INTEGRATED
ANNUAL REPORT

2018
NAMIBIA

Letshego

INTEGRATED ANNUAL REPORT 2018

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ABOUT THIS REPORT

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This Integrated Annual Report for the year ended 31 December 2018, is the second report, and reflects a more integrated approach to reporting on our key risks and opportunities, how these impact our strategy, and our financial and non-financial performance.

We have endeavoured to provide a concise, balanced and transparent commentary on our strategy, performance, operations, governance, and reporting progress.

In the preparation of this report, we followed the principles of the International Integrated Reporting Framework (IIRC) and the Namibia Code of Governance Principles for Namibia 2014 (NamCode). Also, we strive to adhere to the Global Reporting Initiative (GRI) Standards, and this report is produced in accordance with the 'core' level of the GRI. Lastly, this Report has been developed in accordance with NSX Listing Requirements.

This Report should prove of interest to all our stakeholders, including our Letshego team, customers, strategic partners, shareholders, governments and regulators, as well as the communities in which we operate.

The Group Audit and Risk Committee, which is responsible for ensuring corporate accountability and the management of associated risks, combined assurance and integrated reporting, has overseen the production of this report, and is satisfied with the level of accuracy, completeness and integrity of this report, and that it reflects our use of different forms of capital. This Report was approved by the Letshego Holdings Namibia Limited Board of Directors.

We welcome written comments and feedback from our stakeholders that relate to both this Report and other general matters. Enquiries regarding the Report should be directed to the Company Secretary, Anna Susanna van Zyl, at the registered address that can be found in the Annual Financial Statements: Significant Accounting Policies. This report is also available on our website

www.letshego.com

SCOPE

The 2018 Integrated Annual Report covers our two business operations: Letshego Bank Namibia Limited (LBN) and Letshego Micro Financial Services Namibia (Pty) Limited (LMFSN). Collectively, the entities are referred to as Letshego Holdings Namibia Limited (LHN).

The central theme of the Report is the utilisation of forms of capital to create sustainable value, the trade-offs we manage, the most material issues raised by our stakeholders, and our response to them. We consider as material those issues, opportunities and challenges that are likely to impact delivery of our strategic intent and ability to create value in the short, medium and long term.

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

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

MATERIALITY

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

The material issues presented in the Report were identified through a stakeholder review process. The specific areas reviewed with the potential to impact value creation include strategic, financial, environmental, social, competitive and legislative issues. These issues are prioritised based on relevance and impact on our ability to achieve our strategic objectives. This process is managed by the executive leadership team and supported by Our Board of Directors.

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

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

There are no material changes to the content of this Report compared with the 2017 Integrated Annual Report.

A NOTE ON DISCLOSURES

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

We use infographics to report on certain metrics while retaining proprietary information.

We welcome individual conversations relating to any aspect of our competitively sensitive operations that we have not publicly disclosed.

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

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

Letshego Bank Sales team assisting clients during the LetsGo launch activations in Khomas Groove Mall, Windhoek

Letshego Bank Sales team assisting clients during the LetsGo launch activations at Monte Christo Shoprite Centre, Windhoek

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OUR BUSINESS

Maryvonne Palanduz
Chairperson

LETTER FROM OUR CHAIRPERSON

OUR ROLE IN SHAPING SOCIETY

Financial inclusion in Namibia has improved, with almost 73% of the population having or using financial products or services either from banks or non-bank institutions. However, only 68% use at least one product or service offered by a bank. Also, urban areas are still more included than rural areas, and men more than women. According to the latest Namibia Financial Inclusion Survey (NFIS), access to credit remains low with less than half of the eligible population having some form of credit, and a large proportion of those that do borrow do so for consumptive purposes, with more than 70% of borrowing being for food, clothes, and transport costs.

At Letshego, we believe that our actions as a specialist and efficient lender is to provide fast and effective solutions to the underserved, and to play a role in supporting Namibia's growth and development. We have developed simple, affordable and accessible solutions that support our customers to address a range of financial needs. We aim to be the first choice for customers seeking fast and accessible finance across Namibia, by maintaining our position as the largest micro-finance business in Namibia; leveraging our unique insights and platform; increasing our reach, impact and effectiveness; and unlocking value through optimising our core capabilities.

By supporting our customers and clients and working in partnership with other stakeholders, we can create an environment in which individuals, institutions and the government are able to invest in sustainable progress and enable growth. To achieve long-term sustainable economic growth, several challenges must be addressed, including: raising employment, improving access to housing, and supporting families in planning for their futures. Letshego plays a key role in enabling the flow of capital towards environmentally or socially beneficial activity.

Unemployment, and particularly youth unemployment remains an obstacle to economic growth. Letshego contributes to job creation through both direct employment and provision of financial support to micro and small businesses to empower them to also support employment.

Ethical leadership is key to successful business and building customer loyalty. We are committed to providing responsible, and appropriate financial solutions in our market, and ensuring our customers are treated with respect and fairness. Our policies, risk frameworks, and codes of ethics ensure that we act in line with our values and mission.

GROWTH WITH SUSTAINED HIGH RETURNS

Delivering consistent, profit and growth remains one of our highest priorities, and we have delivered acceptable growth numbers during tough economic times, with growth in Namibia during 2018 estimated to have contracted by 0.1% by the Bank of Namibia. Ensuring that we manage our financial capital wisely is at the heart of delivering consistent growth and returns to shareholders. Our Board and Sub-committees ensure that we manage our operations within our set risk appetite, while we have seen increases in impairments due to the economic conditions, we are pleased that our increases in this regard have been minimal, and far smaller than seen by our peers in the Microlending space.

Regulatory oversight of financial institutions is increasing, with a particular focus on customer protection and corporate conduct. As a responsible lender, we welcome interventions to better protect customers. However, this has resulted in increased costs to implement and manage regulatory changes which impacts on financial measures such as capital and revenues. We recognise that sustainability lies in our ability to manage our risks from a holistic point of view. This includes the identification of relevant environmental, social and governance-related risks.

BUILDING AN INCLUSIVE AND DIVERSE CULTURE

Our people, with their innate sense of loyalty and pride, champion our brand by upholding our promise to 'Improve the livelihoods of our customers', ensuring a continued and exceptional customer experience. We will endeavour to deliver this same level of customer experience by identifying opportunities to increase market share through enhanced marketing campaigns and consumer solutions. Our approach and commitment to developing an inclusive culture, in which diversity, respect, integrity and competence are valued, remains unwavering. We continue to build and acquire skills necessary to support the business into the future, this is further re-enforced through the focus on the provision of competitive employee value propositions.

We understand that an engaged staff complement is key to our brand success, trust and open communication is also critical to increasing engagement. So, we have revised our employee engagement surveys during 2018, to obtain better insights as to how to further empower and develop our people. The outcome of these surveys provides us with valuable insight into the needs of our employees and the necessary action plans and initiatives required to address these needs.

LETTER FROM OUR CHAIRPERSON

(CONTINUED)

CHANGES IN MANAGEMENT

Nicolaas Petrus (NP) Esterhuyse has stepped down as CEO of Micro Financial Services Namibia, after two years in that position, adding up to a total of seven years with the Namibia Group. The Board has accepted and respected his decision and is in the process of recruiting. On behalf of the Board, I wish to extend my appreciation to NP Esterhuyse for his commitment and contribution to during his tenure. We wish him every success in his future ventures.

John Eugene Shepherd (Eugene), our former Board Chairman resigned at the end of April 2019. Eugene joined the Namibia Board, as chairperson in February 2016.

Under Eugene's leadership Letshego Namibia has achieved several strategic milestones including new solutions launches, branch openings and a key highlight in our journey, Namibia's first inclusive IPO campaign concluding with Letshego's successful listing on the Namibia Stock Exchange. We would like to extend our sincere thanks to Eugene for his exemplary leadership, guidance and innovative vision provided to both the Board and business as a whole. Thank you Eugene for your personal time and effort, we wish you the very best for the future.

LOOKING TO THE FUTURE

There are many positive developments on the horizon. Economic growth prospects in Namibia are expected to improve by 1.1%. This growth will contribute to improved demand for financial services. Also, in November 2019, Namibians will participate in a democratic election process, which will enhance credibility and confidence among international communities. We will also be monitoring elections in Botswana where the Letshego Group is headquartered.

Technological advances are revolution-ising the financial services industry. Low-cost, fully digital banking products are being delivered faster, and at lower cost. To succeed and better service our customer base, we must become more efficient, bolder and more digitally and customer focused.

We predict growth in the micro-lending and traditional banking space, this will be driven by growth in the emerging and core middleincome market. By supporting micro and small businesses, we are creating growth opportunities for our customers. As they become more productive and produce higher quality products, we see them being integrated into larger supply chains. Our focus on encouraging productive use of capital, supports the longer-term development of our communities. We will maintain our footprint, focusing on expansion of the services of existing branches rather than opening new branches. Increasing use of our digital and mobile platforms will be utilised to drive growth. We will continue to contribute to job creation, as we expand our footprint. Ongoing investments in human capital training and development will strengthen the quality of our talent pool, which will be needed to transition our offering from a more traditional banking solution.

The leadership changes that have transpired at the Holding company level will naturally have an influence in how we deliver on our mandate, but should not change our commitment to our values and mission to contribute to a more financially inclusive Namibia. We have confidence in the interim Letshego Group CEO, Dumisani Ndebele to lead the Group, whilst a permananent appointment is in the process of being concluded. The strategic choices we've made in the past, sees us on a sound footing to grow and take advantage of new opportunities, whilst maintaining an appropriate risk profile.

OUR THANKS

On behalf of the Board of Letshego Holdings Namibia Limited, I would like to extend my sincere appreciation to the management team, valued staff and customers for their commitment and support in achieving a number of transformational milestones throughout 2018. I also wish to extend my most sincere gratitude to our investors, regulators, communities and commercial partners for continuously challenging our concepts, testing our resilience and ultimately contributing to the sustainable infrastructure that will support our future growth.

Maryvonne Palanduz
Chairperson

The CEO of Letshego Holdings Namibia, Ester Kali, receives the PMR Diamond Arrow award for the best micro-finance institution in Namibia for the 2018 calendar year. The event took place on 4th February 2019 at the Safari Hotel in Windhoek.

The CEO of Letshego Holdings Namibia, Ester Kali addressing invited guest and staff during the financial year results release 2018.

CHIEF EXECUTIVE OFFICER'S REVIEW

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

MAINTAINING OUR POSITION AS A LEADING MICROLENDER IN NAMIBIA

The past year has been extremely challenging for the Namibian economy. The costs of funding operations continue to increase, as necessary investments in capabilities and infrastructure are implemented. The management of the portfolio continues to require proactivity, as households are under pressure. Despite this environment we produced acceptable results for 2018:

- Loans and advances to customers increased by 5.4%
- Revenue increased by 11%
- Profit after tax increased by 22%
- We declared a dividend of 23.5 Namibian cents per share
- Cost to income reduced by 1%
- Retail deposit customers increased to almost 2,000 from 116 in 2017.

We will continue improving lives through sustainable shareholder value creation to continue to deliver similar financial results. In our efforts to reduce our cost of funding, amidst these challenging economic conditions, we remain steadfast in our strategic ambitions as we endeavour to capitalise on the current economic contraction as an opportunity to return value to our customers and that of our communities. During 2018 we attracted investment of N$ 355 million. We will continue to enhance our financial and non-financial performance to reduce our risk profile.

USING TECHNOLOGY

Our organisation's reliable and scalable systems ensure customer satisfaction to all our clients and provides a central source of information into customer insights. We continue to invest in our IT platforms to ensure continued effectiveness and increased up-time. As the importance of information and technology increases, so must our efforts to use them responsibly. The use of information and technology is monitored and regulated to protect business, our people and our customers.

RISKS AND IMPACTS

Continuous improvement of our risk management culture continues. During 2018, we established several committees to better manage specific risks, including IT and procurement.

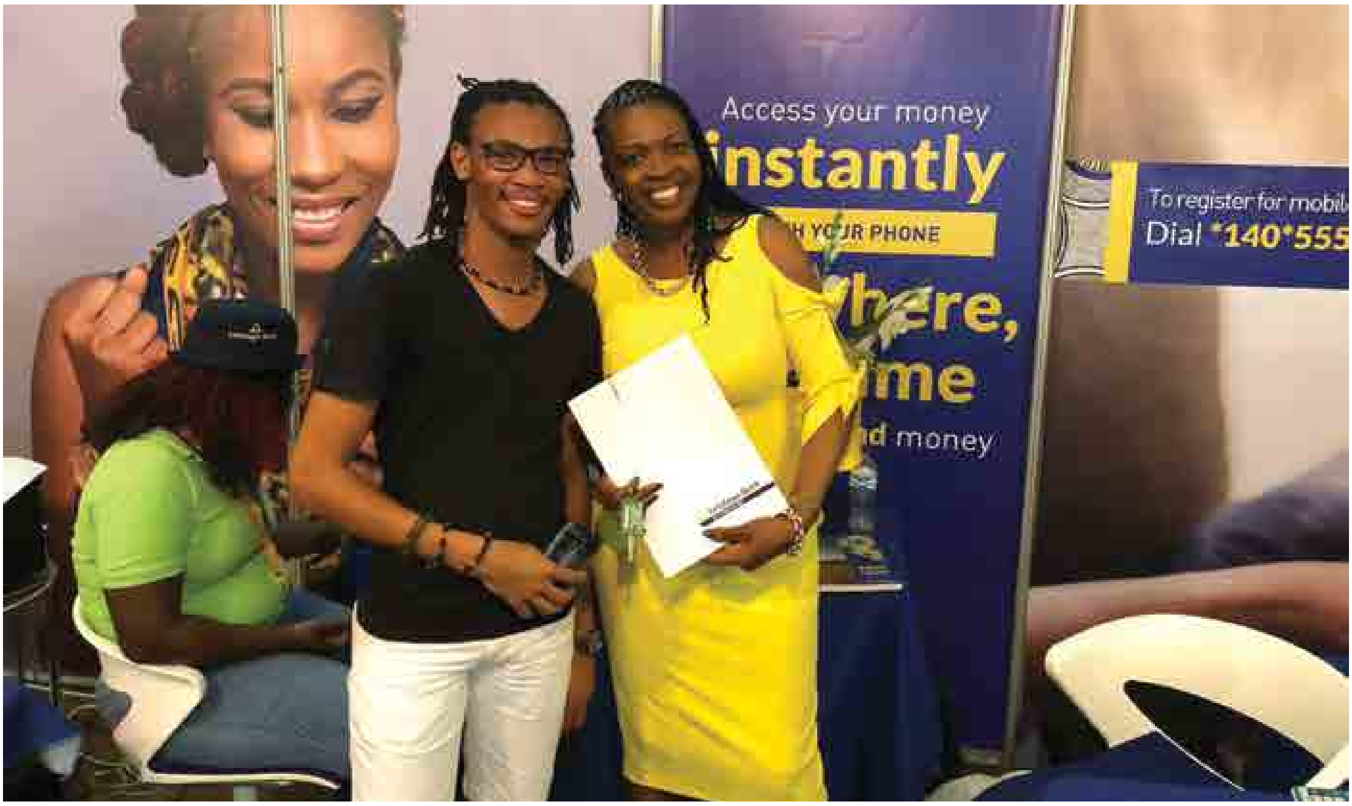
Our social and environmental management policies and system guide our actions and relationships with customers and suppliers to mitigate environmental and social risks. These living documents provide guidance on the requirements and controls for identifying activities with potential environmental and social risks; outlines where various frameworks must be applied; the circumstances under which referral to the environmental credit risk management team is required; and provides guidance on the considerations for inclusion in loan documentation.

We embrace efforts toward a stable financial services sector and a safe and fair operating environment where systemic risk is minimised. We have ongoing programmes to implement the required regulatory changes. An important part of economic health is operating with integrity, treating our customers fairly and combating financial crime and cybercrime. We have a coordinated response to driving and monitoring this throughout the Group. We are committed to Africa's growth and toward sustainable solutions to some of the continent's most pressing challenges.

We regularly engage our regulators including, the Namibia Financial Institutions Supervisory Authority (NAMFISA), through their audits and reviews of our compliance. We are working hard to ensure full compliance with all applicable standards, best business practices and laws.

Ester Kali
Chief Executive Officer

Letshego Bank Namibia donated sanitary pads to learners from Eros Girls Schools, Windhoek



The CEO of Letshego Holdings Namibia, Ester Kali and Oshakati branch supervisor Delwin Noreseb at our trade fair stand during the Ongwediva Trade Fair

OUR VALUES

Letshego's commitment to our brand is expressed through our fundamental beliefs upon which our behaviours towards our business are embodied – we call these values, "our uniquenesses". These define the way we think, work and act and our performance management approach places equal emphasis on our objectives ('what') and behaviours ('how'). Defining our uniqueness enables Letshego to establish the core principles upon which our organisational culture is based.

Living our uniqueness helps us build a strong and sustainable culture that resonates with our customers as well as grow an engaged and energetic workforce that understands their roles within the organization. Through this embodiment of our uniqueness, we create value that distinguishes us from our competitors and build a stronger brand in the market.

SIMPLE	APPROPRIATE	ACCESSIBLE	ETHICAL	RESPONSIVE	INCLUSIVE
My behaviour is: Straightforward & uncomplicated	**My behaviour is:** Relevant & Suitable	**My behaviour is:** Welcoming & consistent	**My behaviour is:** Honest & principled	**My behaviour is:** Receptive & Compassionate	**My behaviour is:** Embracing and proactive.
Our customer experience is: Easy and Clear	**Our customer experience is:** Affordable & useful	**Our customer experience is:** Convenient & obtainable	**Our customer experience is:** Transparetns and trusting	**Our customer experience is:** Efficient and Warm	**Our customer experience is:** Positive and respectful
Our customers say: "You can only get it from Letshego."	**Our customers say:** "It was excatly what I needed."	**Our customers say:** "I can get what I want when I want it."	**Our customers say:** "You can trust them."	**Our customers say:** "Always available when I need them."	**Our customers say:** "They value me."

CFO, Mr. Gregory Madhimba presenting the financial results to stakeholders during the 2018 financial results, for the year 30 December 2018

OUR JOURNEY

OUR JOURNEY (2000 – 2019)

Letshego Namibia have strategically transitioned to position itself as a strong inclusive finance partner by continuously enhancing customer experience and offering needs-driven solutions while imbuing a strong risk management culture. Since the establishment of the Letshego brand in 2008, the organisation has registered compound annual growth in customer advances of over 40% with its growing customer base exceeding 50,000.

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

Today, Letshego boasts as a proudly listed company on the Namibian Stock Exchange and with a market capitalisation of N$1.9billion, representing 5% of the NSX's primary listings market capitalisation. This is but one of the Group's many milestones as it continues to drive its diversification agenda through the founding of Letshego Bank. The successes thus far is noticeable as we continue to grow into non-government consumer finance, offering savings solutions, providing finance to the micro and small entrepreneur segments and provide accessible financial solutions through the launch of its banking operations as Letshego Bank Namibia.

2000

Edu Loan opened its doors as provider of financial assistance to support studies in the Education sector

2008 August

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

2009 August

15% Shareholding sold to Kumwe Investments

2011

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

2014 July

granted a Provisional Banking License by Bank of Namibia

2015 March

Moves into new Head office building in Windhoek

2016 July

Granted full Commercial Banking License

2016

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

2017 Sept

LHN lists on the Namibia Stock Exchange

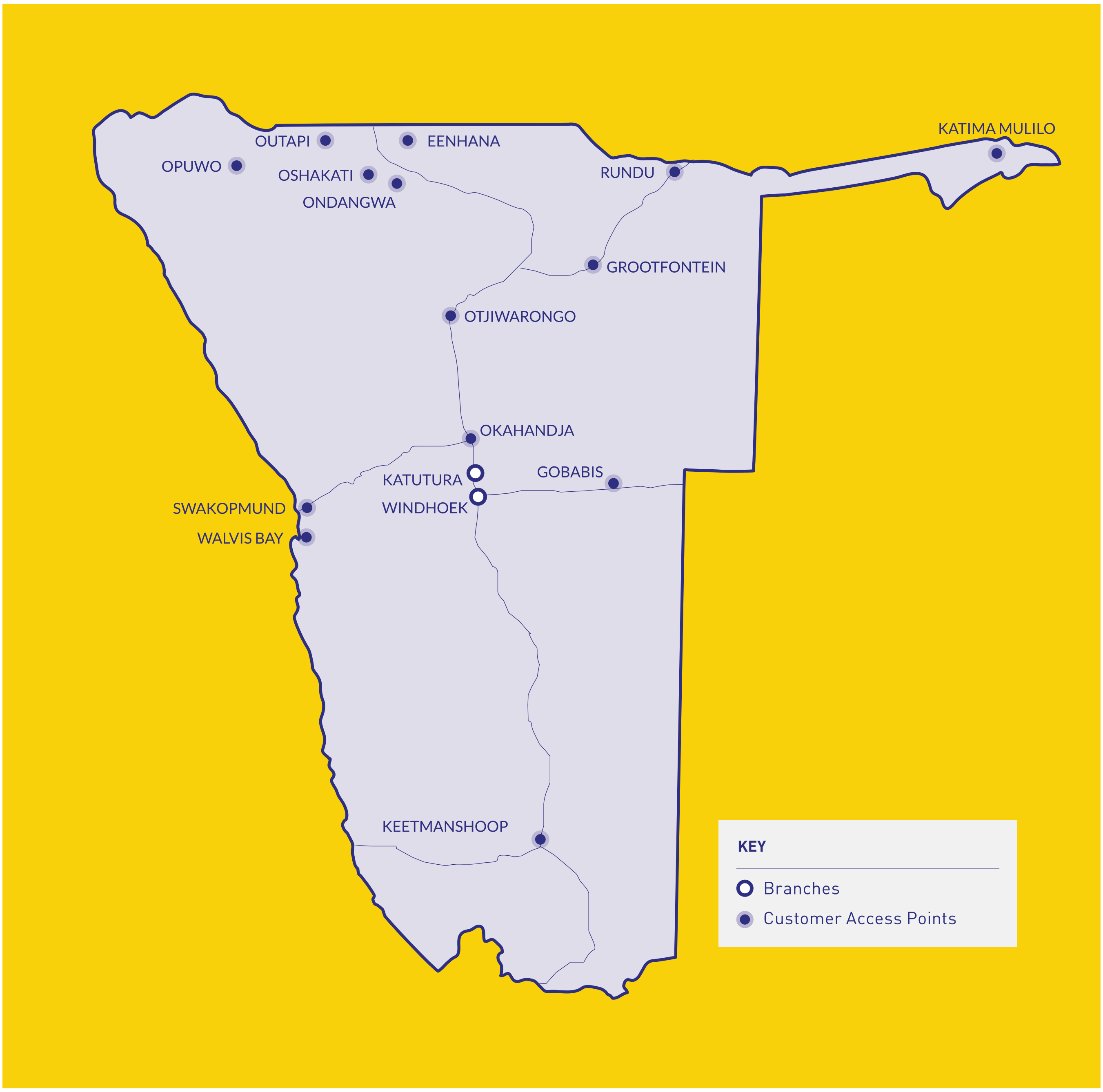
2018 MAY

Launch of our LetsGo value proposition in Windhoek and Katutura branches

OUR FOOTPRINT AND SOLUTIONS

Letshego Holdings Namibia Limited (LHN) has its headquarters in Windhoek, Namibia and was incorporated in the Republic of Namibia on 24 February 2016. We operate exclusively in Namibia, through 3 deposit-taking branches and 13 access points.

We provide financial solutions to customers in the retail and micro finance sectors, with the primary aims of allowing customers to have a safe place to save funds and protect against risks, provide access to credit finance purchases, and assist entrepreneurs with financial support. Our principal financial solutions are unsecured short-term and long-term loans ranging from N$ 1,000 (USD70) and N$ 300,000 (USD21,000), and the Letshego All-in One Solution enables our customers to save and borrow through one facility. The solution also offers competitive interest rates on low balances, to boost local savings culture. While the bulk of our customer base are government employees, our financial solutions are marketed to individuals, MSEs, and to a lesser extent corporates.



Letshego

OUR JOURNEY

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

LETSHEGO HOLDINGS NAMIBIA'S GROUP STRUCTURE AS AT 31 DECEMBER 2018

Letshego Holdings Limited	78.5%
Kumwe Investment Holdings	12%
Retail and Institutional Investors	9.5%

Letshego Bank Namibia Ltd **(100%)**

Letshego Micro Financial Services Namibia (Pty) Ltd **(100%)**

LETSHEGO NAMIBIA'S REGULATORS

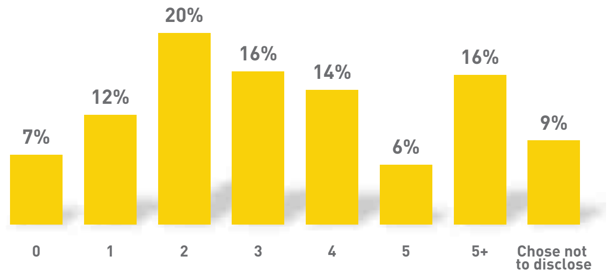
Bank of Namibia

LHN Regulators

Namibia Financial Institutions Supervisory Authority

NAMIBIA CUSTOMER TRENDS*

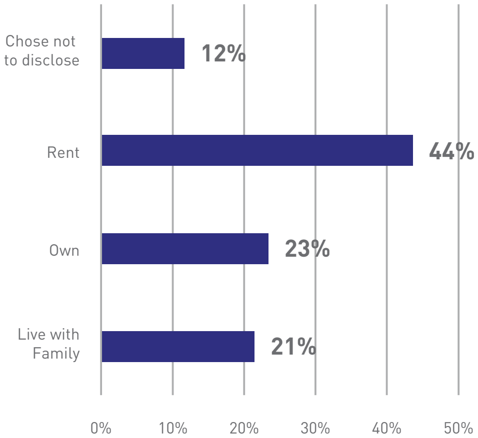
NO. OF DEPENDENTS



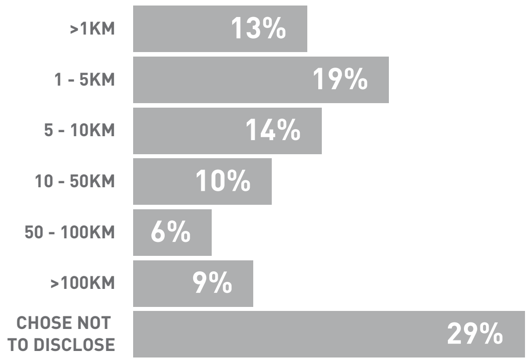
GENDER SPLIT

***4%** 'Other' or 'Chose not to Disclose'.

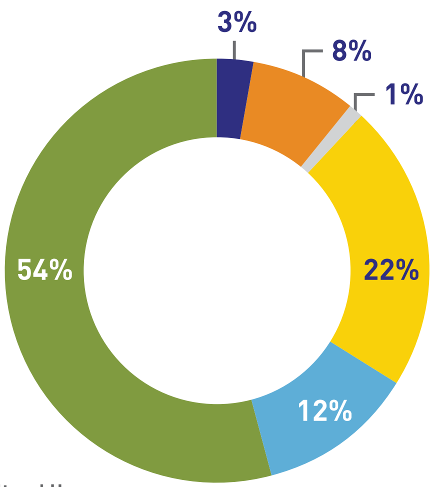
ACCOMMODATION



CUSTOMER'S DISTANCE FROM NEAREST LETSHEGO BRANCH



PURPOSE OF LOAN



- Agricultural Use
- Business Improvement
- Health Care
- Improving my home
- Other
- To Improve your or a family members level of education

NATURE OF PERSONAL SAVINGS

Formal Savings Account	86%
Land	3%
Livestock (not for sale)	6%
Valuables (jewelery, fully paid off home, fully paid off vehicle etc.)	2%
Unknown	3%

ADOPTION OF GENERAL MOBILE MONEY SERVICES AVAILABLE

Yes	13%
No	73%
Undisclosed	14%

* Data is aggregated from customer surveys that are vetted and structured by an independent organisation and strategic partner, that specialises in market research, due diligence and customer analysis techniques.

HOW WE CREATE VALUE

The forms of capital used by Letshego to create value include the following:

Form of Capital	Description of Capital	Trade-off to be managed
Financial	To grow the franchise through strategic investments, we source capital from various debt and equity sources. Our ability to source financial capital at affordable rates is a significant component of our ability to provide and develop solutions for our customers, adhere to regulatory requirements and provide a conducive working environment for our people.	The use of our financial capital allows us to invest in our other forms of capital, such as human, intellectual, manufactured and social. However, its use also diminishes the levels of available financial capital.
Human	Our people are our greatest asset, ambassadors of our brand, and the source of our competitive advantage. It is their commitment, experience, skills and engagement that allow us to provide solutions to our customers in a responsible manner, which in turn ensures customer satisfaction, brand reputation, regulatory compliance and sustainable profit. Our people are supported by our strong leadership team who stimulate a high-performance culture. We are committed to investing in our people to both attract and retain this high-performing and value-aligned team. Our processes for identifying our current and future business skills requirements are a key advantage.	Investments in human capital have a positive effect on our social, intellectual and manufactured capital, as the use of human capital improves operational efficiencies and customer service.
Intellectual	Our investments in our systems, processes, organisational knowledge, and brand value, are vital to ensure that we can increase access to our solutions, expand our footprint,while maintaining our market presence, and improve the customer experience of our brand, while remaining compliant with applicable legislation. We consider our intellectual capital to be a competitive advantage that contributes significantly to our potential future earnings where it enhances the interaction of financial, manufactured and human capital.	Investments in intellectual capital have a positive effect on our social, human and manufactured capital, as the use of intellectual capital drive innovation and brand value.
Manufactured	Enabling and innovating access to our financial solutions remains the cornerstone of our strategic agenda to increase financial inclusion in the market we operate. Our manufactured capital mainly consists of investments in computer equipment and software as well as upgrades to our existing access points.	Investments in manufactured capital have a positive effect on our social, human and manufactured capital, as the use of manufactured capital improves operational efficiencies and responsiveness to customer needs. We try to limit the use of manufactured capital where possible, to support environmental sustainability.
Social	We cannot succeed if our communities fail. We therefore recognise the importance of strengthening our communities and our interactions with them. Our levels of social capital represent a key indicator of our long-term sustainability. We are proud to contribute to our communities through our investments in Social Strategic Initiatives (SSIs) and to use our position as a trusted financial institution and representative of the aspirations of our customers to advocate for conditions that are conducive to achieving sustainable and economically vibrant communities. Our responsible corporate citizenship and investment in our stakeholder relations, increase our social capital.	Investments in social capital have positive effect on our intellectual and financial capital, as it results in better allocation of capital to meet stakeholder expectations.

We do not use significant amounts of natural capital in our operations, and it has therefore been excluded from our assessment of forms of capital discussed in this report.

FINANCIAL HIGHLIGHTS - 2018

During 2018, we achieved acceptable results, including increasing our loans and advances to customers to N$ 2,556 million, and total revenue increased by 11%, resulting in an increase of 22% profit after tax at N$468 million (2017 N$385 million). We managed to improve our efficiencies and reduced our cost to income ratio to 23% from 24% in 2017. Also, we declared a dividend payment to shareholders of 23.5 cents per share, an increase from 19,2 cents per share declared in 2017. Even after this dividend, we managed to increase our cash reserves to about N$751 million, a N$427 million increase from N$323 million held in 2017. Our return on equity ratio came under pressure during 2018, reducing by 3% to 20%. However, our return on assets maintained its ratio of 15%. We achieved increases in earnings per share of 22% during 2018. In line with our adoption of IFRS 9, we have increased our provisioning for loan losses which has increased our loan loss ratio.

While the size of our portfolio has grown, and we have noted the increasing pressure that consumers are under, our proactive approach to managing our non-performing loan book has resulted in a decrease in our non-performing loan book of 0.3% to 3.6%.

Our retail deposit portfolio remains at an early stage, and we ended the year with just under 2,000 deposit customers, a 500% increase from 116 deposit customers in 2017. Just over 3% of our deposit taking portfolio is made up of existing loan customers, reflecting a starting point in conversion of credit customers to savings ones as well.

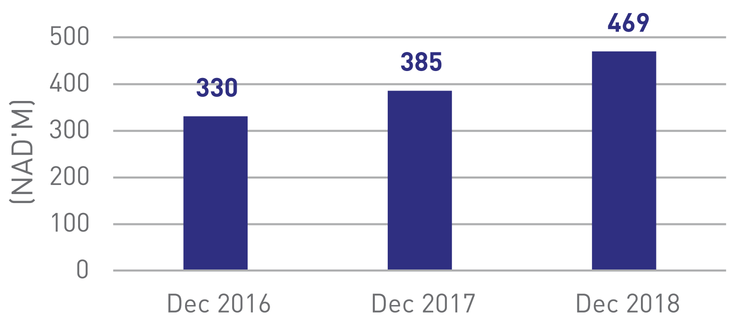
Our tax commitments during 2018 were N$159 million, increasing from N$132 million in 2017. We are pleased to be able to contribute more to the country's national objectives through our tax compliance.

PAT (N$ 'm)			Net disbursements (N$ 'm)			Net advances (N$ 'm)			LLRs[1] to average advances (%)		
2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
330	385	469	762	833	722	2,119	2,424	2,556	1.1%	0.0%	0.7%

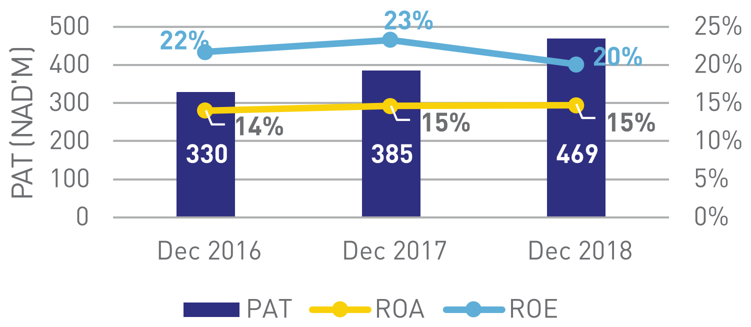
[1]Loan Loss Ratio

FINANCIAL HIGHLIGHTS - 2018 (CONTINUED)

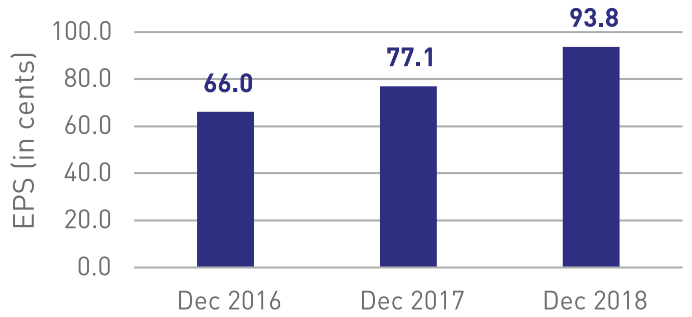
Profit after tax (NAD'M)



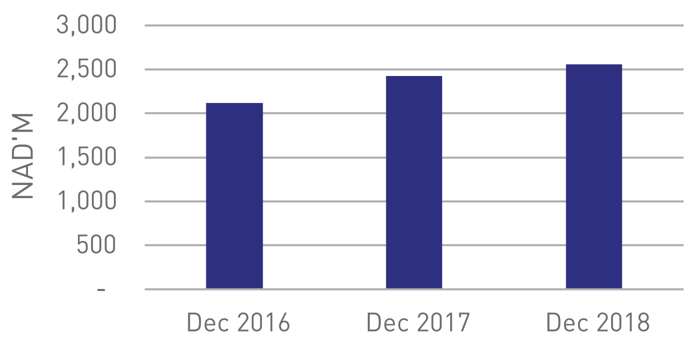
ROA vs ROE vs PAT



Basic Earnings per Share (cents)



Net Advances (NAD'M)



SHAREHOLDER ANALYSIS

We have 500m shares in issue and as at 31 December 2018, our market capitalisation was N$ 1.95bn, representing 5.5% of the Namibian Stock Exchange (NSX) local listings.

Top 10 Shareholders	2017	**2018**	% change
LETSHEGO HOLDINGS LIMITED	78.46%	**78.46%**	0.00%
KUMWE INVESTMENTS HOLDINGS LTD	12%	**11.97%**	(0.25%)
FIRST NATIONAL BANK NOMINEES (NAMIBIA) (PTY) LTD – GOVERNMENT INSTITUTIONS PENSION FUNDS	2.63%	**2.67%**	1.52%
CBN NOMINEES (PTY) LTD – OLD MUTUAL LIFE ASSURANCE COMPANY (NAMIBIA) LTD	1.37%	**1.37%**	0.00%
FIRST NATIONAL BANK NOMINEES (NAMIBIA) (PTY) LTD – MMI HOLDINGS NAMIBIA LTD	1.05%	**1.05%**	0.00%
STANDARD BANK NAMIBIA NOMINEES (PTY) LTD – ABSA AFRICA EQUITY FUND	0.59%	**0.59%**	0.00%
FRANS INDONGO INVESTMENT TRUST	0.53%	**0.53%**	0.00%
STANDARD BANK NAMIBIA NOMINEES (PTY) LTD – SANLAM LIFE NAMIBIA LIMITED	0.45%	**0.44%**	(2.22%)
STANDARD BANK NAMIBIA NOMINEES (PTY) LTD – SANLAM NAMIBIA TRUST MANAGERS LIMITED	0.18%	**0.18%**	0.00%
FIRST NATIONAL BANK NOMINEES (NAMIBIA) (PTY) LTD – UNIPOLY RETIREMENT FUND	0.15%	**0.16%**	6.67%
Other corporate entities, nominees and trusts and individuals	2.41%	**2.58%**	7.05%
	100.%	**100.0%**	

NON-FINANCIAL HIGHLIGHTS – 2018

We are focused on improving access to finance solutions, and during 2018, we provided more than 51,000 customers with appropriate and affordable loan solutions. We increased our percentage of female customers by 6% from 37% in 2017, and the number of customers accessing our solutions from rural areas by has increased to 52% of our overall customer numbers. While the number of lending customers decreased during 2018 from 52 000 to just over 51 000, this is largely due to the freeze in civil service appointments, as well as customers who repaid their loans and never took up new loans. We do not see this necessarily as a bad thing. We believe that our customers who no longer use our financial solutions have met the need for which they required finance, and should they have need for financial solutions in the future, will once more engage us.

Our focus on productive loan use continues, and the social performance survey shows that almost 88% of loans are for productive use purposes such as education, home improvement and business improvement.

While maintaining a physical presence in our communities through physical branches, we have further increased our reach through improvements in digital capabilities, as well as the expansion of our direct sales network. We now have 1,276 customers using Letshego mobile money solutions. We have increased the number of agents providing mobile access to Letshego financial solutions from 11 to 50.

Through the annual Group social survey, we see that our customer satisfaction levels are about 68%. While some would consider this good performance, we still feel there is room for improvement. We also conducted a more in-depth survey, to determine, which areas our customers would like to see improvements in. These areas relate to: customer waiting times, communication and pricing. We are working hard to address all three of these key areas, though increasing our staff complement, our mobile and digital platforms, and looking at ways to enhance the value offering.

Our commitment to supporting the development of our people remains and during 2018 we provided training to 82% of our staff. While our training spend has increased, we are also increasing our use of innovative learning methods like e-learning.
During 2018, we opened two revamped branches in Windhoek and Katutura, and one in are pleased to add Swakopmund, which was officially opened by Her Worship, Ms Pauline Nashilundo, Swakopmund's Mayor on 25 January 2019.

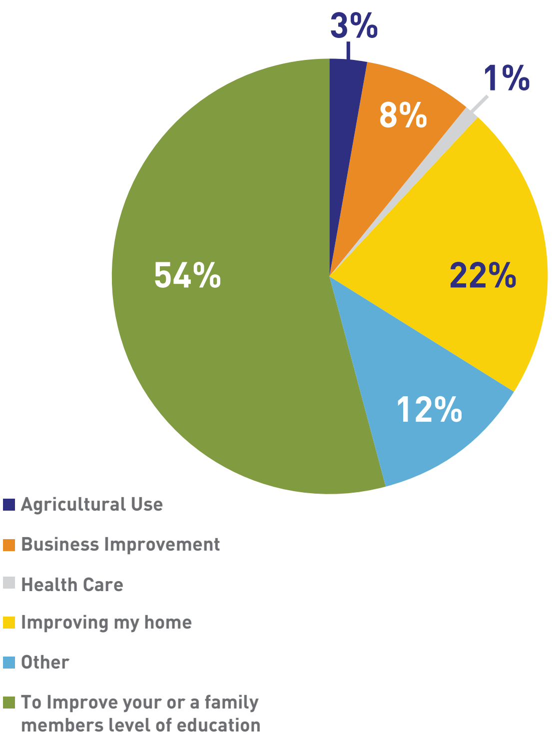


Table 2: Tracked non-financial performance indicators

Indicators	2016	2017	2018
Access points	16	16	**16**
Full-time employees (FTEs)	86	98	**116**
Commission-based direct sales agents (DSAs)	11	11	**50**
Borrowers	51,000	52,356	**51,149**
Savers	N/A	116	**1,992**
Value of customer deposits (N$ 'm)	N/A	90	**75**
Training spend			
· Training spend (N$ '000)	218	465	**553**
· Training spend as % of staff costs	1%	1%	**1%**

Mr Sven von Blottnitz addressing invited guest and staff during the financial year results release.

Her Worship, Ms. Pauline Nashilundo - Swakopmund Mayor, Ester Kali, LHN CEO and Letshego Holdings staff members during the official opening of the Swakopmund branch

2

OUR LEADERSHIP

BOARD OF DIRECTORS

MARYVONNE PALANDUZ

- CHAIRPERSON
- INDEPENDENT NON-EXECUTIVE DIRECTOR
- MEMBER OF BOARD AUDIT AND RISK COMMITTEE
- MEMBER OF BOARD CREDIT COMMITTEE

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

APPOINTED 18 MAY 2017

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

RAIRIRIRA MBAKUTUA MBETJIHA

- NON-EXECUTIVE DIRECTOR
- MEMBER OF THE BOARD REMUNERATION COMMITTEE

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

APPOINTED 24 FEBRUARY 2016

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

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)
Honorary Doctorate in Financial Management (UNISA)

APPOINTED 24 FEBRUARY 2016

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

SVEN BLOCH VON BLOTTNITZ

- INDEPENDENT NON-EXECUTIVE DIRECTOR
- CHAIRMAN OF CREDIT COMMITTEE
- CHAIRMAN OF THE AUDIT & RISK 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)

APPOINTED 24 FEBRUARY 2016

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

BOARD OF DIRECTORS (CONTINUED)

MYTHRI SAMBASIVAN-GEORGE

- NON-EXECUTIVE DIRECTOR
- MEMBER OF BOARD AUDIT AND RISK COMMITTEE
- MEMBER OF BOARD REMUNERATION COMMITTEE
- MEMBER OF BOARD CREDIT COMMITTEE

Fellow Certified Chartered Accountant (UK); Associate Chartered Management Accountant (UK); Chartered Global Management Accountant (UK); Fellow of the Botswana Institute of Chartered Accountants (FCPA Bots).

APPOINTED 24 FEBRUARY 2016

Mrs. Mythri Sambasivan-George joined Letshego Holdings Limited (LHL) in 2010 as Group Finance Manager with a mandate to streamline operational, process and reporting control and quality across the LHL Group's footprint. This included overseeing the implementation of a Groupwide integrated banking and financial reporting system, as well as putting in place best-in-class operational control and reporting practices throughout the Group's 11-country operations. In 2014, she moved to Letshego's newly created Group Head of Corporate Affairs function. She was responsible for driving the LHL Group's brand equity, stakeholder engagement and strategic communications agenda, championing LHL Group's social investment into strategic areas. Mythri also designed and developed the Group's environmental, social and governance (ESG) framework, and formulated the Group's social impact measurement off the back of this ESG foundation. From 2017, Mythri took on the role of Group Chief Commercial Officer, in which role she is responsible for defining, measuring and optimising for commercial return and performance both in the short and long-term, in conjunction with strategic partners, subsidiary teams, and Group executive management. Prior to joining Letshego, Mythri 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, working for public-interest entities concentrated in financial services.

ROSALIA MARTINS-HAUSIKU

- INDEPENDENT NON-EXECUTIVE DIRECTOR
- MEMBER OF BOARD REMUNERATION COMMITTEE

**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)**

APPOINTED 18 MAY 2017

Mrs. Rosalia Martins-Hausiku joined the Motor Vehicle Accident Fund in 2004 as Corporate Relations Officer and became the Manager of Corporate Affairs in 2006. Prior to becoming the Chief Executive Officer for the Motor Vehicle Accident Fund (MVA) Namibia, Mrs. Martins-Hausiku held several managerial positions over the 13 year period that she has been with MVA Namibia. Mrs. Martins-Hausiku serves as Director on the Namibia Chamber of Commerce and Industry Board, as well as the chairperson of Quanta Insurance. She is also the incumbent vice chairperson of the University of Namibia.

EXECUTIVE MANAGEMENT TEAM

ESTER KALI

- 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)
Honorary Doctorate in Financial Management (UNISA)

Ms. Ester Kali joined Letshego Namibia in November 2014 as Chief Executive Officer from FNB Namibia, where she held the position of Head of Retail and Business Banking. She is responsible for leading the Namibian subsidiary in developing and executing the overall country strategy in line with the Group's strategic intent and brand promise. Under her leadership, Letshego Bank Namibia obtained its banking license. She has over 30 years' experience in the banking industry of which 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.

GREG MADHIMBA

- CHIEF FINANCIAL OFFICER

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

Mr. Gregory Madhimba started his career at Stier Vente Associates where he completed his articles in 2009 after passing his final CA examinations during 2008. He later worked at Ernst & Young from 2010 to 2013 as Manager in the Advisory Service Line. In 2013 he joined Vivo Energy Namibia as Corporate Treasurer and Credit Manager, before joining Nedbank Namibia Treasury Department as Foreign Exchange Dealer in 2014. Greg has experience in the areas of financial risk management, credit management, performance improvement, business controls and corporate governance. In October 2016, Greg joined Letshego as Finance Manager. He is currently the CFO of LHN and LBN.

EXECUTIVE MANAGEMENT TEAM (CONTINUED)

O'RUTE UANDARA

- CHIEF OPERATIONS OFFICER

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

Mr. O'Rute Uandara 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

- CHIEF RISK OFFICER

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

Ms. 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 is a member of the Institute of Risk Management in the UK currently studying towards a certification in Financial Risk Management through the Institute.

NATASHA WINKLER

- HEAD OF FINANCIAL INCLUSION

B.Comp (UNISA)
Senior Management Development Programme (University of Stellenbosch)

Ms. 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. She has also completed the Senior Management Development Programme with the University of Stellenbosch Business School. Other specialist areas include property management and database management.

DIANA MOKHATU

- **HEAD OF PEOPLE EXPERIENCE**

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

Ms. Diana Mokhatu 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.

JAMES DAMON

- **HEAD OF CREDIT**

National Diploma in Accounting
Associate of the Chartered Institute of Secretaries (ACIS)
Middle Management Programme – Gordons Institute of Business Science (GIBS)
Senior Management Programme - Gordons Institute of Business Science (GIBS)

James joined Letshego in June 2019 as Head: Credit from Nedbank Namibia, where he held the position of Head: Credit for the past 5 years. He has more than 20 years banking experience all of which were in the credit environment. During this period, he served in various management roles and served on various committees in the Bank.

James is a respected member of the banking industry, having served on the Bankers Association of Namibia Credit Sub-Committee and assuming the Chairperson role from February 2015 to February 2016.

ALETTA SHIFOTOKA

- **HEAD: INTERNAL AUDIT**

Certified Internal Auditor (CIA) (Global Institute of Internal Auditors - GIIA)
Postgraduate Diploma in Advanced Auditing and Taxation (UNISA)
Bachelor of Commerce (Accounting and Business Management) (UNAM)

Aletta completed her first bachelor degree at the University of Namibia in 2008, and started her career with SGA Chartered Accountants and Auditors (SGA) in 2009 where she served her articles for 4 years until 2012.

In 2013, she joined Nedbank Namibia as an Internal Auditor for one year after which she was promoted to Manager: Internal Audit in 2014, a position she held until early 2019. During this time, Aletta gained a lot of experience in Risk Management, Internal Auditing, and the Management of internal controls within the Banking Industry. In 2017, she qualified as a Certified Internal Auditor (CIA) from the Global Institute of Internal Auditors based in the USA.

On 01 May 2019, Aletta joined Letshego Holdings Namibia as the Head: Internal Audit. She is a member of the South African Institute of Internal Auditors (IIASA).

3

THE BOARD

THE BOARD

Our Board is the governance forum in the Group. The leadership provided by the Board is intended to create value for our shareholders and benefits for all stakeholders.

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

The Board monitors that management (i) maintains internal controls for assurance of effective and efficient operations, and compliance with laws and regulations; and (ii) does this within an ethical environment.

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

At Letshego, we remain committed to upholding strong principles of corporate governance which facilitates accountability and responsibility for effective performance and ethical behaviour across the Group. We believe that the application of integrated corporate governance protects the Board, executives and employees in undertaking their duties and ensures stakeholder confidence in our ability to manage and achieve meaningful value creation. We continue to operate in line with the Namibia Code of Governance (NamCode) and we have summarized our NamCode application and non-application (comply or explain) which occurred during the 2018 reporting year under the Compliance with NamCode section of this report.

The Board understands and values the importance of ethics and its contribution to value creation and is committed to instilling ethical values throughout the Group, beginning with individual Directors' conduct which, if appropriate, will in turn have a positive impact on conduct risk in the Group. We are committed to the highest standards of integrity and ethical behaviour, and our code of conduct outlines the Values and behaviours that govern our way of working across our business. This code fosters values-based decision-making and demonstrates how our policies and practices align with our Values. The responsibility to oversee the performance against the principles is delegated to the Group Audit and Risk Committee, and management is responsible for embedding ethical conduct in the organisation.

THE BOARD

COMPOSITION AND STRUCTURE

The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence. In particular it has skills and experience in the areas of risk management, finance, accounting, social sciences, insurance and policy development. The Non-Executive Directors (NEDs) are individuals who objectively contribute to a wide range of industry skills, knowledge and experience to the Board and are not involved in the daily operations. All Non-Executive Directors have unrestricted access to executive management and leadership at any time.

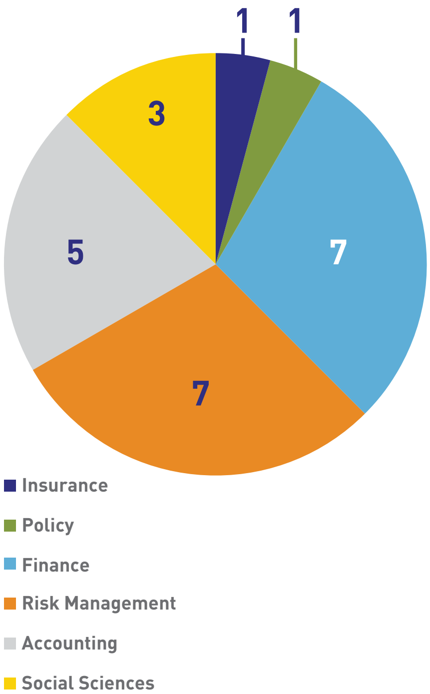
Our Board composition emphasises Directors' independence to promote independent judgement and diverse mind-sets and opinions. All Directors are expected to exercise their judgement independently, irrespective of their status.

We recognise that diversity is a strength to the business, and differing perspectives are key in ensuring appropriate levels of oversight and achievement of objectives. As at 31 December 2018, the representation of women on our Board was 57%.

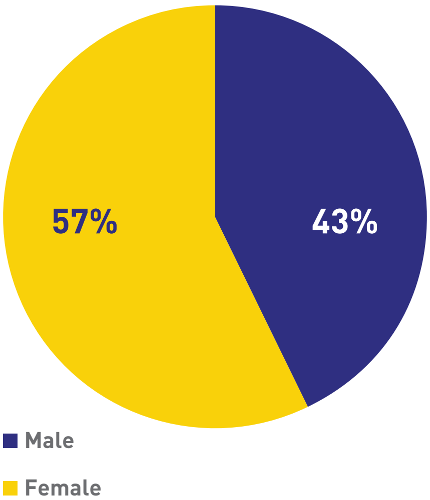
Letshego Holdings Namibia Limited main Board membership comprised of seven directors as at 31 December 2018. This includes four independent non-executive directors (INEDs), two non-executive directors and one executive director. The Board only has the Audit & Risk Committee and Remuneration Committee. The Credit Committee will only start sitting once unsecured lending is introduced in the bank.

COMPOSITION AND STRUCTURE (CONTINUED)

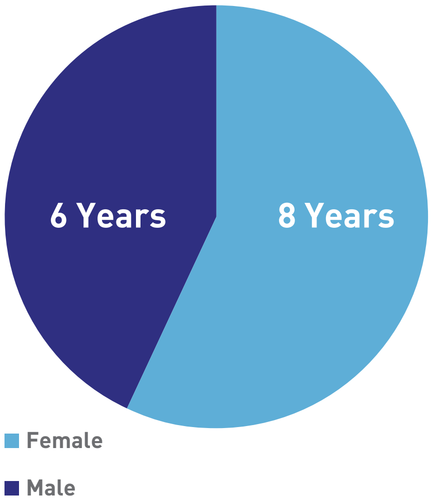
SKILL SET DISTRIBUTION AT BOARD LEVEL



GENDER SPLIT AT BOARD LEVEL



COLLECTIVE YEARS ON LHN BOARD AS AT 31 DECEMBER 2018.



C	Chair person	EXD	Executive Director
NED	Non-Executive Director	INED	Independent Non-Executive Director

Board and Committee composition as at 31 December 2018:

Director	Status	Number of Committees Membership	Main Board	Credit Committee	Audit & Committee Risk	Remuneration Committee
J. Shepherd	INED		✓ C			
S. von Blottnitz	INED	2	✓	✓ C	✓ C	
M. Palanduz	INED	2	✓	✓	✓	
R. Martins-Hausiku	INED	1	✓			✓ C
M. Sambasivan-George	NED	3	✓	✓	✓	✓
R. Mbetjiha	NED	1	✓			✓
E. Kali	EXD	-	✓			
Summary of composition	INED		4	2	2	1
	NED		2	1	1	2
	EXD		1	-	-	-

BOARD PROCESS AND OUTCOMES

BOARD EVALUATION AND MEETINGS

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

The Board meets at least quarterly. In addition, there is an annual strategy review meeting and a special meeting to review and approve the interim results and dividend declaration. Therefore, six regular Board meetings were held during 2018. Directors are fully briefed by the Company Secretary and provided with all necessary information sufficiently ahead of the scheduled Board and Committee meetings to enable effective discharge of their responsibilities. At least one third of the Non-Executive Directors rotate every year in line with the Board Charter.

COMPANY SECRETARY

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

Whenever deemed necessary, the Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the Board. If necessary, the services and guidance of the corporate sponsor and other experts are procured to ensure that the Directors have adequate insight to discharge their responsibilities effectively. Furthermore, the Company Secretary assists in the process of self-assessment of the Board and its sub-committees.

APPOINTMENTS TO THE BOARD

New Board appointments are considered by the Board, considering the appropriate balance of skills, experience and diversity required to lead, control and best represent the company. Background and reference checks are performed before the nomination and appointment of Directors. The appointment of Non-Executive Directors is formalised through a letter of appointment and the Board makes full disclosure regarding individual Directors to enable Shareholders to make their own assessment of Directors. On-going training and development of Directors is provided as necessary. Each Director's length of service is regularly reviewed as part of succession planning. All of the Board members of LHN are within their first three years with the Board.

SUCCESSION PLANNING

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

CONFLICTS OF INTEREST

Our Directors have a responsibility to avoid conflict with their duties to Letshego, including situations that put, or may be perceived to put, their personal interests in in conflict with Letshego. The Board Charter requires Directors to declare any actual or potential conflict of interest immediately when they become aware of such situation. Prior to scheduled meetings, each Director must submit a 'declaration of interest' form, outlining other directorships and personal financial interests, including those of their related parties. Where actual or potential conflicts are declared, affected Directors are excluded from discussions and any decisions on the subject matter of the declared conflict. Actual and potential conflicts of interest are considered in the annual assessment of director independence. Anti-bribery and anti-corruption e-elearning was rolled out to all staff during 2018 to ensure compliance with the fraud and corruption as well as the anti-bribery policies and to maintain a workforce that is vigilant on bribery, fraud and corruption related risks.

We educate and empower all employees in terms of their rights and responsibilities. This contributes to a culture of trust. Our training and awareness programmes, underpinned by clear policies, ensure that our employees Adhere to our codes of conduct and values, ensure customers are treated fairly and respectfully, and are aware of the platforms and channels through which they can and should raise their concerns of unethical behaviour or suspected fraud through our whistleblowing programme.

The number of disciplinary cases as a percentage of employees remains stable, and most matters dealt with in 2018 relate to less serious offences. Eight incidents of fraud were recorded during 2018 however, Letshego is not currently involved in any material legal actions relating to anti-competitive behaviour, anti-trust and monopoly practices.

COMMUNICATION OF CRITICAL CONCERNS

The process for communicating critical concerns is conducted, by communication to the Executive Committee, who escalate to the appropriate Board Sub-Committee, who will communicate to the full Board through meetings and/or reports. When required, Non-Executive Directors are entitled to access the external auditors and, at Letshego's expense, can seek independent professional or expert advice on any matters pertaining to the Group. The Audit and Risk Committee has constant interaction and independent consultation with the Internal Audit function, which reports directly to the Chairman of the Audit and Risk Committee.

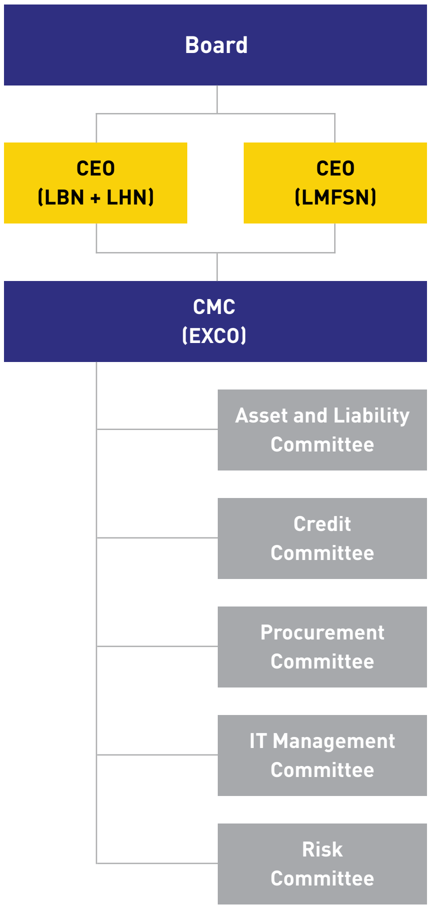
The Audit and Risk Committee monitors the Group's activities, having regard to any relevant legislation and codes of best practice on matters relating to social and economic development, good corporate citizenship, ethics, sustainable development, labour and employment, consumer relations, stakeholder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

GOVERNANCE AND RISK MANAGEMENT

As part of improving our governance processes, during 2018 we established a number of new management committees. We strengthened corporate governance with the formation of an asset and liability committee; procurement committee; risk committee; remuneration committee; credit committee, and information technology committee, at management level. While the Board Remuneration Committee has begun meeting, the Board Credit Committee will only meet once unsecure lending solutions are introduced in the Bank. The Board has revised its Director remuneration and board charters to better align with the NamCode. In addition, we have revised our delegation of authority policy to empower the Board to take greater ownership of decision-making. Training has been rolled out relating to fraud training, and we have implemented a fraud hotline, and internal campaigns to raise awareness of fraud.

The Board and its' Committees compile an annual work plan to ensure all relevant matters are prioritised and addressed. Members of senior leadership, assurance providers and professional advisers are invited to attend meetings and do not form part of the quorum of any meeting. An overview of key matters discussed by the board are as follows:

- The Delegation of Authority Policy was revised and approved by the Board in Q4 2018.
- A Remuneration Committee was established in Q2 2018 in compliance with Namibian Stock Exchange requirements.
- Following Mr. Eugene Shepherd's notice of intention to resign from the Board during 2017, with the resignation date now confirmed as 30 April 2019; due process is underway to appoint an additional Independent Non-Executive Director (INED).
- Findings from the AML audit conducted by the Financial Intelligence Centre were addressed and majority of them successfully addressed.



COMPOSITION OF THE BOARD COMMITTEES

1

Committee	Purpose	Composition (at 31 December 2018)	Quorum	Frequency of meeting
AUDIT & RISK COMMITTEE (ARC)	• Assists the Board in discharging its duties relating to ensuring the safeguarding of assets, the operation of adequate systems and control processes, and the preparation of financial statements and reporting in compliance with legal requirements and accounting standards. The membership consists of not less than three Board-appointed Directors, of which two are INEDs. The LHL ARC provides ultimate oversight of the Internal Audit function for the Group, including LGN. • Promotes a culture of risk management discipline, anticipation and compliance across the Group's footprint. • Reviews and recommends approach to determining risk appetite, as a basis for obtaining Board approvals, and to monitor compliance with the same. • Proactively manages potential capital, interest rate, foreign exchange, liquidity, credit, operational, and compliance risks and initiates actions to mitigate those risks. • Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence. • Ensures the adequacy and effectiveness of policies, procedures and tools in all countries for the identification, assessment, monitoring, controlling and reporting of risks by reference to the LHL Enterprise Risk Management framework and that they conform to the minimum requirements laid down by the Group as well as external regulators.	**INEDs** (Chairperson) **NEDs** **Independent attendees** PWC (Only for AFS approval) **Management attendees** CRO CEO CFO COO **Permanent invitee** Head of Internal Audit Risk Analyst	The quorum for decisions of the Committee shall be the majority of the members of the Committee present throughout the meeting of the Committee	Quarterly

2 Committee	Purpose	Composition (at 31 December 2018)	Quorum	Frequency of meeting
BOARD REMUNERATION COMMITTEE (RC)	The Remuneration Committee on behalf of the Board shall: • exercise good stewardship of the Letshego Holdings Namibia Limited's remunerations practices and ensure that compensation works in harmony with the implemented risk postures; • ensure alignment of the remuneration strategy and policy with the Letshego Holdings Namibia Group business strategy and the desired culture of the organization; • provide remuneration packages needed to attract , retain and motivate high performing executive directors and executive management, but avoid paying more than is necessary for this purpose. • Ensure that remuneration is pitched at level relative to other comparable companies taking relative performance into account; • Be sensitive to the wider environment, including pay and employment conditions elsewhere in the company so that decisions may, as far as is appropriate, be fair, taking onto account the different pay policy needs of the different business units; • Ensure the adequacy of retirement and health care schemes for executive directors and executive management; • Consider the pension consequences and associated costs to the company of basic salary increases; • Review the Letshego Holdings Namibia contribution to benefit schemes for recommendation to the board; • Review and approve the Letshego Holdings Namibia employee taxation risk profile where relevant to remuneration.	**INEDs** (Chairperson) **NEDs** **Management attendees** CEO HPE CRO	Decisions will be made by majority of votes, and in case of an equality of votes the chairperson shall have a second or casting vote	Quarterly

COMPOSITION OF THE BOARD COMMITTEES (CONTINUED)

3

Committee	Purpose	Composition (at 31 December 2018)	Quorum	Frequency of meeting

CREDIT COMMITTEE (CC) (CONTINUED)	• Establishes the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Larger facilities require approval by the Board CC, or the Board of Directors, as appropriate.
	• Reviews and assesses credit risk: The credit function assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
	• Limits concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
	• Develops and maintains the Group's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of six grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by the Risk function.
	• Develops and maintains the Group's processes for measuring incurred credit losses (ICL): This includes processes for:
	  ◦ initial approval, regular validation and back-testing of the models used; and
	  ◦ incorporation of forward-looking information.
	• Reviews compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ICL allowances.
	• Provides advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.
		INEDs
		(Chairperson)
		
		NEDs
		
		Independent attendees
		PWC
		
		Management attendees
		CRO
		CEO
		CFO
		COO
		
		Permanent invitee
		Head of Internal Audit
		Risk Analyst
			Majority of members present who shall vote on the matter for decision	Meetings of the Committee will be held as the Committee deems to be appropriate; however, the Committee should meet at least once each year. Further meetings may be called by the chairperson of the Committee or any member of the Committee.

Letshego

Mrs. Natasha Winkler, Head of Financial Inclusion handing over a sponsorship to Namibia Haggai International for their leadership advance seminar.

Mrs. Tracy Garises, Communication Practitioner handing over electrical appliances to dagbreek primary school.

EXECUTIVE MANAGEMENT COMMITTEES

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

	Committee	Purpose	Composition	Quorum	Frequency of meeting
1	Executive Management Committee (EXCO)	• Deliver's on the country's business strategy against the country's collective agenda and budget, and reports on such progress to the regional heads as well as escalating any significant risks or issues on a timely basis • Monitors external developments in the country's operations and internal risk issues arising to ensure that appropriate actions are taken to protect the reputation and franchise of LHL and to mitigate potential financial losses • Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, people development and stakeholder engagement, underpinned by exemplary governance and effective cost control • Provides unified leadership on key strategic and other business initiatives in the country • Promotes and implements an effective risk management framework that encapsulates setting of risk appetite, management discipline, anticipation and compliance across the country, and escalating any significant issues to regional heads and the Head of Risk and Assurance, as appropriate • Ensures that the country's business is operating according to the highest standards of regulatory compliance and best practice as defined by external regulations and internal policies and procedures respectively, including banking and labour laws and anti-money laundering (AML) legislation, KYC, ALM and any other regulatory requirements • Approves and recommends to LHL all new products and service offerings.	• *Ester Kali (Chief Executive Officer – LBN, LHN)* • *Nicolaas Petrus Esterhuyse (Chief Executive Officer - LMFSN) (resigned 15 February 2019)* • *Gregory Madhimba (Chief Financial Officer)* • *O'Rute Uandara (Chief Operating Officer)* • *Chriszelda Gontes (Chief Risk Officer)* • *Natasha Winkler (Head of Financial Inclusion)* • *Diana Mokhatu (Head of Human Resources)* • *Aletta Shifotoka (Head of Internal Audit)* • *James Damon (Head of Credit)*	Majority of EXCO members	Monthly

	Committee	Purpose	Composition	Quorum	Frequency of meeting

2	Asset Liability Committee (ALCo)	• Overall authority for market risk is vested in the ALCo. The ALCo sets up limits for each type of risk in aggregate and for portfolios, with market and liquidity risks being primary factors in determining the level of limits set for trading portfolios.
		• The ALCo is the monitoring body for compliance with these limits and is assisted by Management in its day-to-day monitoring activities, which include monitoring changes in the Group's interest rate exposures, including the impact of the Group's outstanding or forecast debt obligations.
		• Is responsible for setting the overall hedging strategy of the Group. Management is responsible for implementing that strategy by putting in place the individual hedge arrangements.
		• Views interest rate in the banking book to comprise of the following:
		  ◦ Re-pricing risk (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Group's assets and liabilities; and
		  ◦ Yield curve risk, which includes the changes in the shape and slope of the yield curve.
		• Monitors and manages these risks in adherence to the Group's risk appetite and meets on a monthly basis to analyse the impact of interest rate risk on the Group and reports directly to the BARC on a quarterly basis. The techniques used to measure and control interest rate risk by the ALCo includes re-pricing profiles, sensitivity/ scenario analysis and stress testing.
			• *Ester Kali (Chief Executive Officer – LBN, LHN)*
			• *Nicolaas Petrus Esterhuyse (Chief Executive Officer – LMFSN) (resigned 15 February 2019)*
			• *Gregory Madhimba (Chief Financial Officer)*
			• *O'Rute Uandara (Chief Operating Officer)*
			• *Chriszelda Gontes (Chief Risk Officer)*
			• *Natasha Winkler (Head of Financial Inclusion)*
			• *Diana Mokhatu (Head of Human Resources)*
			• *Charmaine Davis (Accountant)*
			• *Epifania Murwira (Risk Analyst)*
			• *Lusia Haimbodi (Accountant)*
				A quorum for Committee meetings will consist of at least five of the standing members present or represented	At least one meeting per calendar month must be held. The Chairperson may and, at the request of the CFO, shall at any time convene a meeting of the Committee.

	Committee	Purpose	Composition	Quorum	Frequency of meeting
3	Risk Management Committee	• Has the ultimate business responsibility for the management of all key risks and ensures compliance to all of LBN's policies • Assists the Board of Directors in its responsibility to oversee that the overall risk management process is at an appropriate level • Ensures that LBN possesses an efficient and effective risk management plan that covers all types of risks. In addition, the RMC is responsible for setting, assessing, reducing, monitoring and reporting risk levels for the attention of the Board. • Approves risk parameters, appetite and profile within the Board-approved limits and ensures appropriate accountability • Promotes an appropriate control culture and sets the tone accordingly • Actively scans and reviews the risk environment of LBN and implements mitigating strategies for all risks	• *Ester Kali (Chief Executive Officer – LBN, LHN)* • *Nicolaas Petrus Esterhuyse (Chief Executive Officer – LMFSN, Chief Financial Officer) (resigned 15 February 2019)* • *Gregory 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)* • *Ramona Coetzee (Operations Manager)* • *Epifania Murwira (Risk Analyst)* • *(AML and Compliance Officer)* • *Company Secretary/Legal Advisor*	Four members of the RMC, of which at least two should be EXCO members (executives), where one of the two EXCO members is from the responsible department	The Committee shall meet at least once a month on a date before the monthly LBN EXCO meetings or at such times as may be requested by the RMC Chairperson, and there may be additional meetings as necessary, if the majority of the Committee members request them.

	Committee	Purpose	Composition	Quorum	Frequency of meeting
4	Procurement Committee (ProCo)	• Independently reviews and evaluates purchasing documentation (including bids from suppliers) and awards/recommends contracts for the procurement of goods and services by the Bank in a fair, objective, equitable, transparent, competitive and cost-effective manner and in line with sound corporate governance principles. The PRoCo has to ensure that the Bank's procurement policies and procedures are properly followed in the procurement process.	• *Ester Kali (Chief Executive Officer – LBN, LHN)* • *Nicolaas Petrus Esterhuyse (Chief Executive Officer – LMFSN, Chief Financial Officer) (resigned 15 February 2019)* • *Gregory Madhimba (Chief Financial Officer)* • *O'Rute Uandara (Chief Operating Officer)* • *Chriszelda Gontes (Chief Risk Officer)* • *Natasha Winkler (Head of Financial Inclusion)* • *Diana Mokhatu (Head of Human Resources)*	Four Standing members	As per the LBN procurement policy

EXECUTIVE MANAGEMENT COMMITTEES (CONTINUED)

	Committee	Purpose	Composition	Quorum	Frequency of meeting
5	Management Credit Committee (MCC)	• Ensures compliance with the Credit Risk Policies to the extent and on the basis set out within its mandate or terms of reference • Acts as a decision-making function within the defined authority as delegated by the Board CC from time to time • Effectively enhances the credit discipline within LBN • Ensures that Board CC expectations, directives and requirements for credit are met and implemented accordingly • Actively scans and reviews the credit risk environment of LBN and implements mitigating strategies for all credit risks (risk management) • Provides tools to monitor, manage and measure delivery of the credit risk objectives (credit risk performance management)	• *Ester Kali (Chief Executive Officer – LBN, LHN)* • *Nicolaas Petrus Esterhuyse (Chief Executive Officer – LMFSN, Chief Financial Officer) (resigned 15 February 2019)* • *Gregory Madhimba (Chief Financial Officer)* • *O'Rute Uandara (Chief Operating Officer)* • *Chriszelda Gontes (Chief Risk Officer)* • *Natasha Winkler (Head of Financial Inclusion)* • *Diana Mokhatu (Head of Human Resources)*	Four members of the RMC, of which at least two should be EXCO members (executives), where one of the two EXCO members is from the responsible department	The Committee shall meet at least once per month on a date before the monthly LBN EXCO meetings or at such times as may be requested by the MCC Chairperson, or a majority of the Committee members.

	Committee	Purpose	Composition	Quorum	Frequency of meeting
6	Information Technology Management Committee (ITMC)	• Ensures that the IT strategy is aligned with the strategic objectives of the organisation (strategic alignment) • Ensures maximum optimisation of resources to sustain business operations in the most effective and efficient manner (resource optimisation) • Ensures that expectations for IT are met (benefits realisation) • Mitigates all IT risks (risk management) • Provides tools to monitor, manage and measure delivery of these objectives (performance management)	• *O'Rute Uandara (Chief Operations Officer)* • *Angelo van Wyk (IT Manager)* • *Chriszelda Gontes (Chief Risk Officer)* • *Natasha Winkler (Head of Financial Inclusion)* • *Ramona Coetzee (Operations Manager)*	Majority of ITMC Members	Monthly

ATTENDANCE AT MEETINGS

Name of Director	Meeting Attendance				
	Status	Main Board	Audit & Risk Committee	Remuneration Committee	Credit Committee
John Eugene Shepherd	INED	6/6	-	-	x
Mythri Sambasiv-an-George	NED	6/6	3/4	3/3	0/0
Sven Bloch von Blottnitz	INED	6/6	4/4	-	0/0
Maryvonne Palanduz	INED	6/6	4/4	-	0/0
Rosalia Martins-Hausiku	INED	5/6	-	3/3	-
Rairirira Mbetjiha	NED	4/6	-	2/3	-
Ester Kali	EXD	6/6	4/4	-	-

Name of Director	Board Meeting Remuneration*						
	Status	Main Board	Annual Retainer	Audit & Risk Committee	Remuneration Committee	Credit Committee	TOTAL
John Eugene Shepherd	INED	155 440	160 800			x	**316 240**
Sven Bloch von Blottnitz	INED	134 000	128 640	80 400		-	**343 040**
Maryvonne Palanduz	INED	182 240	128 640	64 320		-	**375 200**
Rosalia Mar-tins-Hausiku	INED	107 200	128 640		40 200	x	**276 040**
Rairirira Mbetjiha	NED	127 577	81 346		21 440	x	**230 363**
		706 457	**628 066**	**144 720**	**61 640**	x	**1 540 883**

N.B - Independent Non -Executive and Non-Executive Directors of LHN and its subsidiaries are remunerated on a structure consisting of an annual retainer and sitting fees for meetings attended. INEDs & NEDs do not receive any fees that are related to the performance of the Group and do not participate in any share-based payments.

***Note**

1. During Q2 2018, Mr. von Blottnitz chaired the LBN & LHN meetings whilst Mr. Shepherd acted as Director, and were therefore remunerated as such.
2. Ms. Palanduz is currently the Chairperson of LMFSN and Director of LBN & LHN, and was remunerated accordingly during the year under review.
3. As per signed agreement between Kumwe and LHN, Mr. Mbetjiha's board fees and retainer are pegged to the US dollar (USD6 180 retainer & USD 2 575 per meeting), payments therefore fluctuate according to the exchange rate. However, Mr. Mbetjiha is remunerated in local currency for the Remuneration Committee.

ATTENDANCE AT MEETINGS

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

Board fees are as follows:

Annual retainer – Chairperson	**N$160,800**
Annual retainer – Directors	**N$128,640**
Sitting Fee – Board Chairperson	**N$26,800 per meeting**
Sitting Fee – Directors	**N$21,440 per meeting**
Sitting Fee – ARC members	**N$20,100 per meeting for Chairman and N$16,080 per meeting for members**
Sitting Fee – RC members	**N$13,400 per meeting for Chairman and N$10,720 per meeting for members**
Sitting Fee – CC Members	**N$13,400 per meeting for Chairman and N$10,720 per meeting for Directors**

The above Directors fees were approved by Shareholders at the Annual General Meeting held on 29 June 2018. There have been no changes to Directors fees in 2019.

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

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

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

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

REMUNERATION POLICY

A key strategic objective of the Group is to attract and retain high calibre staff and individuals, and their remuneration for the 2018 financial year is set out below:

Executive directors' remuneration as at 31 December 2018					
Name	For Management Services	Bonus and LTIP	Pension	Medical	Total
Ester Kali (CEO)	1 652 487	770 000	185 944	42 234	2 650 665
Executive directors' remuneration as at 31 December 2017					
Name	For Management Services	Bonus			Total
Ester Kali (CEO)	1 659 908	701 680	169 996	36 144	2 567 728

Top three earners who are not executive directors as at 31 December 2018					
Name	Management Services	Bonus	Pension	Medical	Total
Employee 1	1 432 260	816 797*	153 434	57 540	2 460 031
Employee 2	1 260 972	353 658	135 072	25 146	1 774 848
Employee 3	1 182 852		126 698		1 309 550

Top three earners who are not executive directors as at 31 December 2017					
Name	Management Services	Bonus	Pension	Medical	Total
Employee 1	1 506 251	347 400	141 423	-	1 995 074
Employee 2	1 007 756	400 000	100 982	23 910	1 532 648
Employee 3	1 056 532	230 000	100 947	56 748	1 444 227

* LTIP incentive vested

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

The key elements of the LTIP are:

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

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

REMUNERATION POLICY (CONTINUED)

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

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

The following incentive scheme is offered by Letshego Namibia

Group Executive	Share-Based Plans	Deferred Bonus Plans	Standard Annual Bonus Plan
CEO	✓		✓
Executive Committee		✓	✓
Sales and support staff			✓

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK (ERMF)

The banking and micro-lending space has evolved, and our levels of regulation have increased, but our commitments to our customers remains high priority. Our adherence to and enforcement of our codes of conduct are essential in our environment. We engage our staff and also our unions on our values and codes of conduct. They have appreciated our position and are assisting us in engaging our people on codes of conduct. This is valuable in increasing overall adherence to our values and behaviour. Also, we have established an internal forum with shop stewards on a quarterly basis, and we look forward to improving our relationships with our unions, and their members, going forward.

We empower our employees to raise concerns through awareness programmes and training on how to detect possible incidents of fraud, and what to do next. Internal Audit provides the Board with feedback on risk management performance, and incidents of fraud.

We are committed to operating in accordance with the International Bill of Human Rights and take account of other internationally accepted human rights standards. We promote a culture of respecting human rights in our workplaces and communities. We consider the impact of our activities and those of our supply chain on human rights, seeking engagement with stakeholders to support channels to raise human rights concerns. We design our financial solutions with consideration for the appropriateness of solutions, ensuring barriers to access based on gender, race, sex, and religion are removed. We recognise that we have clear responsibilities to support governments and civil society organisations in respecting, advancing and upholding human rights principles wherever we operate. No incidents involving human rights violations were reported during 2018.

COMPLIANCE WITH THE NAMCODE

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

Ref.	Namcode Principle (s)	2018	Commentary
1. Ethical leadership and corporate citizenship			
1.1	The Board should provide effective leadership based on an ethical foundation.	Applied	Our Board Charter clearly outlines the responsibility for effective leadership based on an ethical foundation. The Board's performance with respect to this requirement will be evaluated on an annual basis.
1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	Letshego Holdings Namibia has a Strategic and Social Investment (SSI) Policy approved by the Board and remains committed towards sustainable development and improvement of lives in the communities within which Letshego Holdings Namibia operates. Further, this policy ensures that Letshego Holdings Namibia is a socially responsible corporate citizen and occupies a positive and impactful role in its subsidiaries and communities.
1.3	The Board should ensure that the Company's ethics are managed effectively.	Applied	Letshego Holdings Namibia has a code of ethics policy approved by the Board and the responsibility to oversee the performance against the principles is delegated to the Board Audit & Risk Committee. Section 5.2.2 of the Board charter stipulates that the Board should determine and set the ethical tone of the Company values, including framework of the code for ethical conduct, ethical business principles and practices, requirements for responsible corporate citizen.
2. Boards and Directors			
2.1	The Board should act as the focal point for and custodian of corporate governance.	Applied	The Board Charter clearly set out the Board responsibilities and the Board meets at least four times per year. According to section 5.2.2 of the Charter, the Board must satisfy itself that the Company and Subsidiary Companies are governed effectively in accordance with corporate governance best practices including risk management, legal compliance management, appropriate and relevant nonbinding industry rules, codes and standards.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	Applied	The principle is recognized in the Board Charter and it is part of the Board's responsibility to determine the strategies and strategic objectives of the Company and ensure that the strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced.
2.3	The Board should provide effective leadership based on an ethical foundation.	Applied	Refer to principle 1.1 above.
2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	Applied	Refer to principle 1.2 above.
2.5	The Board should ensure that the Company's ethics are managed effectively.	Applied	Refer to principle 1.3 above.
2.6	The Board should ensure that the Company has an effective and independent Audit Committee.	Applied	An independent Board Audit & Risk Committee is in place and its main objectives are outlined in the section above on composition of the Board and its subcommittees. The Committee's terms of reference outline the roles, powers, responsibilities and membership. As set out elsewhere in this report, during 2016 and 2017 the majority of members of the Board Audit & Risk Committee were Independent.
2.7	The Board should be responsible for the governance of risk.	Applied	The Board Audit & Risk Committee whose main purpose is outlined above under composition of the Board and its subcommittees assists the Board in executing its responsibility in terms of the governance of risk. The Committee meets on a quarterly basis and top risks are considered during the meetings and reported to the Board.

Ref.	Namcode Principle (s)	2018	Commentary
2. Boards and Directors (continued)			
2.8	The Board should be responsible for information technology (IT) governance.	Applied	The Board Charter requires the Board to assume responsibility for IT governance. The Board has delegated responsibility to the Information Technology Management Committee (ITMC) for the oversight and to ensure effective IT governance.
2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.	Applied	The Board Audit & Risk Committee assists the Board in ensuring that the Company's Governance, Risk, IT and Compliance Frameworks are maintained and that compliance to applicable laws and regulations are effectively monitored. Further, the Risk Management Committee at management level will meet monthly to consider the level of adherence of the Company to rules, codes and appropriate standards.
2.10	The Board should ensure that there is an effective risk-based internal audit.	Applied	In line with the NamCode, our Internal Audit Function reports directly to the Board Audit & Risk Committee. The Board Audit & Risk Committee approves a risk based internal audit plan at the beginning of each year and ensures that the Internal Audit function has adequate resources, budget standing and authority to enable it to discharge its functions.
2.11	The Board should appreciate that stakeholders' perceptions affect the company's reputation.	Applied	The potential impact of stakeholders' perceptions on the reputation of Letshego Holdings Namibia is highly appreciated and highlighted in the Board Charter. According to the Charter, only individuals with sound ethical reputations will be considered for appointment to the Board. Part of the Board's mandate in the charter is to safeguard the human capital, assets and reputation of the entity.
2.12	The Board should ensure the integrity of the Company's integrated report.	Applied	This integrated annual report is approved by the Board after satisfying itself with respect to the accuracy and integrity of the report based on the recommendation from the Board Audit & Risk Committee.
2.13	The Board should report on the effectiveness of the Company's system of internal controls.	Applied	The Board's opinion on the effectiveness of the system of internal controls is expressed in the statement of the Board of Directors forming part of the annual financial statements. This opinion is based on the recommendation of the Board Audit & Risk Committee that reviews and satisfies itself with the adequacy of the controls in place.
2.14	The Board and its Directors should act in the best interests of the Company.	Applied	The Board makes decisions giving due regard to their fiduciary duties and duty of care with an independence of mind. Further, Directors are required to declare their direct and indirect interests at each Board meeting.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act.	Applied	The Board considers the Company's going concern status at its interim and full year meetings. The Board continuously monitors the solvency and liquidity of the Company on a regular basis. This enables the Board to consider business rescue should the Company become financially distressed. Further, the deposit taking subsidiary (LBN) has developed a Liquidity Contingency Plan.
2.16	The Board should elect a Chairman of the Board who is an Independent Non-Executive Director. The MD of the Company should not also fulfil the role of Chairman of the Board.	Applied	The Board is chaired by an Independent Non-Executive Director and as covered under the section on composition of the Board and its committees above. The roles of the Chief Executive Officer and Chairperson are separate in line with the NamCode.
2.17	The Board should appoint the Company Chief Executive Officer and establish a framework for the delegation of authority.	Applied	According to the Board Charter, the Chief Executive Officer is appointed by the Board. The Executive Management operates within the defined framework for the delegation of authority from the Board via the Chief Executive Officer.
2.18	The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be independent.	Applied	The Board membership is comprised of seven Directors of which four are Independent Non-Executive Directors (INEDs), two Non-Executive Directors (NEDs) and one Executive Director (EXD), being the Chief Executive Officer.
2.19	Directors should be appointed through a formal process.	Applied	The Board Charter acknowledges and sets out the Directors' appointment process. In considering whether the potential candidates are competent and can contribute to the business, judgment calls are made by the Board the criteria to be considered are clearly spelled out in the Board Charter. All Non-Executive Directors appointments are voted on by Shareholders at Annual General Meetings by either ratification of appointments made by the Board or by voting on the re-election of Directors who retire by rotation.

Ref.	Namcode Principle (s)	2018	Commentary
2. Boards and Directors (continued)			
2.20	The induction of and on-going training and development of Directors should be conducted through formal processes.	Applied	The role of the Chair includes the need to ensure that all Directors are appropriately made aware of their responsibilities through a tailored induction programme ensuring that a formal programme of continuing professional education is adopted at Board level. While an induction program is in place and adhoc training is provided in specific areas to the Directors, ongoing training and development of Directors is not conducted through a formal process
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	Applied	The decision to appoint or remove the Company Secretary is a Board decision. The Board ensures that a competent, suitably qualified and experienced person is appointed as Company Secretary of the Company.
2.22	The evaluation of the Board, its Committees and the individual Directors should be performed every year.	Applied	The last formal Board evaluation was performed in 2018 The results of the self-assessment show the following: • Board training is required, particularly with regard to financial services best practices, Letshego strategy, intellectual property, crisis & media management as a Board and global governance best practice. • LBN & LHN Board chairperson should ideally not be in an executive position for another organization, to allow for effective discharge of Letshego Board duties and time for engagement with INEDs, Board, CMC, regulators, etc during the course of the year. • LHL Group chairperson needs to obtain direct feedback from the LHN Board, this includes updates or concerns, and structured response plans
2.23	The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	Applied	According to the Board Charter, the Board has the power to appoint Committees and to delegate its duties to such Committees as may have been set up having regard to what is appropriate for the Company. The Board has created the following Committees with clearly defined terms of reference: (i) The Board Audit & Risk Committee (ii) The Credit Committee (iii) The Asset and Liability committee (iv) The Procurement committee (v) The Remuneration committee (vi) The Information technology committee.
2.24	A governance framework should be agreed between the Company and its subsidiary Boards	Applied	Letshego Holdings Namibia and its Subsidiaries have a well-established governance framework approved by the Board supported by respective Charters. During 2018, Boards charters were revised to ensure better alignment with the NamCode.
2.25	The Company should remunerate Directors and Executives fairly and responsibly.	Applied	The Board is responsible for setting and administering remuneration of Directors and Executives. It has adopted remuneration practices which support the company's growth, performance and returns strategy.
2.26	The Company should disclose the remuneration of each individual Director and Prescribed Officer.	Applied	Full disclosure is included in this integrated annual report under Remuneration Policy section above.
2.27	Shareholders should approve the Company's' remuneration policy.	Applied	At each AGM, held annually for the purposes of considering and adopting the annual financial statements, Shareholders have a non-binding vote on the remuneration of Directors, including the basis for this remuneration.
3. Audit Committee			
3.1	The Board should ensure that the Company has an effective and Independent Audit Committee.	Applied	The Board has an independent and effective Board Audit & Risk Committee in place. All members of the Committee are suitably qualified and experienced with a majority of members being Independent Non-Executive Directors.
3.2	Audit committee members should be suitably skilled and experienced independent nonexecutive directors.	Applied	As per 3.1 above.
3.3	The Audit Committee should be chaired by an Independent Non-Executive Director.	Applied	The Board Audit & Risk Committee is chaired by an Independent Non-Executive Director.
3.4	The Audit Committee should oversee integrated reporting.	Applied	The Board Audit & Risk Committee Charter requires the Committee to oversee and take responsibility for the integrity of the integrated annual report.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	Applied	In line with the Board Audit & Risk Committee Charter, the Committee ensures that the combined assurance received from the external and internal auditors is appropriate to address all the significant risks facing the Company.

Ref.	Namcode Principle (s)	2018	Commentary
3. Audit Committee (continued)			
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	Applied	The Board Audit & Risk Committee Charter requires the Committee to annually review the appropriateness of the expertise and adequacy of the resources on the finance function and the experience of the senior members of management responsible for the finance function.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	Applied	The Board Audit & Risk Committee monitors and supervises the effectiveness of the Internal Audit function and ensures that the roles and functions of the External Audit and Internal Audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the company's systems of internal control and reporting.
3.8	The Audit Committee should be an integral component of the risk management process.	Applied	• The Committee Charter of the Board Audit & Risk Committee requires the committee to oversee the Company's risk management process.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	Applied	The Board Audit & Risk Committee recommends to the Board which firm(s) should be appointed in the event of change of external auditor(s), their reappointment and removal. Further the Committee evaluates the performance of the external auditor(s) and the engagement partner is rotated at least every 5 years or such other frequency deemed to be appropriate based on the external audit firm rules to enhance actual and perceived independence.
3.10	The Audit Committee should report to the Board and Shareholders on how it has discharged its duties.	Applied	The Chairman of the Board Audit & Risk Committee reports to the Board at all its meetings and minutes of the meeting are provided to the Board. The Chairperson of the Committee attends the Annual General Meeting to answer questions concerning matters falling within the ambit of the Committee and appropriate disclosures are made in the IAR.
4. The governance of risk			
4.1	The Board should be responsible for the governance of risk.	Applied	The Board Charter confirms the Board's responsibility for the governance risk and has delegated this to the Board Audit & Risk Committee. The Committee is responsible for the development and implementation of the ERM Framework including the policies, systems and processes, induction programs and appropriate training to ensure effective governance of risk.
4.2	The Board should determine the levels of risk tolerance.	Applied	The Board Audit & Risk Committee assists the Board in discharging its duties relating to the setting of Letshego Holdings Namibia's levels of risk tolerance. The risk appetite and tolerance levels contained in the ERM Framework were approved by the Board. The Board will review and approve recommendations to amend the risk appetite & tolerance levels by management committees.
4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	Applied	The Board Charter established the Board's responsibility for risk governance and delegated LHN's risk management responsibilities to the Board Audit & Risk Committee.
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	Applied	The Board Audit & Risk Committee assists the Board in discharging its duties relating to the responsibility to design, implement and monitor the risk management plan. The Committee approves the risk policies, strategies and plans for the effective management of risk including the establishment of risk management committees and the delegation of matters to those committees.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	Applied	The ERM Framework approved by the Board requires risk assessments to be performed on a continual basis across functions, subsidiaries, access channels, projects and new solutions.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Applied	Letshego Holdings Namibia has its Governance Framework, ERM Framework, Legal, Compliance and Anti-Money Laundering Framework and IT Governance Framework all approved by the Board for the effective management of risks across LHN Company and its Subsidiaries. The Board is updated quarterly on the level of embedding the risk frameworks, assessment of new or emerging risks and the tolerable level of residual risk amongst others.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	Applied	The Board Audit & Risk Committee ensures that management develops adequate risk responses and that the Committee considers and evaluates such responses. Risks are identified, assessed and monitored in line with the ERM framework and reported to the Committee on a quarterly basis.
4.8	The Board should ensure continual risk monitoring by management.	Applied	The Board Audit & Risk Committee approves the risk strategy and plans on an annual basis for effective implementation by Management. The Country Management Committee and other management committees such as the Asset Liability Management Committee, Risk Management Committee, Management Credit Committee, Procurement Committee and Information Technology Management Committee, will meet on a monthly basis to review the risk reports with quarterly reviews being conducted by the Board Audit & Risk Committee.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process	Applied	The Board receives risk assurance reports from Board Audit & Risk Committee on a quarterly basis after the committee reviews the report submitted by Management.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied	A detailed risk management report forms part of the integrated report to provide stakeholders with both adequate and accurate information on the risk management processes in Letshego and the effectiveness thereof. Further, Management provides assurance to the Board on a quarterly basis that the risk management plans are integrated in the daily activities of Letshego Holdings Namibia.

Ref.	Namcode Principle (s)	2018	Commentary
5. The governance of information technology			
5.1	The Board should be responsible for information technology (IT) governance.	Applied	The Board Charter recognizes the Board's responsibility for IT governance and the Board Audit & Risk Committee ensures that an IT governance charter and policies are established and implemented. This is supported by the Information Technology Management Committee at management level.
5.2	IT should be aligned with the performance and sustainability objectives of the Company.	Applied	Letshego Holdings Namibia's IT strategy is integrated with the Business strategy and business processes. The Board Audit & Risk Committee is responsible for the management of performance and sustainability objectives of LHN, and ensures that IT is aligned to these objectives
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	Applied	• The Board Audit & Risk Committee Charter requires the Committee to ensure that management is responsible for the implementation of the structures, processes and mechanisms for the IT governance framework. This is supported by the Information Technology Management Company Committee (ITMC)
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	Applied	According to the Company Information Technology Management Committee Charter, the Committee is responsible for the assessment of value delivered to the organisation through significant investments in technology and information, including the evaluation of projects through the life cycles and significant operational expenditure.
5.5	IT should form an integral part of the Company's risk management.	Applied	The IT Governance Framework and the Enterprise Risk Management framework of Letshego Holdings Namibia include the assessment and management of all significant IT risks. IT risk management includes disaster recovery planning, cyber security, system implementation of operational controls/policies, IT legal risks and compliance to laws, rules, codes and standards that are an integral part of Letshego Namibia's risk management.
5.6	The Board should ensure that information assets are managed effectively.	Applied	It is the responsibility of the Board Audit & Risk Committee to ensure that Letshego Holdings Namibia has systems in place for the management of information that include the protection of privacy of personal information and the continual monitoring of security of this information, irrespective of whether this information is at rest, in transmission or at disposal of IT Assets.
5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	Applied	The Board Audit & Risk Committee Charter requires the Committee to ensure that IT risks are adequately addressed, and that assurance is given to confirm that adequate controls are in place. The Board Audit & Risk Committee reviews IT risks and controls, adequacy of business continuity management including disaster recovery plans for IT, information security, privacy and authorized access.
6. Compliance with laws, rules, codes and standards			
6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.	Applied	Through the Board Audit & Risk Committee, the Board is able to address legal and compliance requirements of the institution, governed by a Legal, Compliance and Anti-money Laundering Framework. The Legal and Compliance update is a standing item in the Risk & Compliance report; in which the Board is appraised on legal and compliance risk and deliberates over the applicable legislations and the approach to the stated laws.
6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	Applied	Applicable laws are reported to the Board by the Legal and Compliance function. Any new legislation or rules which impact Letshego Holdings Namibia and its subsidiaries are notified to the Board, who are advised on the legal requirement applicability and how the same is being disseminated to the applicable areas of business which are impacted.
6.3	Compliance risk should form an integral part of the company's risk management process.	Applied	The Enterprise Risk Management framework and the Legal, Compliance and Anti-Money Laundering framework establishes Letshego Holdings Namibia's compliance risk standards. Management uses the tools to manage compliance risk from first, second and third lines of defence.
6.4	The Board should delegate to Management the implementation of an effective compliance framework and processes.	Applied	A Legal, Compliance and AML framework has been approved by the Board, which addresses the implementation of compliance controls and processes. The framework enhances and complements the Enterprise Risk Management Framework. Both documents delegate to management the effective ways we tackle compliance risks.

Ref.	Namcode Principle (s)	2018	Commentary
7. Internal audit			
7.1	The Board should ensure that there is an effective risk based internal audit.	Applied	An independent Internal Audit function is in place, governed by an approved Internal Audit Charter and reports functionally to the Board Audit & Risk Committee. A Quality Assurance Improvement Program of Internal Audit processes is reviewed annually by the Board Audit & Risk Committee. The last review was conducted in November 2017 and the Board Audit & Risk Committee is satisfied with progress made on implementation of the program.
7.2	Internal audit should follow a risk-based approach to its plan.	Applied	The Internal Audit Function follows a risk-based approach in its annual audit planning that is considered and approved by the Board Company Audit & Risk Committee. The risk-based planning direct time and effort toward the risks that most affect LHN's ability to implement strategy and achieve goals. The plan is reviewed quarterly in response to changes in LHN's business drivers, significant risks, operational programs and systems.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Applied	• Internal Audit reports quarterly to the Board Audit & Risk Committee on its assessment of internal controls and overall control consciousness of Letshego Holdings Namibia. The trend analysis of Internal Audit ratings from engagements completed over the past three years is used to assess improvement in the control environment. Also, management issue an annual Statement on Internal Controls to the Board Audit & Risk Committee that includes its commitment to resolve LHN's Internal Audit findings.
7.4	The Audit Committee should be responsible for overseeing internal audit.	Applied	The Board Audit & Risk Committee is responsible for overseeing Internal Audit. The Committee approves the Internal Audit charter, the annual internal audit plan, the budget and the resource plan of the function. Also, the Committee receives communication on Internal Audit's performance and significant findings. The Committee approves the appointment, removal and remuneration of the Senior Internal Auditor.
7.5	Internal audit should be strategically positioned to achieve its objectives.	Applied	The Internal Audit function is independent and reports to the Board Audit & Risk Committee. The Senior Internal Auditor is a permanent invitee to the Country Management Committee, has the respect and cooperation of both the Board and Management and has unrestricted access to the Board Audit & Risk Committee Chairman and members, including private meetings without management (executive sessions).
8. Governing stakeholder relationships			
8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation.	Applied	The Board Charter recognises the Board's responsibility to manage stakeholder relations and perceptions considering the potential risk to Letshego Holdings Namibia's reputation. The Board has put measures in place through the Board Audit & Risk Committee and the Country Management Committee to promote a culture that focuses on a unique customer experience, innovation, anticipatory risk, people commitment and stakeholder engagement to protect Letshego Holdings Namibia's reputation.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	Applied	The Board has delegated the effective management of stakeholder relationships to the Board Audit & Risk Committee and the Country Management Committee. To this end, the following policies were approved by the Board for implementation by management and staff: (i) Reputational Risk Policy (ii) External Communication Policy (iii) Sustainability and Environmental, Social, Governance Policy (iv) Strategic Social Investment Policy.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	Applied	The Board strives to achieve an appropriate balance between the interests of various stakeholders in its decision making. The Country Management Committee assists the Board in achieving this objective.
8.4	Companies should ensure the equitable treatment of Shareholders.	Applied	In line with the Companies Act 28 of 2004 and the Namibian Stock Exchange (NSX) Listings Requirements regarding the treatment of Shareholders, the Board is aware of its duty to ensure that all Shareholders are treated equally and equitably.

COMPLIANCE WITH THE NAMCODE (CONTINUED)

Ref.	Namcode Principle (s)	2018	Commentary
8.	**Governing stakeholder relationships (continued)**		
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	Applied	Letshego Holdings Namibia strives to provide complete, timely, relevant, accurate, honest and accessible information to its stakeholders whilst having regard to legal and strategic considerations. Further, independent consultants are engaged periodically to assess the level of stakeholder engagement in Letshego Holdings Namibia and its subsidiaries.
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	Applied	The Board Charter clearly addresses the issue of dispute resolution and the Board's approach in this regard. It is a policy of the Company to ensure that internal and external disputes are resolved as effectively and expeditiously as possible. To this end consideration is given in respect of each dispute whether settlement, litigation, arbitration, mediation or other forms of alternative dispute resolution would be the most effective mechanism to resolve a dispute in the best interest of the Company.
9. Integrated reporting and disclosure			
9.1	The Board should ensure the integrity of the Company's integrated report.	Applied	The Board is ultimately responsible for this integrated annual report and has put adequate measures through the Board Audit & Risk Committee to enable it to verify and safeguard the integrity of the report. The Board Audit & Risk Committee reviews and considers the financial statements and any other information in the integrated report for Board approval prior to publishing.
9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	Applied	In addition to Letshego Holdings Namibia's financial reporting, sustainability reporting is treated as part of the Strategic Social Investment initiatives in this integrated annual report.
9.3	Sustainability reporting and disclosure should be independently assured.	Not Applied	The Board does not have a formal process in place to obtain independence assurance over the sustainability reporting and disclosure in this integrated annual report.

Letshego Bank Namibia has joined the race to assist the sporting fraternity, which has been severely affected by our current economic crisis. NSC Chief Administrator Freddy Mwiya, Mr Jacques Bock and staff members of Namibia Sports Commission

Letshego Bank donates N$20 000 towards the Dr Libertine Amadthila Football Tournament for marginalised communities
Mrs Natasha Winkler, Mrs Ester Kali, Hon. Royal /Ui/o/oo, Deputy Minister, Mr James Uerikua

Letshego Bank continues to invest in improving livelihoods as part of our Strategic Social Investment initiatives that saw the institution supporting the Ecumenical Social Diaconate Action (ESDA)

4

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

OUR STRATEGIC INTENT

Our strategic intent is to build a leading Namibian financial services group with a focus on inclusive finance. To achieve this ambition, we have identified four strategic imperatives, and are building our capabilities to deliver on this.

EMBRACING FINANCIAL INCLUSION

We believe that driving an inclusive finance agenda is the catalyst to achieving broad based economic development and poverty eradication and therefore financial inclusion forms and integral part of our strategy. Through provide simple, appropriate and accessible solutions to the financially underserved, we are able to deliver on this mandate.

GROW THE FRANCHISE

The Company's brand and balance sheet growth have been built on providing loans to government employees and our success with this deduction at source model has allowed us to expand into adjacent sectors and initiate diversification strategies. As a holder of a commercial banking licence, LBN have launched platforms that enabled it to offer a more financially inclusive customer proposition through our diversifying into non-government consumer lending, payment and savings solutions.

With an existing consumer-lending customer base secured through our deduction at source lending business, we will deploy a robust approach to converting our existing customers to deposit taking customers.

ENHANCE CUSTOMER EXPERIENCE

We aim to provide access anytime, anywhere, as we believe mobile and other digital channels will disrupt traditional banking service access. Agency banking, internet banking and mobile financial services along with debit card capability, enable us to provide broad based financial solutions to our customers

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

EMBED A FUTURE CAPABILITY MODEL

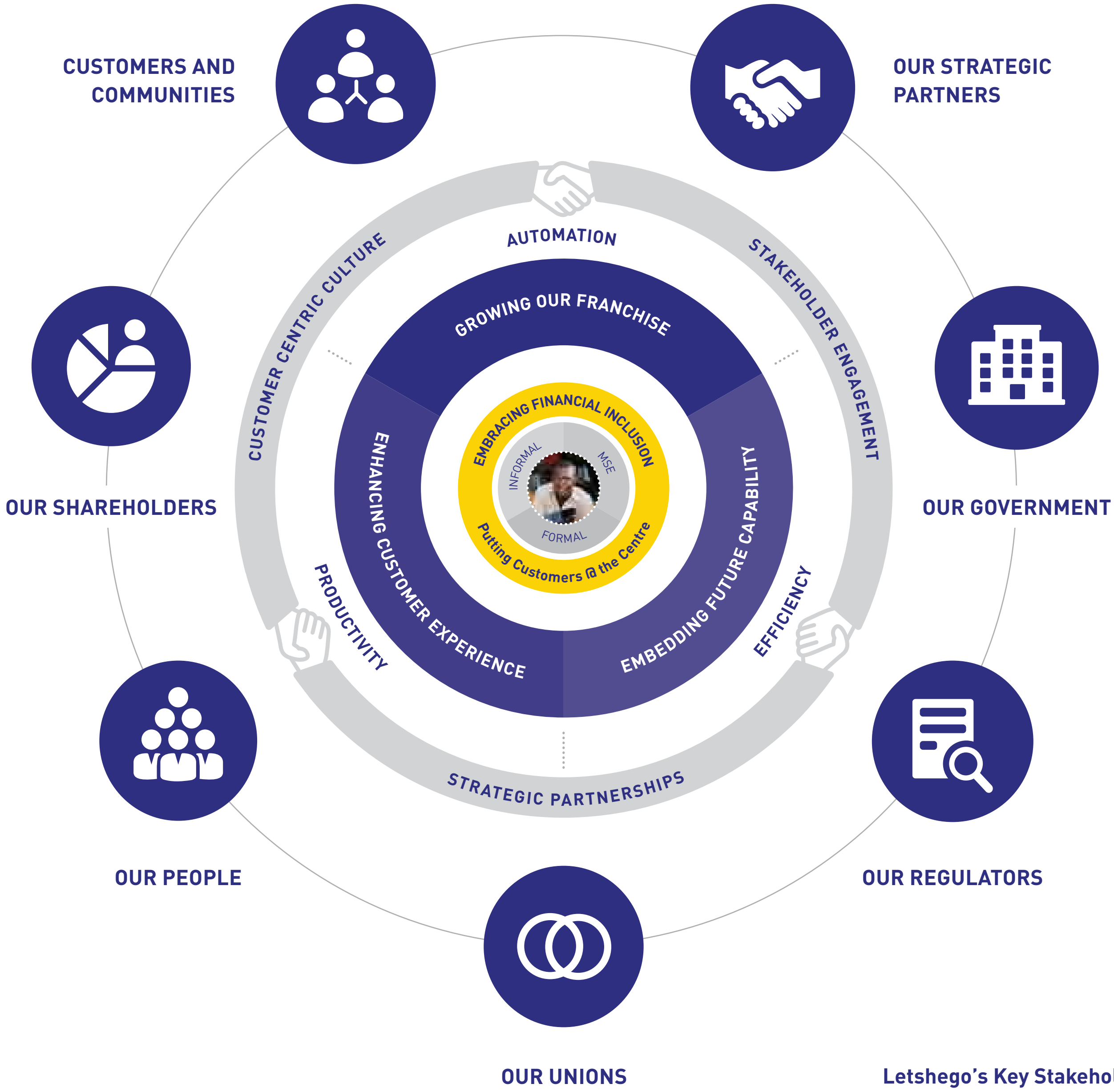
The importance of mobile technology to the financial services sector cannot be underestimated as it is increasingly becoming the most effective way to provide financial services to the population. With emerging digital technologies disrupting our conventional approaches to accessing financial solutions,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

We have identified key enablers to ensure that we deploy a business model that speaks to our changing financial landscape and will continue to drive progress in delivering these enablers.

Letshego Bank Namibia donated toiletry products to learners from Dagbreek Primary School, Windhoek

STAKEHOLDER MAPPING PROCESS

Our activities have impacts on a wide range of people and entities. Our relationship with those that have an interest in our business are key to our success. Through engaging and improving our interactions with our stakeholders, we increase our understanding of the risks and opportunities facing the business, and our ability to both consolidate our position in the market and take advantage of a deeper market understanding. Stakeholder engagement takes place by means of ongoing feedback and dialogue, with internal and external stakeholders. This process is managed by the executive leadership team and supported by the Board.



Letshego's Key Stakeholders

OUR KEY STAKEHOLDERS

We have identified our key stakeholders as follows:

Letshego Key Stakeholders

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2018
Our customers and communities	By understanding our customers' goals and challenges, we are able to respond with more appropriate financial solutions to meet our customers' needs. By understanding our relationship with the wider community, we increase our understanding of how our activities impact the broader society.	To maintain ongoing engagement with our customers, we utilise a variety of methods. We engage directly through face-to-face interaction at our branches and our direct sales agents, as well as via our call centre and our annual social impact survey. We engage indirectly through media platforms such as newspapers and radio, and via various internet platforms including our website.	• Improving lives' campaign • Direct marketing campaign • Trade fairs and shows • Thought leadership articles • Financial investments through SSI
Our people	Employees are the main channel to providing services to our customers. They are the face of the business and the custodians of the brand. To ensure that we are meeting our commitment to our people, and that we address their concerns, we consistently engage our people. Ultimately resulting in higher retention and attraction rates, as well as productivity improvements.	Regular communication also takes place to provide staff with strategic direction and keep them informed about Group activities. The staff feedback and engagement are conducive to a good working environment. We engage directly through face-to-face meetings, and indirectly through newsletters, training programmes, WhatsApp groups and our intranet.	• Town hall meetings • Roadshows • Live the rhythm, Own the pace • Quarterly newsletter • Family Day • Teambuilding events • Financial wellness programme • CEO engagements • Internal communications
Our unions	Discussions with unions enable us to better relate to our people. This helps us to improve our brand reputation and assists with improving market stability.	Our unions represent the collective interests of our people, and their participation is critical to gauging the issues affecting our people as well as labour issues in general. We engage directly through face-to-face meetings with shop stewards, union leaders and individual members.	• Wage negotiations • People matters

Stakeholder group	Reason for being key stakeholders	How we engage with them	Engagements held during 2017
Our shareholders	Our growth strategy, and our ability to increase value for stakeholders is related to our ability to access finance to fund our growth. Addressing shareholders' concerns is key to both attracting affordable funding and providing returns to our shareholders.	Understanding our shareholder expectations guides our strategy to achieve sustainable returns. We engage our shareholders through prescribed engagements such as Securities Exchange News Services (SENS) announcements, our Annual General Meetings (AGMs), Board meetings and Integrated Annual Reports. We also communicate at our results presentations and via media releases.	• AGMs • Board meetings • Ad-hoc meetings • Results Release, Investor roadshow
Our governments	Our relationship with government allows us to maintain our Deduction at Source codes, which is a significant driver of revenue. This relationship also allows access to a significant customer base. By sharing knowledge of lessons learnt in other geographies, our relationship with government is further strengthened.	Our engagements with governments ensure that we are contributing to national priorities. We engage through our participation in government-sanctioned events and our sessions during Deduction at Source code renewals.	• Financial inclusion survey (Stats Namibia) • DAS renewal meeting • Namibia Senior. Secondary Certificate (NSSC) Educational Awards
Our regulators	Our relationship with our regulators helps us maintain compliance with legislation. This in turn generates confidence in our other stakeholders, especially our customers and investors.	Our regulatory engagements provide guidance on regulation compliance and help maintain our attitude of a responsible corporate citizen. We engage through scheduled meetings and industry forums.	• Scheduled meetings • Industry forums • Bankers' Association meetings
Our strategic partners	Our strategic partners allow us to extend our reach and thus our ability to further financial inclusion in Namibia. Engagement with our strategic partners allows them to better position themselves to provide goods and services to us, and also ensures our requirements, which are key to our strategy are met.	Our strategic partners extend our capabilities and provide us with insights pertaining to our business. We engage through face-to-face meetings and Group-level engagements.	• Stakeholder events • Scheduled meetings • FLI workshops

OUR MATERIAL ISSUES IDENTIFICATION AND MANAGEMENT PROCESS

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

IDENTIFY	RANK	RESPOND	ASSESS
All Business Units provide input in identifying key material issues.	Rank according to greatest relevance and highest potential to impact on viability of our business and relationships with stakeholders	We respond to the material issues by assessing the impact on our risk tolerance and risk appetite.	We regularly assess the material matters to ensure that our strategy remains relevant.
A material issue must provide sustainable earnings for the business and create value to stakeholders.	Collaborative effort on ranking.	We evaluate scenario-modeling outcomes.	Regular re-evaluation of risks undertaken.
Areas of impact assessed: financial, environmental, social, strategic, competitive, legislative, reputational and regulatory matters (including policy matters).	Group Management Committee assumes responsibility for approval.	We evaluate the trade-offs between our forms of capital.	Regular reporting of changes in risks undertaken at Board level.
	Endorsement required by the Board.	We action activities required to manage material matters.	

MATERIAL STAKEHOLDER ISSUES

STAKEHOLDER	MATERIAL ISSUE RAISED	LETSHEGO RESPONSE AND APPROACH
OUR CUSTOMERS AND COMMUNITIES	ADDITIONAL SOLUTIONS	• Focus on mobile and digital channles • Launch of Lethego Bank Cards • Investigate provision of more traditional solutions
	ADDITIONAL DELIVERY CHANNELS	• Focus on customer care • Promote brand awareness and value
	RESPONSIBLE PRICING	• Review lessons leant • Loan consolidation promotion and awareness
OUR PEOPLE	REMUNERATION RE-ALIGNMENT DUE TO EVOLVING BUSINESS MODEL	• Salary Benchmarking Undertaken • Revision of talent management framework
	IMPROVING EMPLOYEE ENGAGEMENT	• Increased HR capacity, with focus on People issues
	TRAINING AND DEVELOPMENT OPPORTUNITIES	• Increased e-learning opportunities

MATERIAL STAKEHOLDER ISSUES (CONTINUED)

STAKEHOLDER	MATERIAL ISSUE RAISED	LETSHEGO RESPONSE AND APPROACH
OUR SHAREHOLDERS & INVESTORS	DELIVERING SUSTAINABLE RETURNS	• Improved Process Efficiency • Improved Response Time • Imroved Customer Satisfaction
	STRUCTURE OF SERVICE LEVEL AGREEMENTS	• Our diversification of solutions and delivery channels
	MANAGING COSTS OF FUNDING OPERATIONS AND EXPANSION	• Revision of service level agreements
	MANAGING INCREASED COMPETITION	• Development of retail deposit portfolio • Deepening our understanding of our market space

Tracy Garises, Communication Practitioner and Reverend Nakamela from Di-Toahego handover

MATERIAL STAKEHOLDER ISSUES (CONTINUED)

STAKEHOLDER	MATERIAL ISSUE RAISED	LETSHEGO RESPONSE AND APPROACH
OUR REGULATORS & GOVERNMENTS	PREVENTION OF OVER-INDEBTEDNESS	• Promotion of responsible financing • Promotion of productive uses of finance
	RESPONSIBLE CORPORATE CITIZENSHIP	• Investment in communities through Improving Lives Campaign and Strategic Social Investments
	CONTRIBUTION TO SOLVING NATIONAL CHALLENGES	• Investment in our employees • Investment in commission-based employees • Increasing employee complement
	STRENGTHENING GOVERNANCE	• New management committees • Improving alignment to the NamCode • Increased training on fraud prevention
OUR PARTNERS	CONTRIBUTION TO GROWTH OF PARTNERS	• Benefits of partnership
	ACCESSING PARTNERSHIP OPPORTUNITIES	• Letshego approach to developing strategic partnerships

5

OUR PEOPLE

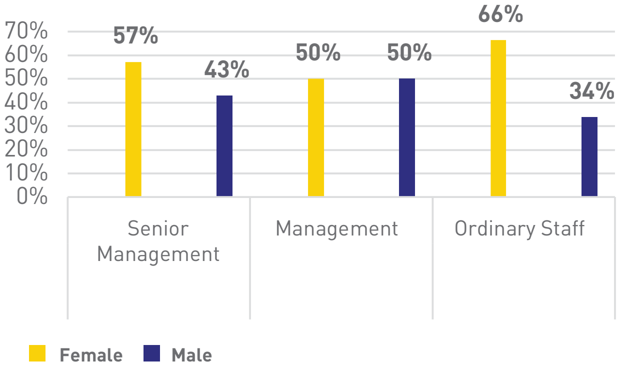
OUR PEOPLE

Effective and strategic talent management is integral to our future success, and therefore we strive to create an inclusive culture, where our people can contribute to creating a productive future for customers, society and themselves.

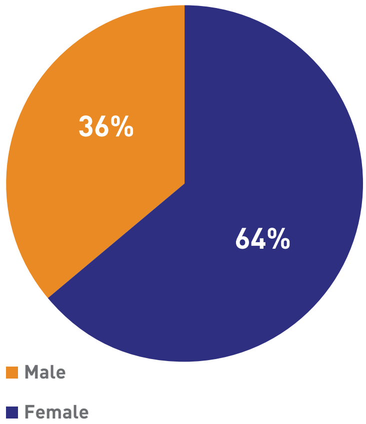
By ensuring diversity in our staff complement, we support our own innovation and performance. In total, we employ 116 people across Namibia, of which 63% are female and 21% of promotions to management were women

We've increased our headcount over the last three years, and to support the growth of our banking solution, new employees are being hired. In the environment of high unemployment, we are also increasing the number of agents significantly, contributing to employment in the informal sector. We believe that by hiring people locally, we can connect more fully to our customer base. 93% of our management team are Namibian citizens. Youth unemployment remains a serious challenge to economic growth and prevents the continent from reaping the benefits of the demographic dividend. Our focus on reducing youth unemployment has resulted in 58% of our staff being under the age of 30.

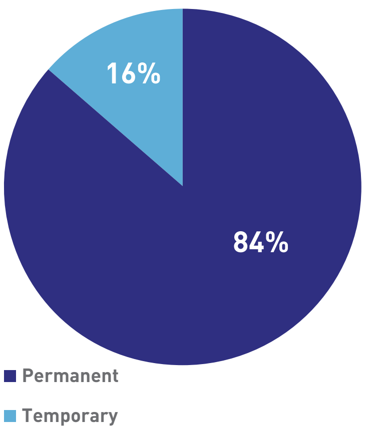
GENDER SPLIT BY LEVEL OF SENIORITY



OVERALL EMPLOYEE GENDER PROFILE



EMPLOYMENT STATUS



Head count analysis for 2018	
Number of full-time employees as at 31 December 2017	98
Employees hired during the year	29
Employees left during the year (voluntarily or due to dismissal, retirement, or death in service)	11
Number of full-time employees at 31 December 2018	116

EMPLOYEE VALUE PROPOSITION

To execute our strategy, several diverse skill-sets are required. We are focused on both upskilling and retaining our current people, as well as attracting new skills to deepen our talent pool. During 2018, we increased our staff complement by 30 people. Our focus during the year was to attract talent in the areas of operations and sales, where we hired 23 people. For 2019, we are focused on operations, sales and ICT.

Integrity and ethics are part of our core values, embodied in our company culture. We operate in accordance with the International Bill of Human Rights, including the UN Guiding Principles on Business and Human Rights, and take account of other internationally accepted human rights standards. We also respect and promote human rights through our employment policies and practices, through our supply chain and through the responsible provision of our products and services.

We have always believed in a fair and transparent remuneration philosophy to enhance our value proposition to staff. We have established a Remuneration Committee and have embarked on a salary benchmarking process to ensure that we are remunerating our people appropriately. This process has been ongoing over the last three years, and remuneration for staff has been adjusted accordingly. Also, we have focused on non-financial rewards and incentives, with our people being recognised or their contributions.

Benefits are granted to permanent employees whether they are full time or part time. Non-permanent employees make their ownarrangements for benefits such as retirement savings, death and disability cover and medical aid. Our employment policies provide for parental leave, and while temporary employees do not receive paid maternity/parental leave, they are entitled to four months of unpaid leave. Paternity leave of five days per annum can be taken as part of family responsibility leave. During 2018, employees used 130 days of parental leave, 15 days of annual leave and 5 days of sick leave.

We provide notice of consultation, then consult, conclude and provide notice of termination based on contractual notice with no period stipulated. However, we strive to be fair and responsible in our approach.

We have an occupational health and safety policy supported by standards in place to articulate the minimum mandatory controls and actions that business areas and functions must implement in addition to any relevant national and local legislation, to ensure that health and safety risks are adequately controlled. To provide a healthy and safe environment, all workers and employees on site are included in the management of health and safety. The bulk of our employees are office bound and have a low risk for work-related diseases. In an instance of a claim, we follow the directives provided in the applicable legislation. During 2018, we unfortunately had one fatality in our team, as a result of an incident that was not related to the employee's work for us.

EMPLOYEE TRAINING & DEVELOPMENT

In the past there was less focus on addressing the needs of our people within the business. However, our current talent management framework focusing on specific needs to enable the business strategy. Also, we are improving on the structure and standardisation of roles to clarify career development paths.

Of our people during 2018, 100% of employees had discussions about their performance and development. During 2019, we will be focusing on training to improve the collection of ESG data, this will facilitate the improvement in our measurement of social impact.

Gender	Number of people	Hours of training
Male	36	104
Female	60	512

EMPLOYEE WELLNESS

Our employee engagement surveys revealed that the bulk of our people (69%) are engaged. The survey revealed that remuneration and benefits remain an issue with strong themes around transparency. However, our younger employees indicate they are more satisfied with their remuneration and benefits when compared to the rest of the business and understand the impact their roles have on the organisations ability to achieve its strategy.

We have prioritised the need to introduce performance management through a standard model that is practiced consistently across the business.

Our people acknowledge that our levels of communication have improved over the last year, as we have expanded our human capital team to enable a higher level of interaction between our people and management, including increased face to face communication. Overall, there is a good relationship between employees and managers, which is core in any employment scenario. We have increased the engagement between middle and senior management to improve skills at that level. We've prioritised further investment into enhancing communication channels and engagements to maintain this positive trend. We've also undertaken revising of job profiles to better align these with the performance management framework.

We are pleased with these results especially with the improved levels of engagement noted to have taken place this year, as it is sometimes difficult to provide staff with all the information they need to remain informed and engaged.

We appreciate our staff wanting to play a bigger role in our efforts to improve lives. We are also aware of the fact that we are a small team, with many people dependent on our efforts. We know that many hands make light work, and as we grow our people complement, we will be able to have a greater impact on improving lives. As we make greater use of digital platforms, such as our intranet, our people will have an opportunity to feel more connected to our work through the profiling of work by their colleagues.

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REALISING FINANCIAL INCLUSION WHILE ENHANCING FINANCIAL PERFORMANCE

REALISING FINANCIAL INCLUSION WHILE ENHANCING FINANCIAL PERFORMANCE

Our ability to provide financial solutions to our customers is strongly-linked to the delivery channels that we utilise and the level of convenience that they provide to our customers. So, we are focused on ensuring that we provide a range of channels to suit their needs.

IMPROVED ACCESS

We are improving our customers access to financial solutions, and their ability to access our solutions anytime and anywhere. Digital channels are receiving increased focus as are SMS channels. As growth in our civil-servant lending portfolio stabilises in a competitive pricing environment, diversification to non-government lending should further increase access. We also have opportunities to increase access by increasing our portfolio of traditional microfinance lending and informal short-term loans.

We're improving our branches to be capable of offering banking services, and while we are focussing on digital and mobile channels to deliver services, many of our customers still want to make use of more traditional channels such as ATMs. We will continue to promote the benefits of digital and mobile solutions; however, we recognise this need and have seen that the launch of our Letshego Bank Cards has been received positively, with an increase in the number of new accounts.
In addition to increased number of solution channels, customers wonder if we will launch more traditional solutions, such as vehicle finance. Our solutions are focused on increasing levels of financial inclusion in Namibia, and our focus is on solutions that have productive rather than consumptive benefits, such as agriculture, education, health and housing.
We have increased our DSAs to 50 agents, and this is proving to support growth as an increasing percentage of new business is coming in through this channel.

Our most recent customer survey shows that most of our customers use funds borrowed from Letshego for education, home improvement or business improvements.

COST OF SERVICES

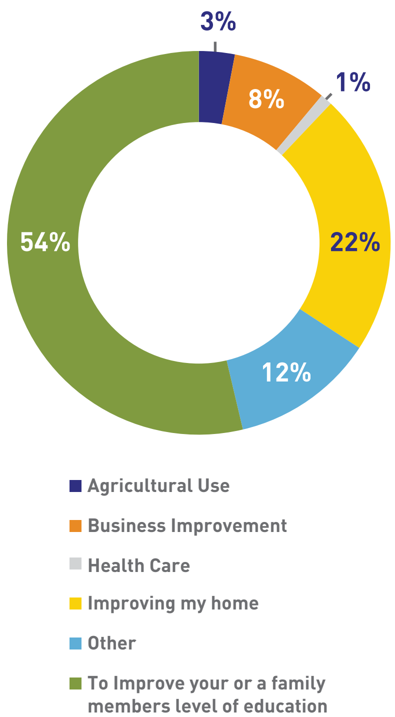
The issue of high interest rates is one that all MFIs must address to promote responsible finance. We foresee that as our customers begin to use our deposit solutions more, we will be able to offer even better value for money products to our customers. In addition, as policy and regulations relating to lending in the MFI space improves, people will begin to differentiate between reputable and non-reputable lenders. During 20198, we conducted a promotion of our loan consolidation offering. Through this innovation, we enable customers to consolidate their loans into one, which reduces the effective interest rate that they pay. This has the effect of increasing their disposable income, and easing their cashflow constraints.

COST OF BORROWING

We successfully reduced our interest expenses through the conversion of a shareholder's loan of almost N$ 900 million to preference shares. The loan from our parent company, Letshego Holdings Limited was converted to 1 000 redeemable non-cumulative preference shares of N$1,00 par value each with a premium of N$897 052 each during the year. This has resulted in an increase in the balance of non-controlling interest from N$215,1 million to N$1,1 billion. Also, we've reduced our overall debt from about N$1,1 billion, to N$594 million in 2018. During 2018, we also attracted new debt funding of N4 355 million, which exceeded our target of N$' 200 million.

As lending through banking activities increases, this will support growth in our financial results, by lowering the cost of funding through our ability to leverage our deposits. It will however take longer to build the scale of deposits necessary to reduce the cost of funding from other sources, but we expect to see movement in this direction soon.

USE OF LOAN



SOCIAL IMPACT SCORE CARD

We are doing a lot of work in the Environmental, Social and Governance (ESG) space, with a focus on articulating our ESG performance. We think that we have taken great strides in customer engagement and calculating our social impact. We have for the last 3 years collected robust customer demographic data through ongoing social surveys which this year we are going to correlate against our financial returns to establish the value addition to the business as a whole. With this information we are now armed and can better articulate our ESG strategy for the business and our value proposition in the markets we operate in.

We have partnered with the Ministry of Finance's 'Financial Literacy Initiative' to support the training, empowerment and upskilling of community members in managing their money effectively, as well as using financial loans for productive and sustainable purposes.

Our 'Improving Life' campaign actively recognises customers who use their loans for sustainable and productive purposes, such as education, home improvements and small businesses. Through this initiative, our customers provide us with insights into how our solutions have assisted our customers to improve their lives. We judge the entries to the competition on the loan benefits to the individual, their communities and their ability to generate revenue for Letshego. Also, we encourage our employees to participate in the gathering of these stories.

This initiative continues to attract interest with 4,130 entries received in 2018. We are also pleased to see that the percentage of entries that qualified as being productive as increased from 69% in 2017 to 73% in 2018.

MR TUOMBALE

Mr Tuombale is a teacher by profession, currently at school principal and he resides in a Village near Katima Mulilo called Sibbinda.

He managed to get a loan in 2013 and bought bricks to build a big shop that is divided into three sections; a butchery, mini Market and a sports bar to the value of N$350 000.

"As the manager of this shop I employ 3 people in my shop and pay them N$1200 per month. Business is moving well, I am so glad and I would like to thank Letshego for improving my life".

MR. PAULINU LUIS

"I grew up in the village in the North (15km from Eenhana). Letshego assisted and upgraded my previously disadvantaged life in numerous ways. My first loan was N$50 000.00 which I bought a car and made it a taxi and the rest I invested in a car wash and a business fridge.

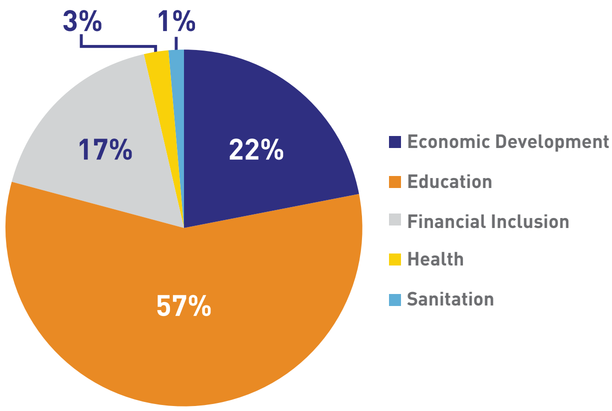
After 3 years of trading, I saved plenty of cash and decided to buy a jackpot machine and a bar. Back at home, in the village, we did not have tap water and we could not apply for electricity so I decided to get all these infrastructures. I fenced my land, and bought livestock, cattle, goats and sheep and supplements.

I am supporting my entire family. I constructed a modern house in my village, pay school fees and started a small business from home so that they can sustain themselves.

Letshego is a genuinely is a good financial company when it comes to supporting and uplifting communities. Thank you Letshego for improving my life."

COMMUNITY INVESTMENT

We take pleasure in being able to support worthwhile community initiatives. During 2018, we supported 29 such initiatives with a total spend of N$1,339,360, an increase on 2017's N$593,000. The bulk of funding was targeted at education initiatives, followed by economic development and increasing financial inclusion



Letshego

The CEO of Letshego Holdings Namibia, Ester Kali and Mrs. Natasha Winkler during a handover at Ministry of Education Excellence Awards 2018

Letshego Bank Namibia donated sanitary pads to learners from Havana Primary School, Windhoek

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DEFENDING OUR GAINS

DEFENDING OUR GAINS

There have been several new entrants in the micro lending space. Some are growing quite fast, supported by much larger banks as major shareholders. We welcome these new entrants, as competition drives innovation and ultimately the provision of a better service to customers. We understand our market space and invest significantly in maintaining our understanding of the market, leading to high levels of customer loyalty. Over and above this, through our development of strategic partnerships, ICT investments, robust governance and compliance processes, and our commitment to responsible lending, we will both defend and grow our value creation base.

STRATEGIC PARTNERSHIPS

Letshego's supply chain includes a range of entities from small and medium-sized enterprises to large corporates. Our suppliers provide services including retail operations, facilities management, technological services and infrastructure, and a broad range of professional services. We consider some of our supplier relationships to be strategic in nature, as these relationships provide us with key capabilities required to execute our strategy. These relationships include our technology partners, our ESG partners, and our DAS network.

We provide our strategic partners with access to markets that they would not be able to reach on their own, likewise our strategic partners leverage off of our deep understanding of the market to further their own success. We have adopted a consistent and methodical approach in identifying and engaging potential strategic partners, and we believe that successful partnerships arise from shared values, beliefs and principles between organisations with complimentary skills, and an adaptive, flexible culture. A successful strategic partnership is one where customers, partners and Letshego benefit from the provision of support, facilitation and progress towards a clearly defined goal.

We have managed to resolve several challenges regarding bottlenecks in the rollout of solutions involving our strategic partners and are confident that as these solutions are rolled out, our strategic partners will experience the growth that they are seeking. Strategic partners who enter into agreements with Letshego or its subsidiaries are subject to our anti-bribery and anti-corruption policies. Contracts thus communicate our zero tolerance to bribery and corruption.
We manage risk in our supply chain by ensuring that:

- Risk assessments on all key suppliers are conducted. Pre and post onboarding risks and issues are tracked.
- Compliance with the procurement policies is ensured and all suppliers are approved by the Procurement Committee.
- Material contracts are escalated to board for approval.
- Regular review of suppliers is conducted by the Procurement Committee.
- All control failures relating to suppliers are escalated through the incident management process and addressed as per agreed controls.

ICT INVESTMENTS

Our customers expect similar service levels when they are engaging with our branches and electronic solutions. This can be facilitated by increasing our customers' ease of accessing our solutions. Efficiently and effectively serving our customers will be best achieved with a compelling contemporary suite of IT hardware, software, skills and capability. To enable the diversification into the non-government sector, we are developing these capabilities which will enable collection of loan payments through Letshego Bank Namibia.

Technology offers us the ability to increase access for customers at lower costs, as this reduces the need for additional hard infrastructure investment such as branches, and further saves the customer costs by reducing travel requirements. The rise of cyber-crime means that this transition puts us at greater risk of losing data and having our IT systems compromised. This poses risk to our brand reputation, and possible non-compliance with laws. We are developing sufficient controls to identify these threats before they can do damage. We are also increasing capacity through the onboarding of addition staff with the required capabilities to pick up these risks, enabling us to respond adequately to them. Customer protection is important to us and we understand we need to focus on the various aspects associated with customer protection, including ensuring that our systems protect us against the misuse of customer data. Customer data should always be handled with the utmost confidentiality, we thus test and prepare for threats through the investment in data security, put in measures to prevent and detect fraud, ultimately benefiting the customer.

NEW REGULATIONS

In October 2018, the Microlending Act, 2018 (Act No. 7 of 2018) came into force. The Act aims to regulate and supervise the microlending businesses in Namibia, establishing an effective and consistent enforcement framework relating to microlending, and promoting responsible borrowing and lending.

We see the Micro Lending Act as a positive move to strengthen the sustainability of the micro lending market, through enforcing affordability assessments. We see the Act as bringing more certainty to the market, with clearly defined standards. In addition, as policy and regulations relating to lending in the MFI space improves, people will begin to differentiate between reputable and non-reputable lenders. This will improve our customer numbers as more individuals realise the value we offer, also increasing our ability to better price our solutions for existing and new customers. Overall, it may reduce our margins, but we are in a good position to be able to diversify in such an environment and gain additional market share as non-compliant lenders leave the market and competition becomes fewer. As steering members on the term lending association, that meets quarterly, we are engaging the regulator on issues around proposed legislation and regulation. In addition, we are participating in industry discussions around the regulation of deductions and enhanced EFT, to offer a solution where transactional accounts can be used to deduct loans.

COMPLIANCE WITH CENTRAL BANK REGULATIONS

Each year we undertake a risk assessment, this frames the focus for the upcoming year. These issues identified are presented to the board for discussion, review and approval, prior to implementation. An audit schedule is compiled and implemented, however if new risks are identified during the year these can be added to the list and will be tracked.

The sustainability of our banking strategy given the current economic climate has been questioned by the banking regulator. However the bank's strategy is monitored regularly to ensure that it is robust and responsive to changes in the external and internal environment. To this end, significant milestones have been achieved to date in our quest to building a financially inclusive, reputable bank.

RESPONSIBLE LENDING

We follow a detailed process when providing financial solutions to customers. This involves ensuring that the products we offer to customers and their delivery mechanisms are appropriate in their design and functionality. Our policies and processes for credit facilities involve affordability assessments and the use of credit reporting information in making decisions. We also monitor our customer base and larger market for signs of increasing risk in the micro-lending and banking sector.

Our people are trained and incentivised to understand the credit process, how financial solutions are priced, how to offer appropriate financial solutions, and treat customers throughout their financial journey with Letshego. We invest in capacitating our people in this regard.

We communicate in a clear and transparent manner with our customers, through appropriate channels and at appropriate times. We support them in decision-making through our marketing materials, call-centres, websites, and branch staff. We also provide support to financial literacy initiatives, which reduces the likelihood of customer defaults and empowers customers to manage their financial wealth.

We do our best to ensure that our pricing policies are in line with our customers' interests, which also assists with maintaining our portfolio quality.

Our codes of conduct, overseen by senior management in the Group, enforce the fair and respectful treatment of customers at all times, and prohibit discrimination relating to ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion.

Our customers' data is kept securely and confidentially, and customer consent is sought in relation to use of that data. We take customer complaints seriously, and we have a systematic process for resolution of complaints, which customers are also informed of through various channels, and we use this feedback to improve our solution offering.

We mitigate social and environmental risks, by adherence to our social and environmental management system, which details the requirements and controls for identifying transactions with potential social and/or environmental risks. Also, we maintain a strategic relationship with an independent ESG advisory firm, who assists us in keeping abreast of risks and opportunities to improve our social performance. We see these actions as key to improving our own sustainability.

At Letshego, we enforce a higher take home salary for our customers than prescribed by law, leaving us vulnerable to competition who offer much lower take home salary thresholds. However, we believe that our credit policies promote responsible financing, which is more sustainable in the long term. In addition, we offer our customers loan consolidation, which reduces the total cost of finance that they incur. At application stage, our customers disclose the purpose of funding to assist us in identifying customers at risk of over-indebtedness. This is over and above our promotion of productive lending and financial literacy through staff training, the improving lives campaign, and our media campaigns. The results of our social impact surveys reflect that only a small percentage of our customers are over-indebted. Lastly, we are also enhancing our governance frameworks, to embed our focus on customer protection.

We are continuously improving our understanding of social and environmental risks, through continued investment in ESG data collection and analysis. This includes the development of our social impact scorecard and enhancement of our social and environmental management systems, and integrated reporting process.
During 2018, we also participated in a number of industry forums, contributing to increasing sector knowledge and alignment. These include:

- EEFT (Enhanced EFT)
- PAN (Payments Association of Namibia)
- BAN IT (Bankers Association of Namibia)
- Bopcus/CBRS (Cross Border Reporting System)
- Swift
- BAN PR/Marketing subcommittee
- Quarterly risk Committee industry form
- Quarterly and Ad hoc BAN Compliance meetings
- Quarterly and Ad hoc BAN Legal meetings
- Quarterly and adhoc FIC industry meetings
- Ad hoc AML meetings held by Namfisa
- AML- Anti Money Laundering
- BAN- Bankers association of Namibia

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

COMPANY INFORMATION

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

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements and annual financial statements of Letshego Holdings (Namibia) Limited, comprising the statements of financial position at 31 December 2018, and the statements of comprehensive income, changes in equity and cash nows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Namibian Companies Act.

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

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

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

Approval of the annual financial statements
The annual financial statements of Letshego Holdings (Namibia) Limited, as identified in the first paragraph, set out on pages 96 to 174 were approved by the directors on 04 March 2019 and signed on their behalf by:

John Eugene Shepherd
Chairman

Ester Kali
Chief Executive Officer

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Letshego Holdings (Namibia) Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

What we have audited
Letshego Holdings (Namibia) Limited’s consolidated and separate financial statements set out on pages 96 to 174 comprise:

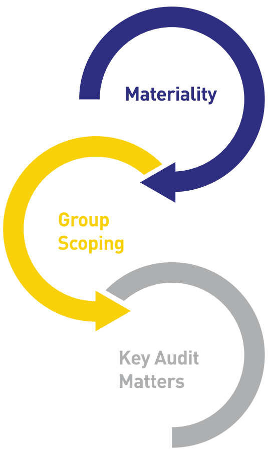
- the directors’ report for the year ended 31 December 2018;
- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

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

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

AUDIT OPINION



Overall group materiality
N$31,400,000, which represents 5% of consolidated profit before tax.

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

Key Audit Matters
Expected credit losses on advances to customers.

How we tailored our group audit scope

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

The group consists of the holding company and two subsidiaries. The group audit team performed a full scope audit on the holding company and both subsidiaries. The subsidiaries are Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) Limited.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	How our audit addressed the key audit matter

Expected credit losses on advances to customers
The quality of credit is one of the primary risks managed by the Group. As such, the quality of advances to customers, and the resultant expected credit loss (ECL) allowance, are key estimates made by management.
 	
The Group adopted IFRS 9 -Financial Instruments (IFRS 9) for the first time in the 2018 reporting period (Previously IAS 39 - Financial Instruments: Recognition and Measurement was applied). As a result, the accounting policies applicable to financial instruments have been amended accordingly.
 	
IFRS 9 requires the recognition of expected credit losses (ECLs) on all financial assets within the scope of its impairment model.
 	
The Group's advances to customers typically comprise of high volume and lower values, therefore a significant portion of the impairment is calculated on a portfolio basis. Management considered the segmentation of the loan book and determined that the loan consists of only one segment, namely Government employees. The non-government segment (which is expected to have a different risk profile), is less than 25% of the total portfolio (which is the threshold used in the model), thus management has not identified that segment as a separate segment for the purpose of the impairment assessment.
 	
Management measures the ECLs using a 3 stage model based on the delinquency level of individual loans.
 	
Stage 1 is not credit-impaired but is monitored by the group. As a result of past defaults or an increase in credit risk, financial assets move to Stage 2 and a lifetime credit risk model is applied. Advances in Stage 3 are credit impaired if 90 days past due.
	Our audit of the impairment allowance on advances to customers included, inter alia, the following audit procedures with the assistance of our internal
	
	• We assessed the accounting policies and impairment methodologies applied by management against the requirements of IFRS 9 - Financial Instruments and found no exceptions.
	
	• In assessing the appropriateness of the impairment model used by management, our audit procedures included the following:
	
	    • We assessed the appropriateness of the loan segmentation and need for any additional segments, which could have a material impact on the expected credit loss, by confirming that Government is listed as the employer in more than 75% of loans granted. Using our actuarial expertise, we assessed the appropriateness of management's determination that no additional segmentation was required;
	
	    • We validated the underlying data and calculations in respect of age buckets and found no exceptions;
	
	    • We tested the accuracy of the 12 - month PD calculation, which is used to calculate the 12-month ECL, which are applicable to Stage 1 loans, and found it to be accurate;
	
	    • We tested the accuracy of the lifetime PD calculation, which is used to calculate the lifetime ECL, which are applicable to Stage 2 and 3 loans, and found it to be accurate;
	
	    • We checked the appropriateness of three years being expected behavioural life of the entity's loan book, and found it to be reasonable;

Key audit matter	How our audit addressed the key audit matter
The inputs into the model process requiring significant management estimation and judgement include: • The probability of default (PD) - 12 months probability of default and lifetime probability of default; • The loss given default (LGD); and • Exposure at default (EAD) To mitigate credit risk, Letshego Bank (Namibia) Ltd loans are covered under a cell captive insurance arrangement between Letshego Holdings (Namibia) Ltd and the cell insurer. Forward looking information incorporated into the ECL model: Management has considered the Consumer Price Index (CPI) the most significant economic variable. We considered this area to be a matter of most significance in our audit of the current year due to the magnitude of the advances to customers balance, the first time adoption of IFRS 9 by the Bank and the degree of judgements applied by management in performing the IFRS 9 assessments. The disclosures associated with expected credit losses on advances to customers are set out in the consolidated financial statements in the following notes: Note 6.1.1 - Financial Risk Factors, Credit Risk (page 123); and Note 9 - Advances to Customers (page 158).	• We checked whether the consumer price index used as the most significant economic factor in calculating the PD's, is reasonable and consistent with what is happening in the Namibian Economy, and found it to be reasonable; • We tested the accuracy of the EAD calculation, and found it to be accurate; • We compared those assumptions that could have a material impact on the expected credit loss to actual experience, including the determination of probabilities of default (PD) and expected loss in the event of default (LGD). Our results did not identify material deviations; • We tested whether Letshego Bank (Namibia) Ltd loans are covered under cell captive insurance arrangement between Letshego Holdings (Namibia) Ltd and the cell insurer; • We tested the mathematical accuracy of the expected credit loss calculation and found no exceptions; • We tested the consistent application of the ECL models across the Group and found it was consistently applied; and • We tested the operation of impairment models, including, where required, building our own independent assessment and comparing our results to those of management. We found management's estimate of the ECL allowance on advances to customers to be within an acceptable range in the context of an incurred loss model.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Letshego Holdings (Namibia) Limited Annual Financial Statements for the year ended 31 December 2018. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company'sinternal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's repo1t to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's repmt. However, future events or conditions may cause the Group and/ or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying b·ansactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis van der Riet
Partner

Windhoek
5 March 2019

The directors present their report to the shareholders, together with the audited annual financial statements of Letshego Holdings (Namibia) Limited ("the company") and the audited consolidated annual financial statements of the company and its subsidiaries ("the group") for the financial year ended 31 December 2018.

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

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

3. **Share capital**
There was no change in the authorised and issued share capital of the company during the year under review.

4. **Dividends**
A dividend of 19.2 cents per ordinary share was declared and paid during the year under review (2017: N$ Nil).

5. **Directors and secretary**
The following persons were directors during the period under review:

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

**** Namibian   ^^ Indian   ^* German**

The secretary of the company is Bonsai Secretarial Compliance Services.

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

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

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

8. **Borrowing powers**
In terms of the Memorandum and Articles of Incorporation, the company has limited borrowing powers. The total borrowings of the Group at 31 December 2018 are N$464 million. Full details of the borrowings are shown in notes 13 and 14 to the consolidated annual financial statements.

9. **Major capital expenditures**
The Group made additions to its capital assets of N$4.3 million during the financial year.

10. Going concern

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

11 Investment in subsidiaries

			Effective holding	
Subsidiaries of Letshego Holdings (Namibia) Limited	**Number of shares held**	**Issued ordinary share capital and premium N$'000**	**2018 %**	**2017 %**
Letshego Bank (Namibia) Limited	999 994	100	100	100
Letshego Micro Financial Services (Namibia) (Pty) Ltd	1 000 000	570 100	99,9	99,9
	2018	**2017**	**2018**	**2017**
	N$'000	**N$'000**	**N$'000**	**N$'000**
Financial details of subsidiaries	**Aggregate income of subsidiaries before tax**		**Total investment**	
Letshego Bank (Namibia) Limited	42 682	123 980	100	100
Letshego Micro Financial Services (Namibia) (Pty) Ltd	549 602	359 383	570 100	570 100

12. Material post reporting date events

A dividend of 23.5 cents per ordinary share has been declared since the end of the reporting period. Apart from this, the directors are not aware of any matters or circumstances arising since the end of the financial period and up to the date of this report, that would require adjustment of, or disclosure in these annual financial statements.

13. Auditors

PricewaterhouseCoopers was appointed as auditors in 2018 in accordance with the Namibian Companies Act with the approval of the shareholders.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		COMPANY		GROUP	
		31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	Note	**N$**	N$	**N$**	N$
ASSETS					
Cash and cash equivalents	7	**1 119 927**	24 538 527	**750 860 322**	323 676 300
Other receivables	8,1	**18 203 676**	19 674 767	**131 287 964**	125 874 656
Intercompany receivable	8,2	**1 355 073**	22 831 373	**-**	-
Advances to customers	9	**-**	-	**2 555 621 590**	2 424 222 108
Property and equipment	10	**-**	-	**9 643 952**	11 103 787
Investment in subsidiaries	29	**1 914 353 808**	1 914 353 808	**-**	-
Current taxation	12.4	**7 233 463**	7 233 463	**22 347 358**	15 086 702
Total assets		**1 942 265 947**	1 988 631 938	**3 469 761 186**	2 899 963 553
LIABILITIES AND EQUITY					
Liabilities					
Trade and other payables	11	**258 868**	88 624	**50 906 611**	43 445 878
Deferred taxation	12,3	**-**	-	**4 301 833**	3 452 689
Borrowings	13	**-**	-	**341 050 891**	63 555 736
Intercompany payables	14	**17 831 009**	-	**123 398 691**	907 139 354
Deposits due to customers	15	**-**	-	**74 748 898**	90 205 059
Total liabilities		**18 089 877**	88 624	**594 406 924**	1 107 798 716
SHAREHOLDERS' EQUITY					
Share capital	16	**100 000**	100 000	**100 000**	100 000
Retained earnings		**579 922 262**	644 289 506	**1 162 814 840**	873 985 170
Capital reorganisation reserve	28	**1 344 153 808**	1 344 153 808	**701 024 198**	701 024 198
Equity settled share based payment reserve	17	**-**	-	**1 072 218**	1 970 626
		1 924 176 070	1 988 543 314	**1 865 011 256**	1 577 079 994
Non-controlling interest		**-**	-	**1 010 343 006**	215 084 843
Total equity		**1 924 176 070**	1 988 543 314	**2 875 354 262**	1 792 164 837
Total liabilities and equity		**1 942 265 947**	1 988 631 938	**3 469 761 186**	2 899 963 553

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		COMPANY		GROUP	
		31 December	31 December	31 December	31 December
	Notes	2018	2017	2018	2017
		N$	N$	N$	N$
Interest income from lending activities	21	-	-	596 693 160	563 374 872
Credit impairment (charge) / release	9	-	-	(18 225 673)	9 552 790
Interest after impairment		-	-	578 467 487	572 927 662
Other interest income	21	24 149	55 755	21 464 747	12 375 910
Interest expense	21	-	-	(32 866 178)	(114 037 821)
Net interest income after impairment		24 149	55 755	567 066 056	471 265 751
Dividend income		-	570 000 000	-	-
Fee income	22	-	-	1 175 997	2 228 794
Other operating income	24	37 803 295	35 254 806	255 340 167	206 605 614
Employee benefits	19	(60 739)	-	(49 263 424)	(37 857 658)
Other operating expenses	20	(1 667 994)	(1 257 785)	(145 936 115)	(124 826 783)
Operating profit before taxation	18	36 098 711	604 052 776	628 382 681	517 415 718
Taxation	12	(4 465 952)	(11 818 668)	(159 510 070)	(132 159 358)
Profit for the year		31 632 759	592 234 108	468 872 611	385 256 360
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		31 632 759	592 234 108	468 872 611	385 256 360
Basic earnings per share (cents)	33	6	118	94	77
Fully diluted earnings per share (cents)	33	6	118	94	77

STATEMENTS OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2018

COMPANY	Share capital N$	Equity settled share based payment reserve N$	Retained earnings N$	Capital reorganisation reserve N$
As at 1st January 2018	**100 000**	**-**	**644 289 506**	**1 344 153 808**
Net asset value of subsidiary acquired				
Total comprehensive income for the year				
Profit and total comprehensive income for the period	**-**	**-**	**31 632 759**	**-**
Ordinary share dividend paid	**-**	**-**	**(96 000 003)**	**-**
Transactions with equity holders, recorded directly in equity				
Contributions by equity holders				
Shares issued				
Share based payment transactions				
As at 31 December 2018	**100 000**	**-**	**579 922 262**	**1 344 153 808**
As at 1st January 2017	100 000	-	52 055 398	1 344 153 808
Net asset value of subsidiary acquired				
Total comprehensive income for the year				
Profit and total comprehensive income for the period	-	-	592 234 108	-
Dividends paid				
Transactions with equity holders, recorded directly in equity				
Contributions by equity holders				
Shares issued				
Share based payment transactions				
As at 31 December 2017	100 000	-	644 289 506	1 344 153 808

Ordinary shareholders' reserve	Non-controlling interest * N$	Total equity N$
1 988 543 314	**-**	**1 988 543 314**
31 632 759	**-**	**31 632 759**
(96 000 003)		**(96 000 003)**
1 924 176 070	**-**	**1 924 176 070**
1 396 309 206	-	1 396 309 206
592 234 108	-	592 234 108
1 988 543 314	-	1 988 543 314

Letshego

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT 31 DECEMBER 2018

GROUP	Share capital N$	Equity settled share based payment reserve N$	Retained earnings N$	Capital reorganisation reserve N$
As at 1st January 2018	**100 000**	**1 970 626**	**873 985 170**	**701 024 198**
Changes on initial application of IFRS 9	-	-	3 953 826	-
Restated balance at 1st January 2018	**100 000**	**1 970 626**	**877 938 996**	**701 024 198**
Total comprehensive income for the period				
Profit and total comprehensive income for the year	-	-	**468 872 611**	-
Ordinary share dividend paid	-	-	**(96 000 003)**	-
Preference share dividend paid			**(87 996 763)**	-
Transactions with equity holders, recorded directly in equity				
Contributions by equity holders				
Preference shares issued	-	-	-	-
Preference shares redeemed	-	-	-	-
Share based payment transactions	-	**(898 408)**	-	-
As at 31 December 2018	**100 000**	**1 072 218**	**1 162 814 841**	**701 024 198**
As at 1st January 2017	100 000	1 431 886	602 062 143	701 024 198
Total comprehensive income for the period				
Profit and total comprehensive income for the year	-	-	385 256 360	-
Dividends paid	-	-	(113 333 333)	-
Transactions with equity holders, recorded directly in equity				
Contributions by equity holders				
Shares issued				
Share based payment transactions	-	538 740	-	-
As at 31 December 2017	100 000	1 970 626	873 985 170	701 024 198

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

Ordinary shareholders' reserve	Non-controlling interest * N$	Total equity N$
1 577 079 994	**215 084 843**	**1 792 164 837**
3 953 826	-	3 953 826
1 581 033 820	**215 084 843**	**1 796 118 663**
468 872 611	**-**	**468 872 611**
(96 000 003)	**-**	**(96 000 003)**
(87 996 763)	**-**	**(87 996 763)**
-	**897 053 038**	**897 053 038**
-	**(101 794 875)**	**(101 794 875)**
(898 408)	**-**	**(898 408)**
1 865 011 257	**1 010 343 006**	**2 875 354 263**
1 304 618 227	215 084 843	1 519 703 070
385 256 360	-	385 256 360
(113 333 333)	-	(113 333 333)
538 740	-	538 740
1 577 079 994	215 084 843	1 792 164 837

STATEMENTS OF CASH FLOWS

AS AT 31 DECEMBER 2018

		COMPANY		GROUP	
		31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**N$**	N$	**N$**	N$
Operating profit before taxation		**36 098 711**	604 052 776	**628 382 681**	517 415 718
Interest paid		**-**	-	**32 866 178**	114 037 821
Dividends received		**-**	(570 000 000)	**-**	-
Adjusting items of a non-cash nature:					
Depreciation	10	**-**	-	**5 052 299**	3 869 823
Impairment allowance on advances	9	**-**	-	**13 023 260**	(9 213 797)
Equity settled share based payment transactions	17	**-**	-	**(898 408)**	538 740
Loss on disposal of plant and equipment		**-**	-	**689 272**	-
Changes in working capital:					
Movement in advances to customers	9	**-**	-	**(140 468 916)**	(296 328 994)
Movement in other receivables	8,1	**1 471 092**	27 128 438	**(5 413 308)**	(57 712 116)
Movement in trade and other payables	11	**170 243**	88 624	**7 460 733**	999 866
Movement in customer deposits	15	**-**	-	**(15 456 161)**	90 205 059
		37 740 046	61 269 838	**525 237 630**	363 812 120
Tax paid	12.4	**(4 465 952)**	(23 874 445)	**(165 921 582)**	(139 193 220)
Net cash flow from operating activities		**33 274 094**	37 395 393	**359 316 048**	224 618 900
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of motor vehicles, furniture and equipment	10	**-**	-	**(4 281 737)**	(4 472 472)
Dividend received		**-**	570 000 000	**-**	-
Investment in subsidiary		**-**	(570 000 000)	**-**	-
Net cash (used in) / from investing activities		**-**	-	**(4 281 737)**	(4 472 472)

STATEMENTS OF CASH FLOWS (CONTINUED)

AS AT 31 DECEMBER 2018

		COMPANY		GROUP	
		31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**N$**	N$	**N$**	N$
Preference shares issued during the year		**-**	-	**897 053 038**	-
Preference shares redeemed during the year		**-**	-	**(101 794 875)**	-
Ordinary share dividend paid		**(96 000 003)**	-	**(96 000 003)**	(113 333 333)
Preference share dividend paid		**-**	-	**(87 996 763)**	-
Borrowings received		**-**	570 000 000	**325 000 000**	670 000 000
Borrowings repaid		**-**	(570 000 000)	**(47 504 845)**	(606 444 264)
Interest paid		**-**	-	**(32 866 178)**	(114 037 821)
Increase in intercompany loans	14	**39 307 308**	(12 856 865)	**(658 740 663)**	137 719 270
Repayments of intercompany loans		**-**	-	**(125 000 000)**	(30 000 000)
Net cash generated from financing activities		**(56 692 695)**	(12 856 865)	**72 149 711**	(56 096 148)
Net movement in cash and cash equivalents		**(23 418 601)**	24 538 528	**427 184 022**	164 050 280
Movement in cash and cash equivalents					
At the beginning of the year		**24 538 528**	-	**323 676 300**	159 626 020
Movement during the year		**(23 418 601)**	24 538 528	**427 184 022**	164 050 280
At the end of the period	7	**1 119 927**	24 538 528	**750 860 322**	323 676 300

1. REPORTING ENTITY

Letshego Holdings (Namibia) Limited is a Company domiciled in Namibia. The address of the Company's registered office is 18 Schwerinsburg Street, Windhoek, Namibia. The consolidated financial statements of Letshego Holdings Namibia Limited as at and for the year ended 31 December 2018 comprise the Company and the interest in its two subsidiaries, namely, Letshego Bank (Namibia) Limited and Letshego Micro Financial Services (Namibia) (Pty) Ltd. The Group is primarily engaged in the provision of banking and other financial services to members of the public.

2. BASIS OF PREPARATION

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

b) Functional and presentation currency

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

c) 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 Notes 6 and 9.

Going concern

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

Impairment of advances to customers

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 6.1.1, which also sets out key sensitivities of the ECL to changes in these elements. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 6.1.1.

2. BASIS OF PREPARATION (CONTINUED)

c) Use of estimates and judgment (continued)

Current and deferred taxation

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

Provisions and other contingent liabilities

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

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

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

Effective Interest Rate (EIR) method

The Group's EIR methodology, as explained in Note 4.f), recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

3. CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate the comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in section 4. below.

a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets		NAD		NAD
Cash and cash equivalents	Amortised cost (Loans and receivables)	323 676 300	Amortised cost	323 676 300
Other receivables	Amortised cost (Loans and receivables)	125 874 656	Amortised cost	125 874 656
Advances to customers	Amortised cost (Loans and receivables)	2 424 222 108	Amortised cost	2 428 175 934
Financial liabilities				
Deposits due to customers	Amortised cost (Other)	90 205 059	Amortised cost	90 205 059
Intercompany payable	Amortised cost (Other)	907 139 354	Amortised cost	907 139 354
Borrowings	Amortised cost (Other)	63 555 736	Amortised cost	63 555 736

b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to Note 4. f) for more detailed information regarding the new classification requirements of IFRS 9. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
	NAD	NAD	NAD	NAD
Amortised cost				
Cash and cash equivalents				
Opening balance under IAS 39 and closing balance under IFRS 9	323 676 300			323 676 300
Other receivables				
Opening balance under IAS 39 and closing balance under IFRS 9	125 874 656			125 874 656
Advances to customers				
Opening balance under IAS 39	2 424 222 108			
Remeasurement: ECL allowance			3 953 826	
Closing balance under IFRS 9				2 428 175 934
Total financial assets measured at amortised cost	**2 873 773 064**	**-**	**3 953 826**	**2 877 726 890**

The total remeasurement gain of NAD 3,953,826 was recognised in opening reserves at 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39	Reclassification	Remeasurement	Loan loss allowance under IFRS 9
	NAD	NAD	NAD	NAD
Loans and receivables (IAS39) / Financial assets at amortised cost (IFRS 9)				
Cash and cash equivalents	-	-	-	-
Other receivables	-	-	-	-
Intercompany receivable	-	-	-	-
Advances to customers	13 063 342	-	(3 953 826)	9 109 516
Total	**13 063 342**	**-**	**(3 953 826)**	**9 109 516**

Further information on the measurement of the impairment allowance under IFRS 9 can be found in Note 6.1.1.

4. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

Interest in subsidiaries

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

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

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

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

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

Capital re-organisation reserve accounting

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

b) Foreign currency transactions

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Revenue recognition

Revenue comprises interest income and non-interest income.

i. Interest income

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

Collection fees on loans granted and commission paid to sales agents

Collection fees on loans granted and commission paid to sales agents are charged upfront and capitalised into the loan. These fees are primarily based on the cost of granting the loan to the individual. In accordance with IAS 18 Revenue, these collection fees on loans granted and commission paid to sales agents are considered an integral part of the loan agreement and are therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method.

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

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

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

ii) Fee income

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

iii) Dividend income

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

d) Leases

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

Leases which merely confer the right to the use of an asset rather then 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Taxation

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

i) Current taxation

Current taxation is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Taxable income is determined by adjusting the profit before taxation for items which are non-taxable or disallowed in terms of tax legislation. Current tax is charged or credited to profit or loss, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the tax is also dealt with in equity.

ii) Deferred taxation

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

The principal temporary differences arise from depreciation on property 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 assets and liabilities

Measurement methods

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired (see definition on Note 6.1.1) at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities (continued)

Measurement methods (continued)

Amortised cost and effective interest rate (continued)

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

Interest income

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

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

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

Initial recognition and measurement

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

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note 6.1.1, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities (continued)

(i) Financial assets

1. Classification and subsequent measurement
From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

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

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

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

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

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 6.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- *Fair value through other comprehensive income (FVOCI)*: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- *Fair value through profit or loss*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities (continued)

(i) Financial assets (continued)

1. Classification and subsequent measurement (continued)

Debt instruments (continued)

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities (continued)

(i) Financial assets (continued)

2. Impairment

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

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

Note 6.1.1 provides more detail of how the expected credit loss allowance is measured.

Write-off

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

3. Modification of loans

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

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

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities (continued)

(i) Financial assets (continued)

4. Derecognition other than on a modification

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

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

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

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

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

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

ii) Financial liabilities

1. Classification and subsequent measurement

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities (continued)

ii) Financial liabilities (continued)

2. Derecognition

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

iii) Offsetting

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

iv) Cash and cash equivalents

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

v) Other receivables

Financial instruments

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

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

Non-financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets and liabilities (continued)

ii) Financial liabilities (continued)

2. Derecognition (continued)

vi) Trade and other payables

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

g) Property and equipment

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

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

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

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

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

Depreciation is calculated to write-down the cost of items of property 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 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
Furniture and fittings	4 years
Office equipment	5 years
Leasehold improvements	5 years
Motor vehicles	4 years

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment of non-financial assets

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

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

i) Employee benefit costs

Defined contribution plan

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

Leave days

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

Employee incentives and bonus schemes

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

Short-term benefits

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

j) Share based payment transactions

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

k) Provisions

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Equity

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

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

m) Share capital and reserves

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

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

n) Dividends

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

o) Contingent liabilities

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

p) Related parties

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

q) Investment in subsidiaries

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

r) Cell accounting

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

5. NEW STANDARDS AND AMENDMENTS TO STANDARDS

a) New standards and interpretations and amendments effective for the first time for 31 December 2018 year-end

Standard/Interpretation	Effective date	Executive Summary
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.

b) New standards and interpretations and amendments issued but not effective for 31 December 2018 year-end

Standard/Interpretation	Effective date	Executive Summary
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	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.

5. NEW STANDARDS AND AMENDMENTS TO STANDARDS (CONTINUED)

b) New standards and interpretations and amendments issued but not effective for 31 December 2018 year-end (continued)

Standard/Interpretation	Effective date	Executive Summary
		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 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"
- 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"

Impact of IFRS 16

- IFRS 16: Leases has not yet been applied, as it is applicable for annual reporting periods commencing 1 January 2019, and this is the date on which the Group expects to first apply IFRS 16.
- The IFRS 16 implementation project is still at infancy stage and is expected to be completed in the third quarter of the 2019 financial year.
- The simplified approach will be adopted in transitioning to IFRS 16.
- Key judgements and estimates to be made include assessing whether an arrangement contains a lease, determining the lease term, calculating the discount rate and determining any service/lease components of arrangements to be separated from the lease payments.
- The expected impact of transitioning to IFRS 16 on the date of transition is an increase in assets (Right-of-use) of approximately NAD 2.4 million and a corresponding increase in lease liabilities of NAD 2.4 million.
- The expected lease liability of NAD 2.4 million would be NAD 400 thousand more than the current lease commitments.

6. FINANCIAL RISK MANAGEMENT

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

6.1 Financial risk factors

6.1.1 Credit risk

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

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

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

Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Board Credit Committee, or the Board of Directors, as appropriate.

- Reviewing and assessing credit risk: The Credit function assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the Group's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)
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.

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

Expected credit loss measurement
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to the "Significant increase in credit risk" section below for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to the Definition of default and credit-impaired assets" section below for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the "Measuring ECL – Explanation of inputs, assumptions and estimation techniques" section below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. The "Forward-looking information incorporated in the ECL models" section below includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

Change in credit since initial recognition

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Expected credit loss measurement (continued)
The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

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

Quantitative criteria:
The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised if the delinquency position has deteriorated since initial recognition. For example, the migration of a loan from 30 days past due to 60 days past due bucket would indicate a significant increase in credit risk.

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

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

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

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

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

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Definition of default and credit-impaired assets (continued)

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

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

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

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

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

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

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

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

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

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

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

In addition to the base economic scenario, other possible scenarios along with scenario weightings are also provided. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

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

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

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

Grouping of instruments for losses measured on a collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Credit risk exposure

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

	Advances to customers				
	2018				2017
	ECL Staging				
	Stage 1 12-month ECL N$	Stage 2 Lifetime ECL N$	Stage 3 Lifetime ECL N$	Total N$	Total N$
Credit grade					
Investment grade	2 402 203 845	-	-	2 402 203 845	2 341 584 173
Standard monitoring	-	61 533 115	-	61 533 115	21 450 703
Special monitoring	-	26 543 726	-	26 543 726	8 527 188
Default	-	-	87 473 680	87 473 680	65 723 386
Gross carrying amount	2 402 203 845	88 076 841	87 473 680	2 577 754 366	2 437 285 450
Loss allowance	(4 170 894)	(1 154 167)	(16 807 714)	(22 132 776)	(13 063 342)
Carrying amount	2 398 032 951	86 922 674	70 665 966	2 555 621 590	2 424 222 108

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

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period [see Note 4.f)i)].

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Credit risk exposure

Loss allowance (continued)

Advances to customers	Stage 1 12-month ECL N$	Stage 2 Lifetime ECL N$	Stage 3 Lifetime ECL N$	Total N$
Loss allowance as at 1 January 2018	2 217 537	402 498	6 489 481	9 109 516
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(4 404 920)	215 761	-	(4 189 159)
Transfer from Stage 1 to Stage 3	(3 792)	-	48 157 640	48 153 848
Transfer from Stage 2 to Stage 1	-	-	-	-
New financial assets originated	6 256 119	-	-	6 256 119
Changes in PDs/LGDs/EADs	105 950	660 401	3 468 958	4 235 309
Total net P&L charge during the period	**4 170 894**	**1 278 660**	**58 116 079**	**63 565 633**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				
Transfer from Stage 3 to Stage 2	-	(62 246)	62 246	-
Write-offs	-	-	(41 432 857)	(41 432 857)
Loss allowance as at 31 December 2018	**4 170 894**	**1 216 414**	**16 745 468**	**22 132 776**

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

- The write-off of loans with a total gross carrying amount of NAD41.4 million which resulted in the reduction of the Stage 3 loss allowance by the same amount.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

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

Advances to customers	Stage 1 12-month ECL N$	Stage 2 Lifetime ECL N$	Stage 3 Lifetime ECL N$	Total N$
Gross carrying amount as at 1 January 2018	**2 341 584 173**	**29 977 892**	**65 723 386**	**2 437 285 451**
Transfers:				
Transfer from Stage 1 to Stage 2	(169 679 566)	169 679 566	-	-
Transfer from Stage 1 to Stage 3	(1 692 031)	-	1 692 031	-
Financial assets derecognised during the period other than write-offs	(486 891 487)	(248 062)	-	(487 139 549)
New financial assets originated	718 882 756	-	-	718 882 756
Write-offs	-	-	(91 274 292)	(91 274 292)
Gross carrying amount as at 31 December 2018	**2 402 203 845**	**199 409 396**	**(23 858 875)**	**2 577 754 366**

The Group's exposure to credit risk can be divided into two categories
- Advances
- Financial assets other than advances

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

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

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

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

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

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

- Physical identification of the customer via their identification document and proof of address;
- The customer's 3 month income, monthly living expense, declaration of financial obligations, wage frequency, employer and bank details are captured;
- Electronic Credit Bureau data obtained;
- The captured details, the customer's bureau record, and the customers' historical performance on existing loans is used by the Application Scorecard to determine the customers' risk;
- The customer is then assessed against the business rules; and
- To mitigate against fraud, compliance and credit risk, the customer's completed application flows to the Quality Control Department.

Credit monitoring
The Group utilises various reporting and monitoring tools to engage in and control ongoing credit risk within the credit life-cycle. These include the following:
- Real time monitoring on application volumes, approval rates and processing quality;
- Credit efficiency reports;
- Vintage collection reports to establish the initial recovery process efficiency;
- Credit aging reports to manage and control loan delinquency and provisioning;
- Active payment, collection and integrity trend analysis to control and manage underlying risks and movement within the day to day operational procedures.

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

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.

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

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

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

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

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

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

- Advances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets and ratified between default statistics, is performed in order to develop an historical base for statistics on probability of default (PD).
- These derived statistics, based on actual experience, are used in plotting default values on a model curve that reflects the risk profile of the portfolio.
- The expected amount outstanding when default occurs that is not subsequently recovered, or the loss given default (LGD), is taken into account in calculating the impairment allowance.

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

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

Credit Quality

	COMPANY		GROUP	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
Analysis of credit quality	**Advances**	Advances	**Advances**	Advances
	N$	N$	**N$**	N$
Financial assets that are neither past due nor specifically impaired	**-**	-	**2 446 734 935**	2 341 584 172
Past due and specifically impaired	**-**	-	**131 019 431**	95 701 278
Total credit exposure	**-**	-	**2 577 754 366**	2 437 285 450
Total impairments				
Incurred but not reported (IBNR)	**-**	-	**(5 133 243)**	(3 936 055)
Portfolio specific impairment	**-**	-	**(983 431)**	(197 337)
Specific impairment	**-**	-	**(16 016 102)**	(8 929 950)
Net advances	**-**	-	**2 555 621 590**	2 424 222 108
Impairment as a % of gross advances				
CS 01 to CS 02:	**0,00%**	0,00%	**0,21%**	0,17%
CS 03 to CS 04:	**0,00%**	0,00%	**2,94%**	0,66%
CS 05 and higher:	**0,00%**	0,00%	**16,41%**	13,59%
Total impairment as a % of total gross advances	**0,00%**	0,00%	**0,86%**	0,54%
Reconciliation of allowance account				
Balance at the beginning of the year	**-**	-	**13 063 342**	22 277 139
IFRS 9 remeasurement adjustment			**(3 953 826)**	-
Impairment raised (note 8)	**-**	-	**104 299 007**	80 323 717
Bad debt write-offs/(recovery)	**-**	-	**(91 275 747)**	(89 537 514)
Balance at the end of the year	**-**	-	**22 132 776**	13 063 342

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

Credit risk impacts
Credit quality of advances neither past due nor impaired:

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

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

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

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

Loans

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N$	% of total carrying amount
2018 - Group				
< 5 000	**2 553**	**2,41%**	**6 571 542**	**0,26%**
5 000 - 10 000	**11 536**	**10,88%**	**60 914 631**	**2,38%**
10 000 -20 000	**22 099**	**20,84%**	**228 055 684**	**8,92%**
20 000 - 50 000	**69 520**	**65,57%**	**2 210 593 872**	**86,50%**
> 50 000	**316**	**0,30%**	**49 485 861**	**1,94%**
Total	**106 024**	**100,00%**	**2 555 621 590**	**100,00%**

Average loan value (at inception)	Number of loans	% of total number of loans	Carrying amount (net of impairment) N$	% of total carrying amount
2017 - Group				
< 5 000	2 984	2,73%	16 502 752	0,68%
5 000 - 10 000	13 130	11,98%	70 606 398	2,91%
10 000 -20 000	24 718	22,56%	250 160 260	10,32%
20 000 - 50 000*	68 738	62,73%	2 086 952 698	86,09%
Total	109 570	100,00%	2 424 222 108	100,00%

*Maximum loan amount is N$50,000

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

Concentration Risk (continued)

The concentration risk per employer is as follows:

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

No collateral is held for these advances.

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 8.1.

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.1 Credit risk (continued)

Management of credit risk (continued)

Advances (continued)

Financial assets other than advances (continued)

	Total carrying amount	Single largest exposure to a single counter-party	Aaa to A3	Baa1 to Baa3	Below Baa3	Not rated
	N$	N$	N$	N$	N$	N$
2018 - Company						
Cash and cash equivalents						
Cash and cash equivalents	**1 119 927**	**1 119 927**	**1 119 927**	**-**	**-**	**-**
Total	**1 119 927**	**1 119 927**	**1 119 927**	**-**	**-**	**-**
2017 - Company						
Cash and cash equivalents						
Cash and cash equivalents	24 538 527	24 083 995	-	-	-	24 538 527
Total	24 538 527	24 083 995	-	-	-	24 538 527
2018 - Group						
Cash and cash equivalents						
Cash and cash equivalents	**681 985 751**	**442 408 971**	**681 985 751**	**-**	**-**	**-**
Deposits with Bank of Namibia	**68 874 571**	**68 874 571**	**68 874 571**	**-**	**-**	**-**
Other receivables	**131 287 964**	**117 148 723**	**-**	**-**	**-**	**131 287 964**
Total	**882 148 286**	**628 432 265**	**750 860 322**	**-**	**-**	**131 287 964**
2017 - Group						
Cash and cash equivalents						
Cash and cash equivalents	122 604 666	122 604 666	122 604 666	-	-	-
Deposits with Bank of Namibia	201 071 634	201 071 634	201 071 634	-	-	-
Other receivables	120 575 965	114 659 755	-	-	-	120 575 965
Total	444 252 265	438 336 055	323 676 300	-	-	120 575 965

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.2 Market risk

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

6.1.2.1 Interest rate risk management

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

Interest rate risk for the purposes of IFRS is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The Group has interest rate risk arising in its financial assets and from its holdings in cash and cash equivalents. However the Group's most significant financial asset is its fixed rate advances portfolio.

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

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

Risk measurement and management

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

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

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

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

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

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk managemen (continued)

Interest rate sensitivity analysis

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

i) Re-pricing profile

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk managemen (continued)

i) Re-pricing profile (continued)

2018 - GROUP	Demand and up to 1 month N$	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$
Assets			
Cash and cash equivalents	750 860 322	-	-
Other receivables	-	-	-
Net advances	1 779 651	2 931 232	70 663 140
Current taxation	-	-	-
Property and equipment	-	-	-
Total assets	752 639 973	2 931 232	70 663 140
Liabilities and equity			
Deposits due to customers	74 748 898	-	-
Trade and other payables	-	-	-
Borrowings	12 713 082	-	-
Intercompany payables	-	-	-
Deferred tax liability	-	-	-
Ordinary shareholders' equity	-	-	-
Total liabilities and equity	87 461 980	-	-
On balance sheet interest sensitivity	665 177 993	2 931 232	70 663 140
2017 - GROUP			
Assets			
Cash and cash equivalents	323 676 300	-	-
Other receivables	-	-	-
Net advances	996 094	2 635 688	61 956 392
Current taxation	-	-	-
Property and equipment	-	-	-
Total assets	324 672 394	2 635 688	61 956 392
Liabilities and equity			
Deposits due to customers	90 205 059	-	-
Trade and other payables	-	-	-
Borrowings			
Intercompany payables	-	-	904 692 967
Deferred tax liability	-	-	-
Ordinary shareholders' equity	-	-	-
Total liabilities and equity	90 205 059	-	904 692 967
On balance sheet interest sensitivity	234 467 335	2 635 688	(842 736 575)

Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-interest sensitive items N$	Non-financial instruments N$	Total N$
-	-	-	-	750 860 322
	-	131 287 964	-	131 287 964
184 436 795	2 295 810 772	-	-	2 555 621 590
-	-	-	22 347 358	22 347 358
-	-	-	9 643 952	9 643 952
184 436 795	2 295 810 772	131 287 964	31 991 310	3 469 761 186
-	-	-	-	74 748 898
	-	38 431 341	12 475 270	50 906 611
275 000 000	53 337 809			341 050 891
-	120 451 975	2 946 716	-	123 398 691
-	-	-	4 301 833	4 301 833
	.	-	2 875 354 262	2 875 354 262
275 000 000	173 789 784	41 378 057	2 892 131 365	3 469 761 186
(90 563 205)	2 122 020 988	-	-	-
-	-	-	-	323 676 300
-	-	120 575 965	5 298 690	125 874 655
233 460 195	2 125 173 739	-	-	2 424 222 108
-	-	-	15 086 702	15 086 702
-	-	-	11 103 787	11 103 787
233 460 195	2 125 173 739	120 575 965	31 489 179	2 899 963 552
-	-	-	-	90 205 059
	-	35 645 239	7 800 638	43 445 877
63 555 736				63 555 736
-	-	2 446 387	-	907 139 354
-	-	-	3 452 689	3 452 689
-	-	-	1 792 164 837	1 792 164 837
63 555 736	-	38 091 626	1 803 418 164	2 899 963 552
169 904 459	2 125 173 739	-	-	-

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.2 Market risk (continued)

6.1.2.1 Interest rate risk managemen (continued)

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

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

The sensitivity analysis below is based on an increase in rates. Given the structure of the Group's portfolio, a 200 basis point increase in interest rates would result in a corresponding increase of NAD 12,6 million in net income (before tax).

	Carrying amount at end of year	Amount exposed to market risk	Index to which interest rate is linked	Statement of profit or loss impact (pre-tax)
2018 - GROUP	**N$**	**N$**	**N$**	**N$**
Financial assets				
Cash and cash equivalents	750 860 322	750 860 322	Namibia Prime	15 017 206
Advances	2 555 621 590	-	N/A	-
	3 306 481 912	**750 860 322**		**15 017 206**
Financial liabilities				
Intercompany payables	123 398 691	120 451 975	Namibia Prime	(2 409 040)
	123 398 691	**120 451 975**		**(2 409 040)**
Net effect on the statement of total comprehensive income				**12 608 166**
2017 - GROUP				
Financial assets				
Cash and cash equivalents	323 676 300	323 676 300	Namibia Prime	6 473 526
Advances	2 424 222 108	-	N/A	-
	2 747 898 409	**323 676 300**		**6 473 526**
Financial liabilities				
Intercompany payables	907 139 354	904 692 967	Namibia Prime	(18 093 859)
	907 139 354	**904 692 967**		**(18 093 859)**
Net effect on the statement of total comprehensive income				**(11 620 333)**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.2 Market risk (continued)

6.1.2.2 Foreign currency risk management

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

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

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

6.1.2.3 Other Price risk management

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

6.1.3 Liquidity risk

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

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

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

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

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.3 Liquidity risk (continued)
Assets and liabilities maturities as at 31 December 2018

2018 - GROUP	Demand and up to 1 month N$	Greater than 1 month up to 3 months N$	Greater than 3 months up to 12 months N$
Assets			
Cash and cash equivalents	750 860 322	-	-
Other receivables	-	131 287 964	-
Net advances	69 867 116	135 455 320	574 667 859
Current taxation	-	-	-
Property and equipment	-	-	-
Total assets	820 727 438	266 743 284	574 667 859
Liabilities and equity			
Deposits due to customers	74 748 898	-	-
Trade and other payables	38 431 341	-	-
Borrowings	12 713 082	-	-
Intercompany payables	-	2 946 716	-
Deferred tax liability	-	-	-
Ordinary shareholders' equity	-	-	-
Total liabilities and equity	125 893 321	2 946 716	-
Net liquidity gap	694 834 117	263 796 567	574 667 859
2017 - GROUP			
Assets			
Cash and cash equivalents	323 676 300	-	-
Other receivables	-	120 575 965	-
Net advances	67 938 064	133 307 014	568 073 550
Deferred tax asset	-	-	-
Property and equipment	-	-	-
Total assets	391 614 364	253 882 979	568 073 550
Liabilities and equity			
Deposits due to customers	90 205 059	-	-
Trade and other payables	35 645 239	-	-
Borrowings	13 555 736	-	37 500 000
Intercompany payables	-	2 446 387	96 931 296
Deferred tax liability	-	-	-
Ordinary shareholders' equity	-	-	-
Total liabilities and equity	139 406 034	2 446 387	134 431 296
Net liquidity gap	252 208 330	251 436 592	433 642 254

Greater than 12 months up to 24 months N$	Greater than 24 months N$	Non-financial assets and liabilities N$	Total N$
-	-	-	750 860 322
-	-	-	131 287 964
69 404 522	1 706 226 773	-	2 555 621 590
-	-	22 347 358	22 347 358
-	-	9 643 952	9 643 952
69 404 522	1 706 226 773	31 991 310	3 469 761 186
-	-	-	74 748 898
-	-	12 475 270	50 906 611
275 000 000	53 337 809	-	341 050 891
-	120 451 975	-	123 398 691
-	-	4 301 833	4 301 833
-	-	2 875 354 262	2 875 354 262
275 000 000	173 789 784	2 892 131 365	3 469 761 186
(205 595 478)	1 532 436 989	-	-
-	-	-	323 676 300
-	-	5 298 690	125 874 655
90 791 323	1 564 112 157	-	2 424 222 108
-	-	15 086 702	15 086 702
-	-	11 103 787	11 103 787
90 791 323	1 564 112 157	31 489 179	2 899 963 552
-	-	-	90 205 059
-	-	7 800 638	43 445 877
12 500 000	-	-	63 555 736
129 241 848	678 519 823	-	907 139 354
-	-	3 452 689	3 452 689
-	-	1 792 164 837	1 792 164 837
141 741 848	678 519 823	1 803 418 164	2 899 963 552
(50 950 525)	885 592 334	-	-

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.3 Liquidity risk (continued)

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

2018 - GROUP	Carrying amount	Up to 1 month	Greater than 1 month up to 6 months
Financial liabilities	**N$**	**N$**	**N$**
Borrowings	341 050 891	17 294 163	21 785 613
Intercompany payables	123 398 691	1 243 273	9 163 082
	464 449 582	18 537 436	30 948 695
2017 - GROUP			
Financial liabilities			
Borrowings	63 555 736	14 146 233	12 943 767
Intercompany payables	907 139 354	16 461 370	84 753 237
	970 695 090	30 607 603	97 697 004

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

6.1.4.1 Valuation models

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

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

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

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

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

Greater than 6 months up to 12 months	Greater than 1 year up to 2 years	Greater than 2 years up to 5 years	Greater than 5 years	Total
N$	N$	N$	N$	N$
26 402 585	326 154 210	231 390 004	-	623 026 575
7 459 639	14 919 279	176 544 799	-	209 330 073
33 862 224	341 073 489	407 934 803	-	832 356 648
25 579 760	12 610 942	-	-	65 280 702
98 768 220	197 536 440	592 609 320	362 150 140	1 352 278 727
124 347 980	210 147 382	592 609 320	362 150 140	1 417 559 429

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

6.1.4.1 Valuation models (continued)

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

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

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

Level 3 fair value disclosure – Advances
The fair value of the advances book has been derived using a discounted cash flow technique. The Group has modelled the expected future cash flows by extrapolating the most recent observed cash flows on the advances book.

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

- Fair value includes all expected cash flows, whereas impairments under IAS 39 are limited to incurred loss events;
- The impairment cash flows are not reduced by the net insurance premiums the Group expects to pay across to insurance providers;
- The impairment cash flows are not reduced by expected cost of collection.

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

6.1.4.2 Assets and liabilities for which fair value is disclosed*

2018 - GROUP	Level 1 N$	Level 2 N$	Level 3 N$	Total N$	Carrying amount N$
Financial assets					
Net advances	-	-	2 569 751 842	2 569 751 842	2 555 621 590
Total	-	-	2 569 751 842	2 569 751 842	2 555 621 590
Financial liabilities					
Borrowings	-	-	341 050 891	341 050 891	341 050 891
Intercompany payables	-	-	123 398 691	123 398 691	123 398 691
Total	-	-	464 449 582	464 449 582	464 449 582
2017 - GROUP					
Financial assets					
Net advances	-	-	2 488 754 584	2 488 754 584	2 424 222 108
Total	-	-	2 488 754 584	2 488 754 584	2 424 222 108
Financial liabilities					
Borrowings	-	-	63 555 736	63 555 736	63 555 736
Intercompany payables	-	-	907 139 354	907 139 354	907 139 354
Total	-	-	970 695 090	970 695 090	970 695 090

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

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.5 Analysis of financial assets and liabilities

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

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

	Notes	Loans and receivables	Held-to-maturity financial instruments	Financial instruments at fair value through profit and loss
2018 - COMPANY		N$	N$	N$
Financial assets				
Other receivables		-	-	-
Intercompany receivable		-	-	-
Total financial assets		-	-	-
Financial liabilities				
Trade and other payables		-	-	-
Borrowings		-	-	-
Intercompany payables		-	-	-
Total financial liabilities		-	-	-
2017 - COMPANY				
Financial assets				
Other receivables		19 674 767	-	-
Intercompany receivable		22 831 373	-	-
Total financial assets		42 506 140	-	-
Financial liabilities				
Trade and other payables		-	-	-
Borrowings		-	-	-
Intercompany payables		-	-	-
Total financial liabilities		-	-	-

Amortised cost	Total	Up to 12 months	Greater than 12 months
N$	N$	N$	N$
18 203 676	18 203 676	18 203 676	-
1 355 073	1 355 073	1 355 073	-
19 558 749	19 558 749	19 558 749	-
258 868	258 868	258 868	-
-	-	-	-
17 831 009	17 831 009	17 831 009	-
18 089 877	18 089 877	18 089 877	-
-	19 674 767	19 674 767	-
-	22 831 373	22 831 373	-
-	42 506 140	42 506 140	-
88 624	88 624	88 624	-
-	-	-	-
-	-	-	-
88 624	88 624	88 624	-

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1.5 Analysis of financial assets and liabilities (continued)

	Notes	Loans and receivables	Held-to-maturity financial instruments	Financial instruments at fair value through profit and loss
2018 - GROUP		N$	N$	N$
Financial assets				
Cash and cash equivalents		-	-	-
Other receivables		-	-	-
Net advances		-	-	-
Total financial assets		-	-	-
Financial liabilities				
Trade and other payables		-	-	-
Borrowings		-	-	-
Intercompany payables		-	-	-
Total financial liabilities		-	-	-
2017 - GROUP				
Financial assets				
Cash and cash equivalents		323 676 300	-	-
Other receivables		120 575 965	-	-
Net advances		2 424 222 108	-	-
Total financial assets		2 868 474 373	-	-
Financial liabilities				
Trade and other payables		-	-	-
Borrowings		-	-	-
Intercompany payables		-	-	-
Total financial liabilities		-	-	-

Amortised cost	Total	Up to 12 months	Greater than 12 months
N$	N$	N$	N$
750 860 322	750 860 322	750 860 322	-
131 287 964	131 287 964	131 287 964	-
2 555 621 590	2 555 621 590	75 374 023	2 480 247 567
3 437 769 876	3 437 769 876	957 522 309	2 480 247 567
38 431 341	38 431 341	38 431 341	-
341 050 891	341 050 891	12 713 082	328 337 809
123 398 691	123 398 691	2 946 716	120 451 975
502 880 923	502 880 923	54 091 139	448 789 784
-	323 676 300	323 676 300	-
-	120 575 965	120 575 965	-
-	2 424 222 108	65 588 174	2 358 633 934
-	2 868 474 373	509 840 439	2 358 633 934
35 645 239	35 645 239	35 645 239	-
63 555 736	63 555 736	51 055 736	12 500 000
907 139 354	907 139 354	99 377 683	807 761 671
1 006 340 329	1 006 340 329	186 078 658	820 261 671

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.6 Capital management

Capital adequacy risk is the risk that the Group will not have sufficient reserves to meet materially adverse market conditions beyond that which has already been assumed within the impairment provisions and reserves.

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

The Group's strategic focus is to maintain an optimal mix of available financial resources, while continuing to generate sufficient capital to support the growth of the Group's operations within the parameters of the risk appetite set by the Board. It is the Group's objective to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

External regulatory capital management - Banking Operations

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

The banking operations regulatory capital is divided into two tiers:

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

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

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

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

- The identification of all significant risk exposures to the banking group;
- The quantification of risk appetites for the major risks identified; and
- Control measures to mitigate the major risks.

ALCO is mandated to monitor and manage capital, which includes:

- meeting minimum Basel II regulatory requirements and additional capital add-ons and floors as specified by the Bank of Namibia ("BoN");
- ensure adequate capital buffers above the aforementioned criteria to ensure sustainability in both a systemic and idiosyncratic stress event as set out by the Group's risk appetite;
- test the Group's strategy against risk appetite and required capital levels;
- on an annual basis to review and sign-off the Group's Internal Capital Adequacy Assessment Process, prior to the submission to the Audit and Risk Committee, the Board and BoN; and
- to ensure compliance with other prudential regulatory requirements in respect of non-banking entities within the Group, most notably the capital requirements of these non-banking entities.

The debt covenant requirements attached to the Group's borrowings in note 13 are:

- Bad Debts Ratio does not exceed 10%
- Cash Collection Ratio exceeds 85%
- Capitalisation ratio exceeds 30%

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
7. CASH AND CASH EQUIVALENTS				
Cash and balances with banks	**1 119 927**	24 538 527	**496 187 340**	323 529 002
Money market placements	**-**	-	**254 672 982**	147 298
	1 119 927	24 538 527	**750 860 322**	323 676 300

Money market placements constitute amounts held in money market unit trust with external financial institutions on a short-term basis. These placements are highly liquid, readily convertible and have an insignificant risk of change in value.

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

Bank balances	**1 119 927**	24 538 527	**750 214 394**	323 669 128
Cash on hand	**-**	-	**645 928**	7 172
	1 119 927	24 538 527	**750 860 322**	323 676 300

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

8. RECEIVABLES

8.1 Other receivables

Financial				
- Profit share receivable from cell captive	**18 167 593**	19 674 767	**117 148 723**	114 659 754
- Deposits	**36 083**	-	**4 201 808**	2 558 628
- Sundry receivables	**-**	-	**9 937 433**	3 357 583
Non-financial				
- Prepayments	**-**	-	**-**	-
- Deferred fees	**-**	-	**-**	2 144 238
- Value Added Taxation	**-**	-	**-**	3 154 453
	18 203 676	19 674 767	**131 287 964**	125 874 656
			-	

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. RECEIVABLES (CONTINUED)

	Company 31 December 2018 N$	Company 31 December 2017 N$	Group 31 December 2018 N$	Group 31 December 2017 N$
8.2 Intercompany receivable				
Financial				
- Intercompany current account - Letshego Micro Financial Services (Namibia) (Pty) Ltd	**1 355 073**	22 831 373	**-**	-
	1 355 073	22 831 373	**-**	-

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.

9. ADVANCES TO CUSTOMERS

	Company 31 December 2018 N$	Company 31 December 2017 N$	Group 31 December 2018 N$	Group 31 December 2017 N$
Gross advances to customers	-	-	**2 577 754 366**	2 437 285 450
Less: Impairment allowance on advances	-	-	**(22 132 776)**	(13 063 342)
Net advances to customers	-	-	**2 555 621 590**	2 424 222 108
Impairment allowance on advances				
Balance at the beginning of the period	-	-	**13 063 342**	22 277 139
IFRS9 remeasurement adjustment to opening balance	-	-	**(3 953 826)**	-
Impairment adjustment - increase/(decrease) for the period	-	-	**13 023 260**	(9 213 797)
Balance at the end of the period	-	-	**22 132 776**	13 063 342
The balance at the end of the period consists of the following:				
Provision for bad debt (general)	-	-	**7 332 082**	3 936 055
Provision for bad debt (specific)	-	-	**14 800 694**	9 127 286
	-	-	**22 132 776**	13 063 341
Charges/(Reversals) in the profit or loss				
Amounts written off	-	-	**104 299 007**	80 323 717
Recoveries during the period	-	-	**(86 073 334)**	(89 876 507)
	-	-	**18 225 673**	(9 552 790)
Exposure to credit risk				
Net advances to customers	-	-	**2 555 621 590**	2 424 222 108
Maximum exposure to credit risk	-	-	**2 555 621 590**	2 424 222 108

9. ADVANCES TO CUSTOMERS (CONTINUED)

Refer to note 6.1.1 for more information on credit risk management, credit quality, credit concentration risk and sensitivity of assumptions and estimates.

The Group performed a detailed assessment of the provision of the impairment allowance during the year. Actual historic write-off losses and wider credit risk associated with lending to public sector employees were considered and the credit impairment adjusted accordingly.

10. ROPERTY AND EQUIPMENT

COMPANY

The company does not carry property and equipment.

	Furniture and fittings N$	Office equipment N$	Computer equipment N$	Motor vehicles N$	Leasehold Improvements N$	Total N$
GROUP						
At 31 December 2018						
Cost	**4 159 198**	**5 469 401**	**19 435 332**	**482 298**	**3 061 847**	**32 608 076**
Accumulated depreciation	**(3 412 269)**	**(3 694 162)**	**(13 745 245)**	**(212 753)**	**(1 899 695)**	**(22 964 124)**
Carrying amount	**746 929**	**1 775 239**	**5 690 087**	**269 545**	**1 162 152**	**9 643 952**
At 31 December 2018						
Opening net amount at 1 January 2018	**1 251 421**	**2 439 062**	**5 733 868**	**390 120**	**1 289 316**	**11 103 787**
Additions	**311 904**	**357 561**	**3 165 284**	**-**	**446 988**	**4 281 737**
Disposals	**-**	**(23 016)**	**(666 257)**	**-**	**-**	**(689 272)**
Depreciation charge	**(816 396)**	**(998 369)**	**(2 542 808)**	**(120 575)**	**(574 152)**	**(5 052 300)**
Carrying amount	**746 929**	**1 775 239**	**5 690 087**	**269 545**	**1 162 152**	**9 643 952**
At 31 December 2017						
Cost	3 847 294	5 129 318	17 866 152	482 298	2 614 860	29 939 922
Accumulated depreciation	(2 595 873)	(2 690 256)	(12 132 284)	(92 178)	(1 325 544)	(18 836 135)
Carrying amount	1 251 421	2 439 062	5 733 868	390 120	1 289 316	11 103 787
At 31 December 2017						
Opening net amount at 1 January 2017	1 600 224	3 197 406	3 823 995	136 957	1 742 557	10 501 139
Additions	389 141	201 407	3 509 232	309 300	63 391	4 472 472
Depreciation charge	(737 944)	(959 751)	(1 599 359)	(56 137)	(516 632)	(3 869 823)
Carrying amount	1 251 421	2 439 062	5 733 868	390 120	1 289 316	11 103 787

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
11. TRADE AND OTHER PAYABLES				
Financial				
- Trade payables	**24 319**	-	**28 137 850**	32 008 110
- Other payables	**105 798**	-	**10 293 491**	3 637 129
Non-financial				
- Audit fee provision	**92 751**	88 624	**393 055**	673 200
- Personnel related	**-**	-	**9 588 214**	6 185 061
- Value Added Taxation	**-**	-	**1 114 360**	-
- Withholding Tax	**-**	-	**1 343 641**	942 378
- Dividend payable	**36 000**	-	**36 000**	-
	258 868	88 624	**50 906 611**	43 445 878

12. TAXATION

	Company 31 December 2018 N$	Company 31 December 2017 N$	Group 31 December 2018 N$	Group 31 December 2017 N$
12.1 Income tax expense				
Current tax expense	**4 465 952**	11 818 668	**158 660 926**	122 084 413
Deferred tax (income)/expense :				
- Origination and reversal of temporary differences	**-**	-	**849 144**	10 074 945
Total Income tax expense	**4 465 952**	11 818 668	**159 510 070**	132 159 358
12.2 Reconciliation of current taxation				
Profit before taxation	**36 098 711**	604 052 776	**628 382 681**	517 415 718
Tax calculated at standard rate - 32%	**11 551 588**	193 296 888	**201 082 458**	165 573 030
Income not subject to tax - dividends	**(7 085 636)**	(181 478 220)	**(41 572 388)**	(33 413 672)
Non-deductible expenses	**-**	-	**-**	-
	4 465 952	11 818 668	**159 510 070**	132 159 358
Effective tax rate	**12,37%**	1,96%	**25,38%**	25,54%

12. TAXATION (CONTINUED)

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
12.3 Deferred taxation				
The balance comprises:				
- Motor vehicles, furniture and equipment	**-**	-	**(1 367 474)**	(1 292 324)
- Prepayments and deferred expenses	**-**	-	**(3 058 274)**	(408 286)
- Provisions	**-**	-	**8 374 053**	5 366 430
- Share based payments	**-**	-	**401 588**	689 079
- Income received in advance	**-**	-	**937 857**	-
- EIR adjustment	**-**	-	**(9 589 583)**	(7 807 588)
	-	-	**(4 301 833)**	(3 452 689)

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% (2017: 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.

	Company		Group	
12.4 Current taxation				
Opening balance	**(7 233 463)**	4 822 314	**(15 086 702)**	2 022 105
Charge to profit or loss	**4 465 952**	11 818 668	**158 660 926**	122 084 413
Payments made during the period	**(4 465 952)**	(23 874 445)	**(165 921 582)**	(139 193 220)
Taxation (asset)/liability	**(7 233 463)**	(7 233 463)	**(22 347 358)**	(15 086 702)

13. BORROWINGS

	Company		Group	
First National Bank of Namibia Loan 1	**-**	-	**12 713 082**	63 555 736
First National Bank of Namibia Loan 2	**-**	-	**103 337 809**	-

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

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

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$

13. ORROWINGS (CONTINUED)

Standard Bank Namibia Limited Loan	**-**	-	**225 000 000**	-

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

Total borrowings	**-**	-	**341 050 891**	63 555 736

14. INTERCOMPANY PAYABLES

14.1 Intercompany payable - Letshego Holdings Limited	**-**	-	**120 451 975**	904 692 967

The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan is repayable in variable instalments and matures on 30 November 2024. During the year under review, N$897,053,038 of the loan from Letshego Holdings Limited to Letshego Micro Financial Services (Pty) Ltd was converted into redeemable non-cumulative preference shares.

14.2 Intercompany payable - Erf 8585 (Pty) Ltd	**-**	-	**2 946 716**	2 446 387

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.

14.3 Intercompany payable - Letshego Bank (Namibia) Ltd	**17 831 009**	-	**-**	-

The intercompany payable Lethsego Bank (Namibia) Ltd is unsecured, of a short-term nature and currently does not bear interest and has no fixed repayment terms. At year end, the carrying amount of the intercompany payable approximates closely to its fair value due to the short-term nature of the balance.

Total intercompany payables	**17 831 009**	-	**123 398 691**	907 139 354

Banking facilities

There were no overdraft facilities in place at the end of the financial period, (2017: N$ Nil).

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
15. DEPOSITS DUE TO CUSTOMERS				
Current accounts	**-**	-	**3 420 830**	24 525
Term deposits	**-**	-	**71 328 068**	90 180 534
Total deposits due to customers	**-**	-	**74 748 898**	90 205 059
16. SHARE CAPITAL				
Authorised share capital				
500 000 000 ordinary shares of 0.02 cents each (2017: 500 000 000 ordinary shares of 0.02 cents each)	**100 000**	100 000	**100 000**	100 000
Issued share capital				
500 000 000 ordinary shares of 0.02 cents each (2017: 500 000 000 ordinary shares of 0.02 cents each)	**100 000**	100 000	**100 000**	100 000

17. 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.

17. EQUITY SETTLED SHARE BASED PAYMENT RESERVE (CONTINUED)

	Company	
	December 2018	**December 2017**
	Number of share awards	Number of share awards
Granted during prior periods	-	-
Granted in current period	-	-
Exercised during the period		
Forfeited during the period	-	-
Exercisable and outstanding at the end of the period	-	-
Fair value of awards exercisable and outstanding at the end of the period	-	-

18. PROFIT BEFORE TAXATION

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

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
Advertising and promotions	**334 409**	-	**3 629 752**	2 633 690
Auditors' remuneration	**86 000**	362 349	**779 000**	818 331
- Current period	**(350 139)**	436 139	**830 506**	(51 506)
- Prior period	**436 139**	(73 790)	**(51 506)**	869 837
Consultancy costs - professional services	**1 103 183**	12 879	**8 454 680**	7 988 028
Computer services costs	**-**	-	**3 138 708**	3 218 221
Depreciation	**-**	-	**5 052 300**	3 869 824
Directors' emoluments				
- for services as director	**-**	-	**1 540 883**	1 195 754
- for management services	**-**	-	**2 650 665**	5 589 413
Rental - premises	**-**	-	**5 976 822**	5 294 475
Employee benefit expense	**60 739**	-	**46 612 759**	32 268 245

Group			
December 2018		December 2017	
Number of share awards	Exercise price	Number of share awards	Exercise price
1 878 000	NAD 3.06/3.20./2.73	1 463 800	NAD3.07/3.06/3.20
868 200	NAD 2.42	714 200	NAD 2.73
(274 784)	NAD 3.06	(247 500)	NAD 3.07
(292 717)	NAD 3.06	(52 500)	NAD 3.07
2 178 699	NAD 3.20./2.73/2.42	1 878 000	NAD 3.06/3.20./2.73
1 072 218		1 970 626	

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
19. MPLOYEE BENEFIT EXPENSE				
Salaries	**60 739**	-	**25 426 146**	20 485 667
Key management personnel	**-**	-	**9 029 118**	8 432 657
Pension fund contributions	**-**	-	**3 255 916**	2 607 081
Medical aid contributions	**-**	-	**1 718 713**	1 426 501
Social security	**-**	-	**122 306**	100 746
Incentive bonuses	**-**	-	**9 691 195**	4 787 131
Staff training and welfare	**-**	-	**20 030**	17 875
	60 739	-	**49 263 424**	37 857 658
20. OPERATING EXPENSES BY NATURE				
Sales related expense	**334 409**	-	**5 842 383**	12 940 856
Auditors remuneration	**86 000**	362 349	**779 000**	818 332
Collection fees	**-**	-	**35 542 919**	32 759 223
Consulting and secretarial	**1 103 183**	12 879	**8 454 680**	7 988 028
Management fees	**-**	-	**35 884 220**	37 083 849
Employee benefit expense	**60 739**	-	**46 612 759**	32 268 245
Depreciation (note 10)	**-**	-	**5 052 299**	3 869 824
Net impairment / (recovery) of bad debts on financial assets	**-**	-	**18 225 673**	(9 552 790)
Directors' remuneration - for services as directors	**-**	-	**1 540 883**	1 168 954
Directors' remuneration - for management services	**-**	-	**2 650 665**	2 567 528
Computer related expenses	**-**	-	**3 138 708**	3 218 221
Office rental	**-**	-	**5 976 822**	5 294 475
Travel and accommodation	**12 310**	19 805	**1 864 680**	1 347 571
Social responsibility projects	**15 000**	-	**1 588 093**	720 498
Arrangement fees	**-**	782 000	**4 950 099**	1 418 151
Telephone & Fax	**-**	-	**2 672 044**	2 290 520
Guarantee fees	**-**	-	**2 382 192**	-
Subscriptions	**105 466**	-	**7 249 578**	3 183 274
VAT expense	**-**	-	**15 001 976**	3 537 879
Operational expenses	**11 625**	80 752	**8 015 539**	10 209 013
	1 728 732	1 257 785	**213 425 212**	153 131 651

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
21. FINANCE INCOME AND COSTS				
Interest income on advances	**-**	-	**596 693 160**	563 374 872
Other interest income:				
- Interest received on short term bank deposits	**24 149**	55 755	**21 464 747**	12 375 910
Interest paid:				
- Related party loans	**-**	-	**32 866 178**	114 037 821
Net interest income	**24 149**	55 755	**585 291 729**	461 712 961
22. FEE INCOME				
Postage fees	**-**	-	**922 706**	2 225 619
Fees and commission earned from services to customers	**-**	-	**253 291**	3 175
	-	-	**1 175 997**	2 228 794
23. FEE AND COMMISSION EXPENSE				
Collection fees	**-**	-	**35 542 919**	32 759 223
Commission expense	**-**	-	**1 744 045**	9 858 808
	-	-	**37 286 964**	42 618 031
24. OTHER OPERATING INCOME				
Dividend income - cell captive	**37 803 295**	35 254 806	**256 029 440**	206 605 614
(Loss)/Profit on disposal of plant and equipment	**-**	-	**(689 273)**	-
	37 803 295	35 254 806	**255 340 167**	206 605 614
25. OPERATING LEASE COMMITMENTS				
The future minimum lease payments under non-cancellable operating leases are as follows:				
Not later than 1 year	**-**	-	**2 329 935**	3 408 176
Between 1 year and 3 years	**-**	-	**1 993 649**	4 798 331
	-	-	**4 323 584**	8 206 507

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

26. RELATED PARTIES

	Letshego Micro Financial Services (Namibia) (Proprietary) Limited (Subsidiary) Letshego Bank (Namibia) Limited (Subsidiary)
Lease agreements:	Erf Eight Five Eight Five (Proprietary) Limited (Subsidiary of Ultimate Parent Company)
Management services agreements:	Letshego Holdings Limited (Ultimate Parent Company)
Key management personnel:	Ester Kali (Chief Executive Officer) Gregory Madhimba (Chief Financial Officer) NP Esterhuyse (Chief Executive Officer - LMFSN) O'Rute Uandara (Chief Operating Officer) Natasha Winkler (Head of Financial Inclusion) Mario Shilongo (Senior Internal Auditor) Diana Mokhatu (Head of Human Resources) Chriszelda Gontes (Chief Risk Officer)
Directors:	Rairirira Mbakutua Mbetjiha Ester Kali John Eugene Shepherd Sven von Blottnitz Maryvonne Palanduz Mythri Sambasivan-George

26.1 RELATED PARTY BALANCES

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
Loan accounts - Owing to related parties	**-**	-	**120 451 975**	904 692 967
Letshego Holdings Limited - loan	**-**	-	**2 946 716**	2 446 387
Erf 8585 (Pty) Ltd				
Total related party balances	**-**	-	**123 398 691**	907 139 354

The loan from Letshego Holdings Limited is unsecured and interest is calculated monthly in arrears at a variable rate of Namibia prime plus 2%. The loan has no fixed repayment terms.

The intercompany loan with Erf 8585 (Pty) Ltd is unsecured and currently does not bear interest and has no fixed repayment terms.

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$

26.2 RELATED PARTY TRANSACTIONS

Interest paid to related parties				
Letshego Holdings Limited	**-**	-	**18 252 025**	105 734 645
Dividend on preference shares paid to related parties				
Letshego Holdings Limited	**-**	-	**87 996 763**	-
Rent paid to related parties				
Erf Eight Five Eight Five (Proprietary) Limited	**-**	-	**1 526 004**	1 326 960
Guarantee fees paid to related parties				
Letshego Holdings Limited	**-**	-	**2 382 192**	-
Management fees paid to related parties				
Letshego Holdings Limited	**-**	-	**35 884 220**	37 083 849

The amount classified as management fees under note 20 is made up as follows:

Fees payable to Letshego Holdings Limited	**-**	-	**32 295 798**	33 375 464
Withholding tax paid on imported management services	**-**	-	**3 588 422**	3 708 385
	-	-	**35 884 220**	37 083 849
Arrangement fees paid to related parties				
Letshego Holdings Limited	**-**	-	**-**	636 151
Compensation paid to key management personnel	**-**	-	**9 029 118**	8 432 657
Compensation paid to directors				
Sitting fees paid to non-executive directors	**-**	-	**1 540 883**	1 195 754

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

27. SECURITY

NAD 2.409 billion of the customer advances portfolio (note 9) 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.

28. CAPITAL REORGANISATION RESERVE

The capital reorganisation reserve arose on 5 July 2016 when Letshego Holdings (Namibia) Limited acquired 99,999% of the issued share capital of Letshego Bank Namibia Ltd.

This transaction was a capital re-organisation in the form of a common control combination. As a result, for purposes of consolidation, the transaction was treated as if the combination had taken place at the beginning of the earliest comparative period presented at the time, which was 01 January 2015. Details of the purchase consideration, the net assets acquired and negative goodwill are as follows:

	N$ **Company** As at 01 January 2015:	N$ **Group** As at 01 January 2015:
Carrying value of assets and liabilities acquired:		
Cash	45 762 296	48 033 443
Other receivables	112 824 643	63 969 852
Intercompany receivable	53 552 071	20 516 997
Advances to customers	1 932 258 251	1 607 217 895
Deferred taxation	1 251 260	3 343 381
Current taxation	6 728 020	(14 818 738)
Property, 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)
Net assets acquired	100 000	100 000

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
Capital reorganisation reserve	**1 344 153 808**	1 344 153 808	**701 024 198**	701 024 198

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$

29. INVESTMENT IN SUBSIDIARIES

Investment in Letshego Micro Financial Services (Pty) Limited at cost	**570 100 000**	570 100 000	**-**	-
Investment in Letshego Bank Namibia Limited at cost	**1 344 253 808**	1 344 253 808	**-**	-
	1 914 353 808	1 914 353 808	**-**	-

30. CAPITAL COMMITMENTS

Budgeted, not yet authorised	**-**	-	**-**	-
Authorised	**-**	-	**11 500 000**	31 389 000

31. SEGMENT INFORMATION

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

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

31.1 ENTITY-WIDE DISCLOSURES

31.1.1 Products and Services

Operating segment
- Banking operations

Brand
- Letshego

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

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

31.1.2 Geographical segments

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

31.1.3 Major customers

egment reporting requires the disclosure of an entity's reliance on its major customers, if revenue from transactions with a single customer is ten percent or more of the entity's revenue. The group does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.

32. NET DEBT RECONCILIATION

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
Cash and cash equivalents	**1 119 927**	24 538 528	**750 860 322**	323 676 301
Borrowings repayable within one year	**-**	-	**(15 659 798)**	(150 433 419)
Borrowings repayable after one year	**-**	-	**(448 789 784)**	(820 261 671)
Net debt	**1 119 927**	24 538 528	**286 410 740**	(647 018 790)
Cash and cash equivalents	**1 119 927**	24 538 528	**750 860 322**	323 676 301
Gross debt - fixed interest rates	**-**	-	**-**	-
Gross debt - variable interest rates	**-**	-	**(464 449 582)**	(970 695 090)
Net debt	**1 119 927**	24 538 528	**286 410 740**	(647 018 790)

33. 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.

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
Earnings				
Profit for the period	**31 632 759**	592 234 108	**468 872 611**	385 256 360
Headline adjustments	**-**	-	**-**	(26 773 457)
Remeasurement included in equity accounted earnings	**-**	-	**-**	(26 773 457)
Headline earnings	**31 632 759**	592 234 108	**468 872 611**	358 482 903
Number of ordinary shares in issue at year end (note 16)	**500 000 000**	500 000 000	**500 000 000**	500 000 000
Weighted average number of ordinary shares in issue during the period	**500 000 000**	500 000 000	**500 000 000**	500 000 000
Diluted weighted average number of ordinary shares in issue during the period	**500 000 000**	500 000 000	**500 000 000**	500 000 000

33. EARNINGS AND HEADLINE EARNINGS PER SHARE (CONTINUED)

	Company		Group	
	31 December 2018 N$	31 December 2017 N$	**31 December 2018 N$**	31 December 2017 N$
Earnings per ordinary share (cents)				
Basic	**6**	118	**94**	77
Fully diluted	**6**	118	**94**	77
Headline earnings per ordinary share (cents)				
Basic	**6**	118	**94**	72
Fully diluted	**6**	118	**94**	72

34. EVENTS OCCURRING AFTER THE REPORTING DATE

A dividend of 23.5 cents per ordinary share has been declared subsequent to the reporting date.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 3rd Annual General Meeting of the Company will be held at the Hillside Hotel, c/o Lazarett & Robert Mugabe, Windhoek, Namibia on 24 July 2019 at 16:30 with registration to commence at 16:00 for the following purposes:

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 3rd Annual General Meeting of the Company will be held at the Hillside Hotel, c/o Lazarett & Robert Mugabe, Windhoek, Namibia on 24 July 2019 at 16:30 with registration to commence at 16:00 for the following purposes:

ORDINARY BUSINESS

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

To consider and pass the following ordinary resolutions:

1. Resolution 1

To receive and adopt the Annual Financial Statements for the financial year ended 31 December 2018, including the Directors' Report and the report of the Independent Auditors.

2. Resolution 2

To ratify the dividends declared and paid since the last Annual General Meeting, a final dividend of 23.5 cents (N$0.235) per share paid to shareholders on 12 April 2019.

3. Resolution 3

3.1 To confirm the re-election of Mr. Sven Bloch von Blottnitz who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers himself for re-election.

3.2 To confirm the re-election of Mrs. Mythri Sambasivan-George who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers herself for re-election.

3.3 To confirm the resignation of Mr. John Eugene Shepherd from the Board with effect from 30 April 2019.

4. Resolution 4

4.1 To approve the remuneration of the Directors for the financial year ending 31 December 2018 as disclosed in Note 20 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director is disclosed in the Corporate Governance section of the Annual Report.

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

5. Resolution 5

To approve the remuneration of the Auditors for the financial year ending 31 December 2018 as disclosed in Note 20 to the Annual Financial Statements in the Annual Report.

6. Resolution 6

6.1 To ratify and confirm the appointment of Ernst and Young as external auditors for the ensuing year who are proposed to replace PricewaterhouseCoopers.

6.2 To authorize the directors to determine the remuneration of the Auditors for the next financial year ending 31 December 2019 estimated at N$827,280.

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

BY ORDER OF THE BOARD

Note:

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

Dated at WINDHOEK on 21 June 2019.

REGISTERED OFFICE

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

P O Box 90757
Windhoek, Namibia

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

FORM OF PROXY

ORDINARY BUSINESS

For completion by holders of ordinary shares
(PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at Hillside Hotel - Tenbergen, Windhoek on Wednesday 24 July 2019 at 4.30 p.m. Registration commences at 4.00 p.m.

I/We____ (name/s in block letters)

of (address) ____ being a member of

Letshego Holdings (Namibia) Limited hereby appoint (see note 2)

Appoint (see note 2):____

1. ____ or failing him/her,

2. ____ or failing him/her,

3. The Chairman of the meeting, as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following

	For	Against	Abstain
Ordinary resolution number 1 To receive and adopt the Annual Financial Statements for the financial year ended 31 December 2018, including the Directors' Report and the report of the Independent Auditors.			
Ordinary resolution number 2 To ratify the dividends declared and paid since the last Annual General Meeting, a final dividend of 23.5 cents (N$0.235) per share paid to shareholders on 12 April 2019.			
Ordinary resolution number 3.1 To confirm the re-election of Mr. Sven Bloch von Blottnitz who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers himself for re-election.			
Ordinary resolution number 3.2 To confirm the re-election of Mrs. Mythri Sambasivan-George who retires in accordance with Article 63 of the articles of Association of the Company, and being eligible, offers herself for re-election.			
Ordinary resolution number 3.3 To confirm the resignation of Mr. John Eugene Shepherd from the Board with effect from 30 April 2019.			

FORM OF PROXY (CONTINUED)

	For	Against	Abstain
Ordinary resolution number 4.1 To approve the remuneration of the Directors for the financial year ending 31 December 2018 as disclosed in Note 20 to the Annual Financial Statements in the Annual Report. The Board attendance and remuneration for each Director is disclosed in the Corporate Governance section of the Annual Report.			
Ordinary resolution number 4.2 To confirm the remuneration structure of the Directors for the financial year ending 31 December 2019. The board fees and the retainer structure is set out in the Corporate Governance section of the Annual Report.			
Ordinary resolution number 5 To approve the remuneration of the Auditors for the financial year ending 31 December 2018 as disclosed in Note 20 to the Annual Financial Statements in the Annual Report.			
Ordinary resolution number 6.1 To ratify and confirm the appointment of Ernst and Young as external auditors for the ensuing year who are proposed to replace PricewaterhouseCoopers.			
Ordinary resolution number 6.2 To authorize the directors to determine the remuneration of the Auditors for the next financial year ending 31 December 2019 estimated at N$827,280.			
To transact other business which may be transacted at an Annual General Meeting			

Signed at______________________________ on this day of__________________________ 2019

Signature

____

Assisted by (where applicable)

____

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

Please read the notes hereof.

NOTES

1. A Shareholder may insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting ". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to The Company Secretary, Unit 6, Gold Street Business Park, Gold Street, Prosperita, Windhoek to be received not less than 48 hours before the Annual General Meeting (i.e. not later than 5.00 p.m. Monday 22 July 2019).

4. The completion and lodging of this form will not preclude the relevant Shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.

5. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner which the Shareholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.

8. At a meeting of Shareholders a poll may be demanded by:

   (a) not less than five shareholders having the right to vote at the meeting or;
   (b) a Shareholder or shareholders representing not less than 10 per cent of the total voting rights of all Shareholders having the right to vote at the meeting;
   (c) a Shareholder or Shareholders holding shares in the Company that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10 per cent of the total. Where a poll is taken, votes shall be counted according to the votes attached to the shares of each Shareholder present in person or by proxy and voting

9. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

10. Where ordinary shares are held jointly, all joint Shareholders must sign.

11. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

LIST OF ABBREVIATIONS

AFI	Alliance for Financial Inclusion
AGM	Annual General Meeting
ALM	Assets and Liabilities Management
AML	Anti-money Laundering
BoN	Bank of Namibia
BSE	Botswana Stock Exchange
BWP	Botswana Pula
CRMPS	Compliance Risk Management Plans
DSA	Direct Sales Agent
ERM	Enterprise Risk Management
ERMF	Enterprise-wide Risk Management Framework
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
FCPA	Foreign Corrupt Practices Act
FLI	Financial Literacy Initiative
FTE	Full-Time Employees
GARC	Group Audit and Risk Committee
GCC	Group Credit Committee
GRC	Group Remuneration Committee
GRI	Global Reporting Initiative
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Framework
ILO	International Labour Organisation
KING IV	King Code of Governance Principles for SA
KYC	Know Your Client
LGD	Loss given default
LLR	Loan Loss Ratio
MNO	Mobile Network Operator
MoH	Ministry of Health
MSE	Micro and Small Entrepreneurs
NCD	Non-Communicable disease
NPL	Non-Performing Loan
NSX	Namibian Stock Exchange
PBMT	Profit before management-fees and tax
PD	Probability of default
PWC	PriceWaterhouseCoopers
RCSA	Risk Controls Self-Assessment
RPF	Rural Prosperity Fund
SEDD	Social and Environmental Due Diligence
SSI	Strategic Social Investment
WEF	World Economic Forum

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