to be implemented to avoid a deterioration in the collection rates. LGN however believes that the pro-active role taken to comply with the Namibian Government's policy of financial inclusion and improved broad based Namibian ownership and management will improve its prospects of successfully and consistently renewing its deduction code agreements with the Ministry of Finance.

### 12.3 REDUCED INTEREST RATE CAPS PROPOSED IN MINISTRY OF FINANCE DEDUCTION CODE GUIDELINES

The Ministry of Finance has issued guidelines to introduce regulations for reduced interest rate caps that will apply to the businesses of LBN and LMFSN as payroll deduction code holders. LBN lending rates are currently capped at 1.6 x the Prime Interest Rate, whilst LMFSN maximum lending rate is capped at 2 x the Prime Interest Rate as per the Usury Act. Any change requiring the lowering of either of these interest rate levels would impact on the margin and hence the future profitability of the aforementioned entities. The business is pro-actively engaging with the Ministry to manage any potential changes and the impact thereof.

### 12.4 LOCALISATION RULES IMPOSED BY THE BON, NAMFISA AND THE MINISTRY OF FINANCE

Currently, the business is subjected to different localisation requirements by regulators, thereby exposing LGN and its subsidiaries LBN & LMFSN to compliance risks in fulfilling the aforementioned requirements.

The granting of the banking license to LBN by the BoN is conditional on the Company achieving a minimum of 45% Namibian shareholders within 4 years of obtaining the banking license.

Currently NAMFISA does not prescribe any localisation requirements for LMFSN, however, the Microlending Bill, possibly due for promulgation in the near future requires 100% local ownership of microlending entities.

The localisation requirements are the main reason for this Offer to the public on the NSX.

Whilst existing Legislation does not prescribe specific localisation requirements, it is expected that the Regulators will continue to recommend increased localisation of management and ownership of the Company.

### 12.5 GENERAL CREDIT INSURANCE ARRANGEMENTS

LMFSN and LHN conducts insurance business under a Master Credit Policy, where the underwriter is Hollard Life Namibia Limited and Hollard Insurance Company of Namibia Limited "Hollard" an affiliate of Hollard Alternative Risk Transfer (Pty) Ltd (HART). The policyholder is LMFSN and LHN and covers the risk of loss of money due to the failure of such debtor to pay his or her debt when due or payable.

Hollard administers a two cell captives on behalf of LMFSN and LHN.

The above arrangements cover the risk premium on Short term, underwritten by Hollard Insurance Company of Namibia Limited and Life insurance underwritten by Hollard Life Namibia Limited and are incorporated in the solutions offered to clients when taking out a Loan.

All loans advanced are unsecured and the insurance covers the risk of loss, due to the failure of any debtor to pay his or her debt.

### 12.6 TRANSFORMATION RISK

The business is undergoing a transformation through its strategy for growth, performance and returns. This diversification impacts LBN's business operations to a greater extent in comparison to LMFSN, where for the micro-lending entity, a business-as-usual scenario is

## 12. RISKS (CONT'D)

assumed. Following the attainment of the banking license, it is important for LBN to effectively manage compliance risks arising from increased regulatory requirements from BoN. Further, LBN needs to ensure that operational costs associated with upgrading banking infrastructure for the deposit-taking branches, Windhoek and Katutura, as well as the country-wide branch network are closely aligned to budget.

The business has experienced system downtime of key applications from time to time, particularly within the microlending entity, giving rise to risks surrounding the possible inability of LGN's IT infrastructure to adequately support banking operations upon commencement. As a mitigating action towards this risk, management has prioritised its capital investment in IT infrastructure by inter alia increasing data 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 incidents of data and financial loss.

From a human capital perspective, LBN is exposed to risks related to attracting and retaining a competent workforce that will be able to steer the company towards attaining its strategic goals, on the backdrop of keeping operational costs at a minimum during the first few years of full banking operation. The business also relies on outsourced services. LGN has robust staff development and training strategies as well as incentives in place to manage the risk. In addition, LGN has forged partnerships with prominent players in the market to ensure the company's objectives are achieved.

### 12.7 TRANSFER PRICING AND TAX RISK

Currently LGN is exposed to intra-group transfer pricing and has service level agreements in place (refer material contracts in paragraph 28) and is constantly monitoring these within the applicable regulatory framework to ensure clarity, certainty and consistency with regard to the pricing and tax implications thereof.

This is further necessitated by the fact that the local corporate structure has changed significantly to align with banking governance requirements and as a result, certain key functions which were typically carried out by LHL have been localised to a greater extent and therefore the evaluation of services in terms of pricing thereof has become ever more crucial and is under review.

### 12.8 NAMIBIAN ECONOMY

Currently, the economy is under pressure and continued underperformance of exports, a widening of the current account deficit and failure to execute fiscal consolidation measures could result in a credit ratings downgrade for the Country. High unemployment rates in Namibia, at approximately 30%, and the freezing of vacancies in the public sector give rise to social and political risks which could adversely impact LGN's credit administration procedures. Slowing real economic growth in the economy can impact upon the operations of both LBN and LMFSN.

### 12.9 CYBERCRIME

The risk of cybercrime has been increasing worldwide and the Namibian market has been pin-pointed amongst the African countries as being highly susceptible to this risk as cyber-attacks evolve and become more sophisticated in nature. This poses serious operational risk to the business, particularly with the IPO and launch of the Banking operations of LBN, which are expected to raise the public profile of Letshego.

Although currently this risk is considered moderate / high, mitigating actions incorporated by LGN include, inter alia, the implementation of secure information technology infrastructure and leveraging on Group-wide information technology policies, procedures and security measures.

## 13. MAJOR AND CONTROLLING SHAREHOLDERS AND SHAREHOLDER SPREAD

- 13.1 As at the last practicable date, the following shareholders are interested in more than 3.5% of the issued share capital of LHN before listing:

Name of shareholder	Shares held	Percentage held
Letshego Holdings Limited	425,000,000	85%*
Kumwe	75,000,000	15%

\*0.5% of the shares in LHN are held by individual nominee shareholders on behalf of LHL.

- 13.2 LHN is 85% owned by LHL and 15% owned by Kumwe.
- 13.3 Kumwe has been in existence since 1998. Kumwe, one of the pioneer and premier empowerment groups, was launched at the time of announcing the share equity participation scheme

in MMI Holdings Namibia. Kumwe's primary goal is to make equity investments in strategic financial and information technology companies. It is an association of people, organisations and institutions voluntarily united to achieve common goals.

- 13.4 There is a written sale and purchase agreement and a written shareholders' agreement between Kumwe and LHL which will terminate on listing. The only terms which will survive from this shareholders agreement post listing are a lock in agreement, whereby both Kumwe and LHL have restricted their rights to dispose of their remaining shares for a period of one year. Subsequent to this initial year, only LHL will have a further lock in, whereby they cannot sell more than 1/3 of their shareholding in year 2 and year 3 post-listing, subject to being able to meet the BoN requirements outline in paragraph C.2.1.

## 13. MAJOR AND CONTROLLING SHAREHOLDERS AND SHAREHOLDER SPREAD (CONT'D)

13.5 Subsequent to the proposed listing of LHN on the NSX, the shareholding of the current shareholders that are interested in more than 3.5% of the issued share capital of LHN is expected to change as follows:

Name of shareholder	Shares held	Percentage held
Letshego Holdings Limited	340,000,000	68%
Kumwe	60,000,000	12%
NSX free-float	100,000,000	20%

Note: The NSX requires a minimum free-float of 20% to meet its listing requirements.

13.6 Save as set out in this paragraph, as far as the Directors of LHN are aware, there will be no change in the controlling shareholder of LHN following the Public Offer.

13.7 As at the last practicable date, LHN did have a controlling shareholder (as defined in the Listings Requirements); namely, LHL, a BSE listed company.

13.8 LHN will have 500,000,000 shares in issue and as required by the Listings Requirements will have a public shareholding of at least 150 shareholders holding a minimum of 20% of LHN shares in issue on listing.

## 14. DIRECTORS AND MANAGEMENT [2(1), 2(2), 2(3), 2(5), 15, 16(2), 17(1), 17(3)]

### 14.1 DETAILS OF DIRECTORS AND COMPANY SECRETARY [5]

14.1.1 The Company Secretary is Annelie Van Zyl, of Bonsai Family Trust t/a Bonsai Secretarial Compliance Services. She has completed the Chartered Secretaries Southern Africa Programme 3 qualification through UNISA.

Full name	Occupation	Business address
John Eugene Shepherd (52) *	Independent, Non-Executive Chairman	Pupkewitz Holdings (Pty) Ltd Lazarett Street, Windhoek, Namibia
Sven Bloch von Blottnitz (48) #	Independent, Non-Executive	Namib Desert Diamonds (Pty) Ltd, Cnr Sam Nujoma Drive & Kwame Nkrumah Street, Klein Windhoek, Windhoek, Namibia
Rosalia Martins-Hausiku (36) *	Independent, Non-Executive	Motor Vehicle Accident Fund Namibia Erf 8596 Church Street, Windhoek, Namibia
Ester Kali (49) *	Chief Executive Officer	344 Independence Avenue, Windhoek, Namibia
Rairirira Mbakutua Mbetjiha (60) *	Independent, Non-Executive	Kumwe Investments Holding Limited 64 Bach Street, Windhoek West, Windhoek, Namibia
Mythri Sambasivan-George (38) ^	Group Head of Corporate Affairs of LHL	Letshego Holdings Limited Botswana Plot 22 Khama Crescent, Gaborone, Botswana
Maryvonne Palanduz (46) *	Independent, Non-Executive	Actuarial Society of South Africa Jan Smuts Drive, Pinelands, 7405, Cape Town, South Africa

\* Namibian ^ Indian # German

### 14.2 EXPERIENCE OF LHN & LBN DIRECTORS

14.3 A list of other Directorships held by Directors is set out in Annexure 10. None of the Directors are partners with unlimited liability or founders as defined by the Listings Requirements.

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## 14. DIRECTORS [2(1), 2(2), 2(3), 2(5), 15, 16(2), 17(1), 17(3)] (CONT'D)

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### 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.



### Rairira 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 (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 25 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.

## 14. DIRECTORS [2(1), 2(2), 2(3), 2(5), 15, 16(2), 17(1), 17(3)] (CONT'D)



### Sven Bloch von Blottnitz

- Independent Non-Executive Director
- Chairman of BARC
- Chairman of Credit Committee

B Business Science (UCT); BCompt Honours (UNISA)

Fellow of the Chartered Institute of Secretaries (FCIS); Chartered Accountant (Institute of Chartered Accountants Namibia); Chartered Accountant (South African Institute of Chartered Accountants)

Mr. 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.



### Mythri Sambasivan-George

- Non-Executive Director
- Member of BARC

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.

## 14. DIRECTORS [2(1), 2(2), 2(3), 2(5), 15, 16(2), 17(1), 17(3)] (CONT'D)



### Maryvonne Palanduz

- Independent Non-Executive Director
- Member of BARC

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 Groups 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.

### 14.4 THE FULL NAMES, AGES, BUSINESS ADDRESSES AND OCCUPATION OF THE DIRECTORS OF LMFSN ARE OUTLINED BELOW:

Full name	Occupation	Business address
Mythri Sambasivan-George (38) ^	Group Head of Corporate Affairs of LHL	Letshego Holdings Limited Botswana. Plot 22 Khama Crescent, Gaborone
Ester Kali (49)*	Executive Director	18 Schwerinsburg, Windhoek
Nicolaas Petrus Esterhuyse (36) *	Chief Executive Officer	18 Schwerinsburg, Windhoek
O'Rute Uandara (36) *	Chief Operating Officer	18 Schwerinsburg, Windhoek

\* Namibian ^ Indian

The CVs of the above Directors are included under paragraph 14.3 and 14.5.

## 14. MANAGEMENT [2(1), 2(2), 2(3), 2(5), 15, 16(2), 17(1), 17(3)] (CONT'D)

### 14.5 EXPERIENCE OF EXECUTIVE MANAGEMENT OF LETSHEGO GROUP NAMIBIA



#### **Nicolaas Petrus (NP) Esterhuysen (36)**

- Chief Executive Officer LMFSN
- Chief Financial Officer of LHN, LBN

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 as well as the CFO of Letshego Bank Namibia Limited.



#### **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.Compt (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.

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## 14. MANAGEMENT [2(1), 2(2), 2(3), 2(5), 15, 16(2), 17(1), 17(3)] (CONT'D)

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### 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 and control processes.



### 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.



### Greg Madhimba (33)

- Finance Manager
- Chief Financial Officer designate

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 designate and will assume this position as NP Esterhuysen moves into the CEO role of LMFSN.

## 14. DIRECTORS AND MANAGEMENT [2(1), 2(2), 2(3), 2(5), 15, 16(2), 17(1), 17(3)] (CONT'D)

### 14.6 QUALIFICATION, APPOINTMENT, REMUNERATION AND BORROWING POWERS OF DIRECTORS

14.6.1 The relevant provisions of the articles of association of LHN relating to qualification, appointment, remuneration and borrowing powers of Directors are set out in Annexure 8. The borrowing powers may only be varied by special resolution and have not been exceeded since LHN's incorporation and conversion to a public company.

14.6.2 None of the Directors of LHN have:

- been declared bankrupt, insolvent or have entered into any individual voluntary compromise arrangements;
- entered into any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where such Directors are or were Directors with an executive function during the preceding 12 months;
- entered into any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such Directors are or were partners during the preceding 12 months;
- entered into any receiverships of any asset(s) or of a partnership where such Directors are or were partners during the preceding 12 months;
- been publicly criticised by a statutory or regulatory authority, including recognised professional bodies or disqualified by a court from acting as a Director of a company or from acting in the management or conduct of the affairs of any company; and/or
- been involved in any offence of dishonesty, fraud or embezzlement.

### 14.7 REMUNERATION OF DIRECTORS

14.7.1 For the financial year ended 31 December 2016, emoluments paid to the Directors of LHN were as follows:

All figures in N\$	Salary	Directors Fees	Fees for other services	Provident Fund & Medical Aid	Bonuses	Total
Ester Kali <sup>1</sup>	1,560,000	-		204,206	523,200	2,287,406
Rairirira Mbetjiha <sup>2</sup>		242,016				242,016
Eugene Shepherd <sup>2</sup>		122,499				122,499
Sven Bloch von Blottnitz <sup>2</sup>		165,000				165,000
Shawn Bruwer <sup>2,3</sup>		130,000				130,000

- 1 Executive Director
- 2 Non-Executive Directors
- 3 Resigned Oct 2016

14.7.2 There will be no variation in the remuneration receivable by any of the Directors as a direct consequence of the Public Offer and listing; however the Directors' fees were changed at the start of the current financial year, to better align with market comparator companies, as set out overleaf:

## 14. DIRECTORS AND MANAGEMENT [2(1), 2(2), 2(3), 2(5), 15, 16(2), 17(1), 17(3)] (CONT'D)

All figures in N\$	Pre 1 Jan 2017 Directors Fees	Post 1 Jan 2017 Directors Fees
<b>Chairman</b>		
Annual retainer	40,000	160,800
Sitting fee	90,000	107,200
<b>Director</b>		
Annual retainer	30,000	128,640
Sitting fee	60,000	85,760
<b>Audit &amp; Risk Committee</b>		
Annual retainer	15,000	20,100
Sitting fee	15,000	16,080
<b>Credit Committee</b>		
Annual retainer	Nil	13,400
Sitting fee	Nil	10,720

14.7.3 Save as disclosed in paragraphs 14.8 and 38, LHN has not paid any amounts (whether in cash or in securities), nor given any benefits to any Directors or to any company in which Directors are beneficially interested, or to any partnership, syndicate or other association of which the Directors are members, or to any Director as an inducement to become a Director or otherwise, or for services rendered by Directors, or otherwise for services rendered by Directors or by the associate company or associate entity, during the preceding three years.

### 14.8 INTERESTS OF DIRECTORS AND PROMOTERS

14.8.1 At the last practicable date, the Directors, in aggregate, directly or indirectly held approximately 3.56% of LHN's issued shares as follows:

Director	Beneficial		Non-beneficial		Total	% held
	Direct	Indirect	Direct	Indirect		
R M Mbetjiha <sup>1</sup>		x			75,000,000 ordinary shares	23.75%

Director holds 23.75% of the ordinary shares in Kumwe, who owned 15% of LHN prior to the listing.

14.8.2 Other than as disclosed in the Related Party section in paragraph 38, no Director of LHN has or had any interest, directly or indirectly, in any transaction which is, or was, material to the business of LHN and which was effected by LHN during the current financial year or immediately preceding financial year or in respect of any previous financial year which remains in any respect outstanding or unperformed.

14.8.3 Executive Management of 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 Group's share price during the bonus period.

14.8.4 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.

### 14.9 SERVICE CONTRACTS OF DIRECTORS

Each of the Executive Directors has a contract of appointment from LHN, containing terms that are normal/standard for such contracts, within the LHL Group.

### 14.10 OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Details of other Directorships held by the Directors of LHN are contained in Annexure 10.

### 14.11 SECRETARIAL AND TECHNICAL FEES

LHN has paid a total of N\$ 2,952,181 in respect of LBN and N\$ 1,496,835 in respect of LMFSN to third parties in respect of managerial, secretarial and technical fees during the previous financial year until the last practicable date. Secretarial fees relate to company secretarial work by various companies for LHN and technical fees relate to the implementation of the banking licence in addition the transfer of the Microfinance licence from LBN to LMFSN, which coincided with the implementation of the banking licence 9 September 2016. Please refer to paragraph 36 for further details.

## 15. SHARE CAPITAL OF THE COMPANY AND DIVIDENDS [6(1)(b), 6(1)(c), 6(6)(d), 8(a), 8(c), 8(d), 9, 20(1)]

### 15.1 AUTHORISED AND ISSUED SHARE CAPITAL

15.1.1 The authorised and issued share capital of LHN is set out below:

	Number of Shares	Share Capital
<b>Authorised</b>		
Ordinary shares of N\$ 0.00020 per share	500,000,000	N\$ 100,000
<b>Issued before the Public Offer</b>		
Ordinary shares of N\$ 0.00020 per share	500,000,000	N\$ 100,000
<b>Issued after the Public Offer</b>		
Ordinary shares of N\$ 0.00020 per share	500,000,000	N\$ 100,000

15.1.2 The share premium of LHN prior to the Public Offer was N\$ 0.

15.1.3 LHN has no amounts unpaid in respect of shares issued.

### 15.2 ALTERATIONS TO AUTHORISED SHARE CAPITAL

15.2.1 LHN was incorporated with an authorised ordinary share capital of 1,000,000 ordinary shares with a par value of N\$ 0.10 per share.

15.2.2 During June 2017, the Company did a Share Split to increase the marketability of the IPO shares by making the minimum subscription more affordable to PDN and Customers of LHN.

### 15.3 ISSUES OF SHARES

15.3.1 On incorporation, LHN issued and allotted 1,000,000 ordinary share with a par value of N\$ 0.10 per share to its founding shareholders.

15.3.2 LHL transferred 1,000 ordinary shares to each of Colm William Patterson, Duduetsang Olsen-

Namanyane, Dumisane Ndebele, Frederick Wetshootsile Mmelesi and Tom Kocsis to hold such shares as nominees of LHL to comply with the shareholder requirements of a public company upon conversion on 5 July 2016.

15.3.3 During June 2017, LHN conducted a Share Split to increase the marketability of the IPO shares by making the minimum subscription more affordable to PDN and Customers of LHN.

### 15.4 UNISSUED SHARES

15.4.1 The entire authorised share capital of LHN has been issued.

### 15.5 VOTING, VARIATION AND CONVERSION OF RIGHTS

15.5.1 The provisions of the articles of association of LHN relating to the voting rights and variation of rights attaching to shares in the share capital of LHN are set out in Annexure 8.

### 15.6 NO OTHER LISTINGS

Save for the Public Offer as set out in this Prospectus, no offer has been made to the public for the subscription or sale of shares during the period from the date of LHN's conversion to a public company until the date of this Prospectus. The issued ordinary shares of LHN will be listed on the NSX. No shares of LHN will be listed on any other stock exchange.

### 15.7 DIVIDENDS

15.7.1 It is LHN's intention to pay dividends at a cover of 4 x (25% of Earnings) as from 2018, subject to the available cash resources, Regularity minimum capital requirements and the need to fund future growth opportunities.

15.7.2 All moneys, other than dividends and distributions in terms of the Companies Act due to members shall be held in trust indefinitely until lawfully claimed by the members concerned or until the company is finally wound up.

15.7.3 There is no arrangement under which future dividends will be waived or have been waived.

## 16. HISTORICAL FINANCIAL INFORMATION [6(6)]

16.1 The audited historical financial information for LHN for the years ended 31 December 2015 and 31 December 2016 and for LBN for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, the preparation of which is the responsibility of the Directors, are presented in

Annexure 2 and Annexure 4 respectively. Annexure 3 and Annexure 5 contain the Independent Reporting Accountant's Report on the historical financial information of LHN and LBN, respectively.

## 17. FORECAST FINANCIAL INFORMATION

- 17.1 The forecast financial information of LGN for the financial period ending 31 December 2017 and 31 December 2018, the preparation of which is the responsibility of the Directors, is set out in Annexure 6. The forecast financial information should be read in conjunction with the assumptions set out in Annexure 6 and the Independent Reporting Accountants' Report thereon, as set out in Annexure 7.
- 17.2 The forecast financial information is based on the assumption that circumstances which affect the Group's business, but which are outside the control of the Directors, will not materially alter in such a way as to affect the trading of the Group. Specific assumptions include the following:
- 17.2.1 LHN forecasted figures assume a successful completion of the proposed share placement in terms of the Public Offer.
- 17.2.2 An upgrade to five branches in the year ending 31 December 2017 and three branches in the year ending 31 December 2018.
- 17.2.3 LGN forecasted figures include operating costs required to establish LBN's banking operations as well as the net trading income derived from these operations.
- 17.2.4 It is LHN's intention to pay dividends at a cover of 4 x (25% of Earnings) from the year ending 31 December 2018, subject to the available cash resources and the need to fund future growth opportunities.
- 17.2.5 Preference shares are irredeemable and dividends are non-cumulative. No expected dividends are included in the forecast.
- 17.2.6 It is LGN's intention to replace intergroup funding provided by LHL through alternative local funding sources.
- 17.2.7 Inflation assumption of 8% year on year in the forecast.
- 17.2.8 Credit policies will remain unchanged.
- 17.2.9 No significant changes in the composition of loans and advances book will occur.
- 17.2.10 No individually significant loans will require significant additional impairment and the general provision policies will remain unchanged.
- 17.2.11 New loans and top-ups for the Deduction at Source business are only issued in LMFSN, and by virtue of this set-up, customers gradually migrate to the LMFSN book thereby making it a very active book with an exceptionally high growth rate. This trend is expected to continue in the foreseeable future.
- 17.3 In addition, the forecast financial information is based on the assumption that:
- 17.3.1 there will be continuity in existing management and trading policies;
- 17.3.2 there will be no change in the present accounting policies;
- 17.3.3 gross interest margins remain relatively unchanged; and
- 17.3.4 operating costs grow in line with inflation and/or increase in activity.
- 17.4 No allowance for revenue growth arising from further strategic company acquisitions has been allowed for in the forecast.
- 17.5 In the opinion of the Directors, the above assumptions are significant to the forecasts as they are key factors upon which the financial results of the company will depend. However, certain assumptions may not materialise and/or certain unforeseen events may occur or circumstances may arise subsequent to the forecast being made. Accordingly, the results achieved for the period referred to above may differ from those forecasted.

## 18. THE PUBLIC OFFER [7, 8, 14, 18, 19, 21(1)]

### 18.1 PARTICULARS OF THE OFFER: SALIENT FEATURES, TIME AND DATE OF THE OPENING AND OF THE CLOSING OF THE OFFER AND OFFER PRICE MINIMUM SUBSCRIPTION

18.1.1 The salient features of the Public Offer are as follows:

Public Offer price per share (cents)	470
Minimum number of shares that can be subscribed for	200
Number of LHN shares offered in terms of the Public Offer	100,000,000
Issue consideration in terms of the Public Offer	N\$ 470,000,000
Opening date of the Public Offer at 09:00 on	25 August 2017
Closing date of the Public Offer at 12:00 on	22 September 2017

## 18. THE PUBLIC OFFER [7, 8, 14, 18, 19, 21(1)] (CONT'D)

18.1.2 LHN is being listed in order to comply with the BoN licensing conditions arising from the granting of a banking license to its subsidiary, Letshego Bank Namibia, which require the Company to achieve a minimum of 45% local ownership within four years the issue of the license to LBN. The BoN simultaneously approved a revised corporate structure which was implemented during 2016 and required the formation of an investment holding company, namely LHN.

18.1.3 Formalising the renewal of deduction codes for a further 5 year period was important to LGN, whose subsidiaries are reliant on the Government Deduction Codes for the collection of payroll loans directly off the Government centralised payroll system. Currently, LMFSN obtained a 5 year extension for the use of its deduction code - refer Risk section in paragraph 12. LHN's IPO is key in achieving compliance with the Ministry of Finance deduction code current guidelines that require financial institutions to be 51% owned by Namibians and that at least 30% should be PDN persons.

18.1.4 This listing will involve the existing shareholders selling down 20% of their current shareholding and no new capital will be raised during the listing process. In order to achieve the aforementioned Localisation targets, the Company will during the next four years either;

18.1.5 issue new shares; or

18.1.6 existing shareholders will sell additional shares; or

18.1.7 achieve this through a combination of the above.

The Board of Directors will give preference to Namibian residents, and particularly to PDN citizens, when accepting offers and allocating shares.

18.1.8 The main purpose of the Public Offer is to allow selected applicants and members of the public to participate directly in the equity growth and income streams of Letshego Holdings (Namibia) Limited.

### 18.2 THE LISTING WILL ALLOW LHL TO:

18.2.1 create an investment opportunity for Namibians and in the process broaden the PDN ownership in LHN and indirectly in LBN and LMFSN;

18.2.2 create an opportunity for LHN shareholders to unlock value through the trading of their shares on the NSX;

18.2.3 to provide employees, suppliers, existing customers and strategic business partners the opportunity to acquire equity ownership and participation in the Company; and

18.2.4 support the drive towards financial inclusion and the Localisation of the Namibian financial sector.

18.2.5 The Public Offer is open to the members of the general public, subject to the Directors' discretion set out in paragraphs C.4 and C.6.

### 18.3 TERMS, CONDITIONS AND PAYMENT

The following terms and conditions relate to the Public Offer:

18.3.1 Applications for the Public Offer can only be made on the applicable offer applications forms which are at the back of this document and available online at [www.Letshego.com/country/Namibia](http://www.Letshego.com/country/Namibia). This document will need to be printed, signed and submitted to any Letshego branch or the Head Office together with the applicable supporting documents.

18.3.2 Applications by individuals must include the following documents:

18.3.2.1 The duly completed and signed original application form;

18.3.2.2 Originally certified copy of the front and back of the applicant's identification document;

18.3.2.3 Letter from the bank on a bank letterhead specifying the name of the account holder, the branch code, the account number and the type of account (dividend payments can only be made into cheque / current or savings accounts) and/or a cancelled cheque;

18.3.2.4 Proof of residence (i.e. a municipal account or similar document that confirms the applicant's place of residence); and

18.3.2.5 Proof of payment for the shares applied for (as on the application form).

18.3.3 Applications by companies and legal entities must include the following documents:

18.3.3.1 The duly completed and signed original application form;

18.3.3.2 Original certified copy of the applicant's certificate to commence business;

18.3.3.3 Letter from the bank on a bank letterhead specifying the name of the account holder, the branch code, the account number and the type of account. (dividend payments can only be made to cheque / current or to savings accounts);

18.3.3.4 Cancelled cheque or original bank statement clearly indicating the account holder name, account number and branch details;

18.3.3.5 Proof of business address of the applicant;

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## 18. THE PUBLIC OFFER [7, 8, 14,18, 19, 21(1)] (CONT'D)

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- 18.3.3.6 Resolution indicating authorised signatories of applicant; and
- 18.3.3.7 Certified copies of the identity documents of the authorised signatories of the applicant.
- 18.3.4 The shares forming the subject matter of the Public Offer may not be applied for in the name of a minor or partnership. Executors, trustees and individual partners may apply for such shares in their own name or through nominee companies. Documentary evidence of capacity need to accompany the Public Offer application.
- 18.3.5 The Public Offer application is irrevocable and may not be withdrawn once received by the Company.
- 18.3.6 No receipts will be issued for the application forms, application monies or any supporting documentation.
- 18.3.7 Payment may only be made by cheque (crossed “not transferable”), banker’s draft, electronic funds transfer or as allowed for in terms of the “Same day settlement” of the Namibia Interbank Settlement System (NISS). Postal orders, cash or telegraphic transfers will not be accepted. Cheques must be made payable in favour of “Letshego Holdings Namibia Public Offer”. All cheques and banker’s drafts will be deposited by LBN or the stockbroker immediately upon receipt into the designated account under the control of LHN. Please note the following limits apply:
- 18.3.7.1 Cheques have a limit of N\$ 100,000 (one hundred thousand Namibian dollars);
- 18.3.7.2 Electronic funds transfers have a limit of N\$ 5 million (five million Namibian dollars);
- 18.3.7.3 Applications in excess of N\$ 5 million can only be made via NISS.
- 18.3.8 The Public Offer application will only be regarded as complete once payment for the total amount of the application and the original duly completed application form has been received. Should any cheque or banker’s draft subsequently be dishonoured, the Directors of LHN may, in their sole discretion, and without prejudice to any rights the company may have, regard the application of such applicant as revoked or take such steps in regard thereto as they deem fit.
- 18.3.9 “Blocked Assets” may be used by emigrants and non-residents of the common monetary area for payment in terms of the Public Offer. In this regard, reference should be made to paragraph 32 below which deals with Exchange Control Regulations.
- 18.3.10 Applications must be for a minimum of 200 shares and in multiples of 100 thereafter.
- 18.3.11 Physical share certificates may be collected from the branch where the application was submitted on or about 2 November 2017 or delivered to the applicant’s stockbroker, if so requested. No contrary instructions will be accepted. Where LMFSN has granted a loan to acquire the shares in terms of paragraph C.7, the share certificates will be retained by LMFSN as security for the repayment of this loan.
- 18.3.12 The current risks associated with holding shares in certificated form, including the risk of loss or tainted scrip, remain. LHN shares will only be traded on the NSX in certificated form until the exchange dematerialises all scrip.
- 18.3.13 The subscription for shares in terms of the Prospectus is conditional on the granting of a listing of the shares of LHN with effect from the start of trade on 28 September 2017 or such later date as approved by the NSX.
- ### 18.4 PAYMENT BY CHEQUE OR BANKER’S DRAFT
- 18.4.1 Applicants who wish to make payment by way of a cheque or banker’s draft must complete and return the Public Offer application, together with proof of payment into the FNB Namibia bank account as specified on the application forms to:
- if delivered by hand or by courier  
Any Letshego Branch  
Or  
IJG Securities (Pty) Ltd  
First Floor Heritage Centre  
100 Robert Mugabe Avenue  
Windhoek
- so as to be received by no later than 12:00 on 20 September 2017 (2 days earlier than the date in paragraph 18.5 to ensure cheques clear).
- 18.4.2 No late applications will be accepted.
- ### 18.5 PAYMENT BY INTERNET/ELECTRONIC FUNDS TRANSFER
- 18.5.1 Applicants who wish to make payment by way of an electronic funds transfer may do so, in which case the Public Offer application and proof of such internet transfer, together with the required supporting documents must be delivered by hand or courier to
- Any Letshego Branch  
Or  
IJG Securities (Pty) Ltd  
First Floor Heritage Centre  
100 Robert Mugabe Avenue  
Windhoek
- so as to be received by no later than 12:00 on 22 September 2017.

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## 18. THE PUBLIC OFFER [7, 8, 14, 18, 19, 21(1)] (CONT'D)

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18.5.2 Payment by Internet transfer must be made to the bank account as indicated on the reverse side of the application. **A reference number must be obtained from the webpage submission or Letshego prior to making an internet/electronic funds transfer. The Company reserves the right to reject funds transfers received without the required reference number. There are different bank accounts for payments from within and from outside of Namibia**

18.5.3 LHN accepts no responsibility and will not be liable for the incorrect or any misallocation of shares pursuant to payment being made or alleged to have been made by way of an Internet transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or LHN, for any reason, not being able to reconcile a payment or purported payment with a particular application for shares in terms of the Public Offer.

### 18.6 RESERVATION OF RIGHTS

18.6.1 The Directors of LHN reserve the right to accept or refuse any application(s), either in whole or in part, or to abate any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

18.6.2 The Directors of LHN reserve the right to accept or reject, either in whole or in part, any Public Offer applications should the terms contained in this Prospectus and the instructions above not be properly complied with.

18.6.3 The basis of allocation of the Public Offer shares will be determined by the Board of Directors in its sole discretion, after consultation with IJG.

18.6.4 In amplification of the above, the Board of Directors shall, in its sole discretion, determine an appropriate allocation mechanism, such that the shares will be allocated on a fair and reasonable basis, as far as possible, taking into account NSX shareholder spread requirements, promoting the liquidity of the shares once listed on the NSX and considering the potential shareholder base that the Board of Directors wishes to achieve in order to ensure the sustainability of LHN.

### 18.7 COMMISSIONS PAID OR PAYABLE IN RESPECT OF UNDERWRITING [3]

18.7.1 The Public Offer has not been underwritten.

18.7.2 There is no minimum subscription required in respect of the preliminary expenses of the offer, loans, expenditure or for working capital purposes, all of which will be provided by LHN.

### 18.8 ISSUE OF SHARES IN TERMS OF THE PUBLIC OFFER

18.8.1 No new shares are being issued and all shares offered in terms of the Public Offer will be offered by the existing shareholders of LHN.

18.8.2 No simultaneous issue of shares will be made by LHN.

18.8.3 All shares offered in terms of the Public Offer are subject to the provisions of LHN's Memorandum and Articles of Association and will rank pari passu in all respects with the existing shares in issue. Annexure 8 contains extracts of LHN's Memorandum and Articles of Association.

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## 19. LISTING ON THE NSX [23]

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Subject to the achievement of the required spread of Namibian shareholders, the NSX has formally approved the listing of all the ordinary shares in the share capital of LHN on the NSX with effect from the start of trading on [date]. The shares will trade under the abbreviated name "Letshego", with the code "LHN" and ISIN NA000A2DVV41.

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## 20. REPORT BY DIRECTORS AS TO MATERIAL CHANGES [31]

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There have been no material changes in the financial or trading position of LHN since 5 July 2017 until the last practicable date, other than in the ordinary course of business.

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## 21. MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES [9(11)]

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- 21.1 Save as set out in paragraph 28 and the Notes in the Historical Financial Information Annexure of LHN in Annexure 2] LHN had no material commitments, lease payments or contingent liabilities at the last practicable date.
- 21.2 The loan book of LMFSN is currently pledged to the LHL Group borrowing facilities, as security for the LHL MTNP floated by the holding company on the JSE and BSE. The MTNP in issue is for a combination of fixed and floating rate notes which mature at various dates between September 2017 and November 2027. The notes issued on the BSE have a weighted average rate of 8.0% nominal annual interest cost with the last note maturing in period 2027, while the notes issued on the JSE have a weighted average rate of 12.9% nominal annual interest cost and the last note matures in 2020.

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## 22. LOANS AND BORROWING POWERS [2(5), 9, 21(2)]

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- 22.1 No material loans have been made by LHN.
- 22.2 LMFSN owes LHL N\$ 797,859,173 at 31 December 2016.
- 22.3 During August 2017, LMFSN repaid the loan owing to LBN by borrowing an additional N\$ 570m from LHN in terms of a written intercompany loan facility agreement concluded with LHN. This loan from LHN was subsequently converted into additional ordinary equity in LMFSN in order to bolster the capital of LMFSN.
- 22.4 LBN has advanced N\$ 5.1m, in anticipation of the IPO, to Kumwe during February 2015. There is no interest applied to this advance and no security was required for the advance. It will be recouped off the proceeds of the Kumwe shares sold through the listing process.
- 22.5 LHL loan N\$ 20m to Kumwe during December 2015 which will be recouped from the Kumwe shares sold through the listing process. The Loan is secured by a pledge of the Kumwe shares in LHN and attracts interest at the Prime Rate+ 2%. The balance outstanding at the end of August 2017 will be N\$ 24.6m.
- 22.6 It is the intention of LHN to launch a Medium Term Funding programme post the listing.
- 22.7 The borrowing powers of the Company may only be varied by special resolution and have not been exceeded since incorporation.
- 22.8 The borrowing powers of the Directors are set out in Annexure 8.
- 22.9 Details of material inter-company balances before elimination are set out in note 23 of Annexure 2 [Notes in the Historical Financial Information Annexure of LHN].

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## 23. PROPERTY AND SUBSIDIARIES ACQUIRED OR TO BE ACQUIRED [6(7), 6(8), 12]

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- 23.1 No material property acquisitions have been made by LHN since its conversion to a public company.
- 23.2 Details of subsidiaries of LHN are set out in paragraph 3 including those that were established through the LGN restructuring.
- 23.3 No material property has been disposed of by LHN since its conversion to a public company.
- 23.4 The application for listing does not coincide, directly or indirectly, with the acquisition by the company, or any of its subsidiaries, of securities in or of the business undertaking of any other company, in consequence of which that company or business undertaking will become a subsidiary of or part of the business of LHN.

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## 24. SHARES ISSUED OR TO BE ISSUED OTHERWISE THAN FOR CASH [11]

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- 24.1 No shares have been issued or agreed to be issued by the company or any of its subsidiaries since incorporation, other than for cash.

## 25. PRINCIPAL IMMOVABLE PROPERTY OWNED OR LEASED [6(3)]

- 25.1 Details of immovable properties owned or leased by LHN are set out in Annexure 11.
- 25.2 The Head Office Building located at 18 Schwerinsburg, Windhoek, Namibia, is currently owned by a subsidiary of LHL (ERF 8585 - refer paragraph 38) and LHN is leasing this property from that subsidiary of LHL.

## 26. DETAILS OF SUBSIDIARIES [6(1), 6(2)]

- 26.1 Details of LHN's subsidiaries are set out in paragraph 3.6, 6 and 7.

## 27. STATEMENT AS TO ADEQUACY OF CAPITAL [22]

- 27.1 The Directors are of the opinion that the working capital available to LHN, both prior and subsequent to the Public Offer, is adequate for the present requirements of LHN, i.e. for a period of 12 months from the date of issue of this Prospectus.

## 28. MATERIAL CONTRACTS [16(1), 16(2)]

- 28.1 Save as set out in this paragraph, no material contracts have been entered into by the company or its subsidiaries other than in the ordinary course of business, or within two years of the date of this Prospectus that contain an obligation or settlement that is material to LHN as at the last practicable date.

### 28.2 THE FOLLOWING ARE CONSIDERED TO BE MATERIAL CONTRACTS AND ARE AVAILABLE FOR INSPECTION AT THE NSX:

- 28.2.1 LBN, LMFSN and LHN have entered into an Administration and Management Services Agreement with LHL in terms of which the following services are provided by LHL to LBN, LMFSN and LHN on an arm's length basis:
- Intercompany loan facility arrangement/s;
  - External funding arrangement and guarantees;
  - Trademarks and licencing;
  - Management services.

Please refer to paragraph 38 and Annexure 12 for more detail on the above.

- 28.2.2 LBN has entered into a Service Level Agreement with LMFSN and LHN in terms of which the following services are provided by LHL to LBN on an arm's length basis:
- Provision of staff and technical resources;
  - Financial and regulatory reporting;
  - Provision of management;
  - Provision of monthly management accounts;
  - Information and technology support.

- 28.2.3 Lease with ERF 8585 (Pty) Limited, a wholly owned subsidiary of LHL for the premises located at 18 Schwerinsburg, Windhoek, Namibia; the salient features of which include:
- Lease term is 3 years from 1 March 2017,
  - N\$ 110,580 per month.

Please refer to paragraph 38 for more detail on the above.

- 28.2.4 Banking license conditions imposed by the BoN (refer Risk paragraph 12.4)
- LBN is required to achieve a minimum of 45% local ownership within four years of the issue of the license to LBN during July 2016;

- 28.2.5 IT contracts include but not limited to:
- TCS Banks for the providing of the financial solution to the Banking operating system in use for capturing banking services and loan solutions;
  - Oracle EBS for providing the General Ledger and Consolidation of monthly financial results;
  - Finteq is a third party to enhance our EFT Settlement and Clearing Services; and
  - MobiPay in providing our ATM solutions.

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## 29. GOVERNMENT PROTECTION AND INVESTMENT ENCOURAGEMENT LAW

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29.1 The Namibian Government published the Namibia Investment Promotion Act in August 2016. This Act forms part of the governing structure under which investments will be admitted in the country.

The objectives of the Act include:

- to provide a clear and transparent framework for investment in Namibia
- to provide for an efficient dispute resolution mechanism involving investment
- to provide for a mechanism for inter-ministerial coordination on regulatory provisions and incentives and support mechanisms for investments

- reduce unemployment, poverty and economic inequality in Namibia
- accelerate the growth and diversification of the Namibian economy
- facilitate domestic investments, particularly in priority economic sectors and
- provide for other matters on investment promotion, admission, treatment and management.

The Act classifies sectors to be reserved for government and local investors, with special entry requirements including joint ventures.

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## 30. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF SHARES [10]

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30.1 There is no contract or arrangement, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any shares in the company or its subsidiaries save for as disclosed in paragraph C.3.4. As part of the IPO, Government employees and Letshego staff will qualify for preferential finance to acquire up to 5,000,000 shares, subject to meeting

affordability criteria and normal terms and conditions, at a 20% discount to normal customer loan rates and a 10% discount to the normal staff loan rates, respectively. Shares will be acquired at the full Public Offer price and these shares will be pledged as security for the loan issued.

30.2 Namibian citizens, and particularly PDN citizens, will be given preference in the allocation of shares as outlined in paragraph C.6.

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## 31. LITIGATION

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31.1 There are no material legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which LGN is aware, which may have or have had, a material effect on the financial position of LGN in the last 12 months.

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## 32. EXCHANGE CONTROL REGULATIONS

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The following is intended as a guide of the Exchange Control Regulations and is not, therefore, a comprehensive statement. Applicants are advised to consult their professional advisors if they have any doubt as to the effect of these regulations, or the applicability thereof to their particular case.

32.1 Non-residents must satisfy themselves as to the full observance of the laws of any relevant territory concerning the Public Offer application, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due to such territory.

32.2 Non-residents may use blocked assets to purchase the Public Offer shares offered in terms of this Prospectus.

32.3 All payments in respect of the Public Offer application by non-residents using blocked assets must be made through an authorised dealer in foreign exchange.

32.4 Shares purchased in respect of the Public Offer with blocked assets will be endorsed "non-resident" in terms of Exchange Control Regulations. Such shares will be placed under the control of the authorised dealer through whom the payment was made.

32.5 If applicable, refund monies in respect of unsuccessful applications, emanating from blocked assets accounts, will be returned to the authorised dealer administering such blocked assets account for the credit of such applicant's blocked assets account.

### 33. CODE OF CORPORATE PRACTICE AND CONDUCT

33.1 LHN and its Directors are committed to the principles of effective corporate governance, application of the highest ethical standards in the conduct of its business and affairs, and the principles of employment equity throughout its operations.

33.2 The Board of Directors has appointed the following committees:

- Audit and Risk Committee; and
- Credit Committee.

33.3 The Board of Directors also appoints the Chief Executive Officers for all companies in LGN, who in turn appoint the CMC to run the daily operations.

Details of LGN's code of corporate practice and conduct are set out in Annexure 9.

### 34. AMOUNTS PAID OR PAYABLE TO PROMOTERS AND OTHER INTERESTS [13,14, 21(1)]

34.1 No amounts have been paid by LHN to any promoter of LHN or for any property acquired by LHN.

34.2 No commissions, discounts, brokerages or other special terms have been granted by LHN in connection with the issue of any shares in LHN except for as disclosed paragraph 38.

### 35. ADVISORS' CONSENTS

35.1 Each of the advisors, whose names appear on the inside cover of this Prospectus, have given and have not, prior to registration of this Prospectus, withdrawn their written consents to the inclusion of their names, and acting in the capacities stated and, where applicable, to their reports being included in this Prospectus.

### 36. PRELIMINARY EXPENSES AND ISSUE EXPENSES (LISTING FEES) [15, 21(1)(b)]

36.1 Each of the advisors, whose names appear on the inside cover of this Prospectus, have given and have not, prior to registration of this Prospectus, withdrawn their written consents to the inclusion of their names, and acting in the capacities stated and, where applicable, to their reports being included in this Prospectus.

	N\$ '000
Printing, publication, distribution and advertising expenses	300
NSX documentation fees	113
NSX capital raising fees	200
Share expenses, fiscal duties and taxes	975
Transfer Secretaries	500
Sponsor & Advisory Fees	5,917
Auditors and Reporting Accountants	1,250
Attorneys	500
Contingency	200
<b>Total</b>	<b>9,955</b>

36.2 The above mentioned estimated expenses will be borne by LHL and Kumwe in an agreed apportionment.

## 37. DIRECTORS' RESPONSIBILITY STATEMENT AND STATEMENT AS TO LISTING ON STOCK EXCHANGE

The Directors of LHN, whose names are given in paragraph 14 of this prospectus:

- have considered all statements of fact and opinion in this prospectus;
- accept, collectively and individually, full responsibility for the accuracy of such statements; and
- certify that, to the best of their knowledge and belief, there are no omissions of facts or considerations which would make any statements of fact or opinion contained in this Prospectus false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Prospectus contains all information required by law and the Listings Requirements.

## 38. RELATED PARTIES [6(6), 17(3)]

The following related party transactions are included in the financial results and forecast financial information presented in this document, namely:

### 38.1 MANAGEMENT FEES PAYABLE BY LBN AND LMFSN TO LHL – REFER MATERIAL CONTRACTS IN PARAGRAPH 28.

N\$	31 Dec 2014 Audited	31 Dec 2015 Audited	31 Dec 2016 Audited	31 Dec 2017 Forecast	31 Dec 2018 Forecast
Management fees to Letshego Holdings Limited	29,622,352	33,929,518	33,972,011	43,222,611	46,290,519

### 38.2 RENTAL PAID TO ERF8585 (PTY) LTD, A WHOLLY OWNED SUBSIDIARY OF LHL – REFER MATERIAL CONTRACTS IN PARAGRAPH 28.

N\$	31 Dec 2014	31 Dec 2015	31 Dec 2016
Rent paid to Erf 8585 (Pty) Ltd <sup>1</sup>	Nil	1,105,800	1,326,960

<sup>1</sup>Erf 8585 (Pty) Ltd is 100% owned by LHL and own the property rented by LBN.

### 38.3 DIVIDENDS PAID TO LETSHEGO MAURITIUS LIMITED, OWNERS OF THE CLASS B SHARES OF LBN DURING JUNE 2017 OF N\$ 113M. SUBSEQUENT TO THIS DIVIDEND, THE CLASS A AND CLASS B SHARES WERE REPURCHASED AND CANCELLED BY LBN.

Dividends declared – N\$	31 Dec 2014	31 Dec 2015	31 Dec 2016
Kumwe	-	-	-
LHL <sup>1</sup>	-	-	113,333,333

<sup>1</sup>Dividend declared to the class B shareholder is a catch up dividend on the portion that was declared and paid to Kumwe year ended 31 January 2014 of N\$ 20,000,000.

- 38.4 Loan owing by LMFSN to LHL of N\$ 797,859,173 at 31 December 2016, which is repayable in 84 equal instalments commencing in Q4 2017.
- 38.5 A fee was paid to Kumwe of N\$ 1.3m on granting of the banking license to LBN.
- 38.6 Advance of N\$ 5.1m from LBN to Kumwe during February 2015. This will be recouped off the proceeds of the Kumwe shares sold through the listing process.
- 38.7 Loan from LHL to Kumwe of N\$ 20m during December 2015 which will be recouped from the Kumwe shares sold through the listing process. The Loan is secured by a pledge of the Kumwe shares in LHN and attracts interest at the Prime Rate+ 2%. The balance outstanding at the end of August 2017 will be N\$ 24.6m.

## 39. DOCUMENTS AVAILABLE FOR INSPECTION

- The following documents, or copies thereof, will be available for inspection at the registered offices of LHN during normal office hours from the date of issue of this Prospectus up to and including 22 September 2017.
- |      |   |      |  |
|------|---|------|--|
| 39.1 | the Memorandum and Articles of Association of LHN and its subsidiaries;   | 39.4 | the Independent Reporting Accountant's Report on the historical financial information of LHN, as reproduced in Annexure 3; |
| 39.2 | the audited financial statements of LHN for the years ended 31 December 2015 and 31 December 2016 and for LBN for the years ended 31 December 2012 to 2016 inclusive; | 39.5 | the Independent Reporting Accountant's Report on the historical financial information of LBN as reproduced in Annexure 5;  |
| 39.3 | written consents from each of the advisors referred to in paragraph 35 above;   | 39.6 | the Independent Reporting Accountant's Assurance Report on the profit forecast of LHN reproduced in Annexure 7;            |
|      |   | 39.7 | copies of material contracts referred to in paragraph 28; and  |
|      |   | 39.8 | a copy of this Prospectus.   |

## 40. PARAGRAPHS OF SCHEDULE 3 OF THE COMPANIES ACT WHICH ARE NOT APPLICABLE [50]

The numbers appearing in brackets in the contents page and after certain of the above paragraph headings are references to paragraphs within Schedule 3 of the Companies Act, and are included in this document as required by paragraph 50 of Schedule 3.

The numbers of the paragraphs in Schedule 3 of the Act which are not applicable here:

2(4), 6(1)(c), 6(5)(b), 6(7), 6(8), 8(b), 10(1), 13, 14, 17(2), 18(1)(b), 18(2), 20(2), 21(1)(a), 21(2), 24, 25(1)(b), 26, 27, 28, 29, 30, 32-48.

SIGNED AT WINDHOEK ON 11 AUGUST 2017 ON BEHALF OF ALL THE DIRECTORS OF LETSHEGO HOLDINGS NAMIBIA LIMITED, AS LISTED, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS.

  
Chairman  
John Eugene Shepherd

  
Director  
Ester Kali

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# **ANNEXURES**

## SALIENT FEATURES OF LHN AND SUBSIDIARIES

### Letshego Holdings (Namibia) Limited (Registration number: 2016/0145)

#### LHN

Services / Product focus	None - Investment Holding Company
Industries	Financial Services (Banking and Micro Finance)
Staff	None - Outsourced services from LBN (refer to SLA between LHN and LBN in material contracts paragraph 28)
Business first established	24 February 2016
Growth opportunities	Launch of the LBN operations will allow LGN to expand its deposit base, through offering various banking products including transactional bank accounts and savings products.

### Letshego Bank (Namibia) Limited (Registration number: 97/373)

#### LBN

Services / Product focus	Banking products Deduction at Source term loans Financial Services, including microlending services and moneylending, short term & long term insurance, and all financial services related thereto, investments, marketing, selling and trading in financial instruments and derivatives.
Industries	Banking
Number of branches	2
Number of customer access points	14
Registered address	18 Schwerinsburg, Windhoek, Namibia
Staff	94
Business first established	16 October 1997
Growth opportunities /Prospects	Build deposit customer base. Expand footprint to regional footprint across Namibia. Opportunity to offer transactional bank accounts to large portion of the Namibian population.

### Letshego Micro Financial Services (Namibia) Limited (Registration number: 2016/0292)

#### LMFSN

Services / Product focus	Banking products Deduction at Source term loans Financial Services, including microlending services and moneylending, short term & long term insurance, and all financial services related thereto, investments, marketing, selling and trading in financial instruments and derivatives.
Industries	Micro Finance
Number of customer access points	16
Registered address	18 Schwerinsburg, Windhoek, Namibia
Staff	None - Outsourced services from LBN (refer to SLA between LMFSN and LBN in material contracts in paragraph 28)
Business first established	7 April 2016
Growth opportunities /Prospects	Embrace financial inclusion through the expansion of the loan portfolio to include Non-Government lending.

## AUDITED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF LHN AND ITS SUBSIDIARIES

### INTRODUCTION

LHN was incorporated in Namibia on 24 February 2016.

### BASIS OF PREPARATION

The consolidated balance sheets, income statements, statements of changes in equity, cash flow statements and accompanying notes of LHN for the years ended 31 December 2016 have been extracted and compiled from the audited consolidated annual financial statements of LHN, the preparation of which is the responsibility of the Directors of LHN.

The historical financial information of LHN was audited by PricewaterhouseCoopers and was reported on without qualification for all of the above mentioned financial years.

The Independent Reporting Accountant's Report on the historical financial information is presented in Annexure 3 of the Prospectus.

### NATURE OF BUSINESS

LHN is the Namibian-based holding company for Letshego Holdings' interests in Namibia. LHN's principal subsidiaries are Letshego Bank Limited and Letshego Micro financial Services (Namibia) (Pty) Limited. LHN's structure is diagrammatically depicted in paragraph 3.8.

### REVIEW OF ACTIVITIES AND OPERATING RESULTS [6(6)]

The operating results and the state of affairs of the Company and the group are fully set out in the attached income statements, balance sheets and notes thereto. The group's profit attributable to equity holders amounted to N\$ 329 million (2015: N\$ 272 million).

Salient information	2015	2016
Shares in issue	1,000,000	1,000,000
Weighted average shares in issue	1,000,000	1,000,000
Earnings per share (cent)	27,207	32,995
Headline earnings per share (cent)	27,207	32,995
Net asset value per share (cent)	11,887	15,197
Net tangible asset value per share (cent)	12.2	10.5
Dividend per share (declared)	Nil	Nil

### SHARE CAPITAL

Details of the authorised and issued share capital as at 31 December 2016 appear in note 13 to the financial statements.

### DIVIDENDS[6(6)]

No Dividends was declared for year ended 31 December 2016.

For the year ended 31 December 2016 LHN's earnings per share increased from 27,207c per share to 32,995c per share.

### DIRECTORS' EMOLUMENTS INCURRED BY THE COMPANY AND ITS SUBSIDIARIES:

The Directors' emoluments are disclosed in paragraph 14.7 of the Prospectus.

### POST BALANCE SHEET EVENTS

No material post balance sheet events occurred between the date of final approval of the Prospectus and the approval of the annual financial statements.

### HEADLINE EARNINGS

	Audited 31 Dec 2015 N\$ '000	Audited 31 Dec 2016 N\$ '000	Forecast 31 Dec 2017 N\$ '000	Forecast 31 Dec 2018 N\$ '000
Headline earnings				
Attributable profit	272,071	329,952	338,649	397,737

**LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES**  
ANNUAL FINANCIAL STATEMENTS

**STATEMENTS OF FINANCIAL POSITION**

as at 31 December 2016

	Notes	Company 31 December 2016 N\$	Group 31 December 2016 N\$	Group 31 December 2015 N\$
<b>ASSETS</b>				
Cash and cash equivalents	6	-	159,626,020	52,190,701
Other receivables	7.1	46,803,205	68,162,540	106,521,585
Intercompany receivable	7.2	9,974,507	-	3,458
Advances to customers	8	-	2,118,679,317	1,885,399,230
Property and equipment	9	-	10,501,139	12,169,978
Investment in subsidiaries	26	1,344,353,808	-	-
Deferred taxation	11.3	-	6,622,256	1,379,056
<b>Total assets</b>		<b>1,401,131,520</b>	<b>2,363,591,272</b>	<b>2,057,664,008</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Trade and other payable	10	-	42,446,012	44,112,938
Current taxation	11.4	4,822,314	2,022,105	537,251
Intercompany payables	12.2	-	799,420,084	824,270,361
<b>Total liabilities</b>		<b>4,822,314</b>	<b>843,888,201</b>	<b>868,920,550</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	13	100,000	100,000	-
Retained earnings	25	52,055,398	602,062,144	272,071,491
Capital reorganisation reserve	25	1,344,153,808	701,024,198	701,124,198
Equity settled share based payment reserve	14	-	1,431,886	462,926
		<b>1,396,309,206</b>	<b>1,304,618,228</b>	<b>973,658,615</b>
Non-controlling interest		-	215,084,843	215,084,843
<b>Total equity</b>		<b>1,396,309,206</b>	<b>1,519,703,071</b>	<b>1,188,743,458</b>
<b>Total liabilities and equity</b>		<b>1,401,131,520</b>	<b>2,363,591,272</b>	<b>2,057,664,008</b>

## STATEMENTS OF COMPREHENSIVE INCOME

for the period ended 31 December 2016

	Notes	Company 31 December 2016 N\$	Group 31 December 2016 N\$	Group 31 December 2015 N\$
Interest income from lending activities	18	-	450,025,683	379,996,787
Credit impairment charge	8	-	(22,083,259)	(199,867)
Interest after impairment		-	427,942,424	379,796,920
Other interest income	18	-	3,465,074	2,070,891
Interest expense	18	-	(99,943,214)	(96,171,593)
<b>Net interest income after impairment</b>		-	<b>331,464,284</b>	285,696,218
Fee income	19	-	1,943,413	1,712,239
Other operating income	21	62,162,272	230,269,335	193,866,167
Employee benefits	16	-	(26,638,004)	(20,149,288)
Other operating expenses	17	(11,303)	(107,484,980)	(93,093,944)
<b>Operating profit before taxation</b>	15	<b>62,150,969</b>	<b>429,554,048</b>	368,031,393
Taxation	11	(10,095,571)	(99,601,566)	(95,959,902)
<b>Profit for the period</b>		<b>52,055,398</b>	<b>329,952,482</b>	272,071,491
Other comprehensive income, net of tax		-	-	-
<b>Total comprehensive income for the period</b>		<b>52,055,398</b>	<b>329,952,482</b>	272,071,491

Basic earnings per share (cents)	29	5,206	32,995	27,207
Fully diluted earnings per share (cents)	29	5,206	32,995	27,207

## STATEMENTS OF CHANGES IN EQUITY

for the period ended 31 December 2016

	Note	Share capital N\$
<b>COMPANY</b>		
<b>As at 1st January 2016</b>		-
Net asset value of subsidiary acquired		
<b>Total comprehensive income for the period</b>		-
Profit and total comprehensive income for the period		
<b>Transactions with equity holders, recorded directly in equity</b>		
<b>Contributions by equity holders</b>		
Shares issued	13	100,000
Share based payment transactions		
<b>As at 31 December 2016</b>		<b>100,000</b>

	Note	Share capital N\$
<b>GROUP</b>		
<b>As at 1st January 2016</b>		-
Prior period adjustment to retained earnings		-
<b>Total comprehensive income for the period</b>		-
Profit and total comprehensive income for the period		
<b>Transactions with equity holders, recorded directly in equity</b>		
<b>Contributions by equity holders</b>		
Shares issued	13	100,000
Share based payment transactions		-
<b>As at 31 December 2016</b>		<b>100,000</b>

<b>As at 1st January 2015</b>		-
<b>Total comprehensive income for the period</b>		-
Profit and total comprehensive income for the period		-
Dividends paid		
<b>Transactions with equity holders, recorded directly in equity</b>		
<b>Contributions by equity holders</b>		
Share based payment transactions		-
<b>As at 31 December 2015</b>		-

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

Share based payment reserve N\$	Retained earnings N\$	Capital reorganisation reserve N\$	Ordinary shareholders' reserve N\$	Non-controlling interest * N\$	Total equity N\$
-	-	1,344,153,808	1,344,153,808	-	1,344,153,808
-	52,055,398	-	52,055,398	-	52,055,398
-	-	-	100,000	-	100,000
-	<b>52,055,398</b>	<b>1,344,153,808</b>	<b>1,396,309,206</b>	-	<b>1,396,309,206</b>

Share based payment reserve N\$	Retained earnings N\$	Capital reorganisation reserve N\$	Ordinary shareholders' reserve N\$	Non-controlling interest * N\$	Total equity N\$
<b>462,926</b>	<b>272,071,491</b>	<b>701,124,198</b>	<b>973,658,615</b>	<b>215,084,843</b>	<b>1,188,743,458</b>
-	38,171	-	38,170	-	38,170
-	329,952,482	-	329,952,482	-	329,952,482
-	-	(100,000)	-	-	-
968,960	-	-	968,960	-	968,960
<b>1,431,886</b>	<b>602,062,144</b>	<b>701,024,198</b>	<b>1,304,618,228</b>	<b>215,084,843</b>	<b>1,519,703,071</b>
-	-	701,124,198	701,124,198	215,084,843	916,209,041
-	272,071,491	-	272,071,491	-	916,209,041
462,926	-	-	462,926	-	462,926
<b>462,926</b>	<b>272,071,491</b>	<b>701,124,198</b>	<b>973,658,615</b>	<b>215,084,843</b>	<b>1,188,743,458</b>

**LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES**  
ANNUAL FINANCIAL STATEMENTS

**STATEMENTS OF CASH FLOWS**

as at 31 December 2016

	Notes	<b>Group</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2015</b> <b>N\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating profit before taxation</b>		<b>429,554,048</b>	<b>368,031,393</b>
Interest paid		99,943,214	96,171,593
<u>Adjusting items of a non-cash nature:</u>			
Depreciation	9	4,616,941	4,027,511
Impairment allowance on advances	8	21,603,193	444,921
Equity settled share based payment transactions	14	968,960	462,926
<u>Changes in working capital:</u>			
Movement in advances to customers	8	(254,883,280)	(278,626,256)
Movement in other receivables	7	38,359,045	(42,551,733)
Movement in trade and other payables	10	(1,666,929)	(8,976,122)
		338,495,192	138,984,233
Tax paid	11.4	(103,359,912)	(108,277,064)
<b>Net cash flow from operating activities</b>		<b>235,135,280</b>	<b>30,707,169</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of motor vehicles, furniture and equipment	9	(2,948,102)	(10,293,423)
<b>Net cash (used in) / from investing activities</b>		<b>(2,948,102)</b>	<b>(10,293,423)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(99,943,214)	(96,171,593)
Increase in intercompany loans		140,191,354	-
Repayments of intercompany loans	12	(165,000,000)	79,915,106
<b>Net cash generated from financing activities</b>		<b>(124,751,860)</b>	<b>(16,256,487)</b>
<b>Net movement in cash and cash equivalents</b>		<b>107,435,318</b>	<b>4,157,259</b>
<b>Movement in cash and cash equivalents</b>			
At the beginning of the period		52,190,702	48,033,443
Movement during the period		107,435,318	4,157,259
<b>At the end of the period</b>	6	<b>159,626,020</b>	<b>52,190,702</b>

\*\* No cash flow statement is presented for the Company since it does not have a bank account.

## ACCOUNTING POLICIES

for the period ended 31 December 2016

### 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 period ended 31 December 2016 comprise the Company and the interest in its two subsidiaries, namely, Letshego Bank Namibia Limited and Letshego Micro Financial Services (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 judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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 judgement 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.

#### Going concern

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

#### Impairment of advances to customers

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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### d) Comparatives

Comparative figures are not presented for the Company as these are the first set of financial statements to be presented since the incorporation of the Company. No cash flow statement is presented for the company since the company does not have a bank account (refer Capital reorganisation accounting policy note 3. a).

### 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 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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

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.

#### *Origination fees on loans granted*

Origination fees on loans granted 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 origination fees 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) Rendering of services**

When the transaction involves the rendering of services and the outcome can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

### iii) Non-interest income

Non-interest income consists primarily of profit share.

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 Motor vehicles, furniture 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 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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### i) Classification

#### *Financial assets*

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

- loans and accounts receivable; and
- 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

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

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.

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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

**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.

**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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

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 cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and Company's procedures for recovery of amounts due.

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).

### *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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### 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, plant 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, plant 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.

### i) 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.

### j) 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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### 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.

### k) 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.

### l) 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.

### m) 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.

### n) 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.

### o) Dividends

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

### p) Contingent liabilities

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

### q) Related parties

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

### r) Investment in subsidiaries

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

### s) Cell accounting

A cell captive structure represents an agreement between an insurance entity and the group to facilitate the writing of insurance business. The Group 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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### 4. New standards and amendments to standards

#### a) New standards and interpretations and amendments effective for the first time for 31 December 2016 year-end

Standard/Interpretation	Effective date	Executive Summary
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 17 introducing an additional disclosure that will enable user of financial statements to evaluate changes in liabilities arising from financing activities.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
IFRS 14 – Regulatory deferral accounts	1 January 2016	The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants	1 January 2016	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.
Amendments to IAS 27, 'Separate financial statements' on equity accounting	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### 4. New standards and amendments to standards (cont'd)

#### b) New standards and interpretations and amendments issued but not effective for 31 December 2016 year-end

Standard/Interpretation	Effective date	Executive Summary
Amendment to IAS 7 – Cash flow statements  Statement of cash flows on disclosure initiative	Annual periods beginning on or after 1 January 2017  (published Feb 2016)	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.
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) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting	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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### 4. New standards and amendments to standards (cont'd)

#### b) New standards and interpretations and amendments issued but not effective for 31 December 2016 year-end

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. 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>
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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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

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 grading's 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.
- 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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### *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.

### *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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

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 installments 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.

No allowance for impairment losses is made for advances which are covered by the Cell Captive arrangement, which applies to the LMFSN advances portfolio.

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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

<i>Analysis of Credit Quality</i>	<b>Company</b> 31 December 2016 N\$	<b>Group</b> 31 December 2016 N\$	<b>Group</b> 31 December 2015 N\$
<b>Financial assets that are neither past due nor specifically impaired</b>		<b>2,047,530,372</b>	<b>1,811,347,383</b>
<b>Past due and specifically impaired</b>		<b>93,426,083</b>	<b>74,725,793</b>
<b>Total credit exposure</b>	-	<b>2,140,956,456</b>	<b>1,886,073,176</b>
<b>Total impairments</b>			
Incurred but not reported (IBNR)	-	(7,206,469)	-
Portfolio specific impairment	-	(436,350)	(568,269)
Specific impairment	-	(14,634,320)	(105,677)
<b>Net advances</b>	-	<b>2,118,679,317</b>	<b>1,885,399,230</b>
<b>Impairment as a % of gross advances</b>			
CS 01 to CS 02:	0.00%	0.35%	0.00%
CS 03 to CS 04:	0.00%	1.14%	1.74%
CS 05 and higher:	0.00%	26.46%	0.25%
Total impairment as a % of total gross advances	0.00%	1.04%	0.04%
<b>Reconciliation of allowance account</b>			
Balance at the beginning of the year	-	93,196	229,025
Impairment raised (note 8)	-	91,700,469	42,632,776
Bad debt write-offs/(recovery)	-	(69,617,211)	(42,667,921)
<b>Balance at the end of the year</b>	-	<b>22,176,455</b>	<b>193,880</b>

### *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 loan size and original term of repayment of the loan advanced.

**LETSGEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES**  
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**ACCOUNTING POLICIES (CONT'D)**

for the period ended 31 December 2016

**Loans**

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N\$	% of total carrying amount
<b>2016 - Group</b>				
< 5 000	2,790	2.83%	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%
<b>Total</b>	<b>98,497</b>	<b>100.00%</b>	<b>2,118,679,317</b>	<b>100.00%</b>

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N\$	% of total carrying amount
<b>2015 - Group</b>				
< 5 000	2,918	3.17%	9,243,887	0.49%
5 000 - 10 000	12,319	13.38%	56,174,468	2.98%
10 000 - 20 000	23,772	25.83%	224,838,488	11.93%
20 000 - 50 000*	53,034	57.62%	1,595,142,387	84.61%
<b>Total</b>	<b>92,043</b>	<b>100.00%</b>	<b>1,885,399,230</b>	<b>100.00%</b>

\*Maximum loan amount is N\$ 50,000

The concentration risk per employer is as follows:

Public Sector - 99.9%

Other Employers - 0.1%

No collateral is held for these advances.

**(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:

	Total carrying amount N\$	Single largest exposure to a single counter-party N\$	Aaa to A3 N\$	Baa1 to Baa3 N\$	Below Baa3 N\$	Not rated N\$
<b>2016 - Group</b>						
<b>Cash and cash equivalents</b>						
Cash and cash equivalents	159,026,020	159,026,020	159,026,020	-	-	-
Deposits with Bank of Namibia	600,000	600,000	600,000	-	-	-
<b>Other receivables</b>	<b>60,047,920</b>	<b>57,089,785</b>	-	-	-	<b>60,047,920</b>
<b>Total</b>	<b>219,673,940</b>	<b>216,715,805</b>	<b>159,626,020</b>	-	-	<b>60,047,920</b>

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

	Total carrying amount N\$	Single largest exposure to a single counter-party N\$	Aaa to A3 N\$	Baa1 to Baa3 N\$	Below Baa3 N\$	Not rated N\$
<b>2015 - Group</b>						
<b>Cash and cash equivalents</b>						
Cash and cash equivalents	52,190,701	52,190,701	52,190,701	-	-	-
Deposits with Bank of Namibia	-	-	-	-	-	-
Other receivables	101,285,042	98,406,067	-	-	-	101,285,042
<b>Total</b>	<b>153,475,743</b>	<b>150,596,768</b>	<b>52,190,701</b>	<b>-</b>	<b>-</b>	<b>101,285,042</b>

### 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.

## **ACCOUNTING POLICIES (CONT'D)**

for the period ended 31 December 2016

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

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

Sensitivity and stress testing consists of a combination of stress scenarios and historical stress movements. Given the extent of the risk and the current risk mitigants, a more sophisticated (e.g. value-at-risk) analysis is not considered necessary.

### **Interest rate sensitivity analysis**

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



## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### i) Re-pricing profile

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

	Demand and up to 1 month N\$	Greater than 1 month up to 3 months N\$
<b>2016 - GROUP</b>		
<b>Assets</b>		
Cash and cash equivalents	159,626,020	
Other receivables	-	-
Net advances	1,123,514	2,316,023
Deferred tax asset	-	-
Property and equipment	-	-
<b>Total assets</b>	<b>160,749,534</b>	<b>2,316,023</b>
<b>Liabilities and equity</b>		
Trade and other payables	-	-
Current taxation	-	-
Intercompany payables	-	-
Ordinary shareholders' equity	-	-
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>
<b>On balance sheet interest sensitivity</b>	<b>160,749,534</b>	<b>2,316,023</b>

	Demand and up to 1 month N\$	Greater than 1 month up to 3 months N\$
<b>2015 - GROUP</b>		
<b>Assets</b>		
Cash and cash equivalents	52,190,701	-
Other receivables	-	-
Intercompany receivable	-	3,458
Net advances	3,392,503	3,681,644
Deferred tax asset	-	-
Property and equipment	-	-
<b>Total assets</b>	<b>55,583,204</b>	<b>3,685,102</b>
<b>Liabilities and equity</b>		
Trade and other payables	-	-
Current taxation	-	-
Intercompany payables	-	-
Ordinary shareholders' equity	-	-
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>
<b>On balance sheet interest sensitivity</b>	<b>55,583,204</b>	<b>3,685,102</b>

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Greater than 3 months up to 12 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-interest sensitive items N\$	Non-financial instruments N\$	Total N\$
-	-	-	60,047,920	8,114,620	159,626,020
46,874,687	176,756,596	1,891,608,497	-	-	68,162,540
-	-	-	-	6,622,256	2,118,679,317
-	-	-	-	10,501,139	6,622,256
<b>46,874,687</b>	<b>176,756,596</b>	<b>1,891,608,497</b>	<b>60,047,920</b>	<b>25,238,015</b>	<b>2,363,591,272</b>

-	-	-	30,643,182	11,802,828	42,446,011
-	-	-	-	2,022,105	2,022,105
12,965,923	84,189,954	700,703,296	1,560,911	-	799,420,084
-	-	-	-	1,519,703,071	1,519,703,071
<b>12,965,923</b>	<b>84,189,954</b>	<b>700,703,296</b>	<b>32,204,093</b>	<b>1,533,528,005</b>	<b>2,363,591,271</b>
<b>33,908,764</b>	<b>92,566,642</b>	<b>1,190,905,201</b>	-	-	-

Greater than 3 months up to 12 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-interest sensitive items N\$	Non-financial instruments N\$	Total N\$
-	-	-	-	-	52,190,701
-	-	-	101,285,042	5,236,543	106,521,585
-	-	-	-	-	3,458
50,374,832	145,120,420	1,682,829,831	-	-	1,885,399,230
-	-	-	-	1,379,056	1,379,056
-	-	-	-	12,169,978	12,169,978
<b>50,374,832</b>	<b>145,120,420</b>	<b>1,682,829,831</b>	<b>101,285,042</b>	<b>18,785,577</b>	<b>2,057,664,008</b>

-	-	-	36,156,590	7,956,348	44,112,938
-	-	-	-	537,251	537,251
-	-	824,270,361	-	-	824,270,361
-	-	-	-	1,188,743,458	1,188,743,458
-	-	824,270,361	36,156,590	1,197,237,057	2,057,664,008
<b>50,374,832</b>	<b>145,120,420</b>	<b>858,559,475</b>	-	-	-

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**ACCOUNTING POLICIES (CONT'D)**

for the period ended 31 December 2016

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 12,765 million in net income (before tax).

	Carrying amount at end of year N\$	Amount exposed to market risk N\$	Index to which interest rate is linked N\$	Statement of profit or loss impact (pre-tax) N\$
<b>2016 - Group</b>				
<b>Financial assets</b>				
Cash and cash equivalents	159,626,020	159,626,020	Namibia Prime	3,192,520
Advances	2,118,679,317	-	N/A	-
	<b>2,278,305,337</b>	<b>159,626,020</b>	<b>-</b>	<b>3,192,520</b>
<b>Financial liabilities</b>				
Intercompany payables	799,420,084	797,859,173	Namibia Prime	(15,957,183)
	<b>799,420,084</b>	<b>797,859,173</b>		<b>(15,957,183)</b>
<b>Net effect on the statement of total comprehensive income</b>				<b>(12,764,663)</b>

	Carrying amount at end of year N\$	Amount exposed to market risk N\$	Index to which interest rate is linked N\$	Statement of profit or loss impact (pre-tax) N\$
<b>2015 - Group</b>				
<b>Financial assets</b>				
Cash and cash equivalents	52,190,701	52,190,701	Namibia Prime	1,043,814
Advances	1,885,399,230	-	N/A	-
	<b>1,937,589,931</b>	<b>52,190,701</b>	<b>-</b>	<b>1,043,814</b>
<b>Financial liabilities</b>				
Intercompany payables	824,270,361	823,465,514	Namibia Prime	(16,469,310)
	<b>824,270,361</b>	<b>823,465,514</b>		<b>(16,469,310)</b>
<b>Net effect on the statement of total comprehensive income</b>				<b>(15,425,496)</b>

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### 5.1.2.2 Foreign currency risk management

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

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

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

### 5.1.2.3 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 cash flows 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.

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

	Demand and up to 1 month N\$
<b>2016 - GROUP</b>	
<b>Assets</b>	
Cash and cash equivalents	159,626,020
Other receivables	-
Net advances	59,058,560
Deferred tax asset	-
Property and equipment	-
<b>Total assets</b>	<b>218,684,580</b>
<b>Liabilities and equity</b>	
Trade and other payables	30,643,182
Current taxation	-
Intercompany payables	-
Ordinary shareholders' equity	-
<b>Total liabilities and equity</b>	<b>30,643,182</b>
<b>Net liquidity gap</b>	<b>188,041,398</b>

	Demand and up to 1 month N\$
<b>2015 - GROUP</b>	
<b>Assets</b>	
Cash and cash equivalents	52,190,701
Other receivables	-
Intercompany receivable	-
Net advances	56,058,489
Deferred tax asset	-
Property and equipment	-
<b>Total assets</b>	<b>108,249,190</b>
<b>Liabilities and equity</b>	
Trade and other payables	36,156,590
Current taxation	-
Intercompany payables	-
Ordinary shareholders' equity	-
<b>Total liabilities and equity</b>	<b>36,156,590</b>
<b>Net liquidity gap</b>	<b>72,092,600</b>

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Greater than 1 month up to 3 months N\$	Greater than 12 months up to 24 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-financial assets and liabilities N\$	Total N\$
-	-	-	-	-	159,626,020
60,047,920	-	-	-	8,114,620	68,162,540
115,363,081	495,016,702	577,283,763	871,957,210	-	2,118,679,317
-	-	-	-	6,622,256	6,622,256
-	-	-	-	10,501,139	10,501,139
<b>175,411,001</b>	<b>495,016,702</b>	<b>577,283,763</b>	<b>871,957,210</b>	<b>25,238,015</b>	<b>2,363,591,272</b>
-	-	-	-	11,802,828	42,446,011
-	-	-	-	2,022,105	2,022,105
1,560,911	18,996,647	113,979,882	664,882,644	-	799,420,084
-	-	-	-	1,519,703,071	1,519,703,071
<b>1,560,911</b>	<b>18,996,647</b>	<b>113,979,882</b>	<b>664,882,644</b>	<b>1,533,528,005</b>	<b>2,363,591,271</b>
<b>173,850,091</b>	<b>476,020,055</b>	<b>463,303,881</b>	<b>207,074,566</b>	-	-
Greater than 1 month up to 3 months N\$	Greater than 12 months up to 24 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-financial assets and liabilities N\$	Total N\$
-	-	-	-	-	52,190,701
101,285,042	-	-	-	5,236,543	106,521,585
3,458	-	-	-	-	3,458
104,506,370	439,464,036	508,726,184	776,644,151	-	1,885,399,230
-	-	-	-	1,379,056	1,379,056
-	-	-	-	12,169,978	12,169,978
<b>205,794,870</b>	<b>439,464,036</b>	<b>508,726,184</b>	<b>776,644,151</b>	<b>18,785,577</b>	<b>2,057,664,008</b>
-	-	-	-	7,956,348	44,112,938
-	-	-	-	537,251	537,251
-	-	-	824,270,361	-	824,270,361
-	-	-	-	1,188,743,458	1,188,743,458
-	-	-	824,270,361	1,197,237,057	2,057,664,008
<b>205,794,870</b>	<b>439,464,036</b>	<b>508,726,184</b>	<b>(47,626,210)</b>	-	-

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

### 5.1.3 Liquidity risk (cont'd)

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

	Carrying amount	Up to 1 month N\$
<b>2016 - GROUP</b>		
<b>Financial liabilities</b>		
Intercompany payables	799,420,084	-
	799,420,084	-

	Carrying amount	Up to 1 month N\$
<b>2015 - GROUP</b>		
<b>Financial liabilities</b>		
Intercompany payables	824,270,361	-
	824,270,361	-

#### 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

Greater than 1 month up to 6 months N\$	Greater than 6 months up to 12 months N\$	Greater than 1 year up to 2 years N\$	Greater than 2 years up to 5 years N\$	Greater than 5 years N\$	Total N\$
-	31,789,502	190,737,010	573,771,942	556,316,280	1,352,614,734
-	31,789,502	190,737,010	573,771,942	556,316,280	1,352,614,734

Greater than 1 month up to 6 months N\$	Greater than 6 months up to 12 months N\$	Greater than 1 year up to 2 years N\$	Greater than 2 years up to 5 years N\$	Greater than 5 years N\$	Total N\$
-	-	21,389,502	385,011,031	502,653,290	909,053,823
-	-	21,389,502	385,011,031	502,653,290	909,053,823

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.

## ACCOUNTING POLICIES (CONT'D)

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### 5.1.4.2 Assets and liabilities for which fair value is disclosed\*

	Level 1 N\$	Level 2 N\$	Level 3 N\$	Total N\$	Carrying amount N\$
<b>2016 - GROUP</b>					
<b>Financial assets</b>					
Net advances	-	-	2,035,576,800	2,035,576,800	2,118,679,317
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,035,576,800</b>	<b>2,035,576,800</b>	<b>2,118,679,317</b>
<b>Financial liabilities</b>					
Intercompany payables	-	-	799,420,084	799,420,084	799,420,084
<b>Total</b>	<b>-</b>	<b>-</b>	<b>799,420,084</b>	<b>799,420,084</b>	<b>799,420,084</b>

	Level 1 N\$	Level 2 N\$	Level 3 N\$	Total N\$	Carrying amount N\$
<b>2015 - GROUP</b>					
<b>Financial assets</b>					
Net advances	-	-	1,835,742,170	1,835,742,170	1,885,399,230
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,835,742,170</b>	<b>1,835,742,170</b>	<b>1,885,399,230</b>
<b>Financial liabilities</b>					
Intercompany payables	-	-	824,270,361	824,270,361	824,270,361
<b>Total</b>	<b>-</b>	<b>-</b>	<b>824,270,361</b>	<b>824,270,361</b>	<b>824,270,361</b>

\*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 cash flows, discounted using market related rates.

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



## **ACCOUNTING POLICIES (CONT'D)**

for the period ended 31 December 2016

### **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.

	Note	Loans and receivables N\$
--	------	---------------------------------

### **2016 - COMPANY**

#### **Financial assets**

Other receivables		46,803,205
Intercompany receivable		9,974,507
<b>Total financial assets</b>		<b>56,777,712</b>

#### **Financial liabilities**

Trade and other payables		-
Intercompany payables		-
<b>Total financial liabilities</b>		<b>-</b>

	Note	Loans and receivables N\$
--	------	---------------------------------

### **2016 - GROUP**

#### **Financial assets**

Cash and cash equivalents		159,626,020
Other receivables		60,047,920
Net advances		2,118,679,317
<b>Total financial assets</b>		<b>2,338,353,257</b>

#### **Financial liabilities**

Trade and other payables		-
Intercompany payables		-
<b>Total financial liabilities</b>		<b>-</b>

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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\$
-	-	-	46,803,205	46,803,205	-
-	-	-	9,974,507	9,974,507	-
-	-	-	<b>56,777,712</b>	<b>56,777,712</b>	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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\$
-	-	-	159,626,020	159,626,020	-
-	-	-	60,047,920	60,047,920	-
-	-	-	2,118,679,317	50,314,224	2,068,365,094
-	-	-	<b>2,338,353,257</b>	<b>269,988,164</b>	<b>2,068,365,094</b>
-	-	30,643,182	30,643,182	30,643,182	-
-	-	799,420,084	799,420,084	18,996,647	778,862,526
-	-	<b>830,063,266</b>	<b>830,063,266</b>	<b>49,639,829</b>	<b>778,862,526</b>

## ACCOUNTING POLICIES (CONT'D)

for the period ended 31 December 2016

	Note	Loans and receivables N\$
<b>2015 - GROUP</b>		
<b>Financial assets</b>		
Cash and cash equivalents		52,190,701
Other receivables		101,285,042
Intercompany receivable		3,458
Net advances		1,885,399,230
<b>Total financial assets</b>		<b>2,038,878,431</b>
<b>Financial liabilities</b>		
Trade and other payables		-
Intercompany payables		-
<b>Total financial liabilities</b>		<b>-</b>

### 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. It is the Group's objective to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

#### *External regulatory capital management - Banking Operations*

Regulatory capital adequacy is measured by expressing available qualifying capital as a percentage of risk-weighted assets. The Banking Institutions Act (No 2 of 1998) and supporting regulations, read together with specific requirements for the banking operations, specify the minimum capital required to be held in relation to risk weighted assets. Ancillary regulatory requirements include the Basel II leverage ratio.

The banking operations regulatory capital is divided into two tiers:

- Tier 1 capital: Share capital, share premium, irredeemable preference shares, share based payment reserve, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital and general loan loss provisions

The Bank of Namibia requires each bank or banking group to maintain the following capital adequacy ratios:

- Tier 1 capital to total assets, at a minimum of 6%, referred to as the leverage capital ratio;
- Tier 1 capital to the risk-weighted assets at the minimum of 7%, referred to as Tier 1 risk-based capital ratio; and
- The total regulatory capital to risk-weighted assets as a minimum of 10%, referred to as total risk-based capital ratio.

In addition to the above minimum capital requirements, the Bank of Namibia requires the bank to perform an internal capital adequacy and assessment process (ICAAP) in terms of Pillar II of Basel II, which has been documented and approved by the Board.

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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\$
-	-	-	52,190,701	52,190,701	-
-	-	-	101,285,042	101,285,042	-
-	-	-	3,458	3,458	-
-	-	-	1,885,399,230	57,448,979	1,827,950,251
-	-	-	<b>2,038,878,431</b>	<b>210,928,180</b>	<b>1,827,950,251</b>
-	-	36,156,590	36,156,590	36,156,590	-
-	-	824,270,361	824,270,361	-	824,270,361
-	-	<b>860,426,951</b>	<b>860,426,951</b>	<b>36,156,590</b>	<b>824,270,361</b>

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.

It should be noted that there are no debt covenant requirements attached to any liabilities within the Group.

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 December 2016

	<b>Company</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2015</b> <b>N\$</b>
<b>6. Cash and cash equivalents</b>			
Cash and balances with banks	-	<b>159,490,148</b>	52,063,321
Money market placements	-	<b>135,872</b>	127,380
	-	<b>159,626,020</b>	52,190,701

For the purpose of the statement of cash flows, the period-end cash and cash equivalents comprise the following:

Bank balances	-	<b>159,615,823</b>	52,190,701
Cash on hand	-	<b>10,197</b>	-
	-	<b>159,626,020</b>	52,190,701

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

## 7 Receivables

### 7.1 Other receivables

Financial			
- Profit share receivable from cell captive	<b>46,802,980</b>	<b>57,089,785</b>	98,406,067
- Deposits	-	<b>728,839</b>	-
- Sundry receivables	-	<b>2,229,296</b>	2,878,975
Non-financial			
- Prepayments	-	<b>5,314,620</b>	5,236,543
- Deferred fees	-	<b>2,800,000</b>	-
	<b>46,802,980</b>	<b>68,162,540</b>	106,521,585

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 (CONT'D)

for the period ended 31 December 2016

	Company 31 December 2016 N\$	Group 31 December 2016 N\$	Group 31 December 2015 N\$
<b>7.2 Intercompany receivable</b>			
Financial			
- Letshego Holdings Limited	-	-	3,458
- Letshego Micro Financial Services Namibia (Pty) Ltd	9,974,507	-	-
	<b>9,974,507</b>	-	3,458

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.

<b>8. Advances to customers</b>			
Gross advances to customers	-	<b>2,140,956,456</b>	1,886,073,176
Less: Impairment allowance on advances	-	<b>(22,277,139)</b>	(673,946)
Net advances to customers	-	<b>2,118,679,317</b>	1,885,399,230
<b>Impairment allowance on advances</b>			
Balance at the beginning of the period	-	<b>673,946</b>	229,025
Balance due to acquisition of subsidiary	-	-	-
Impairment adjustment - increase/(decrease) for the period	-	<b>21,603,193</b>	444,921
Balance at the end of the period	-	<b>22,277,139</b>	673,946
The balance at the end of the period consists of the following:			
Provision for bad debt (general)	-	<b>7,206,469</b>	445,755
Provision for bad debt (specific)	-	<b>15,070,670</b>	438,735
	-	<b>22,277,139</b>	884,490
<b>(Reversals)/Charges in the profit or loss</b>			
Amounts written off	-	<b>91,700,469</b>	42,867,788
Recoveries during the period	-	<b>(69,617,211)</b>	(42,667,921)
	-	<b>22,083,259</b>	199,867
<b>Exposure to credit risk</b>			
Net advances to customers	-	<b>2,118,679,317</b>	1,885,399,230
<b>Maximum exposure to credit risk</b>	-	<b>2,118,679,317</b>	<b>1,885,399,230</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the period ended 31 December 2016

**9. Motor vehicles, furniture and equipment**

GROUP	Furniture and fittings N\$	Office equipment N\$	Computer equipment N\$	Motor vehicles N\$	Leasehold Improvements N\$	Total N\$
<b>2016 - Group</b>						
<b>At 31 December 2016</b>						
Cost	3 458 153	4 927 911	14 356 919	172 998	2 551 469	25 467 450
Accumulated depreciation	(1 857 929)	(1 730 506)	(10 532 925)	(36 041)	(808 911)	(14 966 311)
Carrying amount	1 600 224	3 197 406	3 823 995	136 957	1 742 557	10 501 139
<b>At 31 December 2016</b>						
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
<b>At 31 December 2015</b>						
Cost	3 433 838	4 721 654	12 095 465	137 700	2 268 391	22 657 048
Accumulated depreciation	(1 141 077)	(829 568)	(8 057 089)	(137 700)	(321 636)	(10 487 070)
Carrying amount	2 292 761	3 892 086	4 038 376	-	1 946 755	12 169 978
<b>At 31 December 2015</b>						
Opening net amount at 1 January 2015	103 543	60 552	1 879 288	-	3 492	2 046 875
Additions	2 740 253	4 376 212	4 772 874	-	2 261 274	14 150 613
Depreciation charge	(551 035)	(544 678)	(2 613 786)	-	(318 011)	(4 027 510)
Carrying amount	2 292 761	3 892 086	4 038 376	-	1 946 755	12 169 978

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the period ended 31 December 2016

	Company 31 December 2016 N\$	Group 31 December 2016 N\$	Group 31 December 2015 N\$
<b>10. Trade and other payables</b>			
Financial			
- Trade payables	-	28 926 024	27 577 230
- Other payables	-	1 717 158	8 579 360
Non-financial			
- Audit fee provision	-	568 523	-
- Personnel related	-	3 828 577	984 933
- Value Added Taxation	-	5 100 607	3 463 163
- Withholding Tax	-	2 305 122	3 508 253
	-	42 446 012	44 112 939
<b>11. Taxation</b>			
<b>11.1 Income tax expense</b>			
Current tax expense	10 095 571	104 844 766	93 995 577
Deferred tax (income)/expense :			
- Origination and reversal of temporary differences	-	(5 243 200)	1 964 325
<b>Total Income tax expense</b>	<b>10 095 571</b>	<b>99 601 567</b>	<b>95 959 902</b>
<b>11.2 Reconciliation of current taxation</b>			
Profit before taxation	62 150 969	429 554 048	368 031 392
Tax calculated at standard rate - 32%	19 888 310	137 457 295	117 770 046
Income not subject to tax - dividends	(9 792 739)	(20 172 802)	(24 860 877)
Non-deductible expenses - legal fees	-	327 047	-
<b>Effective tax rate</b>	<b>16.24%</b>	<b>27.38%</b>	<b>25.24%</b>
<b>11.3 Deferred taxation</b>			
The balance comprises:			
- Motor vehicles, furniture and equipment	-	(983 287)	(441 308)
- Prepayments	-	(16 512)	-
- Provisions	-	6 599 838	1 820 364
- Share based payments	-	516 682	-
- Income received in advance	-	505 535	-
	-	6 622 256	1 379 056
Deferred tax liability			
Deferred taxation liability to be recovered after more than 12 months	-	(999 799)	(441 308)
Deferred taxation liability to be recovered within 12 months	-	-	-
	-	(999 799)	(441 308)
Deferred tax asset			
Deferred taxation asset to be recovered after more than 12 months	-	6 384 427	1 452 002
Deferred taxation asset to be recovered within 12 months	-	1 237 628	368 362
	-	7 622 055	1 820 364

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the period ended 31 December 2016

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% (2015: 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.

	<b>Company</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2015</b> <b>N\$</b>
<b>11.4 Current taxation</b>			
Opening balance	-	537,251	14,818,738
Charge to profit or loss	10,095,571	104,844,766	93,995,577
Payments made during the period	(10,095,571)	(103,359,912)	(108,277,064)
<b>Taxation liability/(asset)</b>	-	2,022,105	537,251
<b>12. Intercompany payables</b>			
<b>12.1 Intercompany payable - Letshego Holdings Limited</b>	-	797,859,173	823,465,514

The net inter-company 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%. There is a moratorium on the repayment of capital and interest for 36 months (this will elapse on the 1 November 2017), where after the loan becomes repayable in 84 monthly equal instalments of capital plus interest. The loan amount is to mature on 30 November 2024.

### 12.2 Intercompany payable - Erf 8585 (Pty) Ltd

	-	1,560,911	804,847
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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 amounts of the intercompany payable approximates closely to its fair value due to the short-term nature of the balance.

<b>Total intercompany payables</b>	-	799,420,084	824,270,361
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#### Banking facilities

There were no overdraft facilities in place at the end of the financial period, (2015: N\$ Nil).

## 13. Share capital

#### Authorised share capital

1 000 000 ordinary shares of 10 cents each	100,000	100,000	100,000
Issued share capital			
1 000 000 ordinary shares of 10 cents each	100,000	100,000	100,000

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the period ended 31 December 2016

### 14. 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.

	<b>Company Dec 16</b>	<b>Group Dec 16</b>		<b>Group Dec 15</b>	
	<b>Number of share awards</b>	<b>Number of share awards</b>	<b>Exercise price</b>	<b>Number of share awards</b>	<b>Exercise price</b>
Granted during prior periods	-	<b>867,500</b>	NAD 2.51/3.22/3.21	-	NAD 2.21/1.80/2.88
Share granted on 1 February each period	-	<b>596,300</b>	NAD 3.35	567,500	NAD 2.85
Vested/(Forfeited) during the period	-	-	NAD 3.22/3.21./3.35	-	NAD 2.21/1.80/2.88
Exercisable and outstanding at the end of the period	-	<u>1,463,800</u>	NAD 3.22/3.21./3.35	<u>567,500</u>	NAD 2.23/2.86/2.85

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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the period ended 31 December 2016

	<b>Company</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2015</b> <b>N\$</b>
<b>15. Profit before taxation</b>			
The following items have been recognised in arriving at profit before taxation:			
Advertising and promotions	-	<b>2,191,709</b>	1,055,919
Auditors' remuneration	-	<b>869,838</b>	662,770
- Current period	<b>(73,790)</b>	<b>869,837</b>	73,790
- Prior period	<b>73,790</b>	-	588,980
Consultancy costs - professional services	<b>10,251</b>	<b>4,459,267</b>	1,385,954
Computer services costs	-	<b>2,245,445</b>	1,189,444
Depreciation	-	<b>4,616,941</b>	4,027,510
Directors' emoluments			
- for services as Director	-	<b>659,323</b>	253,271
- for management services	-	<b>4,068,357</b>	3,954,229
Rental - premises	-	<b>4,196,116</b>	3,636,295
Employee benefit expense	-	<b>22,569,647</b>	16,195,059
<b>16. Employee benefit expense</b>			
Salaries	-	<b>15,828,260</b>	10,945,965
Key management personnel	-	<b>5,026,798</b>	3,954,229
Pension fund contributions	-	<b>1,871,103</b>	1,277,706
Medical aid contributions	-	<b>1,021,867</b>	795,540
Social security	-	<b>99,801</b>	69,240
Incentive bonuses	-	<b>2,789,375</b>	3,057,363
Staff training and welfare	-	<b>800</b>	49,245
	-	<b>26,638,004</b>	<b>20,149,288</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the period ended 31 December 2016

	Company 31 December 2016 N\$	Group 31 December 2016 N\$	Group 31 December 2015 N\$
<b>17. Operating expenses by nature</b>			
Sales related expense	-	11,042,009	8,644,053
Auditors remuneration	-	869,837	662,769
Consulting and secretarial	10,251	4,459,267	1,385,954
Collection Fees	-	27,541,258	24,193,268
Management fees	-	34,984,763	33,929,518
Depreciation (Note 9)	-	4,616,941	4,027,510
Directors' remuneration - for services as Directors	-	659,323	253,271
Computer related expenses	-	2,245,445	1,189,444
Office rental	-	4,196,116	3,636,295
Travel and accommodation	-	1,430,908	1,368,249
Social responsibility projects	-	542,680	939,579
Arrangement fees - Holding Company	-	440,519	635,971
Telephone & Fax	-	2,037,506	1,828,731
Legal fees	-	706,111	37,327
Operational expenses	1,052	11,712,297	10,362,005
	<b>11,303</b>	<b>107,484,980</b>	<b>93,093,944</b>
<b>18. Finance income and costs</b>			
<i>Interest income on advances:</i>	-	450,025,683	379,996,787
- Interest received on advances to customers	-	401,225,051	337,477,465
- Collection fees	-	48,800,632	42,519,322
 <i>Other interest income:</i>			
- Interest received on short term bank deposits	-	3,465,074	2,070,891
 <i>Interest paid:</i>			
- Related party loans	-	99,943,214	96,171,593
Net interest income	-	350,082,469	379,996,787
<b>19. Fee income</b>			
Postage fees	-	1,943,413	1,712,239
	-	1,943,413	1,712,239
<b>20. Fee and commission expense</b>			
Collection fees	-	27,541,258	24,193,268
	-	27,541,259	24,193,268
<b>21. Other operating income</b>			
Levies recovered in respect of overpayment	-	4,046,112	-
Dividend income - cell captive	62,162,272	223,973,595	193,776,176
Other sundry income	-	2,218,529	89,991
	<b>62,162,272</b>	<b>230,269,335</b>	<b>193,866,167</b>
<b>22. Operating lease commitments</b>			
The future minimum lease payments under non-cancellable operating leases are as follows:			
Not later than 1 period	-	3,274,259	3,322,847
Between 1 year and 3 years	-	2,404,133	2,214,246
	-	<b>5,678,392</b>	<b>5,537,093</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the period ended 31 December 2016

	<b>Company</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2015</b> <b>N\$</b>
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### 23. Related parties

	Letshego Holdings Namibia (Pty) Limited (Parent Company) Letshego Micro Financial Services (Pty) Limited (Subsidiary of Parent Company)
Lease agreements:	Erf Eight Five Eight Five (Pty) Limited (Subsidiary of Ultimate Parent Company)
Management services agreements:	Letshego Holdings Limited (Ultimate Parent Company)
Key management personnel:	Ester Kali (CEO) NP Esterhuysen (CFO)
Directors:	Rairirira Mbakutua Mbetjiha Ester Kali John Eugene Shepherd Sven von Blottnitz Mythri Sambasivan-George

#### 23.1 Related party balances

##### Loan accounts - Owing to related parties

Letshego Holdings Limited - loan	-	<b>797,859,173</b>	823,465,514
<b>Total loan accounts</b>	-	<b>797,859,173</b>	823,465,514

The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. There is a moratorium on the repayment of capital and interest for 36 months (this will elapse on the 1 November 2017), where after the loan becomes repayable in 84 monthly equal instalments of capital plus interest. The loan amount is to mature on the 30 November 2024.

#### 23.3 Related party transactions

##### Interest paid to related parties

Letshego Holdings Limited	-	<b>99,935,657</b>	96,171,593
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##### Fees paid to related parties

Letshego Holdings Limited	-	<b>440,519</b>	635,971
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##### Rent paid to related parties

Erf Eight Five Eight Five (Pty) Limited	-	<b>1,326,960</b>	1,105,800
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##### Operational expenses charged to related parties

Letshego Micro Financial Services (Pty) Ltd	-	<b>14,790,271</b>	-
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##### Management fees paid to related parties

Letshego Holdings Limited	-	<b>33,972,011</b>	33,929,518
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The amount classified as management fees under note 17 is made up as follows:

Fees payable to Letshego Holdings Limited	-	<b>30,883,646</b>	28,840,091
Withholding tax paid on imported management services	-	<b>3,088,365</b>	5,089,427
	-	<b>33,972,011</b>	33,929,518

##### Arrangement fees paid to related parties

Letshego Holdings Limited	-	<b>440,519</b>	635,971
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## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the period ended 31 December 2016

	Company 31 December 2016 N\$	Group 31 December 2016 N\$	Group 31 December 2015 N\$
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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 2016, 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	-	5,026,798	3,954,229
Compensation paid to Directors			
Sitting fees paid to non-executive Directors	-	659,323	253,271
	-	659,323	253,271

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

### 24. Security

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 mature 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.

**Group  
31 December  
2016  
N\$**

### 25. 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.

Purchase consideration (refer to (b):

Cash paid	100,000
<b>Total purchase consideration</b>	<b>100,000</b>

Carrying value of assets and liabilities acquired as at 01 January 2015:

As at 05 July 2016: As at 01 January 2015:

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, plant 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)
<b>Net assets acquired</b>	<b>100,000</b>	<b>100,000</b>

\*This reserve arose from a capital re-organisation in form of a common control combination that arose from the new Corporate structure approved by the BoN (refer paragraph A.1 on page 6). This required the formation of LHN and splitting of the businesses between LBN and LMFSN. For the purposes of consolidation, the transaction was treated as if the combination and capital re-organisation had taken place at the beginning of the comparative period presented i.e. 1 January 2015.

**LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES**  
ANNUAL FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

for the period ended 31 December 2016

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	<u>100,000</u>
Carrying value of assets and liabilities acquired:	
Cash	100,000
Less: negative goodwill	<u>(100,000)</u>
Net assets acquired	<u>-</u>
(b) Purchase considerations	
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	<u>100,000</u>
Net inflow of cash – investing activities	<u>-</u>

	Company 31 December 2016 N\$	Group 31 December 2016 N\$	Group 31 December 2015 N\$
<b>26. Investment in subsidiaries</b>			
Investment in Letshego Micro Financial Services (Pty) Limited at cost	100,000	-	-
Investment in Letshego Bank Namibia Limited at cost	<u>1,344,253,808</u>	-	-
	<u>1,344,353,808</u>	-	-
<b>27. Capital commitments</b>			
Budgeted, not yet authorised	-	-	-
Authorised	-	<u>24,083,662</u>	5,000,000

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

**28. 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.

**28.1 Entity-wide disclosures**

**28.1.1 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.

**28.1.2 Geographical segments**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

for the period ended 31 December 2016

### 28.1.3 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.

### 29. 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.

	<b>Company</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2016</b> <b>N\$</b>	<b>Group</b> <b>31 December</b> <b>2015</b> <b>N\$</b>
<i>Earnings</i>			
Profit for the period	<b>52,055,398</b>	<b>329,952,482</b>	272,071,491
Headline adjustments	-	-	-
Remeasurement included in equity accounted earnings	-	-	-
<i>Headline earnings</i>	<b>52,055,398</b>	<b>329,952,482</b>	<b>272,071,491</b>
Number of ordinary shares in issue at year end (note 13)	<b>1,000,000</b>	<b>1,000,000</b>	1,000,000
Weighted average number of ordinary shares in issue during the period	<b>1,000,000</b>	<b>1,000,000</b>	1,000,000
Diluted weighted average number of ordinary shares in issue during the period	<b>1,000,000</b>	<b>1,000,000</b>	1,000,001
<i>Earnings per ordinary share (cents)</i>			
Basic	<b>5,206</b>	<b>32,995</b>	27,207
Fully diluted	<b>5,206</b>	<b>32,995</b>	27,207
<i>Headline earnings per ordinary share (cents)</i>			
Basic	<b>5,206</b>	<b>32,995</b>	27,207
Fully diluted	<b>5,206</b>	<b>32,995</b>	27,207

## **INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES**

5 July 2017

The Directors  
Letshego Holdings (Namibia) Limited  
PO Box 11600  
Windhoek  
Namibia

Dear Sirs,

### **INDEPENDENT REPORTING ACCOUNTANT'S AUDIT REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES**

#### *Our opinion*

Letshego Holdings (Namibia) Limited is issuing a Prospectus to its shareholders to be dated on or about 5 July 2017 ("the Prospectus") regarding the proposed listing of Letshego Holdings (Namibia) Limited on the Namibian Stock Exchange (the "Proposed Listing"). In our opinion, the Historical Financial Information presents fairly, in all material respects, the consolidated financial position of Letshego Holdings (Namibia) Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the periods then ended in accordance with International Financial Reporting Standards.

#### **What we have audited**

At your request and solely for the purpose of the Prospectus, Letshego Holdings (Namibia) Limited's Consolidated Historical Financial Information as set out in Annexure 2 of the Prospectus comprise:

- the consolidated statements of financial position as at 31 December 2016;
- the consolidated statements of comprehensive income for the period then ended;
- the consolidated statements of changes in equity for the period then ended;
- the consolidated cash flow for the period then ended; and
- the notes to the Consolidated Historical Financial Information, 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 *Reporting accountant's responsibilities for the audit of the Historical Financial Information* 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 & 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 and in accordance with other ethical requirements applicable to performing audits in Namibia.

#### *Purpose of this report*

This report has been prepared for the purpose of the Prospectus and for no other purpose.

#### *Responsibilities of the Directors for the Consolidated Historical Financial Information*

The Directors are responsible for the preparation and fair presentation of the Consolidated Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of the Consolidated Historical Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Historical Financial Information, the Directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

#### *Reporting Accountant's responsibilities for the audit of Consolidated Historical Financial Information*

Our objectives are to obtain reasonable assurance about whether the Consolidated Historical Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant'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 the Consolidated Historical Financial Information.

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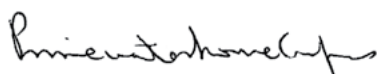
## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF LETSHEGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES

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

- Identify and assess the risks of material misstatement of the Consolidated Historical Financial Information, 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 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 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 Historical Financial Information 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Historical Financial Information, including the disclosures, and whether the Consolidated Historical Financial Information 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 Historical Financial Information. 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.



**PricewaterhouseCoopers**

Registered Accountants and Auditors

Chartered Accountants (Namibia)

Per: Louis van der Riet

Partner

Windhoek, Namibia

5 July 2017

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## AUDITED HISTORICAL FINANCIAL INFORMATION OF LBN

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LBN is licenced by BoN to conduct banking business in Namibia and is regulated under licence Certificate number BIC 011. It was incorporated in Namibia on 16 October 1997 and was initially known as Edu Loan (Pty) Ltd. In 2009, Edu Loan was acquired by LHL, changed its name to Letshego Financial Services (Namibia) (Pty) Ltd and was converted to a public company during 2016 when it also changed its name to Letshego Bank (Namibia) Limited at the time of acquiring its banking licence. It has a network of 2 branches and 14 customer access points across Namibia offering financially inclusive solutions to customers that include the provision of short to medium-term unsecured consumer advances to salaried employees of the public and private sectors.

With the attainment of the banking licence and the approval of a new corporate structure by the BoN, LBN transferred 52% of its loan book to LMFSN, to enable LBN to focus on providing a range of simple and affordable transactional and savings solutions and services that will predominantly target the lower to middle income segments of the working population using leading technology. It is scheduled to launch its inclusive finance solutions including savings, payments and micro-insurance in addition to lending during the third quarter of 2017. Currently, new loans and top-ups are only issued in LMFSN.

The Audited Annual Financial Statements have been included, since these are the history of the LGN Group.

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	31 December 2016 N\$	31 December 2015 N\$	31 December 2014 N\$
<b>ASSETS</b>				
Cash and cash equivalents	6	130,852,426	52,190,701	48,033,443
Other receivables	7.1	8,620,270	106,521,585	63,969,852
Intercompany receivable	7.2	520,329,019	3,458	20,516,997
Advances to customers	8	758,934,883	1,885,399,230	1,607,217,895
Deferred taxation	11.3	6,553,952	1,379,056	3,343,381
Current taxation	11.4	6,461,247	-	-
Property and equipment	9	10,501,139	12,169,978	5,904,066
<b>Total assets</b>		<b>1,442,252,935</b>	<b>2,057,664,008</b>	<b>1,748,985,635</b>
<b>LIABILITIES AND EQUITY</b>				
Liabilities				
Trade and other payables	10	23,465,156	44,112,939	53,893,908
Current taxation	11.4	-	537,251	14,818,738
Intercompany payable	12.2	1,560,911	824,270,361	764,063,948
<b>Total liabilities</b>		<b>25,026,067</b>	<b>868,920,551</b>	<b>832,776,594</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital and share premium	13	59,624,011	59,624,010	59,624,010
Preference shares	13	215,084,843	215,084,843	215,084,843
Retained earnings		1,140,903,384	913,388,933	641,317,442
Equity settled share based payment reserve	14	1,614,631	645,671	182,745
<b>Total equity attributable to equity holders of the parent company</b>		<b>1,417,226,868</b>	<b>1,188,743,457</b>	<b>916,209,040</b>
Total Shareholders' Equity		1,417,226,868	1,188,743,457	916,209,040
<b>Total liabilities and equity</b>		<b>1,442,252,935</b>	<b>2,057,664,008</b>	<b>1,748,985,635</b>

**LETSHEGO BANK (NAMIBIA) LIMITED**  
ANNUAL FINANCIAL STATEMENTS

**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2016

	Notes	12 Months 31 December 2016 N\$	12 Months 31 December 2015 N\$	11 Months* 31 December 2014 N\$
Interest income	18	353,132,538	379,996,787	270,734,847
Credit impairment charge	8	(21,769,963)	(199,867)	788,496
Interest after impairment		331,362,575	379,796,920	271,523,343
Other interest income	18	2,991,515	2,070,891	1,258,892
Interest expense		(65,910,243)	(96,171,593)	(67,878,350)
<b>Net interest income after impairment</b>		<b>268,443,847</b>	<b>285,696,219</b>	<b>204,903,885</b>
Fee income	19	1,755,332	1,712,239	511,386
Other operating income	21	125,532,762	193,866,168	135,736,566
Employee benefits	16	(20,717,139)	(20,149,288)	(10,740,106)
Other operating expenses	17	(72,279,389)	(93,093,074)	(73,035,864)
<b>Operating profit before taxation</b>	15	<b>302,735,413</b>	<b>368,032,263</b>	<b>257,375,867</b>
Taxation	11	(75,259,131)	(95,960,772)	(37,601,982)
Profit for the period		227,476,282	272,071,491	219,773,885
Other comprehensive income, net of tax		-	-	-
<b>Total comprehensive income for the period</b>		<b>227,476,282</b>	<b>272,071,491</b>	<b>219,773,885</b>

\* The 2014 financial year comprises of an 11 month reporting period as a result of a change in the financial year-end.



## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2016

Note

### As at 1st January 2016

Prior period adjustment to retained earnings

#### Total comprehensive income for the period

Profit and total comprehensive income for the period

Dividends paid

#### Transactions with equity holders, recorded directly in equity

##### Contributions by equity holders

Share based payment transactions

### As at 31 December 2016

Note

### As at 1st February 2015

#### Total comprehensive income for the period

Profit and total comprehensive income for the period

Dividends paid

#### Transactions with equity holders, recorded directly in equity

##### Contributions by equity holders

Share based payment transactions

### As at 31 December 2015

### As at 1st February 2014

#### Total comprehensive income for the period

Profit and total comprehensive income for the period

Dividends paid

#### Transactions with equity holders, recorded directly in equity

##### Contributions by equity holders

Share based payment transactions

### As at 31 December 2014

**LETSHEGO BANK (NAMIBIA) LIMITED**  
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Share capital N\$	Share Premium N\$	Preference shares N\$	Share based payment reserve N\$	Retained earnings N\$	Total equity N\$
100,010	59,524,000	215,084,843	645,672	913,388,932	1,188,743,457
-	-	-	-	38,173	38,173
-	-	-	-	227,476,282	227,476,282
-	-	-	-	-	-
-	-	-	968,959	-	968,959
<b>100,010</b>	<b>59,524,000</b>	<b>215,084,843</b>	<b>1,614,631</b>	<b>1,140,903,387</b>	<b>1,417,226,868</b>

Share capital N\$	Share Premium N\$	Preference shares N\$	Share based payment reserve N\$	Retained earnings N\$	Total equity N\$
100,010	59,524,000	215,084,843	182,745	641,317,442	916,209,040
-	-	-	-	272,071,490	272,071,490
-	-	-	462,927	-	462,927
100,010	59,524,000	215,084,843	645,672	913,388,932	1,188,743,457
100,010	59,524,000	215,084,843	-	421,543,556	696,252,409
-	-	-	-	219,773,886	219,773,886
-	-	-	-	-	-
-	-	-	182,745	-	182,745
<b>100,010</b>	<b>59,524,000</b>	<b>215,084,843</b>	<b>182,745</b>	<b>641,317,442</b>	<b>916,209,040</b>

**LETSHEGO BANK (NAMIBIA) LIMITED**  
ANNUAL FINANCIAL STATEMENTS

**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2016

	Notes	12 Months 31 December 2016 N\$	12 Months 31 December 2015 N\$	11 Months 31 December 2014 N\$
Operating profit before taxation		302,735,413	368,031,392	257,375,867
Interest paid		65,910,243	96,171,593	-
Adjusting items of a non-cash nature:				
Depreciation	9	4,616,941	4,027,511	1,290,725
Impairment allowance on advances	8	21,289,897	444,921	210,543
Equity settled share based payment transactions	14	968,960	462,926	182,745
Changes in working capital:				
Movement in advances to customers	8	1,105,174,449	(278,626,256)	(416,265,053)
Movement in other receivables	7	97,901,315	(42,551,733)	14,474,544
Movement in trade and other payables	10	(20,647,783)	(8,976,122)	35,386,296
Tax paid	11.4	1,577,949,435 (87,432,524)	138,984,232 (108,277,064)	(107,344,332) (28,669,358)
<b>Net cash flow from/(utilised in) operating activities</b>		<b>1,490,516,911</b>	<b>30,707,167</b>	<b>(136,013,691)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease/(increase) in inter-company receivable	7.2	(520,325,562)	20,513,540	(20,516,997)
Purchase of motor vehicles, furniture and equipment	9	(2,948,102)	(10,293,423)	(3,590,117)
<b>Net cash used in investing activities</b>		<b>(523,273,664)</b>	<b>10,220,117</b>	<b>(24,107,114)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid		(65,910,243)	(96,171,593)	-
(Repayments of) / Increase in related party loans	23.2	(822,671,280)	59,401,566	175,679,287
<b>Net cash utilised in financing activities</b>		<b>(888,581,523)</b>	<b>(36,770,027)</b>	<b>175,679,287</b>
<b>Net movement in cash and cash equivalents</b>		<b>78,661,724</b>	<b>4,157,259</b>	<b>15,558,483</b>
<b>Movement in cash and cash equivalents</b>				
At the beginning of the period		52,190,702	48,033,443	32,474,960
Movement during the period		78,661,724	4,157,259	15,558,483
<b>At the end of the period</b>	6	<b>130,852,426</b>	<b>52,190,702</b>	<b>48,033,443</b>

# **ACCOUNTING POLICIES**

## **ACCOUNTING POLICIES**

for the year ended 31 December 2016

### **1. Reporting entity**

Letshego Bank Namibia Limited is a bank domiciled in Namibia registered under the Banking institutions Act, 1998 (Act No. 2 of 1998). The address of the Bank's registered office is 18, Schwerinsburg Street, Windhoek, Namibia. The Bank is primarily engaged in the provision banking services to the Namibian general public. These financial statements represent the Bank's statutory financial statements.

### **2. Basis of preparation**

The annual financial statements have been prepared in accordance with the going concern principle and using a historical cost basis, except where specifically indicated otherwise in the accounting policies.

#### **a) Statement of compliance**

The financial statements have been prepared in accordance, and comply in all material respects, with International Financial Reporting Standards (IFRS) and the requirements of the Namibian Companies Act.

#### **b) Basis of measurement**

The financial statements are prepared under the historical cost basis except for the following items where applicable:

- Liabilities for equity settled share based payment arrangements are measured at fair value through equity.
- Financial instruments are initially recognised at fair value.

#### **c) Functional and presentation currency**

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

#### **d) 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.

#### **Going concern**

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

#### **Impairment of advances to customers**

Advances impairment allowances represent management's best estimate of losses incurred in the loan portfolios at the reporting date. The Bank 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 Bank. 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.

#### **Current and deferred taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation in which the Bank operates. The Bank 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.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### 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

In the event of a business combination, the consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

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

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

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

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

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

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

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

## **ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

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.

**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**

**i) Interest and related income, interest expense and related charges**

Interest income and expense are recognised in profit or loss using the effective interest 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 Bank 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) Fees and commissions**

Fees and commission income and expense that are integral to the effective interest on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commissions, which mainly relate to transaction and service fees, are recognised on an accrual basis when the service has been provided.

**d) Leases**

**i) Bank acting as a lessee - Finance leases**

Assets held by the Bank under leases that transfer to the Bank substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**ii) Bank 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 Bank's statement of financial position.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### iii) Bank acting as a lessor - Finance leases

Where the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within loans and advances.

### 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 Motor vehicles, furniture 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 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.

### iii) Tax exposures

When determining the current and deferred tax amount, the Bank considers the impact of fiscal exposures, including additional taxes and interest, may be due. This assessment is based on estimates and assumptions and may involve a series of judgments about future events. New details may be available which makes the Bank change its judgment as to the adequacy of the existing tax liabilities, such changes on tax liabilities would have an impact on tax costs in the period in which the determination is made.

### f) Financial instruments

The Bank 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 Bank does not apply hedge accounting as defined in IAS 39. The Bank 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 Bank classifies its financial assets under the following categories:

- loans and accounts receivable;
- held to maturity;
- available for sale; and
- at fair value through profit or loss, and for this category as:
  - held for trading; or
  - designated as at fair value through profit or loss.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### ii) Initial measurement

The Bank initially recognises loans and advances, debt securities issued and subordinated liabilities on the date they are originated. 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 Bank 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 Bank 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 Bank's borrowings for interest rate risk. The Bank currently does not hold any financial instruments in this category.

#### *Financial instruments designated at fair value through profit or loss*

The Bank 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 Bank 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 Bank 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 Bank 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 Bank's advances are included in the loans and receivables category. These advances arise when the Bank provides money, goods or services directly to a debtor with no intention to trade the receivable. Loans and advances originated by the Bank 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 Bank 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.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### 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 Bank 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 recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. The Bank 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 Bank 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 Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank 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 Bank 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 Bank 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 Bank derecognises a financial liability when its contractual obligations 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 Bank 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.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

### 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 Bank has access at that date. The fair value of a liability reflects its risk of default.

When available, the Bank 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 measurements.

## **ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

### **ix) Impairment of financial instruments**

At each reporting date the Bank 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 Bank 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 Bank of assets, such as adverse changes in the payment status of borrowers or issuers within the Bank, or economic conditions that correlate with defaults from the Bank.

The Bank 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 Bank 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 Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank'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; and
- Specific impairments.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### *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 Bank 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 Bank 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 prepayments and deposits which arise during the normal course of business. Other receivables are recognised when the Bank obtains control of a resource as a result of past events and from which future economic benefits are expected to flow to the Bank 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.

### **xiii) Deposits, debt securities issued and subordinated liabilities**

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit and loss.

### **g) Property and equipment**

Property, plant 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, plant 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.

## **ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

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 Bank 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) Intangible assets**

#### *Computer software*

The Software acquired by the Bank is accounted for at cost minus the accumulated amortisation and impairment losses. Internally developed software costs are recognised as an asset when the Bank is able to demonstrate its intent and the ability to complete the development and to use the software in a way that will generate future economic benefits, and can reliably measure the costs to complete the development.

Capitalized costs of internally developed software include all costs directly attributable to the development of software and capitalized borrowing costs and are amortised over its useful life. The internally developed software is measured at its cost minus any accumulated amortisation and accumulated impairment losses.

Subsequent expenditure in software assets are capitalised only when it increases the future economic benefits embodied in the specific asset, to which it relates. All other expenses are recorded when incurred.

The software is amortized based on the straight-line method in profit or loss during the estimated useful life of the software, from the date it is available for use as this better reflects the expected pattern of consumption of the future economic benefits embodied in the specific asset. The estimated useful life of the software does not exceed three years.

The amortisation methods, useful lives and residual values are reassessed at the end of each financial year and adjusted, if required.

### **i) Impairment of non-financial assets**

The carrying amounts of the Bank'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.

### **j) 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.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### 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 Bank also operates an employee incentive and bonus scheme. The provision for employee bonus incentive is based on a predetermined Bank 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.

### k) Share based payment transactions

The Bank 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.

### l) 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 Bank 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.

### m) Equity

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

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

### n) 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.

### o) Dividends

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

### p) Contingent liabilities

The Bank 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 Bank, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### q) Related parties

Related parties comprise Directors and key management personnel of the Bank and companies with common ownership and/or Directors.

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

**4. New standards and amendments to standards**

a) New standards and interpretations and amendments effective for the first time for 31 December 2016 year-end

Standard/Interpretation	Effective date	Executive Summary
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 17 introducing an additional disclosure that will enable user of financial statements to evaluate changes in liabilities arising from financing activities.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
IFRS 14 – Regulatory deferral accounts	1 January 2016	The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants	1 January 2016	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.
Amendments to IAS 27, 'Separate financial statements' on equity accounting	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

b) New standards and interpretations and amendments issued but not effective for 31 December 2016 year-end

Standard/Interpretation	Effective date	Executive Summary
Amendment to IAS 7 – Cash flow statements Statement of cash flows on disclosure initiative	Annual periods beginning on or after 1 January 2017  (published Feb 2016)	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.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

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

The Bank 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 Bank 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.

## **ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

### **5.1 Financial risk factors**

#### **5.1.1 Credit risk**

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank'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.

#### **Settlement risk**

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transaction, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from the Board of Directors.

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

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

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

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

- Advances
- Financial assets (other than advances)

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

(a) *Advances*

The Bank'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 Bank. All of the Bank's business is conducted in the Republic of Namibia. The demographic credit characteristics of the customer base expose the Bank to systemic credit risk. The Bank mitigates this risk by applying the Bank'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 Bank's maximum exposure to credit risk.

*Credit philosophy*

The credit philosophy of the Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank 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.

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

*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.

*Impairments*

The product portfolio that carries credit impairment is the unsecured loan portfolio. The Bank 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 Bank 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 Bank 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	Risk
01	Current	IBNR	Low risk
02	Current	IBNR	Low risk
03	31 – 60 days	PSI	Medium risk
04	61 – 90 days	PSI	Medium risk
05	91 – 180 days	SI	High risk
06	181 - 360 days	SI	High risk
07	> 360 days	Fully impaired	High risk

The advances within the Bank 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 Bank'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 Bank 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. No allowance for impairment losses is made for advances which are covered by the Cell Captive arrangement, which applies to the LMFSN advances portfolio.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

Credit quality	31 December 2016	31 December 2015	31 December 2014
Analysis of credit quality	Advances N\$	Advances N\$	Advances N\$
Financial assets that are neither past due nor specifically impaired	720,646,861	1,811,347,383	1,606,988,870
Past due and specifically impaired	60,251,866	74,725,793	229,025
<b>Total credit exposure</b>	<b>780,898,727</b>	<b>1,886,073,176</b>	<b>1,607,217,895</b>
<b>Total impairments</b>			
Incurred but not reported (IBNR)	(7,206,469)	-	-
Portfolio specific impairment	(428,912)	(568,269)	(18,482)
Specific impairment	(14,328,463)	(105,677)	(210,543)
<b>Net advances</b>	<b>758,934,883</b>	<b>1,885,399,230</b>	<b>1,606,988,870</b>
<b>Impairment as a % of gross advances</b>			
CS 01 to CS 02:	1.00%	0.00%	0.00%
CS 03 to CS 04:	1.97%	1.74%	0.08%
CS 05 and higher:	37.25%	0.25%	0.82%
Total impairment as a % of total gross advances	2.81%	0.04%	0.01%
<b>Reconciliation of allowance account</b>			
Balance at the beginning of the year	193,880	229,025	18,842
Impairment raised (note 8)	91,387,174	42,632,776	210,543
Bad debt write-offs/(recovery)	(69,617,211)	(42,667,921)	-
<b>Balance at the end of the year</b>	<b>21,963,843</b>	<b>193,880</b>	<b>229,025</b>

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

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

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

Loans		% of total number loans	Carrying amount (net of impairment)	% of total carrying amount
Average loan value (at inception)	Number of loans			
<b>2016</b>			<b>N\$</b>	
< 5 000	476	1.26%	532,521	0.07%
5 000 - 10 000	3,140	8.30%	12,188,609	1.61%
10 000 - 20 000	6,867	18.14%	53,068,398	6.99%
20 000 - 50 000*	27,370	72.31%	693,145,355	91.33%
Total	37,853	100.00%	758,934,883	100.00%

Average loan value (at inception)	Number of loans	% of total number loans	Carrying amount (net of impairment)	% of total carrying amount
<b>2015</b>			<b>N\$</b>	
< 5 000	2,918	3.17%	9,243,887	0.49%
5 000 - 10 000	12,319	13.38%	56,174,468	2.98%
10 000 - 20 000	23,772	25.83%	224,838,488	11.93%
20 000 - 50 000*	53,034	57.62%	1,595,142,387	84.61%
Total	92,043	100.00%	1,885,399,230	100.00%

Average loan value (at inception)	Number of loans	% of total number loans	Carrying amount (net of impairment)	% of total carrying amount
<b>2014</b>			<b>N\$</b>	
< 5 000	5,325	5.79%	10,099,830	0.63%
5 000 - 10 000	16,536	17.97%	74,262,119	4.62%
10 000 - 20 000	26,731	29.04%	250,223,285	15.57%
20 000 - 50 000*	43,445	47.20%	1,272,632,660	79.18%
Total	92,037	100.00%	1,607,217,895	100.00%

\* Maximum loan amount of N\$ 50,000

The concentration risk per employer is as follows:

- Public sector	99.9%
- Other employers	0.1%

No collateral is held for these advances.

(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 Bank maintains cash and cash equivalents and short term investments with various financial institutions and in this regard it is the Bank'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 Bank limits the tenure and size of the debt to ensure that it does not pose a material risk to the Bank. For further information refer to Note 7.1.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

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

	Notes	Total carrying amount	Single largest exposure to a single counter-party	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
2016		N\$	N\$	N\$	N\$	N\$	N\$
<b>Cash and cash equivalents</b>							
Cash and cash equivalents		130,252,426	130,252,426	130,252,426	-	-	-
Deposits with Bank of Namibia		600,000	600,000	600,000	-	-	-
Other receivables		3,305,650	2,306,691	-	-	-	3,305,650
<b>Total</b>		<b>134,158,075</b>	<b>133,159,117</b>	<b>130,852,426</b>	<b>-</b>	<b>-</b>	<b>3,305,650</b>

	Notes	Total carrying amount	Single largest exposure to a single counter-party	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
2015		N\$	N\$	N\$	N\$	N\$	N\$
<b>Cash and cash equivalents</b>							
Cash and cash equivalents		52,190,701	52,190,701	52,190,701	-	-	-
Deposits with Bank of Namibia		-	-	-	-	-	-
Other receivables		101,285,042	98,406,067	-	-	-	101,285,042
<b>Total</b>		<b>153,475,743</b>	<b>150,596,768</b>	<b>52,190,701</b>	<b>-</b>	<b>-</b>	<b>101,285,042</b>

	Notes	Total carrying amount	Single largest exposure to a single counter-party	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
2014		N\$	N\$	N\$	N\$	N\$	N\$
<b>Cash and cash equivalents</b>							
Cash and cash equivalents		48,033,443	48,033,443	48,033,443	-	-	-
Deposits with Bank of Namibia		-	-	-	-	-	-
Other receivables		-	98,406,067	-	-	-	-
<b>Total</b>		<b>48,033,443</b>	<b>146,439,510</b>	<b>48,033,443</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

### **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 Bank'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 Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk

#### **5.1.2.1 Interest rate risk management**

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

For the purposes of IFRS 7, the Bank 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 Bank 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 Bank may have a mix of fixed and variable rate funding instruments. Variable rate funding instruments expose the Bank to interest rate risk for the purposes of IFRS.

#### *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 Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

ALCO is responsible for setting the overall hedging strategy of the Bank. 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 Bank'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 Bank's risk appetite and meets on a monthly basis to analyse the impact of interest rate risk on the Bank and reports directly to the Board Audit and Risk Committee on a quarterly basis. The techniques used to measure and control interest rate risk by the ALCO includes re-pricing profiles, sensitivity/scenario analysis and stress testing.

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

Sensitivity and stress testing consists of a combination of stress scenarios and historical stress movements. Given the extent of the risk and the current risk mitigants, a more sophisticated (e.g. value-at-risk) analysis is not considered necessary.

### *Interest rate sensitivity analysis*

Two separate interest rate sensitivity analyses for the Bank 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 overleaf 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.

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

2016	Demand and up to 1 month N\$	Greater than 1 month up to 3 month N\$
<b>Assets</b>		
Cash and cash equivalents	130,852,426	-
Other receivables	-	-
Intercompany receivable	-	520,329,019
Net advances	711,304	1,385,064
Deferred tax asset	-	-
Current taxation	-	-
Property and equipment	-	-
<b>Total assets</b>	<b>131,563,730</b>	<b>521,714,083</b>
<b>Liabilities and equity</b>		
Trade and other payables	-	-
Current taxation	-	-
Intercompany payables	-	-
Ordinary shareholders' equity	-	-
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>
<b>On balance sheet interest sensitivity</b>	<b>131,563,730</b>	<b>521,714,083</b>

2015	Demand and up to 1 month N\$	Greater than 1 month up to 3 month N\$
<b>Assets</b>		
Cash and cash equivalents	52,190,701	-
Other receivables	-	-
Intercompany receivable	-	3,458
Net advances	3,392,503	3,681,644
Deferred tax asset	-	-
Property and equipment	-	-
<b>Total assets</b>	<b>55,583,204</b>	<b>3,685,102</b>
<b>Liabilities and equity</b>		
Trade and other payables	-	-
Current taxation	-	-
Intercompany payables	-	-
Ordinary shareholders' equity	-	-
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>
<b>On balance sheet interest sensitivity</b>	<b>55,583,204</b>	<b>3,685,102</b>

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

Greater than 3 months up to 12 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-interest sensitive items N\$	Non-financial instruments N\$	Total N\$
-	-	-	-	-	130,852,426
-	-	-	3,305,650	5,314,620	8,620,270
-	-	-	-	-	520,329,019
23,874,397	102,969,895	629,994,223	-	-	758,934,883
-	-	-	-	6,553,952	6,553,952
-	-	-	-	6,461,247	6,461,247
-	-	-	-	10,501,139	10,501,139
23,874,397	102,969,895	629,994,223	3,305,650	28,830,958	1,442,252,935
-	-	-	14,565,902	8,899,254	23,465,156
-	-	-	-	-	-
-	-	-	1,560,911	-	1,560,911
-	-	-	-	1,417,226,868	1,417,226,868
-	-	-	16,126,813	1,417,226,868	1,442,252,935
23,874,397	102,969,895	629,994,223	-	-	-

Greater than 3 months up to 12 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-interest sensitive items N\$	Non-financial instruments N\$	Total N\$
-	-	-	-	-	52,190,701
-	-	-	101,285,042	5,236,543	106,521,585
-	-	-	-	-	3,458
50,374,832	145,120,420	1,682,829,831	-	-	1,885,399,230
-	-	-	-	1,379,056	1,379,056
-	-	-	-	12,169,978	12,169,978
50,374,832	145,120,420	1,682,829,831	101,285,042	18,785,577	2,057,664,008
-	-	-	36,156,590	7,956,349	44,112,939
-	-	-	-	537,251	537,251
-	-	824,270,361	-	-	824,270,361
-	-	-	-	1,188,743,457	1,188,743,457
-	-	824,270,361	36,156,590	1,197,237,057	2,057,664,008
50,374,832	145,120,420	858,559,469	-	-	-

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

2014	Demand and up to 1 month N\$	Greater than 1 month up to 3 month N\$
<b>Assets</b>		
Cash and cash equivalents	48,033,443	-
Other receivables	-	-
Intercompany receivable	-	20,516,997
Net advances	2,990,552	2,511,805
Deferred tax asset	-	-
Property and equipment	-	-
<b>Total assets</b>	<b>51,023,995</b>	<b>23,028,802</b>
<b>Liabilities and equity</b>		
Trade and other payables	-	-
Current taxation	-	-
Intercompany payables	-	-
Ordinary shareholders' equity	-	-
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>
<b>On balance sheet interest sensitivity</b>	<b>51,023,995</b>	<b>23,028,802</b>

**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

Greater than 3 months up to 12 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-interest sensitive items N\$	Non-financial instruments N\$	Total N\$
-	-	-	-	-	48,033,443
-	-	-	63,969,852	-	63,969,852
-	-	-	-	-	20,516,997
55,495,308	175,648,747	1,370,571,483	-	-	1,607,217,895
-	-	-	-	3,343,381	3,343,381
-	-	-	-	5,904,066	5,904,066
55,495,308	175,648,747	1,370,571,483	63,969,852	9,247,447	1,748,985,634
-	-	-	47,112,021	6,781,887	53,893,908
-	-	-	-	14,818,738	14,818,738
-	-	764,063,948	-	-	764,063,948
-	-	-	-	916,209,040	916,209,040
-	-	764,063,948	47,112,021	937,809,665	1,748,985,634
55,495,308	175,648,747	605,507,535	-	-	-

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

- 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 Bank's portfolio, a 200 basis point increase in interest rates would result in a corresponding increase of NAD 2,62 million in net income (before tax).

	Carrying amount Number of loans at end of year	Amount exposed market risk	Carrying amount Index to which interest rate is linked	Statement of profit or loss impact (pre-tax)
2016	N\$	N\$	N\$	N\$
<b>Financial assets</b>				
Cash and cash equivalents	130,852,426	130,852,426	Namibia Prime	2,617,048.51
Advances	758,934,883	-	N/A	-
	<b>889,787,309</b>	<b>130,852,426</b>		<b>2,617,049</b>
<b>Financial liabilities</b>				
Intercompany payables	1,560,911	-	N/A	-
	<b>1,560,911</b>	<b>-</b>		<b>-</b>
<b>Net effect on the statement of total comprehensive income</b>				<b>2,617,049</b>

	Carrying amount Number of loans at end of year	Amount exposed market risk	Carrying amount Index to which interest rate is linked	Statement of profit or loss impact (pre-tax)
2015	N\$	N\$	N\$	N\$
<b>Financial assets</b>				
Cash and cash equivalents	52,190,701	52,190,701	Namibia Prime	1,043,814
Advances	1,885,399,230	-	N/A	-
	<b>1,937,589,931</b>	<b>52,190,701</b>		<b>1,043,814</b>
<b>Financial liabilities</b>				
Intercompany payables	824,270,361	823,465,514	Namibia Prime	(16,469,310)
	<b>824,270,361</b>	<b>823,465,514</b>		<b>(16,469,310)</b>
<b>Net effect on the statement of total comprehensive income</b>				<b>(15,425,496)</b>

	Carrying amount Number of loans at end of year	Amount exposed market risk	Carrying amount Index to which interest rate is linked	Statement of profit or loss impact (pre-tax)
2014	N\$	N\$	N\$	N\$
<b>Financial assets</b>				
Cash and cash equivalents	48,033,443	48,033,443	Namibia Prime	960,669
Advances	1,607,217,895	-	N/A	-
	<b>1,655,251,339</b>	<b>48,033,443</b>		<b>960,669</b>
<b>Financial liabilities</b>				
Intercompany payables	764,063,948	764,063,948	Namibia Prime	(15,281,279)
	<b>764,063,948</b>	<b>764,063,948</b>		<b>(15,281,279)</b>
<b>Net effect on the statement of total comprehensive income</b>				<b>(14,320,610)</b>

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### 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 Bank arises as a result of holding foreign currency denominated borrowings and foreign currency in cash. The Bank'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 Bank's risk appetite.

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

### 5.1.2.3 Other Price risk management

The Bank has a low market risk appetite. For this reason, the Bank 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 Bank 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 cash flows 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 Bank 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 Bank's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. Management manages the Bank's liquidity position on a day-to-day basis and reviews reports covering the liquidity position of the Bank. 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 Bank'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 Bank's reputation. The key elements of the Bank'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 Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Stress testing of the Bank'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 Bank-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity).

The following tables analyse the Bank's financial assets and liabilities into relevant maturity Bankings 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 Bank. It is unusual for the Bank 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 Bank and its exposure to changes in interest rates.

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

Assets and liabilities maturities as at 31 December 2016

2016	Demand and up to 1 month N\$	Greater than 1 month up to 3 month N\$
<b>Assets</b>		
Cash and cash equivalents	130,852,426	-
Other receivables	-	3,305,650
Intercompany receivable	-	520,329,019
Net advances	25,721,777	49,733,474
Deferred tax asset	-	-
Current taxation	-	-
Property and equipment	-	-
<b>Total assets</b>	<b>156,574,203</b>	<b>573,368,142</b>
<b>Liabilities and equity</b>		
Trade and other payables	14,565,902	-
Current taxation	-	-
Intercompany payables	-	1,560,911
Ordinary shareholders' equity	-	-
<b>Total liabilities and equity</b>	<b>14,565,902</b>	<b>1,560,911</b>
<b>Net liquidity gap</b>	<b>142,008,300</b>	<b>571,807,232</b>

2015	Demand and up to 1 month N\$	Greater than 1 month up to 3 month N\$
<b>Assets</b>		
Cash and cash equivalents	52,190,701	-
Other receivables	-	101,285,042
Intercompany receivable	-	3,458
Net advances	56,058,489	104,506,370
Deferred tax asset	-	-
Property and equipment	-	-
<b>Total assets</b>	<b>108,249,190</b>	<b>205,794,870</b>
<b>Liabilities and equity</b>		
Trade and other payables	36,156,590	-
Current taxation	-	-
Intercompany payables	-	-
Ordinary shareholders' equity	-	-
<b>Total liabilities and equity</b>	<b>36,156,590</b>	<b>-</b>
<b>Net liquidity gap</b>	<b>72,092,600</b>	<b>205,794,870</b>

**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

Greater than 3 months up to 12 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-financial assets and liabilities N\$	Total N\$
-	-	-	-	130,852,426
-	-	-	5,314,620	8,620,270
-	-	-	-	520,329,019
210,743,805	39,327,185	433,408,642	-	758,934,883
-	-	-	6,553,952	6,553,952
-	-	-	6,461,247	6,461,247
-	-	-	10,501,139	10,501,139
210,743,805	39,327,185	433,408,642	28,830,958	1,442,252,935
-	-	-	8,899,254	23,465,156
-	-	-	-	-
-	-	-	-	1,560,911
-	-	-	1,417,226,868	1,417,226,868
-	-	-	1,417,226,868	1,442,252,935
210,743,805	39,327,185	433,408,642	-	-

Greater than 3 months up to 12 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-financial assets and liabilities N\$	Total N\$
-	-	-	-	52,190,701
-	-	-	5,236,543	106,521,585
-	-	-	-	3,458
439,464,036	508,726,184	776,644,151	-	1,885,399,230
-	-	-	1,379,056	1,379,056
-	-	-	12,169,978	12,169,978
439,464,036	508,726,184	776,644,151	18,785,577	2,057,664,008
-	-	-	7,956,349	44,112,939
-	-	-	537,251	537,251
-	-	824,270,361	-	824,270,361
-	-	-	1,188,743,457	1,188,743,457
-	-	824,270,361	1,197,237,057	2,057,664,008
439,464,036	508,726,184	(47,626,211)	-	-

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

2016	Demand and up to 1 month N\$	Greater than 1 month up to 3 month N\$
<b>Assets</b>		
Cash and cash equivalents	48,033,443	-
Other receivables	-	63,969,852
Intercompany receivable	-	20,516,997
Net advances	49,558,426	92,459,559
Deferred tax asset	-	-
Property and equipment	-	-
<b>Total assets</b>	<b>97,591,869</b>	<b>176,946,408</b>
<b>Liabilities and equity</b>		
Trade and other payables	47,112,021	-
Current taxation	-	-
Intercompany payables	-	-
Ordinary shareholders' equity	-	-
<b>Total liabilities and equity</b>	<b>47,112,021</b>	<b>-</b>
<b>Net liquidity gap</b>	<b>50,479,848</b>	<b>176,946,408</b>

**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

Greater than 3 months up to 12 months N\$	Greater than 12 months up to 24 months N\$	Greater than 24 months N\$	Non-financial assets and liabilities N\$	Total N\$
-	-	-	-	48,033,443
-	-	-	-	63,969,852
-	-	-	-	20,516,997
389,162,332	425,255,569	650,782,009	-	1,607,217,895
-	-	-	3,343,381	3,343,381
-	-	-	5,904,066	5,904,066
389,162,332	425,255,569	650,782,009	9,247,447	1,748,985,634
-	-	-	6,781,887	53,893,908
-	-	-	14,818,738	14,818,738
-	-	764,063,948	-	764,063,948
-	-	-	916,209,040	916,209,040
-	-	764,063,948	937,809,665	1,748,985,634
389,162,332	425,255,569	(113,281,939)	-	-

## **ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

### **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 Bank determines fair values using other valuation techniques.

The Bank 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 Bank 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 Bank 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 Bank 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 Bank 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.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### 5.1.4.2 Assets and liabilities for which fair value is disclosed\*

2016	Level 1 N\$	Level 2 N\$	Level 3 N\$	Total N\$	amount N\$
<b>Financial assets</b>					
Net advances	-	-	734,703,919	734,703,919	758,934,883
<b>Total</b>	-	-	734,703,919	734,703,919	758,934,883
<b>Financial liabilities</b>					
Intercompany payables	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>2015</b>					
<b>Financial assets</b>					
Net advances	-	-	1,835,742,170	1,835,742,170	1,885,399,230
<b>Total</b>	-	-	1,835,742,170	1,835,742,170	1,885,399,230
<b>Financial liabilities</b>					
Intercompany payables	-	-	824,270,361	824,270,361	824,270,361
<b>Total</b>	-	-	824,270,361	824,270,361	824,270,361
<b>2014</b>					
<b>Financial assets</b>					
Net advances	-	-	1,574,368,721	1,574,368,721	1,607,217,895
<b>Total</b>	-	-	1,574,368,721	1,574,368,721	1,607,217,895
<b>Financial liabilities</b>					
Intercompany payables	-	-	764,063,948	764,063,948	764,063,948
<b>Total</b>	-	-	764,063,948	764,063,948	764,063,948

\*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

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**ACCOUNTING POLICIES (CONT'D)**

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**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.

	Loans and receivables	Held-to-maturity financial instruments	Financial instruments at fair value through profit and loss	Amortised cost	Total	Up to 12 months	Greater than 12 months
2016	N\$	N\$	N\$	N\$	N\$	N\$	N\$
<b>Financial assets</b>							
Cash and cash equivalents	130,852,426	-	-	-	130,852,426	130,852,426	-
Other receivables	8,620,270	-	-	-	8,620,270	8,620,270	-
Intercompany receivable	520,329,019	-	-	-	520,329,019	520,329,019	-
Net advances	758,934,883	-	-	-	758,934,883	25,970,765	732,964,118
<b>Total financial assets</b>	<b>1,418,736,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,418,736,597</b>	<b>685,772,479</b>	<b>732,964,118</b>
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	23,465,156	23,465,156	23,465,156	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,465,156</b>	<b>23,465,156</b>	<b>23,465,156</b>	<b>-</b>

	Loans and receivables	Held-to-maturity financial instruments	Financial instruments at fair value through profit and loss	Amortised cost	Total	Up to 12 months	Greater than 12 months
2015	N\$	N\$	N\$	N\$	N\$	N\$	N\$
<b>Financial assets</b>							
Cash and cash equivalents	52,190,701	-	-	-	52,190,701	52,190,701	-
Other receivables	101,285,042	-	-	-	101,285,042	101,285,042	-
Intercompany receivable	3,458	-	-	-	3,458	3,458	-
Net advances	1,885,399,230	-	-	-	1,885,399,230	57,448,979	1,827,950,251
<b>Total financial assets</b>	<b>2,038,878,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,038,878,431</b>	<b>310,628,180</b>	<b>1,827,950,251</b>
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	36,156,590	36,156,590	36,156,590	-
Intercompany payables	-	-	-	824,270,361	824,270,361	-	824,270,361
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>860,426,951</b>	<b>860,426,951</b>	<b>36,156,590</b>	<b>824,270,361</b>

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

	Loans and receivables	Held-to- maturity financial instruments	Financial instruments at fair value through profit and loss	Amortised cost	Total	Up to 12 months	Greater than 12 months
2014	N\$	N\$	N\$	N\$	N\$	N\$	N\$
<b>Financial assets</b>							
Cash and cash equivalents	48,033,443	-	-	-	48,033,443	48,033,443	-
Other receivables	63,001,697	-	-	-	63,001,697	63,001,697	-
Intercompany receivable	20,516,997	-	-	-	20,516,997	20,516,997	-
Net advances	1,607,217,895	-	-	-	1,607,217,895	60,997,665	1,546,220,230
<b>Total financial assets</b>	<b>1,738,770,032</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,738,770,032</b>	<b>192,549,802</b>	<b>1,546,220,230</b>
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	47,112,021	47,112,021	47,112,021	-
Intercompany payables	-	-	-	764,063,948	764,063,948	-	764,063,948
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>881,175,969</b>	<b>881,175,969</b>	<b>47,112,021</b>	<b>764,063,948</b>

### 5.1.6 Capital management

Capital adequacy risk is the risk that the Bank 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 Bank strives to maintain a strong capital base. Managed capital comprises of share capital, share premium, share based payment reserve, irredeemable preference shares and retained earnings. The Bank'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.

Available qualifying capital includes ordinary share capital, share premium, share based payment reserve, irredeemable preference shares and retained earnings. The Bank'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 Bank's operations within the parameters of the risk appetite set by the Board. It is the Bank's objective to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

#### *External regulatory capital management*

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 Bank, specify the minimum capital required to be held in relation to risk weighted assets. Ancillary regulatory requirements include the Basel II leverage ratio.

The Bank regulatory capital is divided into two tiers:

- Tier 1 capital: Share capital, share premium, irredeemable preference shares, share based payment reserve, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital and general loan loss provisions

The Bank of Namibia requires each bank or banking group to maintain the following capital adequacy ratios:

- Tier 1 capital to total assets, at a minimum of 6%, referred to as the leverage capital ratio;
- Tier 1 capital to the risk-weighted assets at the minimum of 7%, referred to as Tier 1 risk-based capital ratio; and
- The total regulatory capital to risk-weighted assets as a minimum of 10%, referred to as total risk-based capital ratio.

In addition to the above minimum capital requirements, the Bank of Namibia requires the bank to perform an internal capital adequacy and assessment process (ICAAP) in terms of Pillar II of Basel II, which has been documented and approved by the Board.

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**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

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 Bank's risk appetite;
- test the Bank's strategy against risk appetite and required capital levels;
- on an annual basis to review and sign-off the Bank'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 Bank, most notably the capital requirements of these non-banking entities.

It should be noted that there are no debt covenant requirements attached to any liabilities within the Bank.

	<b>12 months 31 December 2016 N\$</b>	<b>12 months 31 December 2015 N\$</b>	<b>11 months 31 December 2014 N\$</b>
<b>6. Cash and cash equivalents</b>			
Cash and balances with banks	<b>130,716,553</b>	52,063,321	47,892,436
Money market placements	<b>135,872</b>	127,380	141,007
	<b>130,852,426</b>	52,190,701	48 033 443

For the purpose of the statement of cash flows, the period-end cash and cash equivalents comprise the following:

Bank balances	<b>130,842,229</b>	52,190,701	48,016,251
Cash on hand	<b>10,197</b>	-	17,192
	<b>130,852,426</b>	52,190,701	48,033,443

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
- Deposits
- Sundry receivables

Non-financial

- Prepayments

	<b>270,119</b>	98,406,067	62,349,947
	<b>728,839</b>	-	968,155
	<b>2,306,691</b>	2,878,975	651,750
	<b>5,314,620</b>	5,236,543	
	<b>8,620,270</b>	106,521,585	63,969,852

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
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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

Intercompany current account - Letshego  
Micro Financial  
Services Namibia (Pty) Ltd

Intercompany current account - Letshego  
Holdings Limited

520,317,490	-	20,513,539
11,529	3,458	3,458
<b>520,329,019</b>	<b>3,458</b>	<b>20,516,997</b>

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.

### 8. Advances to customers

Advances to customers

Less: Impairment allowance on advances

Net advances to customers

780,898,727	1,886,073,176	1,607,446,920
(21,963,843)	(673,946)	(229,025)
<b>758,934,883</b>	<b>1,885,399,230</b>	<b>1,607,217,894</b>

#### Impairment allowance on advances

Balance at the beginning of the period

Impairment adjustment - increase/(decrease)  
for the period

884,490	229,025	18,482
21,079,354	655,465	210,543
<b>21,963,843</b>	<b>884,490</b>	<b>229,024</b>

Balance at the end of the period

The balance at the end of the period consists  
of the following:

Provision for bad debt (general)

Provision for bad debt (specific)

7,206,469	445,755	210,543
14,757,375	438,735	18,482
<b>21,963,843</b>	<b>884,490</b>	<b>229,025</b>

#### (Reversals)/Charges in the profit or loss

Amounts written off

Recoveries during the period

91,387,174	42,867,788	13,750,290
(69,617,211)	(42,667,921)	(14,538,787)
<b>21,769,963</b>	<b>199,867</b>	<b>(788,496)</b>

#### Exposure to credit risk

Net advances to customers

#### Maximum exposure to credit risk

758,934,883	1,885,399,230	1,607,217,894
<b>758,934,883</b>	<b>1,885,399,230</b>	<b>1,607,217,894</b>

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**ACCOUNTING POLICIES (CONT'D)**

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**9. Motor vehicles, furniture and equipment**

	Furniture and fittings N\$	Office equipment N\$	Computer equipment N\$	Motor vehicles N\$	Leasehold Improvements N\$	Total N\$
<b>At 31 December 2016</b>						
Cost	3,458,153	4,927,911	14,356,919	172,998	2,551,469	25,467,450
Accumulated depreciation	(1,857,929)	(1,730,506)	(10,532,925)	(36,041)	(808,911)	(14,966,311)
Carrying amount	1,600,225	3,197,406	3,823,995	136,957	1,742,557	10,501,139
<b>At 31 December 2016</b>						
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
<b>At 31 December 2015</b>						
Cost	3,433,838	4,721,654	12,095,465	137,700	2,268,391	22,657,048
Accumulated depreciation	(1,141,077)	(829,568)	(8,057,089)	(137,700)	(321,636)	(10,487,070)
Carrying amount	2,292,761	3,892,086	4,038,375	-	1,946,756	12,169,978
<b>At 31 December 2015</b>						
Opening net amount at 1 January 2015	103,543	60,552	1,879,288	-	3,492	5,904,065
Additions	2,740,253	4,376,212	4,772,874	-	2,261,274	10,293,423
Depreciation charge	(551,035)	(544,678)	(2,613,786)	-	(318 011)	(4 027 510)
Carrying amount	2,292,761	3,892,085	4,038,376	-	1,946,755	12,169,978
<b>At 31 December 2014</b>						
Cost	736,045	582,281	7,326,915	137,700	7,116	12,647,247
Accumulated depreciation	(632,501)	(521,729)	(5,447,627)	(137,700)	(3,624)	(6,743,181)
Carrying amount	103,543	60,552	1 879 288	-	3 492	5,904,065
<b>At 31 December 2014</b>						
Opening net amount at 1 January 2014	73,345	25,041	3,016,184	-	-	3,604,674
Additions	78,229	47,215	90,471	-	7,116	3,590,117
Depreciation charge	(48,031)	(11,703)	(1,227,367)	-	(3,624)	(1,290,725)
Carrying amount	103,543	60,552	1,879,288	-	3,492	5,904,066

\*Total carrying amount of Motor vehicles, furniture and equipment at 31 December 2014 includes Assets under construction totalling N\$ 3,857,190 (1 January 2014: N\$ 490,104).

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
<b>10. Trade and other payables</b>			
Financial			
- Trade payables	12,891,953	27,577,230	46,603,563
- Other payables	1,673,949	8,579,360	508,458
Non-financial			
- Audit fee provision	568,523	984,933	-
- Personnel related	3,828,577	3,463,163	2,226,432
- Value Added Taxation	4,477,948	3,508,253	112,103
- Withholding Tax	24,206	-	4,443,352
	<b>23,465,156</b>	<b>44,112,939</b>	<b>53,893,908</b>

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
<b>11. Taxation</b>			
<b>11.1 Income tax expense</b>			
Current tax expense	80,434,027	93,995,577	40,945,293
Deferred tax (income)/expense :			
- Origination and reversal of temporary differences	(5,174,896)	1,964,325	(3,343,311)
<b>Total Income tax expense</b>	<b>75,259,131</b>	<b>95,959,902</b>	<b>37,601,982</b>
<b>11.2 Reconciliation of current taxation</b>			
Profit before taxation	302,735,413	368,031,392	257,375,868
Tax calculated at standard rate - 32%	96,875,332	117,770,046	84,934,036
Income not subject to tax - dividends	(21,943,247)	(24,860,877)	(43,988,743)
Non-deductible expenses	327,047	-	-
	<b>75,259,132</b>	<b>92,909,169</b>	<b>40,945,293</b>
<b>Effective tax rate</b>	<b>24.86%</b>	<b>25.24%</b>	<b>15.91%</b>
<b>11.3 Deferred taxation</b>			
<i>The balance comprises:</i>			
- Motor vehicles, furniture and equipment	(983,287)	(440,141)	(4,084,101)
- Prepayments	(16,512)	(1,167)	-
- Provisions	6,531,534	1,256,039	740,720
- Share based payments	516,682	206,615	-
- Income received in advance	505,535	357,710	-
	<b>6,553,952</b>	<b>1,379,056</b>	<b>(3,343,381)</b>
Deferred tax liability			
Deferred taxation liability to be recovered after more than 12 months	(999,799)	(441,308)	(4,084,101)
Deferred taxation liability to be recovered within 12 months	-	-	-
	<b>(999,799)</b>	<b>(441,308)</b>	<b>(4,084,101)</b>
Deferred tax asset			
Deferred taxation asset to be recovered after more than 12 months	6,384,427	1,452,002	99,251
Deferred taxation asset to be recovered within 12 months	1,169,324	368,362	641,475
	<b>7,553,751</b>	<b>1,820,364</b>	<b>740,720</b>
<b>11.4 Current taxation</b>			
Opening balance	537,251	14,818,738	2,131,780
Charge to profit or loss	80,434,027	93,995,577	40,945,293
adjustments prior period end	-	-	411,023
Payments made during the period	(87,432,524)	(108,277,064)	(28,669,358)
<b>Taxation liability/(asset)</b>	<b>(6,461,247)</b>	<b>537,251</b>	<b>14,818,738</b>

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for the year ended 31 December 2016

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
<b>12.</b>			
<b>12.1</b>			
<b>Intercompany payable</b>			
Intercompany payable			
- Letshego Holdings Limited	-	823,465,514	764,063,948

The unsecured loan from Letshego Holdings Limited was taken over by the related party, Letshego Micro Financial Services (Pty) Ltd on 09 September 2016. The Bank has thus been fully discharged from its obligations under this loan. The loan bore interest, calculated monthly in arrears at a variable rate of Namibia prime plus 2%.

<b>12.2</b>	Related party balances - Erf 8585 (Pty) Ltd	<b>1,560,911</b>	804,847	-
	The intercompany loan with Erf 8585 (Pty) Ltd is unsecured and currently does not bear interest and has no fixed repayment terms.			
	<b>Total intercompany payables</b>	<b>1,560,911</b>	824,270,361	764,063,948

*Banking facilities*

There were no overdraft facilities in place at the end of the financial period, (2015: N\$ Nil).

<b>13.</b>	<b>Stated capital and share premium</b>			
	<i>Authorised share capital</i>			
	1 000 000 ordinary shares of 10 cents each	<b>100,000</b>	100,000	100,000
	15 Class "A" and 85 Class "B" ordinary Shares of 10 cents each	<b>10</b>	10	10
		<b>100,010</b>	100,010	100,010
	<i>Issued share capital</i>			
	1,000,000 ordinary shares of 10 cents each	<b>100,000</b>	100,000	100,000
	15 Class "A" and 85 Class "B" ordinary Shares of 10 cents each	<b>10</b>	10	10
		<b>100,010</b>	100,010	100,010

On 29 January 2013, 15 Class "A" and 85 Class "B" additional ordinary par value shares of N\$0.10 each were registered. The rights and conditions attached are that the holder of Class "A" ordinary shares shall not be entitled to payment of any dividends after the first declaration and payment of dividends until such time as a dividend amount equal to the percentage shareholding has been made to the holder of Class "B" ordinary shares. Class "A" and "B" ordinary shares on a return of capital on a winding-up or otherwise, entitle the holder, but not in priority to the holders of Ordinary shares and Class "A" and "B" ordinary shares, in the company's capital, to the repayment of its Subscription Price plus any Arrear Dividends applicable to it, calculated to the date of payment on the return of capital. Class "A" and "B" ordinary shareholder will not be entitled to any voting rights.

The Class "B" shares which were previously held by Letshego Holdings Limited during the year under review, have since been transferred to Letshego Mauritius.

Issued Share Capital	<b>100,010</b>	100,010	100,010
Share premium	<b>59,524,000</b>	59,524,000	59,524,000
	<b>59,624,010</b>	59,624,010	59,624,010
Preference Shares			
215,084,843 Preference shares of N\$ 1 each	<b>215,084,843</b>	215,084,843	215,084,843
	<b>215,084,843</b>	215,084,843	215,084,843

The Preference shares are held by Letshego Holdings Limited, a public company incorporated in the Republic of Botswana. The preference shares are irredeemable, bear non-cumulative dividend at Namibian prime interest rate plus 2% per annum which can be waived at the option of the preference share issuer.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### 14. 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.

	31 December 2016		31 December 2015		31 December 2014	
	Number of share awards	Exercise price	Number of share awards	Exercise price	Number of share awards	Exercise price
Granted during prior periods	867,500	NAD 2.51/3.22 /3.21	300,000	NAD 2.21/1.80 /2.88	-	NAD 1.98/2.21 /1.80
Granted in current period	596,300	NAD 3.35	567,500	NAD 2.85	360,690	NAD 2.88
Vested/(Forfeited) during the period	-	NAD 3.22/3.21 /3.35	-	NAD 2.21/1.80 /2.88	-	NAD 1.98/2.21 /1.80
Exercisable and outstanding at the end of the period	<u>1,463,800</u>	NAD 3.22/3.21 /3.35	<u>867,500</u>	NAD 2.23/2.86 /2.85	<u>360,690</u>	NAD 2.21/1.80 /2.88

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
<b>15. Profit before taxation</b>			
The following items have been recognised in arriving at profit before taxation:			
Advertising and promotions	1,471,348	1,055,919	629,262
Auditors' remuneration	813,838	662,770	733,832
- Current period	740,048	73,790	588,980
- Prior period	73,790	588,980	144,852
Consultancy costs - professional services	2,952,181	1,385,954	933,038
Computer services costs	1,404,874	1,189,444	142,773
Depreciation	4,616,941	4,027,510	1,290,725
Directors' emoluments			
- for services as Director	506,000	253,271	88,386
- for management services	2,287,406	3,954,229	1,396,571
Rental - premises	2,287,958	3,636,295	2,141,878
Employee benefit expense	18,429,732	16,195,059	9,343,535

**LETSHEGO BANK (NAMIBIA) LIMITED**  
ANNUAL FINANCIAL STATEMENTS

**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
<b>16. Employee benefit expense</b>			
Salaries	10,895,998	10,945,965	6,592,734
Key management personnel	4,038,195	3,954,229	1,396,571
Pension fund contributions	1,871,103	1,277,706	690,497
Medical aid contributions	1,021,867	795,540	556,396
Social security	99,801	69,240	57,234
Incentive bonuses	2,789,375	3,057,363	1,419,181
Staff training and welfare	800	49,245	27,493
	<b>20,717,139</b>	<b>20,149,288</b>	<b>10,740,109</b>
<b>17. Operating expenses by nature</b>			
Sales related expense	8,236,099	8,644,052	9,284,176
Auditors remuneration	813,837	662,769	733,832
Consulting and secretarial	2,952,181	1,385,954	933,038
Management fees	20,589,097	33,929,518	29,622,352
Employee benefit expense	18,429,732	16,538,567	9,343,537
Depreciation	4,616,941	4,027,510	1,290,725
Net recovery of bad debts on financial assets	21,769,963	199,867	(788,496)
Directors' remuneration - for services as Directors	506,000	253,271	88,309
Directors' remuneration - for management services	2,287,406	3,954,229	1,396,571
Computer related expenses	1,404,874	1,189,444	142,773
Office rental	2,287,958	3,636,295	2,141,878
Travel and accommodation	1,198,559	1,368,249	371,157
Social responsibility projects	542,680	939,579	390,500
Arrangement fees	290,519	635,971	602,916
Telephone & Fax	1,495,571	1,828,731	-
Operational expenses	9,235,520	10,055,826	9,341,220
	<b>96,656,940</b>	<b>89,249,832</b>	<b>64,894,488</b>
<b>18. Finance income and costs</b>			
<i>Interest income on advances:</i>	<b>353,132,538</b>	379,996,787	27,0734,847
- Interest received on advances to customers	313,036,215	337,477,465	239,186,366
- Collection fees	40,096,323	42,519,322	31,548,481
<i>Other interest income:</i>			
- Interest received on short term bank deposits	2,991,515	2,070,891	1,258,892
<i>Interest paid:</i>	<b>65,910,243</b>	96,171,593	67,878,350
- Related party loans	65,910,243	96,171,593	67,878,350
- Borrowings	-	-	-
Net interest income	<b>290,213,810</b>	285,896,086	204,115,389
<b>19. Fee income</b>			
Postage fees	1,755,332	1,712,239	511,386
	<b>1,755,332</b>	<b>1,712,239</b>	<b>511,386</b>
<b>20. Fee and commission expense</b>			
Collection fees	18,109,555	24,193,268	18,092,988
	<b>18,109,555</b>	<b>24,193,268</b>	<b>18,092,988</b>
<b>21. Other operating income</b>			
Levies recovered in respect of overpayment	4,046,112	-	1,330
Dividend income - cell captive	121,455,551	193,776,176	135,735,238
Profit on Sale of Fixed Assets	31,100	89,991	-
	<b>125,532,762</b>	<b>193,866,167</b>	<b>135,736,566</b>

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
<b>22. Operating lease commitments</b>			
The future minimum lease payments under non-cancellable operating leases are as follows:			
Not later than 1 period	3,274,259	3,322,847	2,141,878
Between 1 year and 3 years	2,404,133	2,214,246	1,285,127
	<b>5,678,392</b>	<b>5,537,093</b>	<b>3,427,005</b>

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

### 23. Related parties

Letshego Holdings (Namibia) (Pty) Limited (Parent Company)  
Letshego Micro Financial Services (Namibia) (Pty) Limited (Subsidiary of Parent Company)

Lease agreements: Erf Eight Five Eight Five (Pty) Limited (Subsidiary of Ultimate Parent Company)

Management services agreements: Letshego Holdings Limited (Ultimate Parent Company)

Key management personnel:  
Esther Kali (Chief Executive Officer)  
NP Esterhuyse ( 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)

Directors:  
Rairirira Mbakutua Mbetjiha  
Ester Kali  
John Eugene Shepherd  
Sven von Blottnitz  
Mythri Sambasivan-George

### 23.2 Related party balances

#### Loan accounts - Owing to related parties

Letshego Holdings Limited - loan	-	823,465,514	764,063,948
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The unsecured loan from Letshego Holdings Limited was taken over by the related party, Letshego Micro Financial Services (Pty) Ltd on 09 September 2016. The Bank has thus been fully discharged from its obligations under this loan. The loan bore interest, calculated monthly in arrears at a variable rate of Namibia prime plus 2%.

Erf 8585 (Pty) Ltd - loan	1,560,911	804,847	-
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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.

### 23.3 Related party transactions

#### Interest paid to related parties

Letshego Holdings Limited	65,902,687	96,171,593	67,878,350
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#### Rent paid to related parties

Erf Eight Five Eight Five (Pty) Limited	1,326,960	1,105,800	-
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#### Operational expenses charged to related parties

Letshego Micro Financial Services (Pty) Ltd	14,790,271	-	-
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#### Management fees paid to related parties

Letshego Holdings Limited	33,972,011	33,929,518	29,622,352
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**LETSHEGO BANK (NAMIBIA) LIMITED**  
ANNUAL FINANCIAL STATEMENTS

**ACCOUNTING POLICIES (CONT'D)**

for the year ended 31 December 2016

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
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**23.3 Related party transactions (cont'd)**

The amount classified as management fees under note 17 is made up as follows:

Fees payable to Letshego Holdings Limited	30,883,646	28,840,091	25,179,000
Withholding tax paid on imported management services	3,088,365	5,089,427	4,443,352
	<b>33,972,011</b>	<b>33,929,518</b>	<b>29,622,352</b>
<b>Arrangement fees paid to related parties</b>			
Letshego Holdings Limited	450,000	635,971	602,916

The arrangement 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.

<b>Compensation paid to key management personnel</b>	4,038,195	3,954,229	1,396,571
<b>Compensation paid to Directors</b>			
Sitting fees paid to non-executive Directors	506,000	253,271	88,386
	<b>506,000</b>	<b>253,271</b>	<b>88,386</b>

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

<b>24. Capital commitments</b>			
Budgeted, not yet authorised	-	-	-
Authorised	24,083,662	5,000,000	4,000,000

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

**25. Segment information**

The Bank 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 Bank. 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 financial statements.

**25.1 Entity-wide disclosures**

**25.1.1 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.

## ACCOUNTING POLICIES (CONT'D)

for the year ended 31 December 2016

### 25.1.2 Geographical segments

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

### 25.1.3 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 Bank does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.

	12 months 31 December 2016 N\$	12 months 31 December 2015 N\$	11 months 31 December 2014 N\$
<b>26. Earnings and headline earnings per share [30]</b>			
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.			
<i>Earnings</i>			
Profit for the period	<b>227,476,282</b>	272,071,491	219,773,886
Headline adjustments	-	-	-
Remeasurement included in equity accounted earnings	-	-	-
<i>Headline earnings</i>	<b>227,476,282</b>	272,071,491	219,773,886
Number of ordinary shares in issue at year end (note 13)	<b>1,000,000</b>	1,000,000	1,000,000
Weighted average number of ordinary shares in issue during the period	<b>1,000,000</b>	1,000,000	1,000,000
Diluted weighted average number of ordinary shares in issue during the period	<b>1,000,000</b>	1,000,000	1,000,000
<i>Earnings per ordinary share (cents)</i>			
Basic	<b>22,748</b>	<b>27,207</b>	<b>21,977</b>
Fully diluted	<b>22,748</b>	<b>27,207</b>	<b>21,977</b>
<i>Headline earnings per ordinary share (cents)</i>			
Basic	<b>22,748</b>	<b>27,207</b>	<b>21,977</b>
Fully diluted	<b>22,748</b>	<b>27,207</b>	<b>21,977</b>

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF LETSHEGO BANK (NAMIBIA) LIMITED

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5 July 2017

The Directors  
Letshego Bank (Namibia) Limited  
PO Box 11600  
Windhoek  
Namibia

Dear Sirs

### INDEPENDENT REPORTING ACCOUNTANT'S AUDIT REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF LETSHEGO BANK (NAMIBIA) LIMITED

#### Our opinion

Letshego Holdings (Namibia) Limited is issuing a Prospectus to its shareholders to be dated on or about 5 July 2017 ("the Prospectus") regarding the proposed listing of LHN on the Namibian Stock Exchange (the "Proposed Listing").

In our opinion, the Historical Financial Information presents fairly, in all material respects, the financial position of Letshego Bank (Namibia) Limited (the Company) as at 31 December 2016, 31 December 2015 and 31 December 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### What we have audited

At your request and solely for the purpose of the Prospectus, Letshego Bank (Namibia) Limited's Historical Financial Information as set out in Annexure 4 of the Prospectus comprise:

- the statements of financial position as at 31 December 2016, 31 December 2015 and 31 December 2014;
- the statements of comprehensive income for the years then ended;
- the statements of changes in equity for the years then ended;
- the cash flows for the years then ended; and
- the notes to the Historical Financial Information, 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 Reporting accountant's responsibilities for the audit of the Historical Financial Information 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 Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A & 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 and in accordance with other ethical requirements applicable to performing audits in Namibia.

#### Purpose of this report

This report has been prepared for the purpose of the Prospectus and for no other purpose.

#### Responsibilities of the Directors for the Historical Financial Information

The Directors are responsible for the preparation and fair presentation of the Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the Historical Financial Information, the Directors are responsible for assessing the LBN'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 LBN or to cease operations, or have no realistic alternative but to do so.

#### Reporting Accountant's responsibilities for the audit of Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Historical Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant'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

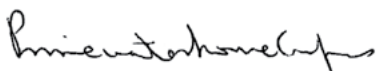
expected to influence the economic decisions of users taken on the basis of the Historical Financial Information.

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

We also:

- Identify and assess the risks of material misstatement of the Historical Financial Information, 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 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 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 Historical Financial Information 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 LBN to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Historical Financial Information, including the disclosures, and whether the Historical Financial Information 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 Company to express an opinion on the Historical Financial Information. We are responsible for the direction, supervision and performance of the Company's 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.



**PricewaterhouseCoopers**

Registered Accountants and Auditors

Chartered Accountants (Namibia)

Per: Louis van der Riet

Partner

Windhoek, Namibia

5 July 2017

## UNAUDITED PROFIT FORECAST OF LHN

1. The assumptions made and applied in the preparation of the profit forecast, which is considered by the Board of Directors to be material and significant are set out below. The assumptions as set out below are not an exhaustive list, and nor are they intended to be. General assumptions usually applicable to profit forecasts of this nature have not been expressly set out below as such assumptions are considered implicit in the context of the forecasted financial information. Due to the nature of assimilating such information, a view is taken by the Board of Directors as to the impact of market conditions and/or future events. In the opinion of the Directors, the assumptions below are significant to the forecast as being key factors upon which the financial results of the company will depend. However, certain assumptions may not materialise and/or certain unforeseen events may occur or circumstances may arise subsequent to the forecast being made. Accordingly, the actual results achieved for the forecasted period may differ from those forecasted.

The audited figures for the year ended 2015 & 2016 were extracted from Annexure 2 of the Prospectus.

The unaudited profit forecast for the year ended 2017 & 2018 has been compiled utilising the accounting policies of LHN Limited as set out in Annexure 2 of the Prospectus, which have been assumed to remain in place for the duration of the forecasted periods.

The unaudited profit forecast for the year ended 2017 & 2018 is based, inter alia, on the following assumptions:

- 1.1 The forecast incorporate the following material assumptions in respect of revenue and expenses that can be influenced by the Directors of LHN:

- a. LHN forecasted figures assume a successful completion of the proposed share placement in terms of the public offer.
- b. An upgrade to five branches in the year ending 31 December 2017 and three branches in the year ending 31 December 2018.
- c. LHN forecasted figures include operating costs required to establish LBN's banking operations as well as the net trading income derived from these operations.
- d. It is LHN's intention to pay dividends at a cover of 4 x (25% of Earnings) from the year ending 31 December 2018, subject to the available cash resources and the need to fund future growth opportunities.
- e. Preference dividends is irredeemable and non-cumulative, therefore no expected dividends are forecasted in the forecast.
- f. Inflation assumption of 8% year on year in the forecast.
- g. Credit policies will remain unchanged.
- h. No significant changes in the composition of loans and advances book will occur.
- i. No individually significant loans will require significant additional impairment and the general provision policies will remain unchanged.
- j. New loans and top-ups for the Deduction at Source business are only issued in LMFSN, and by virtue of this set-up, customers gradually migrate to the LMFSN book thereby making it a very active book with an exceptionally high growth rate. This trend is expected to continue in the foreseeable future.
- k. It is LHN's intention to replace intergroup funding provided by LHL through alternative local funding sources.

- 1.2 The forecast incorporate the following material assumptions in respect of revenue and expenses that cannot be influenced by the Directors of LHN:

- No significant change in the value of assets and liabilities held at fair value. Fair value movements were provided for on financial instruments through profit and loss.
- Income tax is provided for at the current effective corporate tax rate of 32%.
- The BoN repo rate is determined by the Executive Committee of the BoN.
- Any increases in the repo rate will impact LHN's net interest income in a positive manner whilst a decrease in the repo rate will result in lower net interest income.
- LMFSN retention of its deduction code granted by the Minister of Finance (refer paragraph 12.2).
- No significant changes in the global and local market economic conditions.
- Political and financial stability.
- No significant changes in the regulatory requirements.
- No significant changes in the competitor environment.
- The assumptions on which the forecasted figures are based are considered by the Directors to be reasonable.

- 1.3 Comments on the forecast financial information:

- 1.3.1 The forecast financial information is based on the assumption that circumstances which affect LHN's business but which are outside the control of the Directors, will not materially alter in such a way as to affect the trading of the company. More specifically:

- trading conditions are not expected to be materially different in each of the forecast periods;
- costs will increase in line with increased activity, turnover and the expected rate of inflation; and
- Interest rates, foreign exchange rates and the basis and rates of taxation, both direct and indirect, will not change materially.

- 1.3.2 In addition, the forecast financial information is based on the assumption that:

- there will be continuity in existing management and trading policies;
- there will be no change in the present accounting policies.

- 1.3.3 No allowance for revenue growth arising from further strategic company acquisitions has been allowed in the forecast.

- 1.4 In the opinion of the Directors, the above assumptions are significant to the forecasts as being key factors upon which the financial results of the company will depend. However, certain assumptions may not materialise and/or certain unforeseen events may occur or circumstances may arise subsequent to the forecasts being made. Accordingly, the results achieved for the periods referred to above may differ from those forecast and the variations may be material.
- 1.5 The forecast was prepared 15 June 2017 by the Directors of LHN.

## 2. FORECAST INCOME STATEMENT

The table below sets out the unaudited profit forecast of LHN for the years ending 31 December 2017 & 2018 and should be read in conjunction with the independent reporting accountants' assurance report thereon as set out in Annexure 7. The Directors of LHN are responsible for the preparation of the forecasted financial information as set out in the table below, which was approved by the Board of Directors of LHN on 15 June 2017.

The assumptions made and applied in the preparation of the profit forecast, which are considered by the Board of Directors to be material and significant, are set out below. The assumptions as set out below are not an exhaustive list, nor are they intended to be. General assumptions usually applicable to profit forecasts of this nature have not been expressly set out below as such assumptions are considered implicit in the context of the forecasted financial information, or having an insignificant effect on such forecasted financial information. Due to the nature of assimilating such information, a view is taken by the Board of Directors as to the impact of market conditions and/or future events. In the opinion of the Directors, the assumptions below are significant to the forecasts as being key factors upon which the financial results of the company will depend.

### STATEMENT OF COMPREHENSIVE INCOME

#### LETSGO HOLDINGS (NAMIBIA) LIMITED AND ITS SUBSIDIARIES STATEMENT OF COMPREHENSIVE INCOME PROFIT FORECAST for the period ending 31 December 2018

	Audited Actual 2015 N\$	Audited Actual 2016 N\$	Unaudited Forecast 2017 <sup>(6)</sup> N\$	Unaudited Forecast 2018 N\$
Interest income <sup>(1)</sup>	382,067,678	453,490,757	522,504,000	579,143,817
Credit impairment charge	(199,867)	(22,083,259)	(8,223,544)	(9,957,492)
<b>Interest after impairment</b>	<b>381,867,811</b>	<b>431,407,498</b>	<b>514,280,456</b>	<b>569,186,325</b>
Interest expense	(96,171,593)	(99,943,214)	(115,872,949)	(108,240,647)
<b>Net interest income after impairment</b>	<b>285,696,218</b>	<b>331,464,284</b>	<b>398,407,507</b>	<b>460,945,678</b>
Fee and commission income	195,578,406	232,212,748	267,094,487	334,537,079
<b>Net trading income</b>	<b>481,274,624</b>	<b>563,677,032</b>	<b>665,501,994</b>	<b>795,482,757</b>
Operating expenses	(113,243,232)	(134,122,985)	(187,125,895)	(237,883,681)
<b>Operating profit before taxation</b>	<b>368,031,392</b>	<b>429,554,047</b>	<b>478,376,099</b>	<b>557,599,076</b>
Taxation	(95,959,902)	(99,601,566)	(139,727,067)	(159,861,674)
<b>Profit for the period</b>	<b>272,071,490</b>	<b>329,952,481</b>	<b>338,649,032</b>	<b>397,737,402</b>
Other comprehensive income, net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>272,071,490</b>	<b>329,952,481</b>	<b>338,649,032</b>	<b>397,737,402</b>
Number of shares in issue	1,000,000	1,000,000	-	-
Number of shares in issue after the share split <sup>(2)</sup>	-	-	500,000,000	500,000,000
Weighted number of shares in issue	1,000,000	1,000,000	-	-
Weighted number of shares in issue after share split <sup>(3)</sup>	500,000,000	500,000,000	500,000,000	500,000,000
Basic earnings per share (cents) <sup>(4)</sup>	54	66	68	80
<b>Headline earnings per share (cents)<sup>(4)</sup></b>	<b>54</b>	<b>66</b>	<b>68</b>	<b>80</b>
<b>Price Earnings Ratio at 470 cents per share<sup>(5)</sup></b>	<b>8.6</b>	<b>7.1</b>	<b>6.9</b>	<b>5.9</b>
Book value per share (cents) <sup>(4)</sup>	238	304	347	407
<b>Price to Book Ratio at 470 cents per share<sup>(5)</sup></b>	<b>2.0</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>
Dividends per share (cents) <sup>(4)</sup>	-	-	23	20
Dividends paid <sup>(5)</sup>	-	-	113,000,000	99,434,350
<b>Dividend yield at 470 cents per share</b>	<b>-</b>	<b>-</b>	<b>4.8%</b>	<b>4.2%</b>

#### Notes

- (1) Interest income includes income from lending activities and other income as presented in the Audited Financial Statements per Annexures 2 & 4.
- (2) The actual number of ordinary shares in issue prior to the Public Offer was 500,000,000 which was the result of Share Split of 500 ordinary shares for every one ordinary share.
- (3) The weighted average number of shares in respect of the forecast period is calculated on the assumption there is no change in the number of ordinary shares in terms of the Public Offer and after the Share Split. For ease of illustration, the above assumes that the Share Split had occurred at the beginning of each financial year.
- (4) Earnings, headline earnings and dividend per share for the financial years ended 31 December 2015 and 2016 were calculated on the basis that the Share Split, referred to above, was already effective at those dates.
- (5) The Price Earnings and Price to Book Ratios for the financial year ended 31 December 2015 and 2016 were calculated on the basis that the Share Split, referred to above, was already effective at those dates. Details of the 2017 dividend are included in paragraph 38.
- (6) The unaudited forecast Statement of Comprehensive Income for the year ending 31 December 2017 incorporates actual trading results for the five months ended 31 May 2017.

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## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE PROFIT FORECAST LET SHEGO HOLDINGS (NAMIBIA) LIMITED

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5 July 2017

The Directors  
Letshego Holdings Namibia Limited  
PO Box 11600  
Windhoek  
Namibia

Dear Sirs,

### **Independent reporting accountant's report on the Forecast Information of Letshego Holdings (Namibia) Limited**

We have undertaken a reasonable assurance engagement in respect of the accompanying forecast of Letshego Holdings (Namibia) Limited ("LHN" or "the Company") for the period ending 31 December 2017 and the year ending 31 December 2018, comprising the forecast statement of profit or loss and other comprehensive income set out in Annexure 6, comprising the forecast statement of profit or loss and other comprehensive income ("the Forecast Information"), as required by paragraph 8.48(c) of the NSX Limited Listings Requirements.

We have also undertaken a limited assurance engagement in respect of the Directors' assumptions used to prepare and present the Forecast Information, disclosed in Note 1 to the Forecast Information, as required by paragraph 8.48(c) of the NSX Listings Requirements.

#### *Directors' responsibility for the Forecast Information and for the assumptions used to prepare the Forecast Information*

The Directors are responsible for the preparation and presentation of the Forecast Information and for the reasonableness of the assumptions used to prepare the Forecast Information as set out in Note 1 to the Forecast Information in accordance with the NSX Listings Requirements for forecast information. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Forecast Information on the basis of those assumptions that is free from material misstatement, whether due to fraud or error.

#### *Inherent Limitations*

Actual results are likely to be different from the Forecast Information since anticipated events frequently do not occur as expected and the variation may be material. Consequently, readers are cautioned that this forecast may not be appropriate for purposes other than described in the purpose of the report paragraph below.

#### *Our independence and quality control*

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors of South Africa (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Limited assurance engagement on the reasonableness of the Directors' assumptions**

#### *Reporting accountant's responsibility*

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the assumptions do not provide a reasonable basis for the preparation and presentation of the Forecast Information in accordance with the NSX Listings Requirements for forecast information, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Directors' assumptions provide a reasonable basis for the preparation and presentation of the Forecast Information.

A limited assurance engagement undertaken in accordance with ISAE 3400 involves assessing the source and reliability of the evidence supporting the Directors' assumptions. Sufficient appropriate evidence supporting such assumptions would be obtained from internal and external sources including consideration of the assumptions in the light of historical information and an evaluation of whether they are based on plans that are within the entity's capacity. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the reasonableness of best-estimate assumptions and agreeing or reconciling with underlying records.

Our procedures included evaluating the Directors' best-estimate assumptions on which the Forecast Information is based for reasonableness.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Directors' assumptions provide a reasonable basis for the preparation and presentation of the Forecast Information.

*Limited assurance conclusion on the reasonableness of the Directors' assumptions*

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the Directors' assumptions do not provide a reasonable basis for the preparation and presentation of the Forecast Information for the period ending 31 December 2017 and the year ending 31 December 2018.

**Reasonable assurance engagement on the Forecast Information**

*Reporting accountant's responsibility*

Our responsibility is to express an opinion based on the evidence we have obtained about whether the Forecast Information is properly prepared and presented on the basis of the Directors' assumptions disclosed in Note 1 to the Forecast Information (the assumptions) and in accordance with the NSX Listings Requirements for forecast information. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether such Forecast Information is properly prepared and presented on the basis of the Directors' assumptions disclosed in Note 1 to the Forecast Information and in accordance with the NSX Listings Requirements for forecast information.

A reasonable assurance engagement in accordance with ISAE 3400 involves performing procedures to obtain evidence that the Forecast Information is properly prepared and presented on the basis of the assumptions and in accordance with the NSX Listings Requirements for forecast information. The nature, timing and extent of procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, of the Forecast Information. In making those risk assessments, we considered internal control relevant to Letshego's preparation and presentation of the Forecast Information.

Our procedures included:

- Inspecting whether the Forecast Information is properly prepared on the basis of the assumptions;
- Inspecting whether the Forecast Information is properly presented and all material assumptions are adequately disclosed, and
- Inspecting whether the forecast statement of profit or loss and other comprehensive income is prepared on a consistent basis with the accounting policies of the company or group. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion on the Forecast Information*


In our opinion, the Forecast Information is properly prepared and presented on the basis of the assumptions and in accordance with the NSX Listings Requirements for forecast information for the period ending 31 December 2017 and the year ending 31 December 2018.

*Purpose of the report*

This report has been prepared for the purpose of satisfying the requirements of paragraph 8.48(c) of the NSX Listings Requirements and for no other purpose.

**Report on other legal and regulatory requirements**

In accordance with our responsibilities set out in the NSX Listings Requirements, paragraph 8.48 (c), we have performed certain procedures. If, based on the procedures performed, we detect any exceptions, we are required to report those exceptions. We have nothing to report in this regard.



**PricewaterhouseCoopers**

Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
Per: Louis van der Riet  
Partner  
Windhoek, Namibia  
5 July 2017

## EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF LETSHEGO HOLDINGS NAMIBIA

### VARIATION OF RIGHTS

21. Unless otherwise provided by the terms of issue of the shares of any class or by the terms under which such shares are held, the special rights or restrictions attached to all or any shares of that class may be amended, modified, varied or cancelled by a general meeting, provided that any such amendment, modification, variation or cancellation which directly or indirectly and adversely affects the special rights or restrictions attached to all or any shares of that class may only be effected with:
- (a) the prior written consent of or ratification by the holders of at least three quarters of the securities or shares in that class; or
  - (b) the prior sanction of a resolution passed in a separate general meeting of the holders of the shares in that class in the same manner, mutatis mutandis as a special resolution, and the provisions of these Articles relating to general meetings shall apply to any such separate general meetings, except that a quorum at any such general meeting shall be two persons holding, or represented by proxy, at least one third of the issued shares of the shares in question and if the Company has only one member, that member in person or represented by proxy, provided that if at any adjournment of such meeting a quorum is not present then the provisions of these Articles relating to adjourned general meetings shall apply.

### VOTES OF MEMBERS

55. Subject to any rights, restrictions or special conditions for the time being attached to ordinary shares, every member present in person or by proxy shall have a vote in respect of each share held by him.
56. In the case of joint holders, the vote of the person whose name appears first in the register of members and who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
57. Any person present and entitled to vote, on a show of hands as a member or as a proxy or as a representative of a body corporate at any meeting of the Company shall on a show of hands have only one vote irrespective of the number of shares he holds or represents.
58. The parent or guardian of a minor, and the curator bonis of a lunatic member, and also any person entitled under the transmission clause to transfer any shares, may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of those shares, provided that forty eight hours at least before the time of holding meeting at which he proposes to vote he shall satisfy the directors that he is such parent, guardian or curator or that he is entitled under the transmission clause to transfer those shares, or that the Directors have previously admitted his right to vote in respect of those shares. Co-executors of a deceased member in whose name shares stand in the register shall, for the purposes of this Article, be deemed to be joint holders of those shares.

### DIRECTORS

63. (a) The Board shall consist of a minimum of 5 (five) directors and a maximum of 9 (nine) directors appointed by ordinary resolution in a general meeting or an annual general meeting. The directors have the power to fill any casual vacancies in between annual general meetings for ratification by shareholders, by way of an ordinary resolution, at the next annual general meeting. The composition of the Board shall to the extent possible and subject to approval by an ordinary resolution, be constituted as follows:
- (i) A maximum of two executive directors shall be appointed to the Board, one of which shall be the Chief Executive Officer of the Company, who will be the Managing Director and as such an executive director. With the prior written authorisation of Bank of Namibia, a maximum of three executive directors may be appointed;
  - (ii) One of the directors shall be appointed by Letshego Holdings Limited or its nominee for as long as it holds 50% or more of the issued ordinary shares in the company, and if that is no longer the case, then any one shareholder that holds 50% or more of the issued ordinary shares of the company from time to time may appoint at least one director;
  - (iii) The majority of the Board shall comprise of non-executive directors and the majority of the non-executive directors shall be independent.
- (b) The directors shall appoint one of the independent non-executive directors, as Chairman and may appoint any director as vice chairman, determine the period for which they respectively shall hold office and advise the Chairman of Letshego Holdings Limited accordingly.
  - (c) The maximum tenure of the Board members would be for three terms of three years totaling 9 years.
  - (d) The mandatory Board member retirement age is 70 years, unless otherwise prescribed by law.
  - (e) The appointment of any non-executive director who was appointed by the directors in terms of this clause 63 shall, unless appointed in writing for a 3 (three) year term, cease at the conclusion of the next annual general meeting, provided that at least one third of all

non-executive directors shall annually retire from office at the annual general meeting and any executive director employed by the Company, need not retire from office for the duration of his employment, but shall automatically retire from office on expiration of his term of employment.

64. No person elected to serve as director of the Company, shall assume office as such until the consent to act as a director has been acknowledged by the Bank of Namibia.
65. Subject to Article 64, the Board shall have the power, from time to time, to appoint anyone as a director, either to fill a casual vacancy or as an additional director.
66. At any general meeting of the Company a motion for the appointment of two or more persons as directors of the Company by a single resolution shall not be moved, unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it.
67. The continuing directors may act, notwithstanding any vacancy in their body but, if and for so long as their number is reduced below the minimum number of directors required to act as such for the time being, the continuing directors may act only to increase the number of directors to be required minimum, or to summon a general meeting for that purpose, provided that if there is no director able or willing to act then any member may convene a general meeting for that purpose. The appointment of any director to fill a casual vacancy or as an addition to the Board, must be confirmed at the next annual general meeting.
68. Neither a director nor an alternate director shall be obliged to hold any qualification shares.
69. The remuneration of the non-executive directors shall from time to time be determined by a majority of the members attending and entitled to vote at the general meeting of the Company on the recommendation of the Board in accordance with a remuneration policy, and shall be fixed for the next year but if a director is employed by the Company, or by a controlling company or subsidiary of the Company, the appointment and remuneration of such director shall be approved by a disinterested quorum of directors of the Company. Full individual disclosure of each director's remuneration, giving details of base pay, bonuses, share-based payments, granting of options or rights, restraint payments and all other benefits, including present values of future awards, shall be provided in the annual report of the Company.

## BOARD FEES AND EXPENSES

70.
  - (a) Board members, save for Executive Directors, shall be paid sitting fees for preparing and attending Board or Committee meetings. The preparation for meetings includes going through the Board or Committee packs in order to understand the issues; this may also involve discussing and/or communicating with other Board members and management to obtain further clarification if necessary.
  - (b) Board members shall be paid a retainer on a regular basis based on local market norms. The retainer covers any other official and general business related engagements that the Board Members may be requested to undertake on behalf of the Company such as attendance at Corporate Social Responsibility events and monthly update meetings to communicate with Executive Management.
  - (c) The Board and Committee fees shall be reviewed biannually for alignment to local market and industry levels and adjusted accordingly in order to ensure that they are fair and competitive.
71.
  - (a) Board fees shall be denominated in local currency.
  - (b) Where a Board member, over and above the normal Board duties, spends extra time working on a specific task or undertaking at the request of the Company, he/she may be remunerated based on an hourly rate which has been approved by a disinterested quorum of the Board of the Company. The specific task and the estimated time to complete it should be pre-approved by the Chairman of the Board.
  - (c) Accommodation and travel expenses to attend Board or Committee meetings or to carry out specific pre-approved tasks are for the account of the Company. In the event that a Board member pays such costs, he/she will be reimbursed accordingly upon producing of relevant supporting vouchers for those expenses.

## ALTERNATE DIRECTORS

72. Each Non-Executive Director shall have the power to nominate any person, whether a member of the Company or not, possessing the necessary qualifications of a director, to act as alternate director in his place during his absence or inability to act as such director, provided that the appointment of an alternate director shall be approved by the Board which approval shall not be unreasonably withheld and on such appointment being made, the alternate director shall, in all respects, be subject to the terms, qualifications, regulatory approval and conditions existing with reference to the directors of the Company.
73. Independent non-executive directors shall not be permitted to nominate alternate directors.
74. The appointment of an alternate director shall be revoked if the directors reasonably withdraw their approval to this appointment; and the alternate director shall cease to hold office, whenever the director who appointed him ceases to be a director or gives notice to the

Company that the alternate director representing him has ceased to do so, and in the event of the disqualification or resignation of any alternate director;

75. An alternate director shall:

- (a) only be entitled to attend or act or vote at any meeting of directors if the director to whom he/she is an alternate is not present;
- (b) only be entitled to sign a resolution which may be validly and effectively passed otherwise than at a meeting of directors in terms of the Act if the director to whom he is an alternate is then absent;
- (c) subject to the foregoing, generally exercise all the rights of the director to whom he is an alternate in the absence or incapacity of that director;
- (d) in all respects be subject to the terms and conditions existing with reference to the appointment, rights and duties and the holding of office of the director to whom he is an alternate, but shall not have any claim of any nature whatever against the Company for any remuneration of any nature whatever.

## POWERS AND DUTIES OF DIRECTORS

76. (a) The business of the Company shall be controlled and managed by the directors who may pay all expenses incurred in promoting and incorporating the Company, and may exercise all such powers of the Company as are conferred by the Act, or by these Articles required to be exercised by the Company in general meeting, subject to these Articles, and to the provisions of the Act, and to such regulations, not inconsistent with the aforesaid Articles or provisions, as may be prescribed by the Company in general meeting; but no regulation prescribed by the Company in general meeting shall invalidate any prior act of the directors which would have been valid if such regulation had not been made.
- (b) Other powers and duties of directors shall include, but not be limited to the following:
- (i) growing and protecting shareholder value while balancing the interests of shareholders, employees, customers and the community;
  - (ii) approving the strategy and monitoring its execution so as to position the Company to meet its financial, customer service and market performance targets now and in the future in a sustainable manner;
  - (iii) approving material changes to the Company's strategy and business plan as well as material investments and any changes to the capital structure of the subsidiary;
  - (iv) ensuring a robust and best practice governance framework embedded in the Letshego Group and approved by the Board of the Company that provides for compliance with all statutes and regulations;
  - (v) setting the risk appetite of the Company and ensuring that a risk management framework is operating effectively and approved by the Board of the Company so as to mitigate existing and emerging risks within approved limits;
  - (vi) approving the Company's report and accounts and other published statements;
  - (vii) approving the Company's Code of Conduct and share dealing code for directors and employees;
  - (viii) setting the policy for charitable donations and approved by the Board of the Company;
  - (ix) appointing the Chief Executive Officer (CEO) and have oversight of the leadership team with a view to promoting the adoption of ethical values throughout the Company of responsibility, accountability, fairness and transparency;
  - (x) delegating appropriate authority levels to the CEO so as to enable him/her to effectively carry out his/her roles and responsibilities; and
  - (xi) Restrictions to the powers of directors are set hereunder in Article 138.
77. Subject to compliance with the provisions of the Act, a director shall not be liable (in the absence of any agreements to the contrary) to account to the Company for any profit or other benefit arising out of any contract which directly or indirectly affects or relates to the Company.
78. (a) A director who has disclosed his interest in any contract or proposed contract in accordance with the Act may be counted in a quorum for the purpose of a meeting of directors to consider any matter; and shall be entitled to vote in regard to any matter relating to that contract.

- (b) Notwithstanding the provisions of Article 77 and 78(a), the Chairman may at his/her sole discretion, require that such director recuse him/herself from discussions at Board meetings where such business would be discussed.

## BORROWING POWERS

79. (a) The directors may exercise all the powers of the Company to borrow money and to mortgage or bind its undertaking and property or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party subject to Article 138 and such restrictions as may be imposed by an ordinary resolution of members in a general meeting of the Company;
- (b) Large exposures and concentration of credit.
- (i) The Company may not, without the prior approval of its members in general meeting, undertake exposure to a single person, to a group of related persons, or to any industry in or outside the Republic of Namibia which exceeds such percentage of its capital funds as may be determined by the applicable legislation from time to time.
- (ii) The total amount of large exposures shall not exceed such percentage of its capital funds as may be determined by the applicable legislation from time to time.
- (c) Lending Against Own Shares

The Company may not without prior approval by a special resolution of the Company in general meeting and provided that the directors are satisfied that the Company will be able to continue to pay its debts in the ordinary course of business as same become due, directly or indirectly, lend money or issue guarantees against the security of:

- (i) its own shares; or
- (ii) such debt instruments which may qualify as capital of the Company, of its holding company or of any of its subsidiaries.

## RESTRICTED MATTERS AND RESTRICTIONS APPLICABLE TO CONTROLLING COMPANIES OF BANKING INSTITUTIONS

138. (a) In terms of section 54 of the Banking Institutions Act the Company may not, without the prior written approval of the Bank of Namibia:
- (i) Enter into a merger or consolidation;
- (ii) Transfer, or otherwise dispose of, the whole or part of its property, whether situated in or outside Namibia, other than in the ordinary course of its business;
- (iii) Effect a reduction of its paid-up share capital;
- (iv) Change the name of the Company;
- (v) Take any action which requires a special resolution of the Company.
- (b) The matters listed hereunder shall require Shareholders' approval by ordinary resolution at a general or extra ordinary meeting of the Company:

### Normal course of business

- (i) The incurring of long-term debt or any other material borrowing unless such debt is at arm's length and on commercial terms and conditions, and provided it does not exceed 10% (ten percent) of total shareholders' equity.
- (ii) The entering into any material contract in the ordinary course of business in respect of capital projects, Corporate Social Responsibility, consultancy, leases in which the value of each transaction or liability (contingent or otherwise) exceeds an equivalent of N\$ 2 million.

## Extraordinary matters

- (i) A material change in the nature of business of the Company. A material change shall, for the purposes of this clause be defined as anything outside any provision made in the budget and/or business plan that has been approved by the Shareholders that could significantly affect the way the Company is doing business including its profitability;
- (ii) The making of any loan to any third party, other than in the Company's ordinary course of business;
- (iii) The conclusion and/or implementation of any related party transactions with any shareholder or officer or director of the Company or any relative of any of the foregoing or any created entity in which any of the foregoing has an interest;
- (iv) The payment of any technical services fees by the Company to any third party;
- (v) The issue of guarantees or suretyships or indemnities or assumption of the obligations of third parties by the Company, other than in the normal course of business;
- (vi) The sale or other disposal of a major part of the Company's assets which is greater than 10% of its total assets;
- (vii) The entering into any material contract not in the ordinary course of business.

## Corporate matters

- (i) Any change to the powers of the Board;
- (ii) The employment by the Company of the Chief Executive Officer and any other senior executive directly reporting to the Chief Executive Officer;
- (iii) The appointment of non-executive directors; and
- (iv) The appointment or change of the Company's auditors.

## Group related matters

- (i) The investment in any subsidiary company or the acquisition of any business or the entry into any joint venture, merger or takeover or control of another company;
- (ii) The establishment and/or implementation of any changes in the Company's financial policy including but not limited to the dividend or major accounting policies;
- (iii) The entry into any partnership, profit-sharing or royalty agreement or other similar arrangement whereby the Company's income or profits are, or might be, shared with any third party;
- (iv) A change in the financial year of the Company;
- (v) Save for any outstanding dividend that is payable to holders of ordinary shares in accordance with Article 112, the Shareholders agree to a sustainable dividend policy; and
- (vi) The listing of the Shares of the Company on any stock exchange.



## CORPORATE CITIZENSHIP AND CORPORATE GOVERNANCE

### LGN'S APPROACH TO GOOD CORPORATE GOVERNANCE

LGN's commitment to ethical business practices is a benchmark and will continue to guide all of its operating subsidiaries in all they do. To this end two Board sub-committees have been set up to ensure LGN lives up to the standards set for itself, a clear division of responsibilities at Board level and a balance of power and authority, such that no one individual has unfettered powers of decision making. These sub-committees are:

#### 1. BOARD AUDIT AND RISK COMMITTEE (BARC)

The BARC is under the chairmanship of Sven von Blottnitz. The committee sits at least four times a year. This committee reviews the appropriateness and adequacy of the systems of internal financial and operational control, identifies and continuously evaluates exposure to significant risks, provides effective communication between Directors, management and internal and external auditors, reviews accounting policies and financial information issues to the public, and recommends the appointment of external auditors.

#### 2. CREDIT COMMITTEE (CC)

Credit risk management is overseen by the CC, who determine credit policy. The CC meets monthly (or more frequently as required by business volumes) to evaluate the activities of the credit division and operations, new business results, arrears, provisioning and regulatory compliance. The members of the BARC and CC consist of not less than three Directors appointed by the Board, all of whom are independent non-executive Directors. The members include Sven Bloch von Blottnitz, Maryvonne Palanduz and Mythri Sambasivan-George. The Board is in the process of appointing an additional Director to the CC. The Chairperson of the Committee is appointed by the Board including the determination of the period for which he or she shall hold office. The Chief Executive Officer attends the Committee meetings by invitation. The Board of Directors is provided with regular reports on the committee's activities.

#### 3. EXECUTIVE COMMITTEE (EXCO / CMC)

The Executive Committee of the Company is comprised of the following members:

Chief Executive Officer  
 Chief Finance Officer  
 Chief Risk Officer  
 Chief Operating Officer  
 Head of Human Resources  
 Head of Financial Inclusion  
 Senior Internal Auditor

The Exco meets monthly, under the Chairmanship of the CEO, Ester Kali and a minimum of four members are required for a quorum. The key objectives of the Exco are to:

- Ensure delivery of the Country and business strategies against the Country's Collective Agenda and budget, and reporting on such progress to the Group Managing Director as well as escalating any significant risks or issues on a timely basis.
- Monitor external developments in the Country's footprint as well as internal risk issues arising, to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group as well as to mitigate potential financial losses.
- Promote a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement and operational efficiency, underpinned by exemplary governance and effective cost control.
- Provide unified leadership on key strategic and other business initiatives by determining and agreeing the response to cross geography and business challenges.
- Promote and sustain an effective risk management framework that encapsulates the setting of a risk appetite, management discipline, anticipation and compliance across the Country and escalating significant issues to Group Managing Director and Group Head of Risk as appropriate.
- Ensure that all businesses are 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 as well as anti-money laundering legislation (AML).
- Approve and recommend to Group Head of Innovation all new products and service offerings.

#### 4. REMUNERATION

Remuneration related matters are handled by the Board of LHL, who review and approve the remuneration and terms of employment of executive Directors and senior employees of LGN under the guidance of the LHL Group Remuneration committee. It is the intention of LGN to localize remuneration matters as part of LHN Board's responsibility in line with BID 1.

#### 5. AFFIRMATIVE ACTION

LGN is an equal opportunity employer and, in accordance with Article 10 of the Namibian Constitution, there is no discrimination on the basis of sex, race, colour, ethnic origin, religion, creed or social or economic status. Where possible, LGN does give preference to PDN citizens.

#### 6. ETHICS

LGN endeavours to act with honesty, responsibility and professional integrity in its dealings with all stakeholders including its employees, shareholders, customers, suppliers, and society at large. In any instance where ethical standards are called into question, the circumstances are investigated and resolved in an appropriate and fair manner.

#### 7. SOCIAL RESPONSIBILITIES

LGN acknowledges its social responsibility towards the communities in which it operates as well as towards deserving institutions at large. Its programmes focus mostly on sustainable support for education, health and livelihood improvement. In particular, LGN's ethos of social investment is based on the premise of it being aligned to the business strategy.

As such, community (and LGN's own staff members') need for meaningful financial education, or empowerment, or impactful health interventions to ensure productively and longevity typify LGN's "strategic social investment" (SSI) priorities. LGN is committed to active engagement in the communities in which it does business and to enriching the lives of community members through SSI initiatives.

LGN commits up to 1% of profit after tax annually for investment into programmes identified for the education, health and livelihood improvement of PDN citizens. Each LGN contributor is responsible for delivering results in line with the overall LGN strategy.

Where possible and practicable, LGN encourages local communities to be included and involved in its SSI projects in order to further ensure these initiatives are carried forward beyond the investment period.

#### 8. SUSTAINABILITY, ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITIES

LGN is committed to contributing to sustainable development in the communities where it operates through the delivery of ethical and responsible financial solutions and business practices, thereby unlocking long-term value for its stakeholders.

LGN's Sustainability, Environmental and Social Management programme requires that systems be developed and maintained to support effective risk and opportunity identification, and the management of performance improvement. Where situations permit, LGN will partner with other stakeholders on common issues that impact its business as a corporate citizen. These include, but are not limited to, health care, education, agriculture, and basic resource supply.

LGN considers ways to rationalise energy, water, paper and other non-renewable resources' consumption, including through the consideration of innovative methods of resource waste reduction, reuse or recycling. LGN's Sustainability and ESG policy requires the setting of clear targets and report thereon.

Further, this policy requires the implementation of a risk identification and monitoring system that is integrated across the business' value chain. To achieve this, all relevant staff members within LGN and its subsidiaries will be required to set clear targets, as contained within the LGN's social scorecard, once defined, and report against them. LGN's business development leaders are required to understand social impact indicators, as well as risks, and ensure their application in the process of modifying or proposing new financial solutions, as well as in engagements with key business partners and stakeholders. Also, LGN's management are expected to apply relevant agreed environmental and social management systems and measures across the Group's financing activities. Further, management are charged with utilising best practice (on a best effort basis) as a framework for assessing and addressing environmental and social risks associated with financing and this is application to skills deepening around ethical practices, ESG covenant compliance and compliance with international standards.

The Group will strive to comply with internationally accepted ESG standards such as:

- The IFC Performance Standards on Environmental and Social Sustainability and the IFC Interpretation Note on Financial Intermediaries
- The Client Protection Principles (for SMART accreditation)
- The UNEP Statement of Commitment by Financial Institutions on Sustainable Development and the UN Global Compact
- ILO International Labour Standards
- OPIC Environmental and Social Standards (OPIC ESP Statement)

**OTHER DIRECTORSHIPS AND MEMBERSHIPS HELD BY DIRECTORS**

Name	Directorship(s)/Membership(s)	Nature of business
John Eugene Shepherd	JES Corporate Governance Advisory Services  Director - Pupkewitz Holdings (Pty) Limited  Director - City Hardware (Pty) Ltd  Director - Builders Warehouse (Pty) Ltd  Director - Gazania Investments One Hundred and Eighty Five (Pty) Ltd  Director - Furniture House (Pty) Ltd  Director - Namibia Vocational Training Academy (Pty) Ltd  Member - JES Corporate Governance Advisory Services CC	Professional advisory services  Holding company for Pupkewitz Megabuild, Pupkewitz Builders Warehouse, Pupkewitz Motor Division  Lumber & other building materials company  A conglomerate serving the construction industry  Lumber & other building materials company  Furniture distribution  Vocational training institution  Professional advisory services
Sven Bloch von Blottnitz	Arbeits-und Fordergemeinschaft Deustcher Schulvereine in Namibia  Scouts of Namibia 5th Division  Director Arbeits-und Fordergemeinschaft Deustcher Schulvereine in Namibia  Director - Public accountants' and Auditors' Board	German School sponsorship  Community youth development  Labour and promotion association of German school clubs  Governing Board for auditors & accountants
Rairirira Mbakutua Mbetjiha	Managing Director - Kumwe Investments Holding Ltd  MMI Holdings Limited  Director - Pinnacle Business Investments (Pty) Ltd  Director - Bombax Investments (Pty) Ltd  Director - Methealth Namibia Administrators (Pty) Ltd  Director - Grenada Investments Nine (Pty) Ltd  Director - MMI Holdings Namibia Limited  Director - Business Connexion Namibia (Pty) Ltd  Director - Ngatukondje Pamue Fishing Company (Pty) Ltd	Black Economic Empowerment Financial Services.  Health Care  Investment Company  Investment Company  Administration & managed health care services  Investment Company  Insurance product company  IT & Communications products and services  Investment Company
Ester Kali	Chairpeson - National Social Marketing Agency (NASOMA)  Director - Zambezi Waterfront Tourism Park (Pty) Limited	National social marketing programme focusing on HIV/AIDS prevention  Tourism business activity
Rosalia Ngueve Martins-Hausiku	Chairperson - Quanta Insurance Limited  Vice Chairperson - University of Namibia Council	Short term insurance products  Instituite of higher eductaion

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**DETAILS OF PRINCIPAL IMMOVABLE PROPERTIES LEASED OR OWNED**


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Lessor	Location / Area	Area of Building	Monthly Rental N\$	Expiry Date
Erf Eight Five Eight Five Windhoek (Pty) Ltd	Windhoek	Erf 8525, 18 Schwerinsburg street	127,167	28/02/2020
B1 City Investments Ten CC	Windhoek	Erf 10485, Independence Avenue Katutura	29,783	01/02/2019
JHI Properties	Oshakati	Shop 8, JHI Properties	9,741	31/10/2018
JHI Properties	Swakopmund	GIPF Swakopmund Building, Shop 102 , Swakopmund	4,900	31/04/2018
O & W Investment	Walvisbay	Erf 3066, Shop no 2	7,131	Indefinite Period
Vision Properties	Ondangwa	Shop no 5	9,579	31/08/2019
L J Maltitz	Grootfontein	37 Hidipo Hamutenya Avenue	7,306	31/01/2018
Himmel Properties	Rundu	Shop no 2, Northgate	11,573	31/07/2018
M Hartman	Katima Mulilo	Shop no 3 Municipality of Katima Mulilo	10,085	31/08/2017
BMR Properties	Eenhana	Unit 07 Greenwell complex	6,174	01/04/2018
Erf Nine Three Two CC	Okahandja	18 Martin Neib Avenue	4,953	31/10/ 2017
Nampost & Telecom Holdings Ltd	Keetmanshoop	239 & 694	10,799	30/11/ 2019
BV Investments Seven Hundred and Twenty Eight CC	Gobabis	Erf 343/1169 Church Street & Station Road, Gobabis	3,690.50	30/06/2017
Coastal Property Centre CC Trust	Outapi	Shop 11 Outapi Shopping mall	10,925	31/07/2019

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## DETAILS OF ADMINISTRATION AND MANAGEMENT SERVICES AGREEMENT BETWEEN LBN, LMFSN, LHN AND LHL

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The below is a summary of the salient features of the Administration and Management Services agreement between LBN, LMFSN, LHN and LHL referred to in paragraph 28.

- Date of agreement: 31 May 2017
- Nature of agreement: Administration and Management Services Agreement
- Term: Indefinite, subject to 30 days' notice of cancellation
- Services to be provided by LHL:
  - Intercompany loan facility arrangement/s;
  - External funding arrangement and guarantees;
  - Trademarks and licencing;
  - Management services, including:
    - information technology systems and support;
    - risk management;
    - corporate affairs;
    - corporate governance;
    - human resources;
    - group projects;
    - group credit;
    - internal audit;
    - customer experience and innovation; and
    - general management.
- Fee payable to LHL: Ten percent (10%) plus VAT of the aggregate of:
  - 1) the LHL head office costs that are attributable to LBN, LMFSN and LHN; and
  - 2) the proportion of the aggregate costs of operating the LHL head offices, excluding such attributable costs, where such proportion is calculated on the basis of the aggregate disbursements to customers by LBN, LMFSN and LHN in relationship to the aggregate disbursements by the LHL group to customers.

## LETSHEGO HOLDINGS NAMIBIA LIMITED

(Incorporated in the Republic of Namibia)(Registration Number 2016/0145)  
Share code: LHN ISIN: NA000A2DVV41 ("LHN" or "the company")

### APPLICATION

**NO:** \_\_\_\_\_  
(phone +264 819 7111 to obtain application number)

Branch ref no. : \_\_\_\_\_  
(official use)

## PUBLIC OFFER APPLICATION

### INDIVIDUAL PERSON

To the directors of LHN Limited

1. I, the undersigned, confirm that I have full legal capacity to contract and, having read and understood the Prospectus, hereby irrevocably apply for the undermentioned number of shares in LHN in respect of the first Public Offer, at an issue price of **470 cents per share**, or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the memorandum and articles of association of LHN.
2. I hereby enclose proof of payment by way of internet transfer, a cheque (crossed "not transferable" for the maximum of N\$ 100,000), banker's draft in favour of "Letshego Holdings Namibia Public Offer", in respect of my/our application. (Delete whichever is not applicable)
3. I understand that the subscription for shares in terms of the Prospectus is conditional on the granting of a listing of the shares of LHN with effect from the start of trade on 28 September 2017 or such later date approved by the Namibian Stock Exchange.
4. I hereby authorise LHN to pay my dividends into the account as stipulated below.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ 2017

Surname	
Full names as on ID	
Identity number	
Postal address	
e-mail address ( <b>Very important</b> for notifications and correspondence)	
Country of Residency (Country where you live)	
Country of nationality / citizenship (Country where you obtained your passport)	
Phone number (08h00-17h00)	
Cell number	
Total number of shares that I apply for in respect of the public offer (minimum is 200 shares and in multiples of 100 thereafter)	
Total amount of application at an issue price of <b>470</b> cents per share	
Letshego loan number (if applicable) and Letshego loan amount used for shares	
<b>Bank information:</b> <u>Electronic payments of dividends and refund of any overpayments:</u> ALL the fields (as below) must be completed AND the requested documents provided. Electronic payments can be done to a cheque or savings account at a bank in Namibia or South Africa. It cannot be done to a third party, a credit card, a fixed investment, or post office or building society account. Dividend payments will be credited to your account on the day of payment, with a clear description e.g. "LHN DIV 05" for Letshego dividend number 5.	
Name in which account at bank is held (usually your own name)	
Bank name (e.g. FNB)	
Branch name (e.g. Main branch)	
Branch code ( <b>MUST</b> be given e.g. 281872 - ask your bank or use the electronic payment code)	
Account number	
Account type (only Savings or Cheque account - <b>MUST</b> be completed)	

If applicable, provide your Government Employee number \_\_\_\_\_ Or Letshego employee number \_\_\_\_\_

I am Previously Disadvantaged (indicate whether applicable) Yes / No \_\_\_\_\_ (See definition on page 11)

I will collect my share certificate from Letshego or stockbroker at \_\_\_\_\_ showing my ID for identification (see list of branches in paragraph 3.9 and Annexure 11).

I agree to receive annual reports, communications and notifications, etc in electronic format.

I have attached

- original certified copy of my ID - front and back of ID and certified by Commissioner of Oaths AND
- confirmation of bank information – cancelled cheque or bank letter or original bank statement on bank letterhead clearly indicating account holder name and branch code AND
- proof of country of residency (any proof of residency for example, municipal account, other account reflecting the residential address, or other proof of residency) AND
- proof of payment

Signature of applicant: \_\_\_\_\_ Date: \_\_\_\_\_

Letshego Employee Name (official use) \_\_\_\_\_ Date checked \_\_\_\_\_

### Bank Details

Important Notice: No internet transfer or deposit may be made without obtaining a reference number from LHN (at telephone +264 61 321 6690 /91/92/93/94) or +264 81 159 1111 or +264 81 97111.

Bank:	Letshego Bank Namibia
Branch:	Windhoek
Branch Code:	881001
Account Name:	LHN Public Offer
Account Number:	20810000142
Payment Reference:	Application Number

- Cash payments at LBN Windhoek branch only
- EFT payments within Namibia

Bank:	First National Bank Namibia
Branch:	Windhoek
Branch Code:	289180
Account Name:	LHN Public Offer
Account Number:	62261468154
SWIFT Code:	FIRNNANX
Payment Reference:	Application Number

- Cash payments at FNB branches throughout Namibia
- EFT payments/Cheque payments
- SWIFT payments (international applications)

All investments carry risk. The information in this Prospectus is not intended to provide nor does it constitute financial, tax, legal, investment, or other advice. LHN, its Directors or management do not guarantee returns on the equity in LHN, its liquidity, repayment of capital, nor a rate of return. You are solely responsible for determining whether an investment in the equity of LHN is appropriate for you based on your personal investment objectives, financial circumstances and risk tolerance. It is recommended that you consult an independent financial adviser regarding your specific situation if you require financial and/or investment advice. Nothing contained in this Prospectus constitutes a recommendation by LHN, its Directors or management in regard to buying, selling or holding any equities in LHN, but shall merely be considered to be an invitation offering equities in LHN.

## LETSHEGO HOLDINGS NAMIBIA LIMITED

(Incorporated in the Republic of Namibia)(Registration Number 2016/0145)  
Share code: LHN ISIN: NA000A2DVV41 ("LHN" or "the company")

### APPLICATION

**NO:** \_\_\_\_\_  
(phone +264 819 7111 to obtain application number)

Branch ref no. : \_\_\_\_\_  
(official use)

### PUBLIC OFFER APPLICATION

**REGISTERED LEGAL ENTITY – COMPANY / CC / TRUST / OTHER REGISTERED ENTITY**

To the directors of LHN Limited

1. I, the undersigned, confirm that I/we have full legal capacity to contract and, having read and understood the Prospectus, hereby irrevocably apply for the undermentioned number of shares in LHN in respect of the first Public Offer, at an issue price of **470 cents per share**, or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the memorandum and articles of association of LHN.
2. I hereby enclose proof of payment by way of internet transfer, a cheque (crossed "not transferable" for the maximum of N\$ 100,000), banker's draft in favour of "**Letshego Holdings Namibia Public Offer**", in respect of my/our application. (Delete whichever is not applicable)
3. We understand that the subscription for shares in terms of the Prospectus is conditional on the granting of a listing of the shares of LHN with effect from the start of trade on 28 September 2017 or such later date approved by the Namibian Stock Exchange.
4. We hereby authorise LHN to pay the dividends into the account as stipulated below.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ 2017

Name and Surname of authorised signatory completing the application	
Contact number of authorised signatory (08:00-17:00)	
e-mail address of authorised signatory (correspondence & questions on application)	
Type of entity (eg company / CC / trust / other entity as on Registration document)	
Full names of company / CC / trust / other entity exactly as on Registration document	
Registration number as on registration document (please attach to application)	
Country of registration (Country where registered)	
Postal address	
e-mail address ( <b>Very important</b> for future electronic notifications & correspondence)	
Phone number (08h00-17h00) (for future communication)	
Cell number	
Total number of shares that apply for (minimum is 200 shares and in multiples of 100 thereafter)	
Total amount of application at an issue price of <b>470</b> cents per share	
Method of payment (eg Electronic transfer / cheque / NIS)	
<b>Bank information:</b>	
Name in which account at bank is held (must be the same name as the entity on application)	
Bank name (e.g. FNB)	
Branch name (e.g. Main branch)	
Branch code ( <b>MUST</b> be given e.g. 281872 - ask your bank or use the electronic payment code)	
Account number	
Account type (only Savings or Cheque account – <b>MUST</b> be completed)	

We will collect the share certificate from Letshego or stockbroker at \_\_\_\_\_ (see list of branches in paragraph 3.9 and Annexure 11).

We will give a letter, on a letterhead, to the person specifying that he/she is authorised to collect the certificate. The letter will identify the authorised person by full names (as on the ID) and ID number. The authorised person will show his ID for identification.

We agree to receive annual reports, communications and notifications, etc., in electronic format.

Attached are:

- Original certified copy, certified by a Commissioner of Oaths of**
- Company: CM1 Certificate of Incorporation, CM22 Certificate of Registered Address and CM29 form, all bearing the stamp of the Registrar of Companies and signed by the Company Secretary;
  - Close Corporation / CC: CC1 Founding Statement bearing the stamp of the Registrar and signed by an authorised member
  - Trust: Trust Certificate issued by Master of the High Court bearing the stamp of the High Court
  - Other legal entities: Registration document and Constitution or other founding documentation and written confirmation of the residential address of persons authorised to act on behalf of the legal entity;

original certified copy of a **board minute/resolution detailing persons authorised** to act on behalf of the company / close corporation trust / legal entity for share dealing and other purposes.

- On an applicable letterhead, a list of authorised persons with each one's specimen signature and contact particulars
- Original certified copies of the identity documents of the authorised signatories and CEO / Trustees / principal officer

**confirmation of bank information** (no third party bank information may be accepted)

- cancelled cheque OR
- original letter from the bank on a bank letterhead confirming the account name, branch number, account number and type of account OR
- original bank statement clearly showing the bank name, branch code and account holder's name. No screen prints can be accepted AND

**proof of country of residency of legal entity making the investment** (any proof of residency for example, municipal account, other account reflecting the residential address, or other proof of residency) AND

**proof of payment**

Signature of authorised signatory: \_\_\_\_\_ Date \_\_\_\_\_

Letshego employee name checked (official use) \_\_\_\_\_ Date checked \_\_\_\_\_

**Bank Details**

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Branch:	Windhoek
Branch Code:	881001
Account Name:	LHN Public Offer
Account Number:	20810000142
Payment Reference:	Application Number

Cash payments at LBN Windhoek branch only

EFT payments within Namibia

Bank:	First National Bank Namibia
Branch:	Windhoek
Branch Code:	289180
Account Name:	LHN Public Offer
Account Number:	62261468154
SWIFT Code:	FIRNNANX
Payment Reference:	Application Number

Cash payments at FNB branches throughout Namibia

EFT payments/Cheque payments

SWIFT payments (international applications)

**LETSHEGO HOLDINGS NAMIBIA LIMITED**

(Incorporated in the Republic of Namibia)(Registration Number 2016/0145)  
Share code: LHN ISIN: NA000A2DVV41 (“LHN” or “the company”)

**APPLICATION**

**NO:** \_\_\_\_\_  
(phone +264 819 7111 to obtain application number)

Branch ref no. : \_\_\_\_\_  
(official use)

**PUBLIC OFFER APPLICATION**  
**INVESTOR USING A CUSTODIAN / NOMINEE ACCOUNT**

To the directors of LHN Limited

1. I, the undersigned, confirm that I/we have full legal capacity to contract and, having read and understood the Prospectus, hereby irrevocably apply for the undermentioned number of shares in LHN in respect of the first Public Offer, at an issue price of 470 cents per share, or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the memorandum and articles of association of LHN.
2. I hereby enclose proof of payment by way of internet transfer, a cheque (crossed “not transferable” for the maximum of N\$ 100,000), banker’s draft in favour of “Letshego Holdings Namibia Public Offer”, in respect of my/our application. (Delete whichever is not applicable)
3. I understand that the subscription for shares in terms of the Prospectus is conditional on the granting of a listing of the shares of LHN with effect from the start of trade on 28 September 2017 or such later date approved by the Namibian Stock Exchange.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ 2017

Name and Surname of authorised person completing application	
Contact number of authorised person (08:00-17:00)	
e-mail address of authorised person ( <b>Very important</b> for correspondence on application)	
Name of investment management company mandated to apply	
Custodian / Nominee company(ies) to be used:	

Letshego will use Transfer Secretaries (Pty) Ltd as transfer secretaries to maintain the share register.

**Beneficial holders on the TS database**

If the beneficial holder has already been FIA/KYC verified at Transfer Secretaries (Pty) Ltd (TS) the Transfer Secretary (TS) holder number and details can be completed below.

TS Holder no	Nominee company	Beneficial Holder	Registration no	Number of Shares	Cost of shares applied for
		<b>Total of application</b>			

We agree to receive annual reports, communications and notifications, etc., in electronic format.

**Investors or beneficial holders not on the TS database:**

**In addition to the above applications, I/we hereby apply for the following investors / beneficial holders not on the existing TS database list:**

FIA documents for these holders must be attached to the application. It **MUST** be a registered entity with the name exactly as on the Registration document.

Nominee company	Beneficial Holder Please enter name EXACTLY as it is on the registration document	Registration no	Country of registration / residency	Number of Shares	Cost of shares applied for
Dropdown for nominee company on each line					
	<b>Total of application for new beneficial holders / investors</b>				

My Nominee Company / Custodian is hereby authorised to collect the applicable share certificate(s) from the offices of Transfer Secretaries.

Dividends will be paid to the applicable Nominee company / custodian.

**I/we have attached**

original certified copy of the registration document of the beneficial holder / entity doing the investment certified by  
**Commissioner of Oaths**  
 for each of the beneficial holders that have not yet been sufficiently registered at Transfer Secretaries

**AND**

proof of payment for all the applications specified above

Signature of authorised person: \_\_\_\_\_ Date \_\_\_\_\_

Letshego employee name checked (official use) \_\_\_\_\_ Broker ref no to indicate who checked form \_\_\_\_\_ Date checked \_\_\_\_\_

**Bank Details**

Important Notice: No internet transfer or deposit may be made without obtaining a reference number from LHN (at telephone +264 61 321 6690 /91/92/93/94) or +264 81 159 1111 or +264 81 97111.

Bank: Letshego Bank Namibia  
 Branch: Windhoek  
 Branch Code: 881001  
 Account Name: LHN Public Offer  
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 Payment Reference: Application Number

Cash payments at LBN Windhoek branch only  
 EFT payments within Namibia

Bank: First National Bank Namibia  
 Branch: Windhoek  
 Branch Code: 289180  
 Account Name: LHN Public Offer  
 Account Number: 62261468154  
 SWIFT Code: FIRNNANX  
 Payment Reference: Application Number

Cash payments at FNB branches throughout Namibia  
 EFT payments/Cheque payments  
 SWIFT payments (international applications)

