SOUTH AFRICAN POSTBANK SOC LTD

2020-21 | ANNUAL REPORT

Postbank

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PART A

General information

GENERAL INFORMATION

Registered Name	Registration Number	Registered Office Address	Postal Address
South African Postbank SOC Ltd	2017/177755/30	497 Sophie de Bruyn Street, Pretoria, 001	PO Box 10000 Pretoria 0001

Contact Telephone Number	Website Address	External Auditor	Company Secretary
(012) 407 6000	www.postbank.co.za	Auditor General of South Africa	Ms Tlamelo Majatladi Acting

LIST OF ABBREVIATIONS/ACRONYMS

AGM	Annual General Meeting
ATM	Automated Teller Machine
BAC	Bid Adjudication Committee
BASA	Banking Association of South Africa
DAC	Directors Affairs' Committee
DCDT	Department of Communication and Digital Technologies
DFI	Developmental Finance Institution
EMV	Europay, Mastercard and Visa
FIC	Financial Intelligence Centre
FSCA	Financial Sector Conduct Authority
GDP	Gross Domestic Product
HRTC	Human Resources and Transformation Commitee
ITSC	Information Technology Steering Committee
MNS	Managed Network Service
MTSF	Medium Term Strategic Framework
NDP	National Developmental Plan
NII	Net Interest Income
NIR	Non Interest Revenue
NPS	National Payment System
POS	Point of Sale
RCMC	Risk and Capital Management Committee
REMCO	Remuneration Committee
SAPO	South African Post Office
SARB	South African Reserve Bank
SASSA	South African Social Security Agency
SEC	Social and Ethics Committee
SLA	Service Level Agreement
SOE	State Owned Entity
SRD	Social Relief of Distress
TOR	Terms of Reference

FOREWORD BY THE CHAIRPERSON

Introduction

On the eve of the start of the reporting financial year 2020/2021, Moody's and S&P downgraded South Africa's sovereign credit rating to junk status, a country whose economy was in recession at the time. Only to be further anguished by the scourge of Covid-19 for the next two year or so. This has driven South Africa into a state of economic paralysis.

The year started on a negative note for South Africa with the World Bank and IMF cutting its growth prospects down from 1,5% to 0,9% and 1,1% to 0,8% respectively. Bear in mind that these revised numbers exclude the impact that Covid-19 and junk status will have on the economy. Both institutions cited persistent policy uncertainty, constrained fiscal space, subdued business confidence, weakening external demand and electricity supply challenges.

The severe and most destructive risk that South Africa's economy is faced with, is the deepening of the economic downturn which will lead to more job losses, serious recession that can take years to undo. For South Africa to see meaningful economic reforms, we need to find answers for the present challenges that the country is faced with. We must resist the temptation of working in silos but rather encourage our government, civil society, business and labour to work together to find solutions to the ills that have engulfed our country.

Our economic challenges present an unwavering commitment towards developing an intensive path with the objectives of boosting job creation, curbing poverty and setting our country towards economic prosperity. To add into the calamity, we have also gone through a low interest rate regime with the South African Reserve Bank (SARB) cutting the rates in its quest to cushion the people of South Africa from the scourge of the coronavirus pandemic. At the beginning of the financial year under review, the repo rate was sitting at 5,25% and by the end of the financial year, the rate had gone down to 3,5%.

Obviously this had an impact to Postbank's financial performance specifically the Net Interest Income. Overall, the business delivered lacklustre financial results thus posting a net loss after tax of R492m, a significant decline from a R41m profit in the previous financial year, 2020. The revenue declined marginally from R2,2bn to R2,1bn year-on-year. The bank also experienced significant decline in its total asset base by R3bn due to a maturities in some of the short term investments.

Mr Thabile Wonci
Chairperson

Operating Environment

The Board members joined the business of Postbank on 1 October 2020. The onerous responsibility we have had to deal with, was leading an organisation that has no permanent Chief Executive Officer with many vacancies at the executive level. Even though attempts were made in the past to recruit and fill the executive positions, these never achieved its intended results and as such the banks has been operating with many employees at the executive and manager levels in an acting capacity.

The process of filling the executive positions has never been more urgent as we need to empower Postbank with the right skills, executives with in-depth knowledge and experience of the banking landscape who share an appreciation of the Postbank we envisage to build. Men and women of good character who will be motivated by nothing other than the deeper sense of growing the Postbank, preserve and protect the image and the integrity of the brand and business, take care of its employees, grow its clients base whilst taking a good care of its customers. Men and women that will make it their mission to build a prosperous Postbank. Men and women that will protect the Postbank from the corrupt elements that have made it their mission to steal from the bank.

There is a concerted effort to modernize our Information Technology (IT) environment in order to capacitate the bank with bespoke infrastructure that will help the bank to compete quite aggressively in this highly competitive industry. This is the call to action that we are all aligned on and management has been hard at work to ensure that this gets realised.

Postbank seem to have long been plagued by operational inefficiencies, malpractices and gross lack of internal controls. This profound dilemma can only be addressed by bringing in the necessary reforms. And to resist the reforms is to risk the Postbank into becoming bankrupt or loss-making and less-competitive or an entrenched culture of mismanagement.

As such, the auditors have warned us that Postbank's control environment is very weak. Unfortunately a weak internal control environment breeds many organisational malpractices and mismanagement that can lead to material losses to the business. There appears to be an entrenched culture of lack of accountability and a gross lack of consequence management. This dilemma has gone unrecognised for many years and only marginally visible as we keep asking questions. This age of irresponsibility needs to end today.

The business of Postbank has endless possibilities only if we get the basic rights. Building a solid base will put the business of Postbank into a good stead from which to build from. It is therefore encouraging that some of the initiatives that management is working on as salary benchmarks and job grading, ATMs, card issuance, organisational policies, IT modernisation to mention but few.

Another key impediment to Postbank's growth is its lack of ability to issue cards. This remains a lost opportunity more especially for a business like Postbank that has a sticky depositors base and well connected to most communities and parts of the country. Unfortunately the Postbank has not moved much in its project of addressing the issues of the compromised cards and/ or the variation notice from SARB. Postbank has been operating under a moratorium from the shareholder and this posed challenges in filling the vacancies and contracting. However, the shareholder has been engaged and a short-term solution has been found of bringing the requests on a case by case basis. We do hope that this will be lifted immediately after the additional Board member have been onboarded.

In addition, not much progress has been made either on the banking licence application. And as for the Postbank Amendment Act, at the time of writing, the Bill is currently in parliament. A step in the right direction.

All is not lost, the Postbank prides itself with its committed and dedicated employees whose hearts and souls want to see this bank grow. The bank also has a sticky depositors base that's loyal to our business and have been with the business for many years. There are many growth opportunities from a products, clients and markets viewpoints still to be explored. The future is now.

Management and Board of Directors

The current Board members joined the Board of Directors of Postbank on 1 October 2020. The Board Chairperson at the time, Mr Zinzile Darwin Nkonki resigned as the Board member in April 2021. We are truly grateful to Mr Nkonki for his service to the business of Postbank.

Mr Hannes Van Der Merwe who was the Acting CEO from the time the current Board joined the Postbank retired at the end of March 2021. As such, Mr Molatlhegi Kgauwe from SITA
was seconded to the Postbank in an Interim CEO capacity. And this process that was driven by the Department of Communications and Digital Technologies. Mr Kgauwe left Postbank in December 2021 and on behalf of the Board I would also like to thanks both Mr van der Merwe and Mr Kgauwe.

There are still many vacancies at the Board to be filled and the shareholder has now completed the process and the new Board members will soon be onboarded.

Word of Thanks

On behalf of my fellow Board members, I would like to thank each and every employee of Postbank for their hard work and dedication into our business. A word of appreciation also goes to our client base who continue to trust us with their business. Their loyalty to our business is unmatched and we promise to continuously find ways of serving them better and efficiently going forward.

Thank you to my fellow Board members, Mr Gcobani Mancotywa and Advocate Leigh Hefer, for their dedication and commitment to the business of Postbank. I'm grateful to have had the opportunity of working with you. I truly appreciate you steering many of our conversations at the Board level. I thank you for your contribution.

Thank you to my fellow Board members for their dedication and commitment into the business of Postbank. I'm grateful to have had the opportunity of working with you. I thank you for your contribution.

A word of gratitude to our Shareholder and the staff in the Department of Communications and Digital Technologies. My heartfelt gratitude to the Honourable Minister Khumbudzo Ntshavheni for all your guidance and support. It's truly encouraging to know that we can count on your immeasurable guidance and support.

Mintirho ya vula vula, hi ta vula vula mundzuku!
Ndiyabulela, ke a leboga, thank you.

Mr Thabile Wonci
Chairperson of the Board

CHIEF EXECUTIVE OFFICER'S OVERVIEW

The 2020/21 financial year was a difficult trading period across the markets due Covid-19 pandemic. In response to the health threats posed by rising Covid-19 infections, both locally and abroad, South Africa instituted a nationwide lockdown late in March 2020. The restrictions and lockdowns had an unintended consequent effect on employment. As at the fourth quarter of 2020, unemployment levels were at 32.5%, rising from 29.1% in the previous year. The country again lost 742,000 jobs during the first three quarters of 2021 as unemployment was recorded at 34.9% in the third quarter of 2021. Furthermore, the difficult trading was evident in second quarter consumer confidence numbers of 2020 which reflected the largest dip in over 20 years to -33 points. These figures reflecting the negative sentiments held by households regarding their expected financial situation, the impact of high unemployment rates and the ability of consumers to save.

The supressed economic activity conditions had a significant impact on the bank's revenues. During the reporting period Postbank experienced a net loss of R477 million from a profit R26 million in FY2020. The net loss was mainly due to the expected credit losses of R790 million (March 2020: R521 million). Postbank financial highlights includes:

- Net Cash from Operating Activities decreased from R4.3 billion in the previous year to R3.2 billion, mainly as a result of decline in depositors' funds.
- Total assets declined by 21% in 2021 to R11,1 billion from the previous financial year mainly as a result of decline in investment.
- Investment decreased from R7 billion to R4.5 billion as a result of maturities in some of the short term investments.
- Total liabilities decreased by 23 % to R8 billion from the previous financial year mainly as a decrease in grant deposits.

The moratorium imposed on Postbank from concluding long-term contracts has had a direct impact on revenues and overall operational performance of the entity given that some of the impacted contracts were linked to revenues and overall performance. Management has identified interim alternatives that also include approaching the DCDT for waivers on a case to case basis, but the complete lifting of the moratorium conditions is the only sustainable solution.

Mr Lucas Ndala
Interim Chief Executive Officer

The mammoth task of separating Postbank's operations from SAPO, as well as establishing a distinct state-owned banking brand, has continued during the reporting period. Postbank utilizes SAPO retail outlets as part of its channel strategy for the foreseeable future until an industry comparable and competitive channel mix is gradually introduced. In many cases, especially in relation to the SASSA grants payment process, the separation from SAPO has insentiently resulted in some audit queries that management is placing the necessary attention in resolving.

Improving Postbank's Information Communication Technology (ICT) environment sit at the heart of improving the entity's performance amongst areas of revenues, accounting and innovation. In the immediate future, management intends to vigorously elevate the importance of modernizing the institution's ICT environment to the shareholder.

Filling vacancies with key qualified personnel especially at executive management and specialised banking fields is important in building the future state-owned retail and business banking that will partner with Government in facilitating a meaningful financial inclusion.

Management wishes to thank the Board and the shareholder for their support during the reporting period.

Mr Lucas Ndala
Interim Chief Executive Officer

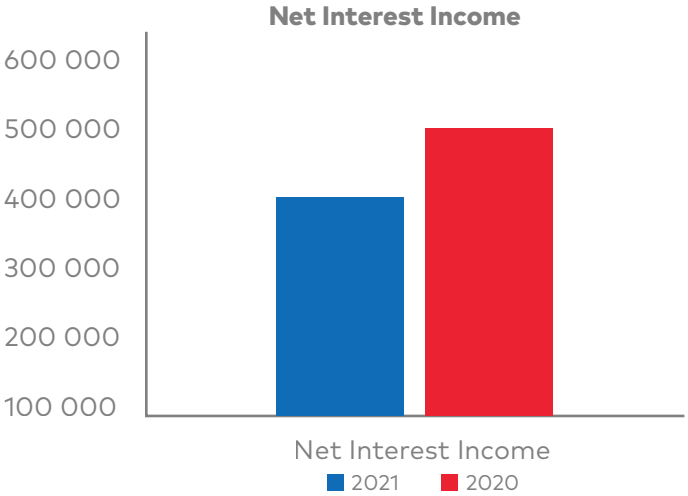
FINANCIAL OVERVIEW BY THE CHIEF FINANCIAL OFFICER

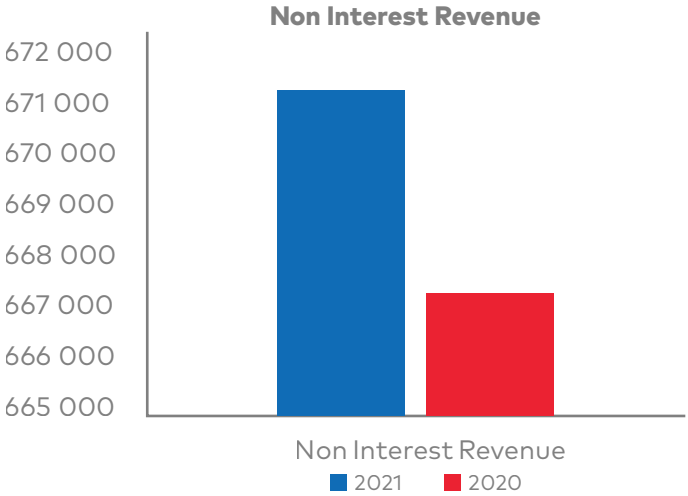
Postbank presents its financial results on the back of the Covid-19 pandemic, which left a distraction and major onslaught on our economy and most importantly our customers. Besides its negative impacts on the economic activities, Covid-19 pandemic caused a harm to the South African econnomy in various ways, closure of businesses, massive damage to tourism and the hospitality sector and a significant number of job losses.

The financial results as at 31 March 2021 are reflective of the challenging operating enviroment that Postbank has experienced. The bank's revenue declined from R2.2 billion as at 31 March 2020 to R2.09 billion in the period under review. This was mainly as a result of expected credit losses which increased from R521 million to R798 million. The impairment charge for the period under review was significantly high primarily due to the increase in credit risk on some of our investments as well the adjusted overlay for the Covid-19 pandemic impact. The NII declined from R555 million in the prior year to R406 million as at 31 March 2021 as a result of decline in interest rates

The bank generates its revenue mainly from two sources of income, namely being the Net Interest Income (NII) and Non Interest Revenue (NIR). During the year ending 31 March 2021, Non - Interest Revenue (NIR) contributed to 80% (70%: 31 March 2020) of total revenue whilst Net Interest Income (NII) accounted to only 20% (25%: 31 March 2020) of total revenue. Diversifying the bank's revenue sources is part of our management focus in the short-to-medium term.

Ms Thokozile Motsweni
Acting Chief Financial Officer





Transactional and service fee income generated during the year increased to R1.6 billion from R1.5 billion in previous year while the transactional expense increased from R889 million (31 March 2020) to R992 million. Introducing Postbank owned transacting channels should offset these costs. The NIR increased from R667 million to R671 million in 2021 financial year as compared to previous financial year.

The contraction in revenue resulted in Postbank reporting a net loss of R477 million in 2020/21 financial year when compared to the restated profit before tax of R136 million in the previous financial year. The Bank's cost-to-income ratio cost to income ratio increased to 60% (46%: March 2020), above its target of 99%. The Bank's operating expenses increased to R513 million (March 2020: R464 million). Net Cash from Operating Activities decreased to R3,2 billion as compared to R4, 3 billion in the previous year mainly as a result of decline in depositors' funds.

Total assets declined by 21% as at the 31 March 2021 to R11 billion from R14 billion in previous financial year mainly as a result of decline in investment. Investment decreased from R7.1 billion to R4.5 billion as a result of maturities. Total liabilities decreased by 23 % to R8 billion from the previous financial year mainly as a result of decrease in other deposits. Postbank reported a negative Return on Equity (RoE) of 15% as a result of decline in retained earnings and equity for the current financial year. Through all these macro-economic conditions, the bank has remained resilient and well capitalised with Tier 1 ratios of 55% and the CAR of 55% (31 March 2020: 63%) above the minimum required by the Prudential Authority.

The ratio declined compared to the previous years as a result of the decline in capital resulting from the R492 million loss reported for the current financial year. The resilience is reflective in the banks liquidity position. As at 31 March 2021, the bank had R2.2 billion of HQLA, as investment held with the CPD and a Liquidity Cover ratio (LCR) above the minimum required by the Prudential Authority.

Financial sustainability still remains a key strategic objective of the bank. The bank will continue to focus on cost containment, strengthening the balance sheet, and maintaning a sufficient capital and liquidity buffer.

I would like to express my gratitude to the bank's stakeholders, DCDT, the Board, the Postbank customers, SASSA and every employee, for their continued support and commitment to accelerating our mandate of financial inclusion.

Ms Thokozile Motsweni
Acting Chief Financial Offiver

HIGHLIGHTS

Financial Highlights

31-Mar-21

▼ **(R492 m)**
Net profit(loss) after tax

▼ **R3.2 bn**
Net cash from operating activities

▼ **R11 bn**
Total Assets

▼ **R2.1 bn**
Postbank generated total revenue

▼ **R4.5 bn**
Investments

▲ **3.8%**
Return on Assets

▼ **55%**
Capital Adequacy Ratio

▲ **2005%**
Liquidity Coverage Ratio

▲ **21.4%**
Jaws Ratio

▲ **60.1%**
Cost to Income Ratio

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OFACCURACY FOR THE ANNUAL REPORT

Postbank's strategy and strategic outcomes are aligned to South Africa's National Developmental Plan Vision 2030, developmental targets of the Department of Communications and Digital Technologies (DCDT), and the Annual Performance Contract of the Department of Communications and Digital Technologies (DCDT) Honorable Minister, Ms. Khumbudzo Ntshavheni. The Annual Report covers our performance for the 2020/21 financial year, and it is our second report tabled in this format where Postbank reports as a separate legal entity.

As a Board of Directors, our mandate and constitution and conduct are covered by the South African Postbank Act No.9 of 2010 (as amended). The board's leadership of Postbank is further guided by the King IV Code of Governance for South Africa, protocols governing State Owned Entities (SOEs) as well as the Protocol on Corporate Governance in the Public Sector. This Annual Report also includes Postbank's Annual Financial Statements, which are prepared in accordance with the requirements of the Public Finance Management (PFMA) Act No.1 of 1999 (as amended), International Financial Reporting Standards (IFRIS), and the Companies Act of South Africa No.71 of 2008, where applicable.

The Annual Report is structured as a narration of our activities in the context of our operating environment and its impact in the course of our advancement of our set mandate as a creation of shareholder value, as well as our impact during the reporting period. Inclusive in the report is also the narration of all those matters that we believe could impact the attainment of our mandate in the immediate, medium and long term. Postbank is incrementally working towards a combined assurance model, which will allow us to obtain assurance within reasonable costs from our internal Risk Management division, once adequately capacitated, and external providers as stated in our Audit and Risk Committee Report.

Being a state-owned entity, the Auditor-General of South Africa is Postbank's auditor and provider of external assurance on the fair presentation of the Annual Financial Statements. During the financial year under review, the Auditor-General of South Africa has issued a report on the findings relating to performance on predetermined objectives, compliance with laws and regulations and internal controls, which is included in the Auditor-General of South Africa's Report to Parliament that is contained in the Annual Financial Statements section of the report.

The board, with the assistance of the audit and risk committees and the bank's executive management, is ultimately responsible for the integrity of this Annual Report. Significant thought has been dedicated by the board in guiding management's reporting process and the board has concluded that this report represents all material matters and is presented in line with the requisite framework. Accordingly, the board approved this report in October 2022.

Mr Lucas Ndala
Interim Chief Executive Officer

Mr Thabile Wonci
Chairperson of the Board

HISTORY AND JOURNEY OF POSTBANK

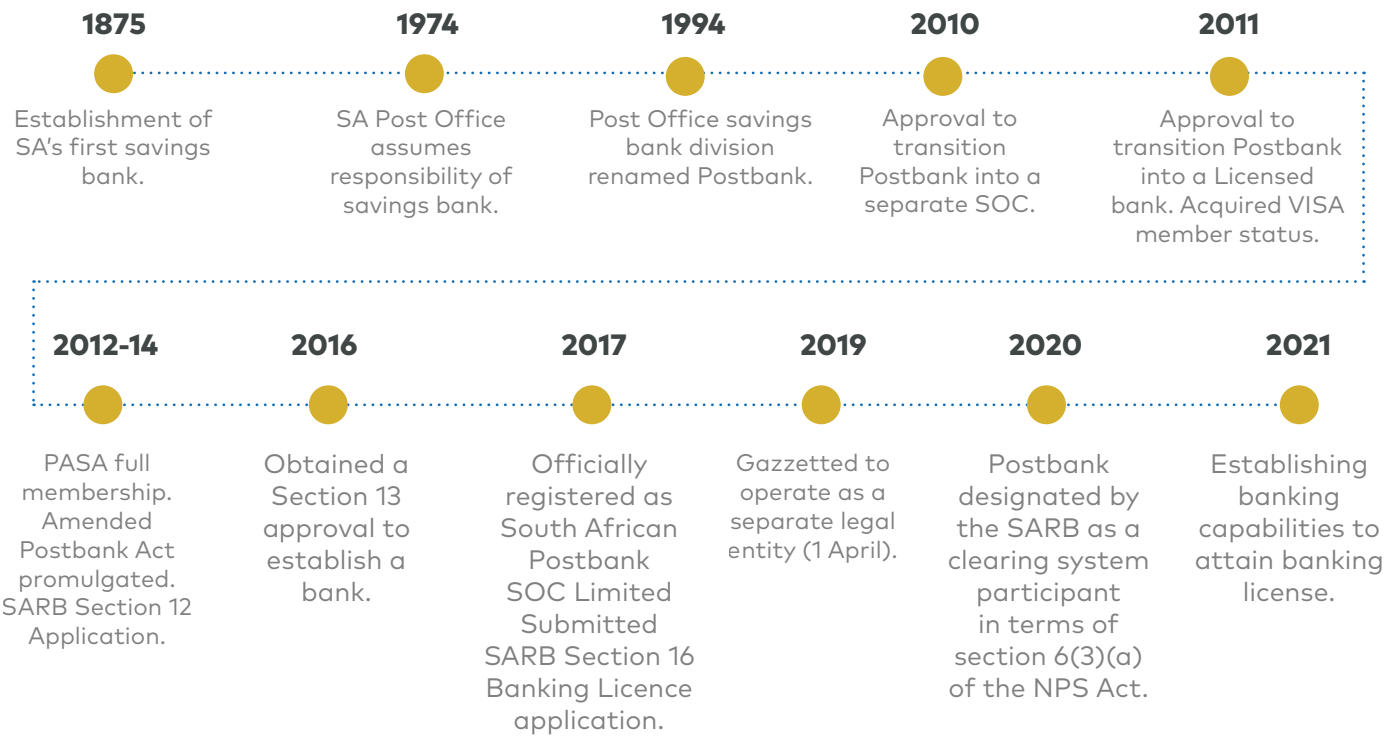


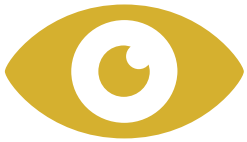
Figure 1: Postbank historical timeline and key milestones

Postbank is a state-owned entity and established in terms of the Postbank Act No: 9 of 2010 and designated deposit-taking entity with full participative membership within the National Payment System (NPS). In line with its founding mandate, Postbank is positioned to play a key role in the achievement of South Africa's socio-economic developmental goals through facilitating meaningful financial inclusion as well as supporting Government in providing government-to-citizens financial services. Government is in the process of corporatising Postbank and the entity has applied for a banking license with the SARB in terms of Section 16 of the Banks Act.

VISION, MISSION AND VALUES

Postbank's core purpose and mandate is to promote financial inclusion, which is a necessary component to alleviating poverty and improving the quality of life of citizens. Postbank's affordable and easily-accessible financial services will provide under-served and un-served individuals and businesses an opportunity to participate in South Africa's mainstream economy.

The goal of promoting financial inclusion within South Africa informs Postbank's Vision, Mission and Values:



Vision

Be the Trusted Banking Partner to Government on Financial Inclusion

Mission

To offer inclusive, accessible, simple and affordable banking solutions through diverse and secure channels, and in so doing, become the 'Bank of Choice' for Government, Business and Individual Customers in the underserved communities

Values

Passion
We are committed in heart and mind. We are actively engaged in achieving positive results for Postbank

Accountability
We hold ourselves for setting standards, owning and solving problems.

Personal Growth
We are committed to getting better every day

Community
We are committed to tangible, positive contributions to our community and world

Collaboration
We achieve uncommon results by working together, in a supportive way, towards a common goal

Efficiency
We make efficient use of Postbank's resources and are continuously improving our work processes

Figure 2: Postbank's vision, mission and values

LEGISLATIVE AND OTHER MANDATES

MANDATE OF POSTBANK / WHY WE EXIST

The South African Postbank SOC Limited was incorporated in 2017 as a legal entity in terms of the Companies Act. Having existed as a savings institution and a division within the South African Post Office group, Postbank mainly draws its mandate from the Postbank Limited Act (Postbank Act) No.9 of 2010 (as amended). Postbank's mandate entails the promotion of financial inclusion in relation to assisting Government in facilitating financial participation for the previously excluded citizens, particularly those in the rural and under-developed communities.

The Postbank Act also mandates Postbank to play a meaningful role in promoting the financial services participation of the communities with limited access to retail banking services. Based on this mandate, Postbank is tasked to be the preferred bank to these target markets by providing nationally accessible and affordable financial services where they reside. The promotion of financial inclusion entails growing savings, improving financial welfare, creating an inclusive safe transacting environment as well as improving financial literacy for the unbanked and the under-banked.

National Treasury (2020) defines financial inclusion as a way of delivering financial services to a large number of the previously excluded or under-served communities or population at a least possible cost. National Treasury advises that there are five product categories that are crucial in meeting the financial basic needs of South Africans, namely:

1. **Transactional accounts** have become the anchor product for participating in the economic and social life of a modern society.
2. **Credit facilities** which as they are important to individuals and SMMEs in achieving their long-term objectives.
3. **Insurance products** that enable the absorption of costly unforeseen life events.
4. **Saving products** which provides a safety net and contributes to improving quality of life.
5. **Remittance services** which allow for the convenient sending and receiving of money.

REGULATION, LEGISLATIVE AND GOVERNANCE FRAMEWORK

Postbank complies with protocols and legislations governing SOE's, and it is also guided by legislation and various regulations governing financial services institutions that include, the South African Reserve Bank (SARB), Financial Intelligence Centre (FIC), Financial Sector Conduct Authority (FSCA) and the National Treasury. Postbank is required to comply with, inter alia, the following:

- Postbank Act No. 9 of 2020 (as amended).
- Banks Act No. 90 of 1990 (as amended).
- Companies Act No. 71 of 2008 (as amended).
- Public Finance Management Act No. 1 of 1999 (as amended).
- Relevant legislation applicable to SOCs.
- Relevant legislation applicable to the financial services sector.

Postbank is exempted from the provisions of the Banks Act however, the Bank endeavors to comply with the prescripts of the act. Postbank was designated by the SARB as a clearing system participant in terms of section 6(3)(a) of the NPS Act. As a result, the Bank must comply with the conditions of designation notice.

Postbank's products and services offering includes basic financial services which are card-based transaction accounts, book-based saving accounts and investment accounts. Additionally, Postbank supports Government through the provision of financial disbursement services in relation to various government-to-citizens financial services including social grants. The promulgation of the Postbank Limited Act in 2010 initiated the process of transitioning the organisation into an independent, fully-licensed retail bank, and this will enable the bank to enhance its value proposition for both its customers and government.

POSTBANK ORGANISATIONAL STRUCTURE

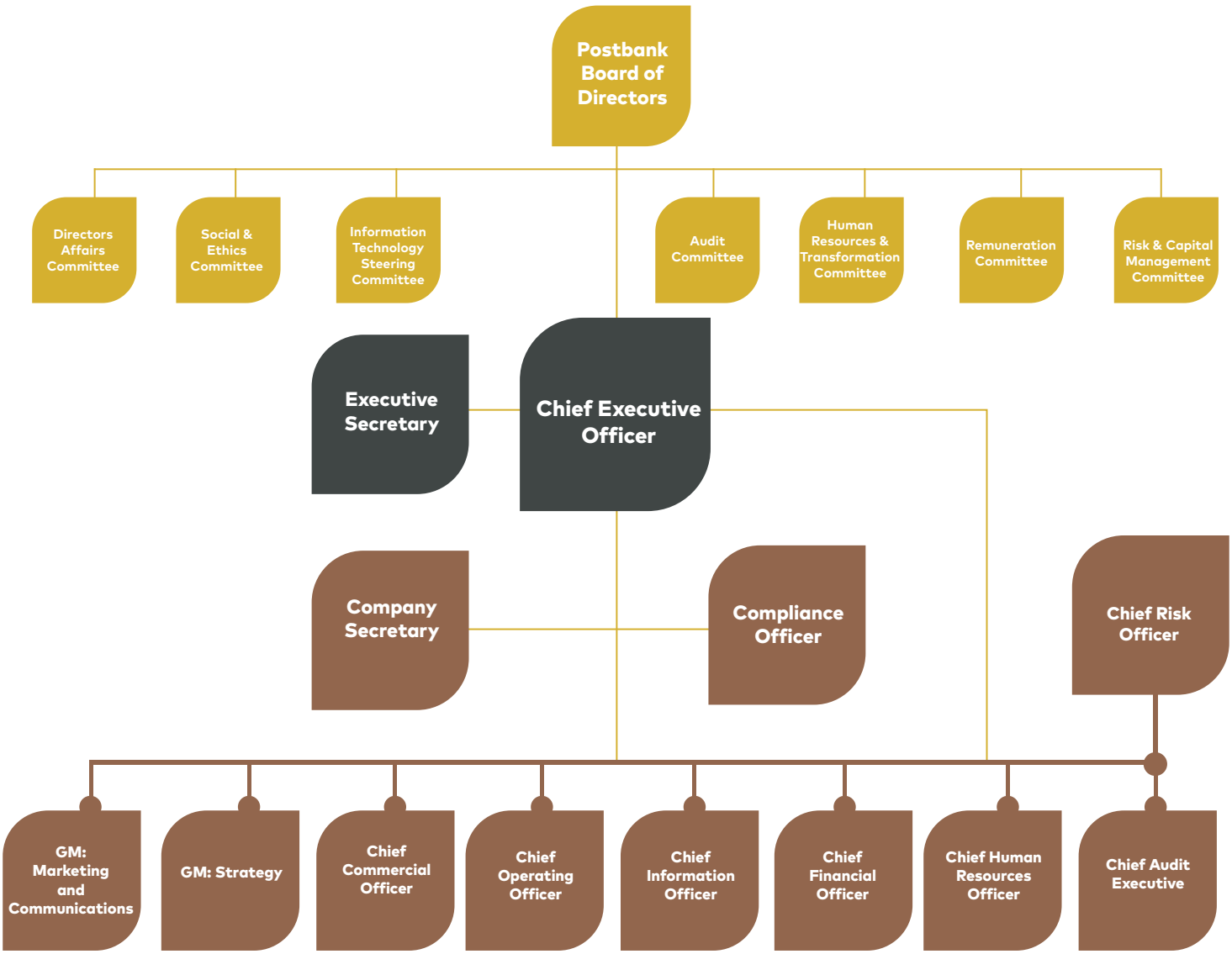


Figure 3: Postbank Executive Organogram

PART B

Performance Information

KEY PERFORMANCE HIGHLIGHTS

KEY FINANCIAL METRICS AND OPERATIONAL HIGHLIGHTS

Key Financial Metrics

Ratio Description	31-Mar-21	31-Mar-20
Net profit(loss) after tax	(R492 m)	R41 m
Net cash from operating activities	(R3.2 bn)	R4.3 bn
Total Assets	R11 bn	R14 bn
Postbank generated total revenue	R2.1 bn	R2.2 bn
Investments	R4.5 bn	R7.1 bn
Return on Assets	(3.8%)	0.2%
Capital Adequacy Ratio	55%	63%
Liquidity Coverage Ratio	2005%	1933%
Jaws Ratio	21.4%	-
Cost to Income Ratio	60.1%	46.2%

Table 1: Postbank's key performance metrics

Operational highlights

- Postbank holds 19.8 million (2019/20: 19.7 million) individual and group savings accounts, grant accounts making up a significant number of these accounts.
- Postbank designated by the SARB as a clearing system participant in terms of Section 6(3)(a) of the NPS Act.
- Banks Act Amendments promulgated enabling Postbank to start the process of finalising the incorporation of Bank Controlling Company.
- Awarded the SRD grants business and for the period under review paid R13,33 billion to a total of 5,2 million SRD grants beneficiaries

AUDITOR-GENERAL'S REPORT ON PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. Refer to page 85 of the Report of the Auditors Report, published as Part E: Financial Information.

SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

Through the years, Postbank has transitioned into a meaningful financial services provider whose primary focus has been on the provision of basic savings and transactional banking services to the unbanked and the under-banked segments of the South African population. Postbank offers secure, reliable, accessible and affordable banking services, targeting individuals, groups and businesses defined within the lower socio-economic measures (SEM 1-6). Additionally, Postbank provides financial disbursement services for government on SASSA social grants payments and other payments services support to a number of government entities.

ORGANISATIONAL ENVIRONMENT

Postbank's employee head count increased by 18% - from 241 on 1 April 2020, to 285 as at 31 March 2021. This is in line with the plans to capacitate the bank in critical functional areas to enable it to deliver on its mandate. However, Postbank continued to experience challenges in filling its executive level vacancies and only managed to fill the position of Chief Risk Officer while other critical executive positions such as those of the Chief Executive Officer and Chief Financial Officer remain vacant and occupied by acting personnel.

A list of potential suitable candidates for the CEO and CFO positions have been compiled during the reporting period and it is envisaged that these positions will be filled during the 2nd quarter of new financial year. The remainder of the executive level positions are in different recruitment phases and they are also envisaged to be filled during the course of the new financial year period.

During the current reporting period, the term of the non-executive directors of the Board also expired and new non-executive directors were appointed, including the new Chairperson of Board.

KEY POLICY DEVELOPMENT AND LEGISLATIVE AMENDMENTS

Amendments to the Banks Act that enabled State-owned Entities to register and acquire banking licenses was approved and promulgated on 31 December 2020 through the Financial Matters Amendment. The approval paved way for the shareholder to start with the amendments to the Postbank Act which entailed the establishment and incorporation of a Postbank Bank Controlling Company (BCC) in line with the provisions of the Banks Act.

Once promulgated, Postbank intends to update and resubmit the Section 13 application to the SARB..

STRATEGY

EXTERNAL ENVIRONMENT

Economic activity came to a halt in early 2020 because of the nationwide lockdowns that were imposed to contain the spread of Covid-19. GDP growth fell drastically to a record low in five years, as the annual growth rate fell to a negative 6% in 2020. Growth in the GDP remains low, and the country is only expected to recapture preCovid-19 levels in 2025. The South African Reserve bank has forecasted GDP growth at 1.7% in 2022, increasing to 2% in 2024.

The major banks reported large profit declines in their 2021 financial results, with the highest decline at 57% compared to 2020. Earnings declines were attributed to higher impairments; lower transaction volumes; and the cancellation of investment and early withdrawals from savings. Both the consumer and business confidence indices fell to record lows in the second quarter of 2020. At the height of the national lockdown in April to June 2020, the consumer confidence fell in over 20 years to a negative 33 points, reflecting the negative sentiments held by households regarding their expected financial situation, the impact of high unemployment rates and the ability of consumers to save.

As activity rates start to normalise and the global economy improves, the South African economy is also expected to grow by to 4.8% (revised down from 5.1% in 2021).At the end of the second quarter of 2021 the economy had expanded by 1.2%; this was the fourth consecutive quarter of growth. However, as shown by the 1.5% decline in economic growth in the third quarter of 2021, the momentum has started to decline following public violence in July 2021 port and rail disruptions; electricity interruptions; and the third and fourth wave of Covid-19 infections.

A positive consequence of the Covid-19 pandemic has been the accelerated adoption of technology and digital financial services amongst consumers. The Covid-19 pandemic has impacted the operating models of financial institutions, notably with an accelerated increase in the adoption of technology to provide products and services, in parallel with consumers' increasing use of digital payment methods.

These has also forced Postbank to repurpose its strategy and consider to adopt these major trends, particularly in the transactional banking space through the implementation of the card less account for its customers receiving the Social Relief Grant (SRD).

STRATEGIC OUTCOMES

In support of the attainment of the Postbank's social mandate of promoting financial inclusion, the bank is focused on ensuring the provision of low-cost, simple, accessible and affordable banking solutions for the under-served and under-banked communities. As such, Postbank's strategic goal is to be the trusted banking partner – to individual and group customers and Government - for accessible, simple and affordable banking solutions.

Postbank's three year strategic plan document and the Corporate Plan, articulates strategic objectives that will drive Postbank to grow its business and market share and become a formidable financial services entity by the year 2023. The Corporate Plan also outlines a list of Postbank's strategic goals and a plan on how the bank intended to achieve these and the other key mandated priorities.

Postbank identified a list of six key strategic objectives aimed at ensuring the attainment of the bank's mandate of promoting financial inclusion in an effective and sustainable manner, with the desired level of impact also achieved. These six strategic priorities included to:

1. Corporatise the bank and acquire a banking license
2. Grow revenue
3. Capacitate the organisation to be efficient and cost effective
4. Digitalisation of the bank
5. Become a full service retail bank
6. Be Government's preferred payment channel

Postbank's strategic objectives were underpinned by the following key success factors considered to be critical in the achievement of the bank's strategic goals:

1. Operational Efficiency
2. Customer Centricity/Experience
3. Financial Sustainability
4. Governance and Compliance

Postbank also developed a related Annual Performance Plan (APP), incorporated into its Corporate Plan for a three year strategic period from 2020/21 to 2022/23. The APP provides further detail on the bank's performance targets and measurements for the 2020/21 financial year. Postbank's performance was measured and tracked through a total of 21 key performance indicators, aligned and responding to the six corporate strategic priorities as outlined above.

PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVE

Postbank managed to achieve four KPIs ut of a total of 21 KPIs, and the balance of fourteen KPIs were not achieved due to various strategic and operational reasons. This translates to an overall performance rating of 19%. The bank's overall scorecard for the 2020/21 financial year is summarised and depicted in the diagram below:

Strategic Theme	No. of KPIs	Achieved	Not Achieved	% Score
1. Corporatise the bank and acquire a banking license	3	1	2	33%
2. Grow revenue	2	0	2	0%
3. Capacitate the organisation to be efficient and cost effective	3	2	1	67%
4. Digitalisation of the bank	5	0	5	0%
5. Become a full service retail bank	7	1	6	14%
6. Be Government's preferred payment channel	1	0	1	0%
TOTAL	**21**	**4**	**17**	**19%**

Table 2: Postbank Annual APP Scorecard (FY2020/21)

Corporatise the bank and acquire a banking license

This strategic objective is meant to support Government's intention to establish a state-owned bank that will meet the state's developmental objectives, through ensuring that Government has Postbank as a licensed retail bank in terms of the Banks Act 94 of 1990. There are large markets that are not served by the traditional banks in the private sector to which Postbank will endeavor to provide basic banking services. These include the informal sector, rural economies, youth and SMMEs.

There is also the overarching objective of enhancing financial inclusion for the unbanked and under-banked as per Postbank's mandate enunciated in the Postbank Act. This strategic objective comprised of three KPIs, metrics that considered to (i). Acquire a banking license. (ii). Achieve a clean audit; and (iii). Postbank did not deliver fully on this strategic objective as it only achieved one of the three targets linked to this objective.

Grow revenue

Postbank's mandate of financial inclusion entails filling the identified market gap and deliver convenient access to affordable financial services for the unbanked and underserved communities. The bank is required to do this in a financially sustainable manner, in order to ensure its own sustainability and so as not to burden the fiscus that is already significantly strained. Postbank's financial sustainability creates a platform not only for its own continued existence but to also facilitate economic transformation, job

creation as well as economic growth. A strengthened balance sheet provides a strong foundation for the provision of loans in the future.

It is on this basis therefore that the bank has to ensure growth in revenue in order to be able to fund its financial operations. The element of financial sustainability ties closely the imperatives of growing revenue and cost containment. The containment or reduction of costs-to-serve enables the bank to pass on these cost savings to customers, thereby contributing to the facilitation of financial inclusion. This strategic objective comprised of 2 KPIs, which considered to (i). Increase Net-Interest Income (NII); and (ii). Increase Non-Interest Revenue (NIR). Postbank did not achieve any of these two KPIs due to a combination of internal and external factors.

Capacitate the organisation to be efficient and cost effective

Efficiencies within the organisation contribute towards the establishment of an effective and capable state-owned asset. Operational efficiencies also contribute towards long term financial sustainability, thereby ensuring that Postbank is in a strong position to fulfill the state's developmental mandate. The key performance indicators linked to this strategic priority relate to the human capacitation of the organisation, as well as tracking the ratio of costs in relation to revenue generated – the rate of which needs to be skewed towards the latter.

This measurement sought to ensure that the organisation has sufficient human capacity, particularly the requisite Executive Management resources to drive the development of an organisational strategy and support the banking license application, as well as Management capacity including sourcing the critical banking resources to ensure the successful implementation and execution of the bank's strategy.

Efficiency and effectiveness were prioritised mainly to ensure improvements from the bank's operational performance perspective, and the containment of costs was targeted in terms of the ratio of costs in relation to revenue. The APP targets included under this strategic objective comprised KPIs that considered to (i). Capacitate the organisation with key emphasis on Executive resources; (ii). Capacitate the organisation with key emphasis on Senior Management; and (iii). Achieve a target cost-to-income ratio.

Although Postbank did not deliver fully on this priority area, but the performance achieved was encouraging as the bank's performance for the year entailed two-third of the set annual targets that were achieved. Postbank managed to fill the targeted number of Senior Manager and Management position, and also achieved the targeted cost to income ratio. The vacant Executive positions were however not filled due to various internal and external factors that impacted the related recruitment processes.

Digitalisation of the bank

Postbank sought to modernise its IT infrastructure to be fit-for-purpose in order to be compliant and to meet the demands of an evolving market. The bank also intended to digitise its processes and financial service offering by way of providing diversified channels that would ensure that customers have convenient access to affordable financial products and services. Digital channels offerings would again ensure the reduction in the cost-to-serve, thereby aiding the attainment of the bank's mandate of promoting financial inclusion through pass-on of the derived cost savings for the customers' benefit.

This strategic objective comprised of four KPIs, which considered not only to implement various digital channels including Internet Banking, Merchant POS devices and Postbank proprietary ATMs, but they also included a metric that tracks the uptime of these digital channels within the National Payments System (NPS). None of these critical initiatives were achieved, and the bank's performance in terms of ensuring systems' availability was below the industry SLA of 98%. As such, the bank did not deliver on this critical priority area, which is a key enabler of delivery on the mandate of promoting financial inclusion.

Become a full service retail bank

Parallel to the objective to see the Postbank business transferred from SAPO to the newly established Postbank SOC Ltd, the bank focused on building all the requisite capabilities to enable it to transition into the kind of a financial institution it seeks to become.

Postbank intends to grow its retail business and market share and sought to implement all requisite systems and develop related products to better service its target market.

Postbank planned to deliver on its mandated priorities linked to the promotion of financial inclusion. This relates to growing savings and deposits, commencing lending and bancassurance businesses, and further expanding the number and quality of its broader products and services offering, thereby enhancing the bank's Customer Value Proposition (CVP).

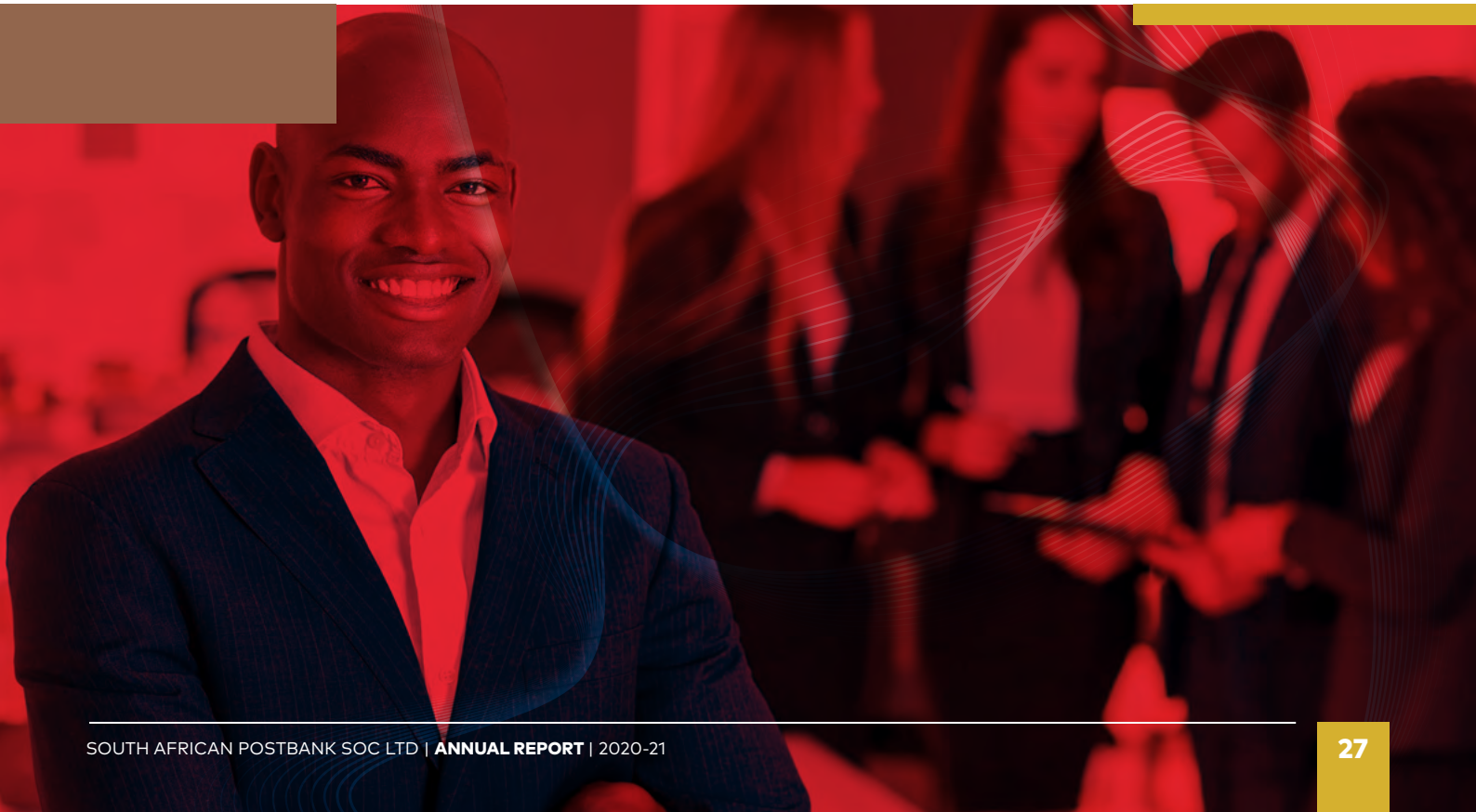
This strategic objective comprised of four KPIs, which considered to (i). Develop and grow the Lending book; (ii). Grow depositor balances from prior year (3%); (iii). Increase number of new accounts opened (300,000); and (iv). Conduct a targeted number of financial literacy events. Postbank did not deliver fully on this strategic priority as it only managed to achieve one KPI, which related to conducting the targeted number of financial literacy events, and did not achieve the other KPIs, due to various operational and strategic reasons.

Be Government's preferred payment channel

This strategic objective placed emphasis on ensuring that Postbank strengthens its working relationship with Government, in order to enable the bank to acquire and grow the business it conducts with this key stakeholder. This was deemed pivotal in ensuring that state resources are well managed, and that Postbank, as a state-owned entity, ensures that resources get circulated within the public sector system and that Government extracts optimum value for money in line with the responsibility to manage with care the taxpayers' monies.

As such, Postbank's strategic objective in this regard entailed a KPI focused on the development of a value proposition for Government and ensuring an increase in revenue derived from the provision of government-to-citizen services through increasing the number of business deals/contracts it has with government and its various entities. Postbank targeted to 'develop and commence a 'government engagement strategy', the implementation of which was meant to attract government business and grow revenue therefrom.

While the strategy document has been finalised, this objective was not achieved as the strategy is pending approval and implementation as planned. The strategy approval process will be expedited and engagements are also in progress with various government entities, already, on a number of identified business opportunities.



PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVE

SUMMARY PERFORMANCE PER KEY STRATEGIC OBJECTIVE

STRATEGIC PRIORITIES	ANNUAL TARGET FY2020/21	ACTUAL PERFORMANCE	TOTAL KPIs	ACHIEVED KPIS	PERFORMANCE RESULTS
1. CORPORATISE THE BANK AND ACQUIRE A BANKING LICENSE	**Target**	**Actual**	**3**	**1**	**33%**
1.1 Acquire Banking License for Postbank SOC Ltd	Finalise internal requirements in order to acquire Banking License (i.e. Update & Submit Section 16 License Application)	Section 16 application was not submitted as the process to update has not been finalised. The process is ongoing/in progress.	1	Not Achieved	
1.2 Reduce Audit findings	50% reduction in Risk and Audit Findings (measured against opening and closing balance per quarter)	Postbank managed to resolve a cumulative 75 (67%) audit findings out of 112 total audit findings raised by AGSA. This performance translates to an achievement, given that the target was to reduce audit findings by 50%.	1	Achieved	
1.3 100% Clean Audit	100% Clean Audit with Zero qualification items	Postbank achieved a qualified audit opinion	1	Not Achieved	
2. GROW REVENUES	**Target**	**Actual**	**2**	**0**	**0%**
2.1 Increase Net Interest Income (NII) -Total revenue of R490 million	R490 million	R406 million	1	Not Achieved	
2.2 Increase Total NIR - Total revenue of R826 million	R826 million	R645 million	1	Not Achieved	
3. CAPACITATE THE ORGANISATION TO BE EFFICIENT AND COST-EFFECTIVE	**Target**	**Actual**	**3**	**2**	**67%**
3.1 Capacitate the organisation with key emphasis on Executive resources (7 positions)	Capacitate the bank by staffing 100% of the critical scarce skills list of required employees	This 14% was due to that only 1 out of 7 positions was filled on a permanent basis.	1	Not Achieved	
3.2 Capacitate the organisation with key emphasis on Senior Manager and Management Resources (52 positions)	Capacitate the bank by staffing 80% of the critical scarce skills list of required employees	Postbank managed to successfully fill 49 of the 52 positions earmarked for capacitation. This translates to a 94% achievement.	1	Achieved	
3.3 Achieve a target Cost to Income Ratio	99%	This 92, 44% was mainly due to deferred expenditure on some of the key cost-intensive projects, and all these resulted in a favourable cost to income ratio.	1	Achieved	
4. DIGITALISATION OF THE BANK	**Target**	**Actual**	**5**	**0**	**0%**
4.1 Internet & Mobile banking solution implemented	Internet & Mobile banking solution implemented	Not implemented due to delays on related procurement processes.	1	Not Achieved	
4.2 Finalise procurement process for the POS Acquisition devices	Conclude procurement processes, Industry certification and Pilot	Not concluded due to delays on related procurement processes.	1	Not Achieved	
4.3 Implementation of 450 ATMs	Implementation of 450 ATMs	Not implemented due to re-consideration of the strategies and delays on related procurement processes.	1	Not Achieved	
4.4 Branch Strategy	Develop and action a branch channel strategy	Draft Strategy developed but not actioned due as internal approval processes are not yet concluded	1	Not Achieved	

Table 3: Postbank's Overall Performance scorecard (FY2020/21).

PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVE / ACTIVITY / PERFORMANCE AREA

SUMMARY PERFORMANCE PER KEY STRATEGIC OBJECTIVE

STRATEGIC PRIORITIES	ANNUAL TARGET FY2020/21	ACTUAL PERFORMANCE	TOTAL KPIs	ACHIEVED KPIS	PERFORMANCE RESULTS
4. DIGITALISATION OF THE BANK	**Target**	**Actual**	**5**	**0**	**0%**
4.5 98% uptime daily on all NPS (ATM & POS) transactions	98%	Postbank achieved a daily average of 97, 97% success rate on POS and ATM transactions.	**1**	**Not Achieved**	
5. BECOME A FULL SERVICE RETAIL BANK	**Target**	**Actual**	**7**	**1**	**14%**
5.1 Develop and launch Corporate Brand/Identity, increase market awareness and participation	Develop and launch marketing campaigns with updated product offerings	Marketing campaigns delayed due to strategic reasons	**1**	**Not Achieved**	
5.2(a) Enhance range of products (Lending, transactional based products via various channels)	Develop transactional products and finalise credit granting amendments	Not developed. Delayed due to capacity constraints	**1**	**Not Achieved**	
5.2(b) Enhance grant payment systems in order to optimise capacity, stability and security	Migrate all SASSA beneficiaries to Flexcube, and Launch new SASSA Card	Not implemented. Delayed due to capacity constraints and delays on procurement processes	**1**	**Not Achieved**	
5.3 Total growth in depositor balances from prior year	4% YOY growth	Actual is 15% lower than previous year.	**1**	**Not Achieved**	
5.4 Grow number of new accounts opened - Core business	340,000 new accounts opened	Postbank only managed to grow its account base by 81,474 new accounts.	**1**	**Not Achieved**	
5.5 Grow number of new accounts opened - Government business	±6 mil accounts opened linked to Covid-19 grant	Postbank only managed to support government in providing the sought social relief to the approved beneficiaries and opened a cumulative total of 4.9 million SRD accounts for these beneficiaries.	**1**	**Not Achieved**	
5.6 Number of financial literacy events conducted	Conduct 10 events (per allowances under Covid-19)	Postbank conducted a total of 37 financial literacy events during the year under review.	**1**	**Achieved**	
6. BE GOVERNMENT'S PREFERRED PAYMENTS CHANNEL	**Target**	**Actual**	**1**	**0**	**0%**
6.1 Increase Government to Citizen revenue via the acquisition of new business	Develop and commence Government Engagement Strategy	The draft Government engagement strategy has been developed but it is not approved yet.	**1**	**Achieved**	

PERFORMANCE SUMMARY	
Total KPIs	**21**
Number of KPIs Achieved	**4**
Number of KPIs Not Achieved	**17**
Number of KPIs Not Achieved	**19%**

Table 3 (continued): Postbank's Overall Performance Scorecard (FY2020/21).

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

ACQUIRE BANKING LICENSE

KPI 1.1 ACQUIRE BANKING LICENSE FOR POSTBANK SOC LTD						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Finalise internal elements in order to acquire Banking License (i.e. Update & Submit Section 16 License Application)	Significant parts of the Section 16 banking license application file have been updated but the update process has not been finalised to enable resubmission Of an updated application to the SARB.	Internal elements necessary to enable the finalisation and resubmission of an updated section 16 application file to the SARB have not been completed.	80%	Not Achieved	The delay was motivated by the challenges in finalising the implementation of critical dependent IT systems that are meant to support the favourable processing of the bank's application by the SARB.	There is significant progress on the various dependencies including 1. The Postbank Act Amendments - Bill is out for public comment; 2. The process to appoint a permanent CEO is nearing completion, and this will pave way for the filling of the other Executive positions affected by the moritorium on filling executive positions until a permanent CEO has been appointed; 3. Various policies, critical to the banking license application, have been developed and pending approval.

GOVERNANCE, RISK & COMPLIANCE

KPI 1.2 REDUCE AUDIT FINDINGS						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	50% reduction in Risk and Audit Findings (measured against opening and closing balance per quarter)	During the 2019/20 audit cycle, the AGSA raised 112 audit findings. A total of 75 audit findings were resolved, two findings were partially resolved, and the balance has not been resolved.	33%	67%	Achieved	Postbank managed to resolve 67% audit findings.	The action plan to resolve audit findings has been developed and progress is being monitored by the relevant audit Project Manager. Management has put in place preventative controls in the audit action plan to assist in avoiding repeat findings in 2020/21 financial year.

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

GOVERNANCE, RISK & COMPLIANCE

KPI 1.3 100% CLEAN AUDIT						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	100% Clean Audit with zero qualification items	Qualified audit outcome	Clean audit outcome, with zero qualifica-tions, not obtained.	0%	Not Achieved	There were ten significant audit findings affecting the draft audit outcome. Of these 10 findings, management was only able to resolve eight. Of the remaining two findings, one could not be resolved due to technical limitations related to the tool used for the extraction of data.While the remaining one finding was partially resolved as it was affected by the unresolved finding.	Postbank, through its IT department, is in the process of creating an enabling environment where the AGSA can access audit data directly from the social grant system.

FINANCIAL SUSTAINABILITY

KPI 2.1 INCREASE NET INTEREST INCOME (NII) -TOTAL REVENUE OF R490 MILLION						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET R'm	ACTUAL R'm	DEVIATION R'm	% ACHIEVED	PERFORMANCE		
FY 2020/21	R 490	R406	-R84	82,8%	Not Achieved	NII performance for the 2020/21 financial year was below target (17,2%) as a result of the low interest rate environment. The repo rate has since March 2020 declined by 300 bps as the MPC continues to try and ease the impact of the Covid-19 pandemic on the economy. The below target performance was further exacerbated by the continued advance of interest-free prefunding to SAPO, and the opportunity cost of this is significantly high.	The Bank is currently exploring opportunities of investing in government bonds with duration greater than thirteen months to improve on the weighted average portfolio return. We're also expecting to see growth in deposits which will ultimately increase investments and subsequently interest income. Interest expense on the other hand is not expected to increase that much as the SARB continues to hold the repo rate stable.

FINANCIAL SUSTAINABILITY

KPI 2.2 INCREASE TOTAL NIR - TOTAL REVENUE OF R826 MILLION						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET R'm	ACTUAL R'm	DEVIATION R'm	% ACHIEVED	PERFORMANCE		
FY 2020/21	R 826	R645	-R181	78%	Not Achieved	The bank's performance on this metric was below budget for various reasons including the severe impact of the Covid-19 pandemic, as well as internal challenges relating to depletion of cards and non-implementation of key revenue generating initiatives such as products and channels like ATMs, POS, Internet Banking, etc. These initiatives were expected to be implemented in the 2020/21 financial year, but the Covid-19 pandemic slowed procurement process.	The aim is to continue to drive and implement revenue generating projects in order to drive growth and overall improvement on this performance metric. The implementation of the EMV compliant Postilion switch and the procurement of an EMV compliant card manufacturer will enable Postbank to issue new/replacement cards to new/existing customers respectively. Both the processes to implement and upgrade the financial switch and the appointment of a card manufacturer are expected to be finalised in the first quarter of the 2021/22 financial year.

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

CAPACITATE THE ORGANISATION TO BE EFFICIENT AND EFFECTIVE

KPI 3.1 CAPACITATE THE ORGANISATION WITH KEY EMPHASIS ON EXECUTIVE RESOURCES (7 POSITIONS)						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Capacitate the bank by staffing 100% of the critical scarce skills list of required employees.	Only 14% of the targeted 7 vacant Executive positions was filled.	The rest of the 86% of the targeted executive positions were not filled.	14%	Not Achieved	Management is expediting the recruitment process	Management is expecting to finalize the recruitment processes for the vacant Executive positions, notwithstanding the maritorium currently placed as this is expected to be lifted as soon as the permanent CEO has been appointed.

CAPACITATE THE ORGANISATION TO BE EFFICIENT AND EFFECTIVE

KPI 3.2 CAPACITATE THE ORGANISATION WITH KEY EMPHASIS ON SENIOR MANAGER AND MANAGEMENT RESOURCES (52 POSITIONS)						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Capacitate the bank by staffing 80% of the critical scarce skills list of required employees.	Only 94% of the targeted 52 Senior Manager and Management positions were filled.	None	118%	Achieved	The target was achieved and the bank will further prioritise key positions to fill.	Postbank will continue to capacitate the organisation with critical skills, taking into consideration budgetary constraints.

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

ENHANCE OPERATIONAL EFFICIENCY

KPI 3.3 ACHIEVE A TARGET COST TO INCOME RATIO						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	99%	92,44%	6,56%	107,10%	Achieved	The targeted low cost to income ratio was achieved mainly as a result of budgeted expenses which have been deferred by the bank due to delays arising from internal processes. This ratio is expected to increase upon implementation of Postbank's key projects.	Management evaluates the company's efficiency on monthly and quarterly basis while the company is in the process of implementing its key projects. The bank is projecting growth in depositor's funds arising from large affinity groups such as stokvels, non-profit groups and other social groups. An increase in depositor balances will also lead to growth in revenue, which will cushion the bank's performance on this metric during its planned expansionary phase. There is also an ongoing effort to ensure that costs are contained.

DIGITALISATION OF THE BANK - IMPLEMENT OMNI-CHANNEL DIGITAL OFFERINGS

KPI 4.1 INTERNET & MOBILE BANKING SOLUTION IMPLEMENTED						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Internet & Mobile banking solution implemented.	Obtained National Treasury's consent for the customisation of the bank's core banking system and enable an internet banking module that will be used to implement the required service.	Internet and mobile banking solution not implemented	0%	Not Achieved	Target not achieved as the implementation of the solution depends on the pending successful finalisation and deployment of an internet and mobile banking module on an upgraded Postbank core banking platform. Also, the planned finalisation of the procurement processes for the upgrade of the core banking system has not been concluded, and thus impacting the implementation of the digital banking module.	Postbank IT is working on a solution to include internet banking, mobile money, and a digital APP as part of the core banking system upgrade process where the system will have modules enabling the deployment of internet banking, mobile banking, and a basic mobile wallet. Postbank's channel and IT teams are working together to assess the viability of implementing interim digital capabilities or solutions. The tentative timeline for the completion of the upgrade processes on the bank's core banking system is the 3rd quarter of the new financial year.

DIGITALISATION OF THE BANK - IMPLEMENT OMNI-CHANNEL DIGITAL OFFERINGS

KPI 4.2 FINALISE PROCUREMENT PROCESS FOR THE POS ACQUISITION DEVICES						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Conclude procurement processes, Industry certification and Pilot	Strategic decision taken to await the finalisation of the procurement of a Postbank financial switch as opposed to a second outsourced switch offered by the identified Merchant POS service provider.	Project procurement processes and industry certification not commenced or finalised. As a result, the related pilot of the POS merchant devices has not commenced.	10%	Not Achieved	The RFP for POS could not be published as the business was awaiting the finalisation of the process of acquiring a new switch.	Postbank's channel department plans to engage with the to-be appointed Postbank Postilion service provider as soon as they have been on-boarded in order to discuss this project's technical requirements. The technical specifications on the POS merchant acquiring RFP will then be updated accordingly and all effort will be put into expediting this process in order to finalise the implementation of this channel.

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

DIGITALISATION OF THE BANK - IMPLEMENT OMNI-CHANNEL DIGITAL OFFERINGS

KPI 4.3 IMPLEMENTATION OF 450 ATMS						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Implementation of 450 ATMs	Project implementation delayed and is currently in procurement phase.	ATM device deployment initiative not implemented as the project is still in procurement phase.	40%	Not Achieved	The planned implementation of 450 ATM devices in the 2020/21 financial year has not materialised due to delayed procurement processes and addressing the concerns raised.	All the necessary efforts are being put to expedite finalisation of the procurement processes that will culminate in contracting and on-boarding of the preferred service provider and then move into project implementation phase as a matter of urgency. A revised deployment schedule has been added onto an updated ATM RFP Business Case as well as the financial projections and cost benefit analysis to the revised deployment schedule.

DIGITALISATION OF THE BANK - IMPLEMENT OMNI-CHANNEL DIGITAL OFFERINGS

KPI 4.4 BRANCH STRATEGY						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Develop and action a branch channel strategy	Manager (branch network) was successfully recruited and she has since revised the branch strategy and updated document will be routed for approval. All relevant stakeholders have also been engaged and the pilot concept document is being finalised.	Branch strategy development not finalised and implementation thereof not done.	40%	Not Achieved	The development of the branch strategy has been concluded, pending approval thereof. The annual target has not been met since the strategy has not been implemented. The delay or non-performance was mainly because the dedicated branch resource was appointed only in the 4th quarter of the financia year, and she needed to rework and update the strategy and business case accordingly, including conducting wider stakeholder consultations to align especially to SAPO's retail strategy and operational model and understanding their layout to work out a proposed Postbank branded space within SAPO branches. All these activities have since been concluded and the team is now routing the strategy for approval before commencing the implementation in the new financial year.	With the branch strategy and business case revamp now completed, the revised branch strategy will be speedily routed for the required approvals,. (This new version of the Branch business case is aligned to the approved Corporate Plan for the period 2021/22 - 2023/24). As part of the overarching branch strategy, the element of partnering with Retail Merchants has also been covered as Postbank intends to secure at least 1 Retail Merchant partnership for deposits and withdrawals (the model will be extended to other retailers upon gathering learnings and successes from the 1st partnership including a full review of both deposit and withdrawal value limits). Channel will take the revised business case through internal approval processes and the target is to have a signed partnership by Q2 of the 2021/2022 financial year.

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

ENSURE IT STABILITY

KPI 4.5 98% UPTIME DAILY ON ALL NPS (ATM & POS) TRANSACTIONS						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	98%	97,97%	-0,03%	97,97%	Not Achieved	Postbank's target of ensuring that the systems' monthly average availability on both the ATM and POS channels remains above the industry SLA of 98% was not met due to repeated technical glitches experienced with the social grants payments system. These glitches are a result of issues of contract ownership, lack of Postbank management control of the payment system, system complexities, the aging infrastructure, capacity constraints between Postbank and BankservAfrica, and the general lack of coordinating capabilities during the grant payment cycles .	There is an active project which aims to consolidate the grant payments system into the bank's core banking platform. It is hoped that this move will not only eliminate the current duplications, but will also aid the optimisation of the banks performance and ensure that systems access is not compromised. The social grant payment system (IGPS) ownership issue and management control of the same (between SAPO and Postbank) has also been resolved and some critical system enhancements have been implemented and this has resulted in the social grant system being stable for the past three social grant payment cycles.

ENHANCE POSTBANK'S CORPORATE BRAND

KPI 5.1 DEVELOP AND LAUNCH CORPORATE BRAND/IDENTITY, INCREASE MARKET AWARENESS AND PARTICIPATION						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Develop and launch marketing campaigns with updated product offerings	A marketing services agency/ service provider was appointed and onboarded during the 2nd quarter of the financial year.	No updated products and related marketing campaigns were developed and launched	0%	Not Achieved	Target not achieved as marketing campaigns related to new products, services and channels were not developed and launched. This was because none of the planned new initiatives were successfully developed and handed over for marketing launch. The lack of new product development stems from the various internal dependencies, including unavailability of critical systems, the implementation of which have not been finalised. The planned launch of the new Postbank brand was also delayed due to strategic reasons.	Postbank marketing has continued to market the existing products including the book-based products - i.e., Bakgotsi, Term Save and Smart Save accounts as these are the only products readily available for uptake. Brand visibility and communication is also on-going. Allproduct development dependencies will be addressed and once any of the initiatives planned for launch is ready and handed over to marketing by business, such will be publicised accordingly - using all effective marketing mediums - i.e. through-the-line marketing channels.

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

ENHANCE CUSTOMER VALUE PROPOSITION

KPI 5.2 (A) ENHANCE RANGE OF PRODUCTS (LENDING, TRANSACTIONAL BASED PRODUCTS VIA VARIOUS CHANNELS)						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Develop transactional products and finalise credit granting amendments	Postbank Management engaged the National Treasury to try and obtain its consent for the bank commence Lending. This effort was however unsuccessful as National Treasury advised that Postbank should rather await the approval of its	Transactional products not developed and credit granting amendments not finalised	0%	Not Achieved	The target was not met mainly due to internal capacity challenges within the Lending department, as well as receipt of neccesary approval from National Tresuary.	Postbank has managed to appoint the following resources (a) Collections Manager, (b) Credit Applications Manager, (c) Manager Analytics and Manager Credit Policies and Procedures. The team will focus on ensuring that all the necessary building blocks to enable the commencement of lending are put in place during the 2021/22 financial year.

ENHANCE CUSTOMER VALUE PROPOSITION

KPI 5.2 (B) ENHANCE GRANT PAYMENT SYSTEMS IN ORDER TO OPTIMISE CAPACITY, STABILITY AND SECURITY						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Migrate all SASSA beneciciaries to Flexcube, and Launch new SASSA Card	The SASSA Card Replacement Business Case has been approved by the Board.	New SASSA card not launched and SASSA beneficiary migration process not started as yet.	10%	Not Achieved	Target not achieved mainly because of delayed procurement processes which are yet to be finalised.	The contracting process with the preferred card scheme is nearing completion. Project teams on both ends are awaiting the conclusion of contracting to begin technical work. The launch of the new SASSA card is being prioritised and the project manager is pushing all parties, both internal and external, to get all pending matters concluded as speedily as possible. Projected date of first card issue is 1 July 2021.

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

FINANCIAL INCLUSION

KPI 5.3 TOTAL GROWTH IN DEPOSITOR BALANCES FROM PRIOR YEAR						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	4% YOY growth	-15%	-18%	82%	Not Achieved	Postbank was not able to achieve the targeted 4% annual growth in deposit values as the bank closed with a balance equating to 82% of the targeted deposit value for FY2020/21.	The bank is working on enhancing its customer value proposition in order to attract customers.

FINANCIAL INCLUSION

KPI 5.4 GROW NUMBER OF NEW ACCOUNTS OPENED - CORE BUSINESS						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	340,000 new accounts opened	81 474	- 258 526	24,0%	Not Achieved	Postbank only achieved 24% of the target as the process to open new accounts is directly hindered by Postbank's inability to issue new debit cards.	Account growth efforts are largely dependent on the finalisation of the Postilion upgrade project – which will cater for EMV enablement as well. The procurement process to source the card manufacturer is underway.

FINANCIAL INCLUSION

KPI 5.3 TOTAL GROWTH IN DEPOSITOR BALANCES FROM PRIOR YEAR						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	±6 mil acccounts opened linked to covid-19 grant	4 907 609	- 1 092 391	82%	Not Achieved	Postbank only managed to achieve 82% of the total target of 6m SRD accounts opened in the 2020/21 financial year, and this was mainly due the fact that the opening of these accounts happens in bulk and it is depend on the receipt of relevant data files from SASSA who have the responsibility to register and onboard the beneficiaries of Government's social relief of distress grant for the country's unemployed citizens who have been affected by the Covid-19 pandemic. The positive for Postbank is that the bank managed to assist Government in disbursing the grants to the vulnerable, and the bank has an opportunity to retain the bulk of these beneficiaries on its account books.	Postbank will continue to ramp up the bulk account opening process, ensuring that all account opening files received from SASSA are converted into new accounts timeously and with no backlogs. With no certainties over the muted extension of this initiative and the length thereof, Postbank is focused on developing a strategy to retain the bulk of the customers on-boarded through this initiative. To this end, Postbank is investigating cost-effective solutions to offer continued banking services to these beneficiaries

PERFORMANCE PER ACTIVITY / KEY PERFORMANCE INDICATOR

FINANCIAL INCLUSION

KPI 5.6 NUMBER OF FINANCIAL LITERACY EVENTS CONDUCTED						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Conduct 10 events (per allowances under COVID-19)	37	None	370%	Achieved	Postbank managed to achieve the targeted number of financial literacy events for the year. As intended, a large number of people and communities, particularly rural, have been reached through these programmes and the impact has been equally significant	The bank will continue to facilitate face-to-face sessions with a limited number of people under strict adherence to the set Covid-19 regulations. However, given the continued existence of the Covid- 19 pandemic, non-contact means will be explored and, in future, these events will be facilitated using digital platforms..

ACQUIRE GOVERNMENT BUSINESS

KPI 6.1 INCREASE GOVERNMENT TO CITIZEN REVENUE VIA THE ACQUISITION OF NEW BUSINESS						REASON FOR TARGET VARIANCE / DEVIATION	MITIGATION AND RECOVERY PLANS
PERIOD	TARGET	ACTUAL	DEVIATION	% ACHIEVED	PERFORMANCE		
FY 2020/21	Develop and commence Government Engagement Strategy	The strategy has been developed but the document is awaiting approval.	Though complete, the Government engagement strategy is still awaiting approval - hence the delay in the planned implementation.	95%	Achieved	The development of the Government engagement strategy took longer than necessary, owing to research capacity constraints, hence the document is still pending approval before implementation can commence in the 2021/22 financial year.	The team is working on the development of the Government engagement strategy for approval and implementation. It is also expected that the deployment of an IT modernisation initiative will aid in the development of a solid proposition for all sphere of government.

PERFORMANCE INFORMATION BY KEY FUNCTIONAL AREA

People, technology & systems, strategy, product/service offerings, and finance management – embedded on sound risk, management and compliance and governance are some of the most critical capabilities required by Postbank to operate and function efficiently as a responsible corporate citizen. For the purposes of proper functional performance review, all divisions will be consolidated into categories of key front office functions, middle office compliance functions, and back-office support functions. Performance review of functions including human resources; finance; internal audit; and company secretariat's office will be reviewed as separate sections as per the structure of this annual report.

Front office functions

Front office functions include key client-facing divisions and those divisions whose work impacts clients the most, while it also affects the core business function of the bank. These divisions include Commercial, Operations, Project Management Office, and Communications & Marketing. These divisions' performance during the 2020/21 reporting period is summarised hereunder.

Commercial division

The Commercial division is responsible and accountable for driving business by increasing Postbank customer and deposit bases which are essential in the bank's pursuit for business and market share growth, revenue generation, financial sustainability, and the bank's delivery in its mandate and strategic objectives. This division comprises of the departments including Products, Lending, Channels and Key Account Management. Accordingly, the Commercial division's key functional activities include product development and management (including lending products); physical and digital channel development and management; portfolio analysis and management; as well as business development, customer relationship management, customer experience and financial inclusion and education.

Commercial division's departmental overview

Products department oversees the process of development and management of Postbank's products offering with specific focus on savings and transactional products. This department conducts the necessary activities to generate insight into the market and customers in terms of customer product preferences which in turn informs product development and management. The Products department's immediate focus would be to strengthen the current product development function and diversify product offerings (with special focus on introducing new low-cost products and services).

Lending department ensures the development and growth of Postbank's lending book. It should be noted that Lending business will only commence once credit granting license has been received. As such, this department is being developed and capacitated accordingly in order to commence overseeing the provision of a specific suit of products including customer personal loans, line of credit accounts, credit cards, home equity lines of credit, and mortgages. Notwithstanding the variety of lending product offerings, Postbank aims to start with offering low-cost individual and micro-business loans.

Channels (physical and digital) department oversees the development and management of all the channels that enable product accessibility (branches and branch network, relationship managers, call center, web applications e.g., mobile access, bank apps) whilst also ensuring the following:

- Channel from customer point of view;
- Channel functionalities and products are aligned with defined strategy of financial inclusion, thereby affording the un- and under-banked opportunity to transact; and
- Managing channel pricing, product pricing per channel and service pricing per channel.

Key Account Management department's role entails strengthening the working relationship between the bank, its customers and various Government entities in line with the Inter-Governmental Framework. In addition to relationship development and management, this department is also responsible for driving sales, ensuring customer service and experience, as well as driving customer education through various financial literacy initiatives aimed at educating marginalised communities on financial products and services.

Commercial division's performance overview

The overall business performance was subdued during the 2020/21 financial year, owing to a combination of various internal and external factors including the expected spill-over effects of the persistent Covid-19 pandemic which continued to affect the bank's performance from all growth metrics including revenue, accounts, deposits and savings, etc.

During the 2020/21 financial period, overall grant accounts growth improved by 2% to 8 million and this was below the growth achieved in the prior year. The main contributors to this muted growth include the shortage of cash in branches, system glitches and long queues resulting in delay or non-payment of funds. During this reporting period, Postbank disbursed an estimated R13 billion to a total of 5 million SRD grants recipients, for which Postbank opened special new grant accounts.

Deposits growth

Postbank core total deposit growth declined by 12% in FY2020/21 to R9 billion from R10 billion in prior financial year. Part of the reason for the contraction is mainly the adverse impact that Covid-19 has had on the economy as the lockdowns imposed have had severe economic spill-over effects due to continued reduced economic activity – hence the inability of our customers to save as many lost their jobs and those who had some savings were forced to withdraw these in order to cover their expenditure during these testing times.

Accounts growth

In line with the effects of a declining economic activities where customers, especially those in our target market, lost their jobs, Postbank's core accounts excluding grant accounts base grew by 1%. This muted growth in accounts was also exacerbated by some internal challenges including the absence of key digital channels and platforms where our customers could open accounts remotely and also transact without having to visit the branches.

Financial Literacy Programmes

Postbank collaborated with various industry stakeholders including the Banking Association South Africa (BASA) and participated in the various financial literacy events such as the Global Money Week under the umbrella of Money Smart Week South Africa (MSWSA). The bank also conducted a number of similar events and seminars in various targeted provinces that are predominantly rural and with an increased or wider reach to the bank's target market. Postbank also participated and exhibited in various ministerial events, during which, Postbank was able to also open bank accounts, thereby increasing the impact of these events.

OPERATIONS DIVISION

The Operations division's role entails providing all the supporting services that enable customers' usage of Postbank's products. This includes the delivery and oversight of Postbank products, systems and processes. This division achieves this by proactively identifying business requirements, monitoring and maintaining service levels and setting standards aligned with innovative best practices, including reporting on delivery.

This division's overall functional strategy and primary goal mainly entails promoting reliability, control and efficiency by servicing and maintaining Postbank products, systems and processes, as well as to enhance experiences of the bank's customers, both internal and external, by addressing functional inefficiencies inherent in all Postbank business areas, in order to facilitate business growth and support customer acquisition and retention objectives. Operations' functional focus entailed enhancing the bank's internal and external operational environments through the following among others:

- Business process optimisation and automation;
- Customer services and support; and
- Product sales promotion and revenue generation support.

Operations strategic objectives entailed doing the following:

- Implement a Document Management and work-flow solution to automate processes.
- Implement and improve verification & compliance systems
- Implement an upgraded and efficient Call Centre.
- Optimise grants payment related processes
- Continuous business re-engineering and optimisa
- Work study follow-up

PROJECT MANAGEMENT OFFICE (PMO)

PMO's key role entails implementing project management best practices for the benefit of Postbank in a manner that encourages collaboration, standardization and improves overall project implementation results across the bank's functional areas in response to the approved corporate strategy.

PMO's key strategic objectives entailed undertaking the following:

- Embed an effective and efficient Project Portfolio Management framework and processes to ensure timely delivery of projects in line with strategy
- Change management practises that ensure swift and seamless continuous business operation
- Provision of business analysis capability to enhance business optimization and quality documentation.
- Implement governance regime and improve monitoring of portfolio performance (ROI)

PROJECT MANAGEMENT OFFICE'S PERFORMANCE OVERVIEW

Postbank's Project Management Office (PMO) was not immune to the adverse impact of the Covid-19 pandemic lockdown restrictions, which resulted in several operational stoppages across industries and businesses alike. The connectivity challenges that were experienced when operations resumed, as a result of immature remote connectivity capabilities, negatively affected the timelines of delivery of most initiatives.

The Postbank project portfolio dashboard comprised of active projects (28%) in execution and pipeline projects (72%) that are still within the planning phase.

PROJECT MANAGEMENT OFFICE'S DEPARTMENTAL PERFORMANCE SUMMARY

- Portfolio Management – managed to solidify the methodologies and processes to ensure smooth and quick delivery through a mixture of agility and good governance regime.

- Business Analysis – managed to carry the weight by working closely with business on the pipeline initiatives to finalize and package their requirements and business case development, although there were issues of turnaround times due to connectivity issues and stakeholder responsiveness related to working from home. However, in excess of 70% of the initiatives have been concluded as planned.

- Projects Execution – significant progress was made although restricted movement of resources and technological access challenges meant that other alternative means had to be adopted in order to quickly minimize the overall impact.

- Change Management – the focus was mainly on critical changes to ensure continuity and this function continues to be the backbone of operations, refining and streamlining their processes.

Some historic performance highlights of the project office includes implementation of the following initiatives:

- Successful implementation of the new SASSA System and card under compressed timelines.
- Core bank security hardening.
- Data centre move to a new site.
- Cloud based ERP solution.
- Regulatory reporting solution.

COMMUNICATIONS AND MARKETING

The Communications and Marketing division is responsible for the overall brand management of Postbank, inclusive of reputation management as well as products marketing. This division also serves to lead the positioning of Postbank in the broader marketplace as well as employee communication and it supports the attainment of Postbank's corporate performance targets by inter alia implementing strategic marketing communications initiatives to grow revenues, increase customer bases, and oversees the bank's overall brand franchise.

COMMUNICATIONS AND MARKETING DIVISION'S PERFORMANCE OVERVIEW

During the 2020/21 financial year, the communications and marketing division undertook the following key strategic initiatives.

Postbank Corporate Identity

The communications and marketing division developed Postbank's distinct corporate identity that included the bank's new logo following the unbundling of Postbank from the South African Post Office group.

Revenue Growth Product Marketing

During the 2020/21 reporting period, the Communications and Marketing division implemented the following broad revenue marketing initiatives:

Bakgotsi Stokvels Account Marketing

The campaign was a nationwide campaign comprising of activations to grow the Postbank Stokvels account book as well as dissuade the extent of seasonal December withdrawals impacting Postbank's depositors book.

Mass brand and product marketing and communication

Intense marketing of the book-based products: Bakgotsi Stokvel Account, Smart Save, Term Save and Bonus Save to ensure continuous market visibility and relevance using mainstream media platforms. Brand entrenching and positioning has been done through various campaigns. Leveraging brand and product exhibition events coordinated by the Banking Association of South Africa, the shareholder – the Department, as well as taking advantage of other industry-related events by ensuring brand prominence.

Financial Literacy

Over and above promoting product information, in line with the Bank's mandate to facilitate Financial Literacy, campaigns sharing basic banking and money handling tactics are continuously carried out.

Social Media Marketing

Postbank has dipped its toes in the popular social media platforms to connect with audiences, build online brand presence, and drive revenue. We strategically create authentic content tailored to our audience's needs and interests with the objective to prompt conversations and drive traffic to our website, call centre and SAPO branches. Engagement rates of that content are tracked using analytics, and that data is used to improve continuously.

MIDDLE OFFICE FUNCTIONS

Middle office functions are mainly those divisions whose work entails management of operational risk and compliance, in relation to linking the bank with critical industry stakeholders, particularly those governing the operational work of the industry in order to ensure management of operational risks and broader compliance to industry regulations and legislations.

PAYMENTS AND INTERBANK

The Payment and Interbank (P&I) division acts as a link between Postbank and primarily the SARB's National Payment System Department, the Payments Association of South Africa (PASA) and its participants, Banking Association of South Africa (BASA) and the card schemes. This role ensures that Postbank's participation within the domestic national payment system, the products and services it offers comply with the NPS Act and are in line with the sector's best practices, as well as protecting and upholding Postbank's image within the national payment system. This division's strategic objectives over the next three year period include:

- Assist internal stakeholders to understand and comply with payments system management body clearing rules for the payments streams in which Postbank participates;
- Ensure Postbank's participation in payments industry initiatives including entry into evolving payments streams;
- Relicense with the card schemes;
- Capacitation of the function and support implementation of Variation Notice conditions in line with the Variation Notice issued by the SARB's National Payment System Department;
- Assist and support the Operations division in implementing payments processing automation and optimization; and
- Facilitate and support Postbank's entry into new payments streams.

PAYMENTS AND INTERBANK DIVISION'S PERFORMANCE OVERVIEW

- P&I participation in SASSA project implementation and engagements with the payments industry to socialise the initiative.
- Postbank participation in payments industry reviews of existing payments system management body.
- Payments industry engagements, appraising internal stakeholders and Postbank's alignment to industry developments.
- Support and implementation of payment clearing rules (e.g. System Error Correction capability).
- Timeous and successful submission of regulatory reports (PAYIR) to National Payment System Department (NPSD).
- Participation in resolution and remedying of ongoing internal payments processing challenges.

KEY OPERATIONAL RISK AND COMPLIANCE INITIATIVES

CORPORATISATION OF POSTBANK

The process to corporatize Postbank, including the attainment of a banking license for the entity is progressing satisfactorily. The transfer of the operations of the Postbank division, including staff and assets as well as liabilities, from SAPO to Postbank SOC Limited was gazetted with an effective date of 1 April 2019, in line with the provisions of the Postbank Amendment Act 44 of 2013. While the transfer of Postbank staff was successfully completed, the process of transferring assets and liabilities is nearing finalisation.

As directed by the SARB, Postbank is also updating the banking license application it had submitted to the Prudential Authority and this process is in full swing. It must however be noted that, as much dependent on Postbank as it is the task of the broader state and regulatory environment mechanisms, the mutability within the financial services marketplace dictates the hassled conclusion of the banking license process.

This does not exclude facilitation of the conclusion of the process by way of direct state proclamations setting concrete timelines as an intervention, where appropriate, if the bank is to timeously facilitate any meaningful impact in line with its mandate. The changes in technology and regulation have made it easier for new banks, amongst others, to enter and rapidly alter the shape of the domestic financial marketplace and this will continue burdening the ability of Postbank to deliver on its mandate if the entity's corporatization process is further prolonged

SASSA CARD REPLACEMENT

During the last quarter of the 2020/21 financial year, a security breach on the Postbank social grants payment system was uncovered, where security keys were compromised and the unauthorised access to customer account data resulted in fraudulent incidents associated with the contactless functionality of the Postbank issued SASSA card. Consequently, and in order to ensure the protection and integrity of the National Payment System, the SARB determined that Postbank implements a program to replace all the compromised SASSA cards that are currently in circulation.

In addition, the SARB determined that Postbank provides it, through its payments division (the Payments Association South Africa - PASA), with periodic reports on progress regards the implementation of the SASSA cards replacement program. As an immediate deterrent - while Postbank works on implementing the compromised cards replacement program - the SARB and the banking industry role players, including other banks, determined the reduction of the industry's contactless transactions floor limits to R0.00.

Postbank continues to work on implementing a SARB directive to replace all compromised social grant payment cards, issued through this system, as their security was found to have been compromised. It must be noted that this card replacement program is an expensive exercise for the bank, owing to the number of cards required to be replaced, but since most of the SASSA cards that were issued in 2018 have a lifespan of 5 years, the card replacement process will entail bringing forward the replacement cycle of these cards by a few months which will therefore offset the associated card replacement costs. Postbank continues to work on the implementation of this directive and the process is expected to be completed in the 2022/23 financial year.

BACK OFFICE FUNCTIONS

Divisions within this functional area are focused on providing management and business support services. They aim to not only provide administrative, technological and human resources support to ensure smooth functioning of the organisation, but also ensuring effective leadership, strategic management, and corporate governance and citizenship, in line with appropriate legislation and best practices. For purposes of functional performance management, performance review will cover divisions including Information Technology; Strategy; and Marketing & Communications/Media Liaison.

INFORMATION TECHNOLOGY

The role of the Information Technology division within Postbank entails the digitisation of the Postbank environment in order to improve business processes across all areas. Another key function of IT entails supporting or enabling innovation through the deployment of a robust architect as this presents Postbank an opportunity to be technology driven in its business operations and offerings. IT is also responsible for facilitating integrated information and data management which enables development of individualised and customised products and services as well as enabling advance customer data analytics and reporting capabilities.

This is to be applied to all divisions as an identification phase in harvesting innovation, lowering costs, resolving inefficiencies and bolstering critical technology security areas hence creating a stable platform for digitisation catapulting growth and transformation to the next level. IT division's strategic objectives for the 3 year strategic period ending FY2022/23 included to do the following:

- Increase investment in technology and security to meet compliance and regulatory requirements, with a strong focus on cybersecurity in line with Postbank's deployment.
- Source, recruit and retain skilled and certified IT staff to maximise service delivery.
- Build in-country technology platforms for disbursement of governments funds.
- Reorganise technology architecture to enhance the digital customer experience, enhance efficiencies and to reduce the total cost of ownership, thereby entrenching Postbank's position as a low cost financial services provider.

The 2020/21 financial year was a fairly challenging year for Postbank IT. There were numerous stability issues with the Integrated Grant Payment System (IGPS) that resulted in beneficiaries not being able to access their grants on the days that the grant money was released and card declines in retail stores when beneficiaries try to use the purchase or cash back option. These issues not only severely impacted the beneficiary but had knock on effects in the retail environment resulting in larger than usual numbers of people in stores and frustrated retailers and beneficiaries. Below are some of the measures that have been implemented to alleviate the challenges.

Postbank IT has developed policies covering various areas including IT Governance, Information Security, Acceptable Use, Data Governance, Disaster Recovery, Change Management and Key Management. Some of these policies have been approved by the board while others are still undergoing the necessary approval process. Next steps following the approval of the policies will be the development of the frameworks and standards to regulate the various IT governance processes by adopting international frameworks and standards such as COBIT, ISO, ITIL, TOGAF, etc.

To address the issue of the unavailability of systems and information security risks, Postbank has embarked in the process of modernizing its IT infrastructure and the process is pending board approval. The upgrade of the Banking platform is dependent on the successful conclusion of the current Oracle licences gaps. A contract with a service provider to lease the financial switch has been concluded and signed-off by management. The implementation will take approximately 6 weeks to conclude. Additionally, in order to address the skills gap, Postbank IT has populated the IT structure with all critical positions and will continue to capacitate the other areas of priority, in line with the size of the bank and the bank's revenue generation capacity which is critical in ensuring a healthy balance between revenue and costs.

STRATEGY AND BUSINESS PERFORMANCE MANAGEMENT

Strategy's key functional purpose within Postbank entails playing a lead role in ensuring that the bank formulates and implements a corporate strategy that not only meets industry trends and promote the attainment of key business objectives, but a strategy that also ensures alignment of the bank's vision and strategic plans to those of the shareholder. This division is also charged with the responsibility of facilitating the execution of the corporate strategy, managing the bank's overall performance, and ensuring timeous compliance to the prescribed organisational performance reporting requirements. Strategy division's strategic objectives for the 3 year strategic period ending FY2022/23 entailed doing the following:

- Develop and facilitate the implementation of a viable and economically sustainable strategy that not only supports the attainment of the bank's mandated priorities, but a strategy that is also aligned to Postbank's vision and mission – all in compliance with the applicable banking sector regulations and legislation.

- Support the development and alignment of various functional strategies and implementation plans to the bank's overall strategy.

- Develop a coherent Corporate Plan translated into an implementation plan to meet APP Key Performance Indicators annually.

- Manage organisational performance and comply with periodic organisational performance reporting requirements in accordance with the prescribed legislation and governance framework.

- Lead and oversee company-wide knowledge preservation and the creation of a knowledge sharing environment to protect company intellectual property.

- Ensure research methods, design, data collection and analysis to provide the required market understanding necessary to drive evidence-based strategic and tactical organisational decisions. Furthermore, Strategy seeks to suggest new innovative and disruptive concepts to support the principle of continuous improvement in Postbank.

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- Enhancement and management of strategic relations with key stakeholders including the shareholder, key industry bodies, strategic partners, etc

STRATEGY DIVISION'S PERFORMANCE OVERVIEW

Despite the lean structure and resultant capacity challenges, the Strategy division was able to action some of its critical deliverables including the following:

- Strategic planning and development of a Corporate Plan and related APP;

- Organisational performance management and statutory performance reporting as prescribed by the PFMA;

- Key strategic initiatives including commencing effecting updates to the banking license application;
- Supported the development of functional strategies, ensuring alignment to the broader organisational strategy; and

- Ad-hoc reporting to various Ministerial and Portfolio Committee structures.

REVENUE PERFORMANCE

The Covid-19 pandemic had a severe impact on the overall banking sector as a result of job losses and closure of businesses. These has greatly impacted on the Postbank operating landscape and financial performance. The FY2020/21 results are reflective of the challenging operating environment that Postbank has experienced. However, Postbank have also demonstrated strong resilience evidenced by the year-on-year stability of the customer deposit book. In addition, Postbank's liquidity position and capital adequacy measure are well above the set minimum prescribed thresholds as at the reporting period.

Postbank generated total revenue of R2.09 billion, which is lower than total revenue generated in the previous year (R2.2 billion) mainly as a result of decline in interest rates as well as revenue generation initiatives which did not materialise. The bank's Net interest income (NII) was down by 27% to R405 million. The decline in net interest revenue was driven by the cumulative impact of the 300bps reduction in SARB repurchase rate since March 2020.

Postbank focus on growing its non-interest income book to mitigate its dependency on rate-dependent income, growing non-interest income by a 7% from R1.6 billion in March 2020 to R1.7 billion as at 31 March 21. The revenue contraction and the increased Expected credit losses is reflected in the overall net loss for the year ended 31 March 2021 of R492 million (FY20 net profit: R41 million). The cost to income, excluding Expected credit losses for the bank increased from 46.2% in March 2020 to 60.1% as at March 2022 as a result of the increase in the operating cost.

Looking at the Post Bank's overall financial position, total assets declined by 21% from R14 billion in March 2020 to R11 billion March 2021 mainly as a result of decline in current assets. However, Postbank's liquidity position remains well above the minimum required by the prudential authority. Total liabilities decreased by 23%, from R11 billion in March 2020 to R8 billion in March 2021 mainly as a result of decline in other deposits. The Bank's core retail deposits book grew by 32% from R5 billion to R7 billion in March 2020.

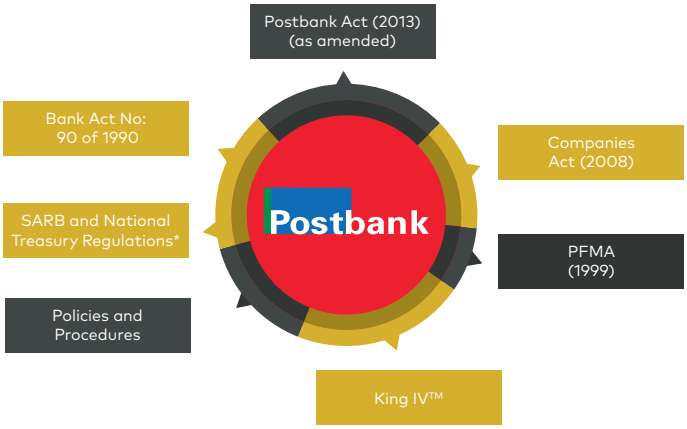
Postbank has maintained a strong capital position with a capital adequacy ratio of 55% (31 March 2020: 63%) well above the regulatory requirements - perfectly positioning Postbank to accelerate its growth and implement on its lending strategy.

PART C

GOVERNACE

INTRODUCTION

Postbank subscribes to the highest standards of corporate governance, integrity and ethics at all levels. These guides every step the Bank takes in fulfilling its mandate, enabled by a robust governance framework alongside an effective and efficient operating structure. These elements are governed by stringent, carefully developed and resolutely applied corporate governance policies. The Board, as the custodian of corporate governance, understands that good governance supports good performance and sustainable value creation.



COMPOSITION OF THE BOARD

The Postbank Board composition and profile is informed by Section 11 of the Postbank Act of 2013 which, among others, stipulate stipulates that the Board shall consist of not fewer than 7 members. The members of the Board shall be appointed on the grounds of their expertise and experience in the field of banking, finance and economics or any other relevant qualification.

PORTFOLIO COMMITTEES

The Parliamentary Portfolio Committee on Telecommunications and Postal Services (PPCTS) exercises oversight over Postbank through the Executive Authority, the Minister of Telecommunications and Postal Services. The Board of Directors of Postbank, the Accounting Authority of Postbank, is accountable to the Minister. Postbank appears before the Portfolio Committee on Telecommunications and Postal services on the following matters: (i) quarterly and annual performance reporting, (ii) strategic and annual performance plans, (iii) financial performance, and (iv) social grants payments. In addition, the oversight of Postbank may extend to any of the Parliamentary portfolio committees that include:

- Standing Committee on Public Accounts (SCOPA);
- Standing Committee on Appropriations (SCOA); and
- Select Committee on Public Enterprises and Communications (SCOPEC).
- The Postbank over the reporting period also provided replies for Parliamentary questions on varied matters through the Ministry.

The Postbank over the reporting period also provided replies for Parliamentary questions on varied matters through the Ministry.

THE EXECUTIVE AUTHORITY

The Minister of Communications and Digital Technologies fulfils the Public Finance Management Act (PFMA) defined role of Executive Authority over the Postbank, and is also the sole shareholder on behalf of the South African Government over the Postbank. The Postbank had numerous interactions with the Minister in relation to performance and governance matters over the reporting period. The Inter-Ministerial Committee (IMC) on Comprehensive Social Grants provided strategic leadership and oversight over the Postbank's participation in the payment of social grants project.

THE ACCOUNTING AUTHORITY / THE BOARD

Board is the Accounting Authority of Postbank and has strategic leadership, as well as proprietorship of the Postbank Strategic Plan and Annual Performance Plans (APP). The board approved the Annual Financial Statements, Auditor-General Report as well as the Annual Report for Postbank for the 2019/20 financial year. The Annual General Meeting will be held in 20 October 2022 where the requisite statutory approvals in terms of the Public Finance Management Act and Companies Act will be made.

Postbank Board of Directors consists of four (4) non-executive members

Board members

Ms Leonora Noluphumzo Noxaka
Non-Executive Director and Chairperson (from 19 April 2017 to 30 September 2020)

Ms Leonora Noluphumzo Noxaka is a CA (SA) and an MBA graduate leading a business management and advisory services consultancy. She has business interests in the textile, property, agriculture and hospitality industries.

Mr Darwin Zinzile Nkonki
Non-Executive Director and Chairperson (from 1 October 2020 to 19 April 2021)

Mr Darwin Zinzile Nkonki has experience in retail and commercial banking from 1980 through to 2011 in various levels, including serving as executive director and CEO. From 2009 to 2011 he took a 2 year contract as a senior general manager for Postbank. He held numerous directorships in banking, private entities and academia. He holds an MBA in Finance (Manchester Business School, UK 1997); FCIS (SA) (Fellow Chartered Institute of Secretaries); and FIBSA (Fellow Institute of Bankers in SA).

Mr Ashley Cavel Seymour
Non-Executive Director (from 19 April 2017 to 30 September 2020)

Mr Ashley Cavel Seymour is a qualified CA (SA) with a number of years' experience in the financial services sector including investment banking, corporate finance and private equity, amongst others. He developed business acumen with entrepreneurial flair and experience at senior management and executive level management with recent commercial roles as CEO and executive director. He also has experience as a non-executive director including recent roles as chairperson of the board and the audit committee.

Ms Selebaleng Primose Mothelesi
Non-Executive Director (from 19 April 2017 to 30 September 2020)

Ms Selebaleng Primrose Mothelesi is consulting in accounting and tax related matters. She is a non-executive director of Adrenna since 2008, chairing the audit committee. She holds a BCom (Accounting & Auditing); BCom Hons (Investment); Certificate in Accountancy; MBL.

Mr Makondelele Edward Netshivhulana
Non-Executive Director (from 19 April 2017 to 30 September 2020)

Mr Makondelele Edward Netshivhulana is a business turnaround, development and business specialist, with expertise in banking, governance and compliance. He has worked in banking, consulting and development finance institutions for more than 15 years wherein he held various managerial and senior roles. His work experience includes carrying out special assignment in funded projects in the Southern African Development Community (SADC) region. Mr Netshivhulana is the founding chairman of Paripateo group of companies, a mining investment company with local and international partners including companies listed in reputable stock exchanges.

Dr. Adv. Leigh Hefer
Non-Executive Director (1 October 2020 – Present)

Dr Adv. Hefer is an authority on the new Companies Act, Protection of Personal Information Act and the Consumer Protection Act, Corporate Governance Best Practices and Directors' Duties, including the New Companies Act and King IV™ applications.
She led the team that developed the OnlineMOI web-based tool. She is the author of Notes on South African Companies Act and Questions & Answers for Company Directors and Prescribed Officers, Questions & Answers on SA Companies Act, Questions & Answers on Business Rescue, Questions and Answers on POPI and PAIA, Questions & Answers for Auditors & Accountants, Vrae & Antwoorde oor die Suid-Afrikaanse Maatskappywet, Questions & Answers on Close Corporations (Genesis), and a joint co-author of the Corporate Governance Handbook (Juta & Co). She holds a B.Sc (Hons.); LL.B.; LL.M.; and a Ph.D.

Mr Gcobani Mancotywa
Non-Executive Director (1 October 2020 – Present)

Mr Gcobani Mancotywa has extensive executive experience in financial services and aviation transport industries over a combined period of 23 years as well as international experience based in Sydney and Hong Kong managing cross border travel business. He has been in various executive management roles within the banking industry, management consultancy and the aviation industry.

He holds a Master's degree in Management (Macro Economics) completed through the University of the Witwatersrand (Wits); a Bachelor of Commerce (B Com) (Economics & Commercial Law) completed at the Walter Sisulu University (WSU); a Post Graduate Diploma in Management completed at the Wits Business School; a Certificate in Financial Management completed at the University of Johannesburg; and is a Certified Director (Corporate Governance) of the Institute of Directors of Southern Africa (IODSA).

Mr Thabile Wonci
Non-Executive Director (1 October 2020 – Present)

Mr Thabile Wonci has experience in financial services and has been responsible for strategy development and implementation in the Sub-Saharan Africa region, across various business lines, such as investment banking, corporate finance, cash management, debt and equity capital markets as well as leveraged finance. Currently, he is CEO of Kogae Rainbow Investment Holdings, an investment management company with a portfolio of assets within manufacturing, financial services, energy and business consulting sectors.

He is the former Managing Director of the Black Management Forum (BMF) and also served as a non-executive director of Black Management Forum Investments, and Cable Tapes Africa (Pty) Ltd. Mr Wonci is an avid writer and has published articles in business developments. He holds an MBA, PGDip & PDBA (GIBS), PGDip Man Acc (Unisa), and BCom (NMMU).

Mr Hannes van der Merwe
Executive Director, Acting CEO (from 6 August 2019 to 31 March 2021)

Mr Hannes van der Merwe is an executive with over 30 years corporate business experience. He has extensive business, operations, systems, processes, savings bank management and project management knowledge. He has been in service for 44 years and spent the past 15 years in executive level roles. Mr van der Merwe has completed a Postgraduate Diploma in Management and a Senior Management Programme with University of Pretoria.

Adv. Ditebogo Khumalo - Company Secretary (from 1 May 2020 - 22 September 2021)

Adv. Ditebogo Khumalo was appointed as the Company Secretary after having previously held stints as the Company Secretary of Sedibeng Water and Senior Advisor, Secretariat at Eskom, amongst her other roles. Adv. Khumalo operated in both managerial, executive and specialist roles. She has a wide range of experiences which include the administration of deceased estates, trusts, companies in liquidation and insolvent estates.

Her experience also includes dealing with legal matters, risk management, compliance and governance. She holds the following qualifications: Executive Development Programme; Master's Degree in Business Management; Postgraduate Diploma Compliance Management; BA Honours Information Science; Diploma in Insolvency Law & Practice; LLB; and B Proc.

THE ACCOUNTING AUTHORITY / THE BOARD

Name	Designation	Date Appointed	Date Resigned	Board	Audit Committee (AC)	Social and Ethics Committee (SEC)	Remuneration Committee (RemCo)	Risk and Capital Management Committee (RCMC)	Human Resources and Transformation Committee (HRTC)	Information Technology Steering Committee (ITSC)	Directors' Affairs Committee (DAC)
Ms. Leonora Noluphumzo Noxaka	Board Chairperson (Non-Executive Director)	19 April 2017	30 September 2020	21/21	-	1/1	1/1	-	1/1	-	-
Mr. Darwin Zinzile Nkonki	Board Chairperson (Non-Executive Director)	1 October 2020	19 April 2021	11/11	4/6	-	2/2	2/2	2/2	4/4	-
Mr. Ashley Cavel Seymour	Board Member (Non-Executive Director); Audit Committee Chairperson; ITSC Chairperson	19 April 2017	30 September 2020	20/21	3/3	-	1/1	1/1	1/1	3/3	-
Mr. Thabile Wonci	Board Member (Non-Executive Director); Audit Committee Chairperson; ITSC Chairperson	1 October 2020	Current	11/11	6/6	-	2/2	2/2	1/2	4/4	-
Ms. Selebaleng Primrose Mothelesi	Board Member (Non-Executive Director); RCMC Chairperson	19 April 2017	30 September 2020	20/21	3/3	-	1/1	1/1	1/1	3/3	-
Mr. Gcobani Mancotywa	Board Member (Non-Executive Director); RCMC Chairperson	1 October 2020	Current	11/11	6/6	-	2/2	2/2	1/2	4/4	-

Table 4: Board and Sub-Committees meeting attendance register (01 April 2020 – 31 March 2021)

THE ACCOUNTING AUTHORITY / THE BOARD

Name	Designation	Date Appointed	Date Resigned	Board	Audit Committee (AC)	Social and Ethics Committee (SEC)	Remuneration Committee (RemCo)	Risk and Capital Management Committee (RCMC)	Human Resources and Transformation Committee (HRTC)	Information Technology Steering Committee (ITSC)	Directors' Affairs Committee (DAC)
Mr. Makondelele Edward Netshivhulana	Board Member (Non-Executive Director); HRTC Chairperson; REMCO Chairperson; SEC Chairperson	19 April 2017	30 September 2020	21/21	-	1/1	1/1	1/1	1/1	-	-
Dr. Adv. Leigh Hefer	Board Member (Non-Executive Director); HRTC Chairperson; REMCO Chairperson	1 October 2020	Current	11/11	6/6	-	2/2	2/2	2/2	4/4	-
Mr. Hannes van der Merwe	Acting CEO (Executive Director)	6 August 2019	31 March 2021	11/13	7/7	-	-	3/3	-	4/4	-

Table 4 (continued): Board and Sub-Committees meeting attendance register (01 April 2020 – 31 March 2021)

REMUNERATION OF BOARD MEMBERS

Refer to note 31, page 146, on the annexed audited AFS.

THE COMMITTEES OF THE BOARD

The statutory committees of the board are the Audit Committee (AC); Social and Ethics Committee (SEC); Risk & Capital Management Committee (RCMC); Directors Affairs Committee (DAC); and the Remuneration Committee (RemCo). The board may establish committees to assist with its work. Accordingly, the Human Resources & Transformation Committee (HRTC) and the Information Technology Steering Committee (ITSC) have since been established.

AUDIT COMMITTEE (AC)

As a public company in terms of Schedule 2 of the Public Finance Management Act (PFMA), together with the Companies Act and the Banks Act, Postbank is required to establish an Audit Committee. The Postbank Audit Committee was established in terms of section 51(1) (a)(ii) of the Public Finance Management Act No 1 of 1999 (PFMA), section 64 of the Banks Act, section 94 of the Companies Act, Treasury Regulations as well as the Postbank Memorandum of Incorporation (MOI).

The Audit Committee is independent and responsible for providing oversight by evaluating and advising on a number of elements in the Postbank i.e. financial management; governance; risk management; the systems of internal control which management has established and approved by the board, the audit processes; as well as assessing the bank's performance against its corporate plan.

RISK AND CAPITAL MANAGEMENT COMMITTEE (RCMC)

Risk management is fundamental to Postbank's strategy and the business of banking. The pervasiveness of risk in financial services means that the board considers risk management as an integral part of our strategy. The board has delegated the accountability for the setting of the risk appetite and the management of the risks and compliance to the Risk and Capital Management Committee (section 64 of the Banks Act). The board, through the Risk and Capital Management Committee, governs risks across the bank's Enterprise Risk Management Framework (ERMF), which includes the risk appetite, policies, procedures, limits and exposures, among others.

This committee reviews the Postbank risk appetite and monitors, evaluates and advises the board on the adequacy of risk management processes and strategies within the Postbank, and then make recommendations to the board, including the approval of policies. The Risk and Capital Management Committee reviews and assesses significant risks facing the bank.

The risk universe that the Postbank shall be exposed to include all the risks as defined by the Banks Act, Financial Sector Regulations Act and other related prescripts. The Postbank's capital adequacy and liquidity metrics are also evaluated by this committee.

HUMAN RESOURCES AND TRANSFORMATION COMMITTEE (HRTC)

Board delegated the accountability for compliance with relevant labor and employment legislative matters to the Human Resources and Transformation Committee. The committee recommends to the board the approval of human resources related policies. This committee's primary mandate is to drive transformation within the bank.

REMUNERATION COMMITTEE (REMCO)

The Remuneration Committee that is set up in terms of section 64C of the Banks Act has been delegated with the accountability for the setting of the remuneration and performance of staff. This committee reviews all aspects relating to remuneration and performance within the Postbank.

INFORMATION TECHNOLOGY STEERING COMMITTEE (ITSC)

Board has delegated the accountability for overseeing the execution of all IT related decisions within Postbank to the ITSC. The responsibilities of the committee would include IT governance, which includes the monitoring and reviewing of IT policies and practices to ensure that the required IT support is provided, and that IT is positioned as a key enabler for the business.

SOCIAL AND ETHICS COMMITTEE (SEC)

The Postbank Social and Ethics Committee was established in terms of section 72 of the Companies Act to assume an advisory function to address all governance matters. The Social and Ethics Committee is meant to assist the board to ensure that Postbank is, and is seen to be, a responsible corporate citizen. The role of the Social and Ethics Committee is to support the board in governing the ethics of Postbank to establish an ethical culture.

DIRECTORS' AFFAIRS COMMITTEE (DAC)

In terms of section 64B of the Banks Act, as well as article 5.9.8.5 of the Memorandum of Incorporation (MOI), the Postbank Board established the Directors Affairs Committee in order to assist the board in discharging its duty to ensure that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent to Postbank is established and maintained. Consistent with the role of the other board sub-committees, the Directors Affairs Committee has no power to make decisions, unless specifically delegated by the board, and only makes recommendations for approval to the board.

RISK MANAGEMENT

Postbank recognizes that 'risk' is an integral part of our business and entails the continuous management of risks. Postbank seeks to understand risks properly and manage it effectively and efficiently, in the context that these risks may generate opportunities and ultimately reward for the bank. The emphasis is on creating and protecting value for all our stakeholders through generating quality earnings that will ensure sustainability for Postbank and ultimately allow the bank to achieve its goals and objectives as per the mandate given to the bank by the Minister.

Risk management division's functional priority strategic objectives for the 2020/21 financial year entailed the following:

- Compliance with SARB license requirements.
- Strengthening governance and align with regulatory.
- Provide inputs in the development of the strategy and operational plans.
- Drive a processes and system that will pro-active identify and eliminate financial risk and fraud within the organisation.
- Review controls for adequacy, appropriateness and effectiveness.
- Perform risk control self-assessments throughout the bank and roll out the key risk indicators.
- Raise risk and fraud awareness through continuous training.
- Embed Business Continuity Management (BCM) and Information Security Management (ISM).

Postbank strengthened the risk management capabilities through capacitating the risk function by filling various key positions during the year including a permanent Chief Risk Officer, Head of Market Risk, Financial Crime Risk, Operational Risk and Regulatory Reporting vacancies. A stronger risk management function did assist in improving risk governance processes of Postbank. Postbank updated the Postbank recognizes that 'risk' is an integral part of our business and entails the continuous management of risks. Postbank seeks to understand risks properly and manage it effectively and efficiently, in the context that these risks may generate opportunities and ultimately reward for the bank. The emphasis is on creating and protecting value for all our stakeholders through generating quality earnings that will ensure sustainability for Postbank and ultimately allow the bank to achieve its goals and objectives as per the mandate given to the bank by the Minister.

Postbank does acknowledge that our risk management capability is not at a level that is as mature as we would like it to be and that it takes time to build an effective risk culture and to fully integrate risk management into the day to day business activities of the bank. Postbank is committed to continuously enhance our risk management capabilities through a process of continuous improvement.

RISK REVIEW

The top 10 risks for 2020/2021 financial year were derived from our risk universe, operational risks as well as our strategic risks:

1. Counterparty and Credit Risk:	Postbank's Response
• Postbank does not currently lend money to customers and have no credit risk from lending activities. • Postbank does have exposure to Land bank in terms of counterparty risk. There is a risk that Land bank is unable to meet the obligations. • The South African Post Office is not financially sound and Postbank does have a significant exposure with SAPO. It is possible that potential write-offs may emanate from these relationships.	• Regular engagements with both Land bank and SAPO is held to try and find solutions and recover the outstanding monies. • Land bank did pay back interest as well as some of the Capital. The exposure is monitored through the ALCO process. • Debt acknowledgement agreements with SAPO was signed and plans are underway to reduce the exposure and recover some of the outstanding debt.

2. Concentration Risk	Postbank's Response
• SASSA is a significant driver of the Postbank revenue. • Postbank relies on The SA Post Office branch and channel infrastructure as our only channel to service our customers. • SAPO have closed various branches recently and that may have a negative impact on Postbank and our revenue.	• Postbank is exploring various business opportunities that will diversify the current revenue streams and reduce the impact of SASSA on our ability to generate revenue. • Postbank is developing new channels to service our customers including but not limited to ATM's and digital banking to create alternatives for our current customer base.

RISK REVIEW

3. Strategic and Execution Risk

- Clear business plans considers the impact of various elements on the desired performance of the bank.
- The strategic objectives of Postbank is captured in our strategic plan and measured through KPI's in the Annual Performance plan. Covid-19 had a significant impact on the resilience of the plans and strategy set by the bank. It affected our clients, our business partners, our staff and our communities. It is expected that the impact will last well into the next financial year.
- The targets set by Postbank were not fully appreciating the impact of Covid-19 on the planned performance.

Postbank's Response

- Goals and Objectives were reviewed to ensure that they are more aligned to the current reality.
- Various plans are in place to improve execution on plans and projects that may have been delayed due to the impact of Covid-19 on our business.

4. Technology Risk

- Retail banking is a technology driven business. Postbank is a growing bank that plans to become a full service Retail Bank. Postbank needs to replace old technology with updated technological capabilities to meet our strategic objectives.

Postbank Response

- Postbank does have a formal IT modernisation program with clear outcomes. The program will assist Postbank to build the products and services required to service our customers.

5. Operational Risk

- The exposure to Operational risk is elevated by the fact that Postbank relies on many manual processes to conduct our business. The risk was increased due to the effect of Covid-19.
- Covid-19 also impacted many of our staff and the wellbeing of our staff is important to Postbank. The pandemic could lead to further absenteeism and lack of productivity due to people unable to work from home.
- The need for more digital and technological solutions also increase the stress on an old IT infrastructure that may lead to IT failures.

Postbank's Response

- Postbank is driving the implementation of our IT modernisation project to create a more modern technology environment.
- Postbank did implement various plans to procure more laptops and other technology to enable staff to work from home.
- Various Business Continuity or Crisis management plans were implemented that allowed for combinations of solutions from staff working from home where possible or rotating into the office if need be.

RISK REVIEW

6. Financial Crime Risk

- Financial crime is on the increase due to the current economic climate.
- Syndicates are targeting our vulnerable SASSA clients as well as our staff to defraud them.
- Fraud losses reduced by more than 50% from the previous year.

Postbank's Response

- Postbank increased the staff compliment within the fraud risk management department.
- Several manual processes were automated during the year.
- Increased use of Biometrics to reduce identity theft.
- Various system enhancements were implemented to reduce the fraud losses.

7. People Risk

- It is important to have sufficient people with the right skills to ensure that goals and objectives of the bank are achieved.
- Currently Postbank have many vacancies at all levels of the bank and relies on acting staff fulfilling many of the key Executive positions.
- There is a moratorium imposed by the Minister with regards to appointment of new Executives.

Postbank's Response

- Detailed recruitment plans are in place to make sure the right people with the right skills are appointed into Postbank. Recruitment targets were achieved at senior manager level but not at Executive level.
- The recruitment plan is implemented with strong consideration of the current financial position.

8. Liquidity and Capital Risk

- Strong liquidity positions supported by sufficient funding is key for the growth and sustainability of Postbank.
- Postbank has a strong liquidity position and exceeds all the regulatory liquidity requirements.
- Postbank remains well capitalised with tier 1 capital ratios exceeding regulatory minimum.
- Various new initiatives may increase the need for liquidity that requires close monitoring of the liquidity position of the bank.
- Postbank, as a State Owned Company, does not rely on any state funding for our operations.

Postbank's Response

- New Treasury management system was procured and being implemented. The new system will enhance the capability to manage the liquidity within the various limits as determined by the board.
- Postbank created an ICAAP model during the year that will enhance Capital Management capabilities.
- All new initiatives are tested against the impact on liquidity as well as capital adequacy before it is approved.

RISK REVIEW

9. Regulatory and Compliance Risk	Postbank's Response
• The regulatory environment is most certainly continuously changing and potentially affecting Postbank. • Complying with AML and related aspects of the Financial Intelligence Centre Amendment Act (FICAA) is critical. Postbank relies on multiple manual processes within SA Post Office (our business partner) to comply with the Act.	• Postbank bolstered the Compliance function by filling some of the vacancies. • Postbank is implementing various technological solutions to automate some of the manual processes in branch and to improve our monitoring capabilities. • The use of Biometrics when on boarding our clients enhance our KYC processes and data quality of our customers.

10. Cyber Risk	Postbank's Response
• Cyber Risk remains inherently high. Some of the key cyber risks include loss of data and downtime of our systems. Criminals abuse the vulnerability created by Covid-19 and use Covid-19 in Social Engineering attacks to exploit our business partners, our staff and our customers. • Cyber risk increased as more people work from home and opportunities for cybercriminals increase. • To date cyber risk is well managed.	• Postbank is regularly running awareness campaigns to warn and educate our stakeholders about potential cybercrime risks and threats. • Postbank is in the process of building a digital banking offering with strong security principles embedded within our systems. • Ongoing enhancement of our infrastructure and our systems to improve our resilience against cyber-attacks.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

This framework is developed to guide and develop the Risk Management eco-system within Postbank. The Postbank Enterprise Risk Management Framework is representing the Bank's response to the various risk management requirements imposed on the Bank by our Customers, Community, Regulators, Shareholder, Board and Staff. Our Enterprise Wide Risk Management Framework is to facilitate the integration of risk management into all aspects and functions of Postbank. The effectiveness of risk management depends on the successful integration of risk management into governance and all other activities of Postbank including decision-making processes

The Enterprise Risk Management Framework provides a structured approach to ensure appropriate incorporating sound governance principles that will enable a risk culture that provides and protects value. The framework defines our risk universe that is supported by clear risk policies and risk processes. The framework recognise that risk management activities will continuously evolve and mature as the business changes, to serve Postbank and our stakeholders. The framework is built on good risk governance, sound risk strategy and appropriate risk processes.

RISK GOVERNANCE

Postbank base its foundation for governance on a combination of The Banks Act, King IV and the new Three Lines model that is an update of the Three Lines of Defence Model. The model describes three layers of authority. Board is ultimately responsible for ensuring that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent in the bank's on-balance sheet and off-balance sheet activities, and that response to changes in the bank's environment and conditions, is established and maintained.

The board should ensure that clear accountability and responsibility is set, that all lines of authority across divisions are clear, and that clear separation exist between business line activities and risk or control functions. The board delegates this authority through various sub-committees and to management. The board is represented in Layer 1 of the model. The various levels of management are represented in layer 2 of the model. Management is responsible for management of the risks in Postbank. Management consists out of two lines. Line one is responsible to provide products and services to clients and manage the risk directly. Line two of management are experts that supports, monitor and provide challenge to 'line one' on risk matters. 'Line two' is still part of management and thus also responsible for management of risk. Independent assurance is a key requirement for good governance and is represented in 'layer 3'.

Layer 1
Board

Assume accountability to stakeholders for oversight of Postbank.

Leads the establishing of a strong risk management culture of ethical behaviour and accountability.
Establish structures and processes for governance, including creating sub-committees as required.

Delegate responsibility for Risk Management to management and provide resources to management to achieve the risk management goals and objectives.

Determine the risk appetite for Postbank and conduct oversight over the risk management activities.

Maintains oversight of the compliance function. Establish and oversee the independent Internal Audit function.

Layer 2
Management

Line one is responsible for:

- Manage risk through the relevant structures, processes and activities including performing activities of internal control.
- Ensure compliance with relevant laws and regulations in an ethical manner.

Line two activities include:

- Develop, implement and continuously enhance risk management practices.
- The achievement of risk management goals and objectives such as risk assurance, internal control, compliance with applicable laws and regulation, ethical culture and information security.
- Analyse and report to the Board on the adequacy and effectiveness of risk management and level of internal controls.

Layer 3
Assurance providers

Consists of the various independant assurance providers that are independent from the management of the business and consists out of Internal Audit and External assurance providers.

The independent assurance providers provide objective assurance and advice to Management and the Board on the adequacy and effectiveness of governance and risk management practices and impact on achievement of Postbank goals and objectives.

Figure ?: Risk Governance Model

RISK STRATEGY AND IMPLEMENTATION MODEL

Postbank recognise that our Risk Management capability is not at a high level of maturity and our strategy is one of continuous improvement of our risk management practices. The risk strategy will always be based on the '5E' maturity model to ensure continuous improvement of our risk management practices:

- Embedding risk management into the business through ongoing training and awareness.
- Establishing robust processes that we want to automate and digitise as far as possible.
- Evaluate the risk processes through our combined assurance model and various assurance providers
- Enhance the risk processes to improve continuously.
- Enthusiasm – the risk team will always do the work with enthusiasm and commitment.

RISK STRATEGY AND IMPLEMENTATION MODEL

The risk management process is a repeatable process that is used as the basis of how Postbank manages risks

Communication and Consulting	Risk identification	Risk Assessment	Risk Treatment	Risk recording and reporting
Effective communication and consultation enhances the risk culture by including the control and risk owners in the risk process, creating a sense of ownership and accountability of the risks affecting them. Include people with the right level of expertise to be part of the process.	Understanding the context will inform the risks-identification as assist to define the risk criteria used to identify the applicable risks. Identifying and describing the risks that may be relevant and appropriate, that may impact on the goals set for the relevant business units, and to identify potential consequences that the occurrence of a risk event may have. Risks are generally identified, utilising the risk universe as guidence, by the management team and supported by the Risk Management team.	Risks are analysed to explores the nature and character of the risk, level of risk exposure, sources of risk, likelihood of risk events occurring,applying specific risk scenarios that may play out, and the effectiveness of the current internal control environment. Risks are evaluated to determine the risk significance that would support the decision making process by evaluating the outcome of the risk analysis. Postbank will evaluate every risk in terms of financial exposure, reputational exposure and potential regulatory exposure.	A risk treatment strategy is selected based on the nature and impact of the assessed risks. Risks can be managed, transferred, accepted or avoided. If risks are mitigated then appropriate control strategies will be developed or clear management actions will be identified.	A risk treatment strategy is selected based on the nature and impact of the assessed risks. Risks can be managed, transferred, accepted or avoided. If risks are mitigated then appropriate control strategies will be developed or clear management actions will be identified.

Risk and Capital Management Committee Membership and Meeting Attendance Record

Name	Qualification	Internal / External	Position	Date Appointed	Date Resigned	Meetings Attended
Mr. Thabile Wonci	MBA, PGDip & PDBA (GIBS), PGDip Man Acc (Unisa), and BCom (NMMU).	Non-Executive Director (external)	Chairperson	1 October 2020	Current	7/7
Mr. Gcobani Mancotywa	Institute Of Directors In Southern Africa (IOD-SA), Certified Director (Corporate Governance (GIBS University)) Banking Board Leadership Program (WITS), Master's in Management (M Mgt) (WITS), Post Graduate Diploma in Management (WSU), Bachelor of Commerce (B Com) (Economics & Commercial Law) (UJ) and a Certificate in Financial Management.	Non-Executive Director (external)	Member	1 October 2020	Current	7/7

COMPLIANCE

Postbank operates in an environment of increased regulatory and compliance requirements that requires effective compliance risk management practices. Our aim is to build and develop a strong compliance and ethics culture to enable long-term value creation at Postbank. Postbank recognises its accountability to all stakeholders and are committed to the highest standards of integrity. Furthermore, we are committed to comply with the regulatory requirements and to act with due care, skills and diligence.

Through its Compliance function, Postbank ensures that the bank continuously manages its regulatory and supervisory risks, that the bank is governed, and that it conducts business in an ethical manner. Postbank is in the process of re-applying for a banking license, and with the transfer date of Postbank business from the Post Office having being determined as the 1st April 2019, that means that Postbank is now a stand-alone state-owned entity and requires a well-resourced Compliance Function. Since the beginning of the new financial year the compliance department have appointed Compliance Manager and Ethics Officer. That is also to satisfy the South African Reserve Bank (SARB) that we would have the capability and capacity to manage compliance risks impacting the bank, when the banking license is granted, and to ensure that the Bank complies with the laws of the country in general.

The Compliance division assisted in providing the Banks Act regulations assessment report and also ensures that the Section 16 Banking license application is in compliance with Regulations Relating to the Banks Act which requires banks to have a Compliance Function which is adequately resourced. During the year we focused on developing Compliance Risk and Management Plans (CRMPs) for primary core legislations that are on the Postbank Regulatory Universe. We worked towards positioning the CRMPs as strategic drivers and integrating compliance practices across the bank.

Postbank updated the Compliance Management Framework and supporting policies to align with new regulations and compliance international standards. In 2021 we undertook several actions to enhance the governance of ethics:

- An ethics self-assessment was conducted and completed with the assistance of the Ethics Institute of South Africa (EISA).
- An ethics risk assessment conducted and incorporated feedback from staff members - the findings and outcomes were presented to board.
- An ethics training programme for employees is ongoing - employees are trained during their induction and continually through online training interventions.
- The Bank's regulatory universe was presented to relevant governance structures - the regulatory universe is a living document that will be updated on an annual basis or 'as and when' there are changes in the regulatory landscape.

- Banks Act 94 of 1990
- Basic Conditions of Employment Act 75 of 1997
- Consumer Protection Act, No. 68 of 2008
- Companies Act 71 of 2008
- Financial Advisory and Intermediary Services Act, No. 37 of 2002
- Financial Advisory and Intermediary Services Act 37 of 2002
- Financial Intelligence Centre Act 38 of 2001
- National Payment System Act, 1998
- Protection of Constitutional Democracy Against Terrorist and Related Activities Act, No. 33 of 2004
- Prevention of Organised Crime Act, No. 121 of 1998
- Public Finance Management Act, No. 1 of 1999 - Public Entities Schedule 3
- Postbank Act, No. 9 of 2010
- Protection of Personal Information Act, No.4 of 2013
- Public Audit Act, no 25 of 2004
- Prevention and Combating of Corrupt Activities Act, No. 12 of 2004

Table 5: Postbank Regulatory Universe – Core Legislation

FRAUD AND CORRUPTION

Postbank has a fraud prevention plan and the bank has made significant progress in terms of implementing the fraud prevention plan. Postbank recognises that sound financial systems and strong financial crime counter measures are essential in the fight against Financial Crimes such as Fraud, Money Laundering, potential terrorist funding activities, bribery and corruption. The principal objectives of the Plan are to:

- Provide guidelines in preventing, detecting and reporting fraudulent activities within Postbank;
- Create a culture within Postbank where all employees and stakeholders continuously behave ethically in their dealings with or on behalf of Postbank;
- Encourage all employees and stakeholders to strive towards the prevention and detection of fraud impacting or having the potential to impact on Postbank;
- Encourage all employees and stakeholders to report suspicions of fraudulent activity without fear of reprisals or recriminations; and
- Provide a focus point for the allocation of accountability and authority.

Whistleblowing forms a greater part of mechanisms currently in place which are used to identify and report fraud and corruption. There is a need for officials to make confidential disclosure about suspected fraud and corruption activities.

In terms of how these cases are reported and what action is taken, customers may use any of the various channels to report Fraud to Postbank. To report a fraud case, the beneficiary needs to complete an affidavit or provide a written complaint. The case will be recorded on the Postbank systems. An investigation will follow to determine the outcome of the case. The customer may be refunded for the losses suffered.

MINIMISING CONFLICT OF INTEREST

For prospective bidders: with every bid that is being issued, prospective bidding companies are required to complete as Standard Bidding Document (SBD4), where they declare if they have any interest within the organisation. Also, the bidding companies are directed to provide a list of their respective directors. Postbank procurement process is run through committee structures including a Bid Evaluation Committee (BEC) and a Bid Adjudication Committee (BAC). BEC members are required to declare their interests and sign off on the declaration form prior to evaluating any bid. Similarly BAC members are required to declare any interest prior to adjudication of the bids/submissions.

Where a bidder has declared, the nature of the interest is then assessed to determine the materiality and the proximity of the identified official/employee to the process. Where the interest is deemed to be material, such that the SCM practitioner/ BEC/ BAC member is related to the prospective bidder, the concerned official is then requested to recuse them self from the process, so as to protect the integrity of the process.

CODE OF CONDUCT

The importance of Ethics in any organization can never be over emphasized. This has been more of the case for Postbank given their media scrutiny that the bank has been confronted with of late. Postbank is making good progress in adhering to the principles of good governance as set out in the King IV Code (Principle 1 and Principle 2). As such, a lot of work has been done where incidents of corruption or suspicion thereof were rooted. The success achieved results from the board having adopted the letter and the spirit of the law in order to enhance the bank's ethical culture.

Operationally, the bank appointed the Ethics Officer who's tasked on the Ethics training and Ethics communication roll-out to cement our ethics foundation through awareness creation. Furthermore the Ethics office has activated a reporting channel for any misconduct incidents. The Social and Ethics Committee is providing the necessary support to the office and holding to account those responsible for unethical conduct.

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

OPERATIONS OFFICE (BLOEMFONTEIN)

Postbank operations are currently based at its offices in Bloemfontein. On the 28th of October 2021, the Department of Labour conducted an inspection on the Postbank Operations office in Bloemfontein, following a complaint lodged by an employee. With reference to the Occupational Health and Safety Act (1993), the following findings were indicated:

- Section 8 (2) (d) – Postbank failed to identify all health hazards (ventilation issue) attached to the work that employees are doing and identify control measures to be implemented in mitigating the hazards.
- Environmental Regulations for workplaces, 1987 (ERW) - Postbank failed to service/maintain the firefighting equipment in the workplace.
- Facilities Regulations, 2004, (FR) – Postbank failed to provide sanitary facilities in the workplace in accordance with parts F, P and Q of the application of the national building regulations.
- General Safety Regulations, 1986 (GSR) – Postbank failed to provide suitable first aid equipment for first aid boxes as some of the equipment had expired.

Following the completion of the inspection exercise, Postbank was tasked to immediately attend to all the key failed tested health hazard issues. The process of appointing fire marshals, first aid officials and OHSA representatives has since been done following the successful conduct of relevant training. There were four new fully-kitted first aid boxes purchased and allocated to the respective appointed first aid officials. The firefighting equipment was all serviced and emergency evacuation drills have been conducted. A service provider for an indoor air quality risk assessment was appointed and the necessary risk assessment was conducted. The Operations building failed the test and Management is attending to all recommended remedial measures.

HEAD OFFICE (PRETORIA) – SAPO'S NPC BUILDING
Postbank is currently renting and sharing the Post Office's Head Office building and the following summarises the occupational health state of this building:

- The building is not OHSA compliant.
- There is not enough ventilation.
- Air conditioners are not working.
- The meeting rooms have no ventilation and there are no windows or air conditioning.
- There are no water dispensers.
- There are loose cords in the boardrooms, all of which pose a risk.
- The lifts do not work.
- The kettles are being used on desks.
- There are microwaves in the boardrooms.

Generally, Postbank is in violation of the OHSA since the bank is not providing employees with a safe work environment. Since the building is owned by the Post Office, engagements have been had with their relevant officials, who confirmed that they are aware of all the identified issues and that their efforts to remedy the issues is hampered by the adverse financial position of the Post Office. Postbank is working on securing a suitable office space for its head office staff, and this will help address all safety issues identified above.

SOCIAL RESPONSIBILITY

As a responsible corporate citizen, Postbank appreciates its responsibilities to society at large and is committed to doing its part in improving the social, environmental and economic well-being of the communities in which the bank operates. Our strategy of banking the unbanked, which is borne out of our mandate of financial inclusion, embodies the bank's approach to CSI. This approach entails giving people the necessary financial education they require in order to independently make sensible financial decisions.

To this end, Postbank is involved in multiple financial literacy programs across the country. The bank has contributed significantly in various efforts aimed at educating the marginalised communities on financial matters. During the 2020/21 financial year, Postbank conducted a total of 37 financial literacy events, either through collaborations with other stakeholders including the Banking Association South Africa and other banks, or on its own during product activation campaigns.

Though Postbank currently focuses on education as the main theme in its approach to CSI, the bank is planning to develop a strategy that will drive the overall function of CSI. The strategy will identify other key areas of focus for which various deliberate investment initiatives will be introduced to extend the bank's impact on the improvement of the lives of the people in the communities where Postbank conducts its business activities. These interventions will be in the form of tailor-made programs that would respond directly to the social and economic needs of these communities.

INTERNAL AUDIT AND AUDIT COMMITTEES

INTERNAL AUDIT

The Postbank Internal Audit's mandate is to provide independent objective assurance and consulting services designed to add value and to continuously improve the operations of the Postbank SOC Ltd. It seeks to assist Postbank in accomplishing its strategic outcomes by bringing a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of Governance, Risk Management and Control processes.

Postbank Internal Audit is established within the Postbank in line with the Public Finance Management Act 51(1)(a)(ii) and Treasury Regulations 27 as a key component of Postbank's Corporate Governance. The Internal Audit reports functionally to the Accounting Authority via the Sub - Committee which is Audit Committee and administratively to the Chief Executive Officer. Its activities are governed by an Internal Audit Charter. Postbank Internal Audit must deliver the internal audit services in line with the Institute of Internal Auditors' International Professional Practice Framework (IPPF) as required by the Treasury Regulations 27.2.6.

The following key activities are performed in this regard, contributing to ensuring that the Postbank is well governed, effectively executes its strategy, and achieves the strategic outcomes:

- Assess and make appropriate recommendations for improving the governance processes.
- Evaluate the effectiveness and contribute to the improvement of risk management processes.
- Evaluate the adequacy and effectiveness of controls in responding to risks within the Postbank's governance, operations, and information systems.

Postbank Internal Audit has an approved structure with 5 positions (1 Chief Audit Executive; 1 Senior Manager Internal Audit; and 3 Internal Auditors), and all positions were vacant during the financial year 2020/2021.

South African Post Office Internal Audit (SAPO IA) was providing some internal audit services, and also had limited capacity as result was not able to fulfill the total internal audit requirements in line with the mandate and IPPF for Postbank. SAPO IA conducted and completed audits that Postbank considered to be of critical nature and issued the following internal audit reports:

No.	Internal Audit Engagement	Date Issued	Comments
Two Risk Based Compliance Audits:			
1.	BASA (Banking Association of South Africa) data integrity compliance audit.	7 October 2020	Finalised
2.	Internal Capital adequacy assessment process audit	03 June 2021	Finalised

Table 4: Internal Audit Exercises completed during the 2020/21 financial year

No.	Internal Audit Engagement	Date Issued	Comments
Four Supply Chain Management Probity Audits			
3.	ATM & SSD Acquiring Project	1 May 2020	Finalised
4.	Leasing of Postilion Switch	19 October 2020	Finalised
5.	Leasing of Postilion Switch	26 February 2021	Finalised
6.	SMS Alert Capability	15 March 2021	Finalised

Table 4: Internal Audit Engagements completed during the 2020/21 financial year

Postbank has commenced the process of capacitating the Postbank internal audit function with the required resources, as part of its measures to ensure effective execution of internal audit services.

AUDIT COMMITTEE

As a public company in terms of Schedule 2 of the Public Finance Management Act (PFMA), together with the Companies Act and the Banks Act, Postbank is required to establish an Audit Committee. The Postbank Audit Committee was established in terms of section 51(1) (a)(ii) of the Public Finance Management Act No 1 of 1999 (PFMA), section 64 of the Banks Act, section 94 of the Companies Act, Treasury Regulations as well as the Postbank Memorandum of Incorporation (MOI).

The Audit Committee is independent and responsible for providing oversight by evaluating and advising on a number of elements in the Postbank i.e. financial management; governance; risk management; the systems of internal control which management has established and approved by the board, the audit processes; as well as assessing the bank's performance against its corporate plan.

Due to the current corporate structure of Postbank, where the bank is technically still a division of the South Africa Post Office – owing to the pending finalization of the corporatization process and the related scheduling of the bank as a separate entity – Postbank's Audit Committee also comprises of nominated members from the South Africa Post Office and the Shareholder department (DCDT).

Functions of the Audit Committee - objectives and key activities of the Audit Committee

The objectives of the Audit Committee is to provide independent oversight that the Postbank SOC (Pty) Ltd is well governed, which entails:

- That it has and maintains effective, efficient, and transparent systems of financial management, risk management, governance, and internal control; and
- Resulting in the attainment of the strategic outcomes and delivery of the stipulated mandate

The Postbank Audit Committee executes the following activities in pursuit of the above objectives and ensures the accomplishment of its responsibilities captured in the Audit Committee Charter:

In respect of the financial statements:

a) The Audit Committee shall review the annual financial statements, any interim and preliminary announcements, the accompanying reports to the shareholder, and any other announcements regarding Postbank's results or other financial information to be made public, prior to submission and approval by the Board;

b) Evaluate on an ongoing basis the appropriateness, adequacy, and efficiency of the accounting policies and procedures, compliance with International Financial Reporting Standards, and any changes thereto;

c) Review the annual financial statements, and consider whether they are accurate, complete, and consistent with information known to committee members;

d) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;

e) Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information;

f) Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to the committee; and

g) Oversee integrated reporting which includes financial information, sustainability, interim results, and summarised information.

In respect of the Internal Audit:

a) Ensure that internal audit is independent of management in terms of International Profressional Practice Framework and that it has the necessary resources, budget, standing, and authority within Postbank to enable it to discharge its functions;

b) Be responsible for the appointment and termination of the services of the Chief Audit Executive, as well as oversee the budget, resource plan, and organizational structure and objectives of the internal audit function;

c) Approve the internal audit charter, internal audit plan, internal audit strategic plan, and operational plan;

d) Encourage cooperation between external and internal audits;

e) Review the effectiveness of the internal audit function and evaluate performance in terms of the agreed goals and objectives and conformance with International Profressional Practice Framework of Internal Auditing; and

f) Ensure that the function is subjected to independent quality review.

In respect of the External Audit:

a) Nominate for appointment an independent registered auditor who, in the opinion of the Audit Committee, is independent of Postbank in terms of section 64(2)(a) of the Banks Act and Section 90 of the Companies Act;

b) Determine the fees to be paid to the auditor and the auditor's terms of engagement;

c) Ensure that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors;

d) Determine, subject to the provisions of the Companies Act, the nature and extent of any non-audit services that the auditor may provide to Postbank, or that the auditor must not provide to Postbank or a related company of Postbank;

e) Pre-approve any proposed agreement with the auditor for the provision of non-audit services to Postbank;

f) Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

g) Address any potential restrictions or limitations of scope with management;

h) Resolve any disagreements between management and external auditor if they arise;

i) Review the management letter and management's response to the auditor's findings and recommendations; and

j) Review the effectiveness of the audit process annually.

In respect of the planning and performance information and reporting:

a) Review that Postbank Management has developed adequate strategy in line with its mandated and consistently monitors its performance against the strategy (achieving set targets in the Corporate Plan); and

b) Review the reliability and integrity of the quarterly and annual performance information reports and ensure that the Postbank has established mechanisms to monitor its performance, and corrective actions are taken promptly where necessary.

In respect of Governance and Risk Management:

a) Review the adequacy of Risk Management, specifically on the independent assurance of the entire process;

b) Establishes and evaluate that Postbank Management has adopted and implemented appropriate governance principles that will create a foundation for the implementation of internal controls; including embedding a culture that promotes ethical and lawful behavior and establishment of relevant governance and management structures;

c) Oversee the financial reporting risks, and the internal financial controls;

d) Oversee the fraud risks as it relates to financial reporting and internal controls;

e) Oversee IT risks as it relates to financial reporting and internal controls;

f) Review the results of and response to reporting via the Postbank ethics line or equivalent; and

g) Review the monitoring process to ensure the ethical behavior of Postbank, its management, and officials as determined by the Social and Ethics Committee Terms of Reference.

In respect of combined assurance:

a) In terms of King IV principle 8, Recommended Practice 59, assist the Board to ensure that a Combined Assurance model is applied to provide a coordinated approach to all assurance activities;

b) To ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of Postbank's external reports;

In respect of Internal Controls and Compliance:

a) Assesses that Postbank Management has established business processes, policies, and standard operating procedures such that it drives consistent management of risks and compliance with laws and regulations;

b) The Audit Committee must consider the legal and regulatory requirements to the extent that they may have an impact on the financial statements;

c) Review the findings of any examinations by regulatory agencies, and any auditor observations;

d) Obtain reports from management, the internal auditor, and the external auditor regarding compliance with all applicable financial legal and regulatory requirements, including tax compliance, litigation, disputes, and claims;

e) Review the adequacy of the regulatory report processes, including quality of reporting and adequacy of systems and human resources to complete these functions satisfactorily;

f) Meet as required with the regulators;

g) Meet at least annually with the external auditors and Chief Audit Executive to discuss any matters that the Committee or that the auditors believe should be discussed privately; and

h) Interact periodically with other Committees to be informed of matters that may affect the functioning of the Audit Committee.

REPORT OF THE AUDIT COMMITTEE

Introduction

This report is provided by the Postbank SOC Limited Audit Committee, in respect of the 2020/21 financial year of Postbank SOC (Pty) Limited. The committee is constituted as a statutory committee of the Postbank, in terms of section 64 of the Banks Act, section 94 of the Companies Act, and Section 77 of the PFMA.

The Audit Committee assists the Board in ensuring the integrity of integrated reporting, internal financial controls, identification and management of financial risks, safeguarding of Postbank's assets, and the preparation of accurate financial statements in compliance with all the relevant regulatory requirements and accounting standards. The Audit Committee also plays an oversight role in governance, risk management, and internal controls.

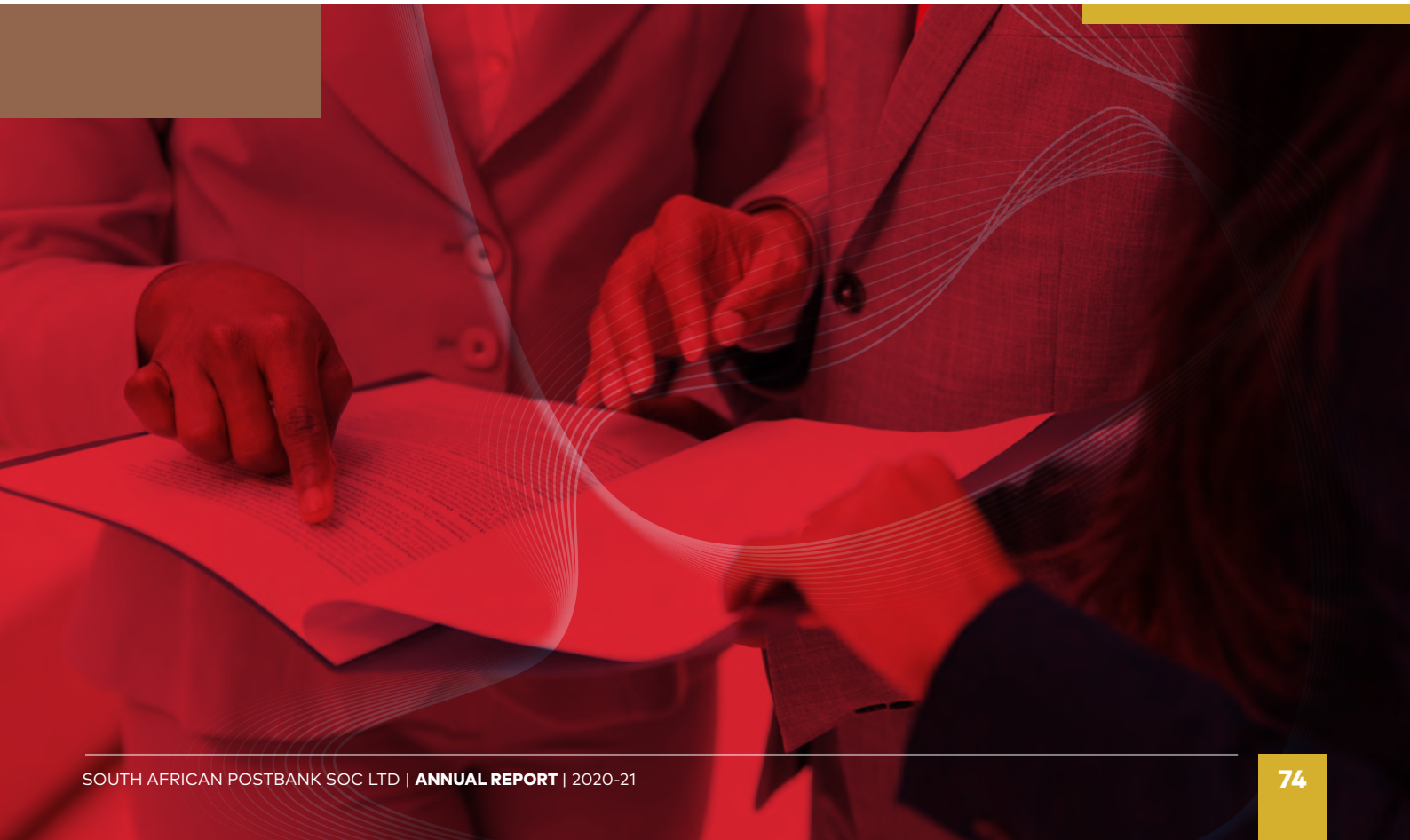
Members of the Audit Committee

The Board of Postbank is required to appoint at least three of its non-executive directors. The Audit Committee should consider meeting the King IV definition of independence when appointing non-executive directors. In terms of section 64 (3)(a) of the Banks Act, all of the members of the Audit Committee must not be employees of Postbank, nor any of its subsidiaries, its controlling company nor any of the subsidiaries of the controlling company. Provided that the Chairperson of the Board or the controlling company shall not be appointed as a member of the Audit Committee. Audit Committee members should be suitably skilled and experienced. In terms of regulation 42 of the Companies Act, at least one-third of the members of the Audit Committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs, or human resource management.

Name	Qualification	Experience	Appointment Date	Resignation Date
G Mancotywa	Institute Of Directors In Southern Africa (IODSA), Certified Director (Corporate Governance (GIBS University)) Banking Board Leadership Program (WITS), Master's in Management (M Mgt) (WITS), Post Graduate Diploma in Management (WSU), Bachelor of Commerce (B Com) (Economics & Commercial Law) (UJ) and a Certificate in Financial Management.	Mr Gcobani Mancotywa has extensive executive experience in financial services and aviation transport industries over a combined period of 23 years as well as international experience based in Sydney and Hong Kong managing cross border travel business. He has been in various executive management roles within the banking industry, management consultancy and the aviation industry.	2020/10/01	Current Member AC

Name	Qualification	Experience	Appointment Date	Resignation Date
Dr Adv L Hefer	B.Sc (Hons); LL.B; LL.M; Ph.D	Dr Adv Hefer is an-authority on the new Companies Act, Protection of Personal Information Act and the Consumer Protection Act, Corporate Governance Best Practices and Directors' Duties, including the New Companies Act and King IV™ applications. She led the team that developed the OnlineMOI webbased tool. She is the author of Notes on South African Companies Act and Questions & Answers for Company Directors and Prescribed Officers, Questions & Answers on SA Companies Act, Questions & Answers on Business Rescue, Questions and Answers on POPI and PAIA, Questions & Answers for Auditors & Accountants, Vrae & Antwoorde oor die Suid- Afrikaanse Maatskappywet, Questions & Answers on Close Corporations (Genesis), and a joint co-author of the Corporate Governance Handbook (Juta & Co).	2021/04/26	Current Member AC

Name	Qualification	Experience	Appointment Date	Resignation Date
T Wonci	MBA, PGDip & PDBA (GIBS), PGDip Man Acc (Unisa), and BCom (NMMU).	Thabile Wonci is an executive with in-depth experience in investment banking and financial services and has gained mastery in designing and driving business strategy within the SSA region, assessing feasibility of strategic investments, structuring and analysing equity & debt transactions, corporate finance, P&L, Balance Sheet management and corporate restructurings.	2020/10/01	Current Member AC



Meetings held by the Audit Committee

Name	Qualification	Internal / External	Position	Date Appointed	Date Resigned	Meetings Attended
Mr. Thabile Wonci	MBA, PGDip & PDBA (GIBS), PGDip Man Acc (Unisa), and BCom (NMMU).	Non-Executive Director (external)	Chairperson	1 October 2020	Current	7/7
Mr. Gcobani Mancotywa	Institute Of Directors In Southern Africa (IOD-SA), Certified Director (Corporate Governance (GIBS University)) Banking Board Leadership Program (WITS), Master's in Management (M Mgt) (WITS), Post Graduate Diploma in Management (WSU), Bachelor of Commerce (B Com) (Economics & Commercial Law) (UJ) and a Certificate in Financial Management.	Non-Executive Director (external)	Member	1 October 2020	Current	7/7

Focus areas for the Audit Committee

The Audit Committee focused on the following areas during the financial year:

Effectiveness of the System of Internal Control / Governance Environment

- Postbank's control environment has been found to be very weak by the external auditors. The bank will need to strengthen its internal control environment as maintaining the weak internal control environment will further weaken business;
- There also appears to be a lack of controls around Postbank's procurement policies and on contract management. This has further weakened the operating environment and unfortunately, the bank has reported significant fruitless and wasteful expenditures during the period under review. The supply chain management business unit needs to be strengthened and supported by all given the role it ought to play within the bank;
- Postbank needs to review its overreliance on SAPO given the challenges that SAPO is currently faced with. An urgent review of all the Service Level Agreements (SLAs) with SAPO needs to be performed and these be brought in-house as part of the corporatization process; and
- It will be prudent for Postbank to review all contracts that have been inherited from SAPO in order to determine if these are fit for purpose for Postbank. A contract review process is a standard business review process that can and will be carried out in the normal cause of business.

Effectiveness of the Internal Audit

- Internal Audit Services were provided by South Africa Post Office (SAPO) Internal Audit, it suffices to indicate that the services were not adequate since they entailed coverage of a few critical areas. The critical areas covered did not represent a reasonable percentage coverage of the high risks of the Postbank. SAPO Internal Audit issued six (6) internal reports for the financial year 2020/21.
- The Audit Committee consistently engaged the relevant stakeholders on the capacitation of the Internal Audit Function; one internal auditor was recruited in quarter three and the Interim Chief Audit Executive was seconded to the Postbank by the Shareholder towards the end of the financial year.
- Postbank should prioritize the permanent appointment of the Chief Audit Executive and recruitment of staff for all vacant positions. The adequate capacitation of the Internal Audit Function will enable its execution of its mandate such that Postbank realizes the value in relation to the improvement of the governance, risk management, and control process.

Financial Statements

- The Audit Committee has reviewed the Financial Statements and confirms that they were prepared in line with the required standards and accounting policies.
- The Audit Committee concurs and accepts the conclusions of the Auditor-General on the financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.

Adequate capacitation of the Postbank SOC (Pty) Ltd Executive Management

- Postbank also needs to prioritize the filling of the executive positions and most importantly the Chief Executive Officer, Chief Financial Officer, and Chief Audit Executive roles. The prolonged absence of a permanent CEO, CFO, and CAE has the potential of incapacitating the bank in executing its corporate and annual performance plans including addressing the audit issues that have been raised during the 2020 audit;

Independence of the External Auditors

The Audit Committee has satisfied itself that the external auditors are independent of the company in accordance with section 94(8) of the Companies Act. The audit committee in consultation with executive management agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required, and the scope.

Conclusion

- The Audit Committee would like to express its appreciation to Postbank SOC (Pty) Ltd Management for their continued cooperation during the execution of its role and responsibility.
- Management is encouraged to continue to focus on the implementation of robust actions to improve the entire governance and control environment in order to ensure sustainability of the business.

On behalf of the Audit Committee

Mr. Gcobani Mancotywa
Audit Committee Chairperson

PART D

Human Resources Management

INTRODUCTION

In the 2020/21 period under review, the Human Resources division mainly focused on the capacitation of the organisation by filling critical positions. Attention was given to the continuous development of our employee value proposition to ensure that critical skills are retained and scare skills are attract. As a new organisation we have submitted our first Employment Equity Plan, Workforce Skills Plan and Annual Training Report. As part of our transformation objectives Postbank is committed to delivering on our employment equity targets and employee development and in support thereof, Postbank has rolled out their bursary program for permanent staff to gain knowledge and skills pertaining to essential banking skills.

Postbank has successfully signed a recognition agreement with two trade unions and will continue to engage on consultative and bargaining matters through relative forums which has been set up. The Covid-19 pandemic forced the employer to develop policies and procedure as well as support systems to manage Covid-19 related matters and provided the required support to our employees through continuous awareness, adjusted working conditions and employee assistance services.

HUMAN RESOURCES PERFORMANCE OVERVIEW

The following initiatives were implemented during the period under review in line with the key strategic thrust of establishing and capacitating a capable organisation:

POSTBANK ORGANISATIONAL STRUCTURE

During the period under review, the Postbank SOC Limited organisational structure has been aligned to it strategic objectives to ensure that the annual performance plan and set targets are met. The drive to capacitate Postbank and build a separate brand entity that is distinct, and independent from SAPO's brand, was also part of the considerations in the creation of the Postbank business operations structure. In order to ensure not to over-capacitate the newly established entity with human capital, some functions will still be drawn from SAPO through a shared services arrangement.

HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel Costs

Total Operating Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	% of Personnel expenditure to total cost	No. of employees	Average personnel cost per employee (R'000)
1 538 229.00	R133 744	8.7%	285	R469.28

Staff expenses is the main cost driver and contributes 8.7% of the total operational cost

STAFF ESTABLISHMENT

The staff establishment of the South African Postbank SOC Ltd was 241 on 1st April 2020, and 285 as at 31 March 2021. The 18.25% increase in staff during this period was due to the organisation's capacitation program to fill critical positions.

Salary Band	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top Management	5	1	5	1
Senior Management	15	11	0	26
Management/ Specialist	31	19	1	49
Skilled	145	29	9	165
Semi-Skilled	43	0	3	40
Unskilled	1	1	1	1
Total	**241**	**63**	**19**	**285**

ATTRITION RATE

Postbank's attrition rate percentage during the 2020/2021 financial year period was 7.2%. This figure is 0.5% lower than the previous financial year. Attrition rates in the past were around 13% on average.

CAPACITATING POSTBANK WITH HUMAN RESOURCES

During the period under review the bank continued with its capacitation program towards the filling of critical vacancies. The majority of positions filled were in the IT, Finance, Compliance, Risk Management and Commercial divisions to assist the organisation in ensuring effective banking systems, meeting banking regulatory and compliance requirements, development of own finance capability and development of current and new revenue streams.

A total number of 63 positions were filled. Focus was in particular given to the filling of the positions of Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, Chief Risk Officer and Chief Human Resources Officer. In this regard the Chief Risk Officer was appointed successfully. The organisation however experienced challenges in the finalisation of the other executive roles. As we continue with our drive of modernization and digital transformation at Postbank, attracting good quality candidates at affordable rates remains a challenge, even more with digital skills.

TALENT MANAGEMENT

Talent management is a significant component of building sustainability in the skills make up of growing organizations. In this area, a talent management framework has been approved for Postbank. Talent Forums will be established to ensure operational continuity and sustainability by providing an integrated process of identifying, selecting, developing and retaining top talent within the organisation that is required for long term planning.

The talent management process will address the development needs/ gaps identified and employees will be engaged in different accelerated development initiatives to prepare them for the future bank. Human Resources has organised itself by appointing a talent management specialist who will be instrumental in rolling out processes related to talent management.

LEARNING AND DEVELOPMENT

A training needs analysis was conducted to determine the skills and competencies required for Postbank to deliver on its strategic objectives. Based on this analysis, a training plan was put together. For the period 2020/21 Postbank has complied with legislation and submitted the mandatory report (Workforce Skills Plan & Annual Training Report) to Bankseta. The report was approved and Postbank will in due course be refunded as part of the skills levy refund process.

During the 2020/21 period, employees within Postbank received training on the PFMA & CRMP, Compliance and Risk plan and Risk Assessment and all new hires attended a Postbank Induction Programme. The Learning and Development policy was approved during the period under review.

Postbank's learning and development interventions are implemented according to the Work Skills Program and Ad-hoc requests received from business divisions during the reporting period. The emerging trends in the global banking environment has revealed that Postbank's current skills and competencies need to be restructured to meet the new and developing opportunities, such as those related to the digital economy. To be competitive in the market, the bank will focus on digitisation as an enabler in servicing its customers.

EMPLOYEE BURSARY FRAMEWORK

During the reporting period, the employee bursary policy was approved and implemented. The aim of this program is to provide internal employees with an opportunity to enhance their career, knowledge and skills through part-time studies. A Bursary Committee was established and a total of 30 bursaries were awarded. All bursaries are aligned to achieving the organisations strategy and filling the gaps in relations to critical and scare skills in the banking sector. The bursary program will be integrated into the organisation's talent and succession planning processes.

YOUTH DEVELOPMENT PROGRAM

The Postbank is reaping the benefits from the implementation of the graduate programs, consisting of young IT and Finance graduates. These programs proved to be very successful as many of these young graduates have since been appointed into permanent positions within Finance and Information Technology departments. The organisation has approved a larger intake of graduates across the business in the early parts of the 2021/22 financial year.

EMPLOYMENT EQUITY

Employment equity targets are based on the economical active population as set out in the 19th Commission for Employment Equity's annual report. For the period 2020/21, Postbank's Employment Equity Plan was approved and submitted to the Department of Labour. All recruitment initiatives are aimed at meeting the set targets however challenges in attracting candidates with sought after skills from the banking/financial services industry remains an impediment.

The bank has since engaged in initiatives to develop an attractive employee value proposition as means to compete for these skills since it cannot necessarily compete on price.

	RACE					GENDER		
Oganisational Level	Total	White	African	Coloured	Indian	Male	Female	Comment
Top Management	4	2	2	0	0	4	0	African & White males are over represented. Opportunity for the appointment of Indian and Coloured males as well as African, Indian, Coloured and White females exist. People with disability are also under represented at this level except for White males.
Senior Management	19	4	15	0	0	13	6	African & White males and African females are over represented. Opportunity for the appointment of Indian and Coloured males and females exist. People with disability are also under represented at this level except for White males.
Professionally qualified, mid management and specialists	43	6	35	1	1	21	22	There are some level of representation on African males and females, coloured males, Indian males and white males and females. More attention can be given to Indian and Coloured females as well as people with disability of all race and gender.
Skilled Technical and Academically Qualified workers; Junior management, Supervisors	158	33	118	6	1	55	108	African & White males and females are over represented. Opportunity for the appointment of Indian and Coloured males and females exist. More attention must also be given to people with disability on all race and gender
Discretionary/defined decision making	40	8	28	4	0	12	28	African females and White males and females and Coloured males are over represented. Opportunity for the appointment of African males and Coloured females as well as people with disability of all race and gender are under-represented.
Total	**264**	**53**	**198**	**11**	**2**	**105**	**159**	

EMPLOYEE WELLNESS

During the reporting period, Postbank has been relying on SAPO as a service provider for employee wellness services. The employee health and wellness programs are focusing on the employee assistance program (EAP), disability management; ill-health incapacity management and the promotion of occupational health. The EAP Practitioners are well equipped to provide professional assistance to employees on a wide range of both personal and interpersonal work related concerns and challenges as well as trauma counselling.

In the financial year ended, SAPO EAP Practitioners for Head Office and Bloemfontein workplaces have provided support with wellness matters in the following areas:

1. Case Management – and sick leave assessment
2. Incapacity cases - Ill-health incapacity management
3. Covid-19 support – counselling and contact tracing

The support to our employees is to be expanded to include the following counselling areas: Financial (DMC etc.), Relationship, Work Related, Psychosocial and Retirement counselling.

EMPLOYEE WELLNESS

In the 2020/21 financial year, as part of Postbank's capacitating program, Human Resource appointed an Employee Relations Specialist to head up the Employee Relations Unit. The approach towards employment relations in the organisation has been defined on both a micro (individual) and a macro (collective) level through the development of policies and procedures. A Recognition Agreement has been finalised between the organisation and organised labour which governs and guide future engagements in terms of bargaining and consultation matters. The Communications Workers Union (CWU) and South African Postal Workers Union (SAPWU) is the only two recognised trade unions within Postbank.

Management of labour related cases has been relatively stable during the period under review and was consistently applied. A total of three suspensions were resolved. These suspensions followed serious allegations of Gross Misconduct which impaired the trust relation between the employer and the employee. Suspensions are reserved for the most serious of allegations and a process is established to ensure that all suspensions are justified and carried out in accordance with a fair reason, following a fair process. This also minimise the cost associated with suspension to the organisation.

A total of 2 grievances were resolved during the period under review. These grievances were lodged directly by the aggrieved and have not been channelled through trade unions. This is indicative of a healthy and sound employer and employee relations. A further seven cases of misconduct were concluded nationally. The trend shows a mix of misconducts varying from negligent conduct to unauthorised absence. All disciplinary matters were addressed expeditiously to discourage any behaviour that is at odds with unacceptable conduct within Postbank.

Various policies and procedures were developed and taken under review. The Covid-19 pandemic lead to the development of policies, procedures and guidelines to manage Covid-19 at the workplace effectively. Postbank and the recognised Trade Unions engaged in substantive negotiations for the new financial year which is anticipated to be finalised in the second quarter of the new financial year. All matters of mutual interest are negotiated in the newly established Postbank Bargaining Chamber in accordance with the Chamber rules agreed to by all parties to the chamber.

PART E

Financial Information

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON SOUTH AFRICAN POSTBANK (SOC) LIMITED

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the South African Postbank (SOC) Limited (Postbank) set out on pages 93 to 175, which comprise the statement of financial position as at 31 March 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

SAPO Intercompany receivable

3. I was unable to obtain sufficient appropriate audit evidence for the SAPO intercompany receivable and its related accounts due to the inadequate status of accounting records and lack of sufficient and appropriate supporting information. I was unable to confirm the SAPO intercompany receivable and the impact on other related accounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to SAPO intercompany receivable, stated at R2 314 498 000 in note 8, the same amount included in related parties in note 30, and the same amount included in the financial instruments and risk management in note 37 to the financial statements. In addition, I was unable to determine whether any adjustment was necessary to the provision for expected credit loss on financial assets stated at R465 496 000, as included in note 28 to the financial statements.

Deposits due to customers

4. I was unable to obtain sufficient appropriate audit evidence for deposits due to customers, due to the inadequate status of accounting records and lack of sufficient and appropriate supporting information. I was unable to confirm the deposits due to customers by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to deposits due to customers, stated at R6 993 620 000 in note 16 and the related amounts included in financial instruments and risk management in note 37 of the financial statements.

Other deposits (grants)

5. I was unable to obtain sufficient and appropriate audit evidence for other deposits (grants) due to the limitations imposed by the information system to manage the related transactions. I was unable to confirm the other deposits (grants) by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the other deposits (grants) stated at R959 825 000 (2020: R5 131 068 000) in note 17 and the related amount included in financial instruments and risk management in note 37 to the financial statements.

Other reserves

6. I was unable to obtain sufficient appropriate audit evidence that other reserves had been properly transferred and accounted for on 1 April 2019, due to the poor status of accounting records. The other reserves were determined as included after deducting the liability of the other deposits (grants) liability transferred to the public entity. I was unable to confirm the other reserves by alternative means. Consequently, I was unable to determine whether any further adjustments was necessary to other reserves stated at R3 470 669 000 (2020: R3 470 669 000) in note 14 to the financial statements.

Fee and transactional income

7. I was unable to obtain sufficient appropriate audit evidence for fee and transactional income, due to the inadequate status of accounting records and a lack of required reconciliations between the supporting information systems not conducted in a timely manner. I was unable to confirm the fee and transactional income by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the fee and transactional income, stated at R1 657 476 000 in note 21 to the financial statements. Since the trade receivables balance is determined based on fee and transactional income, I was unable to determine whether any adjustments were necessary to the trade receivables at amortised costs stated at R429 463 000 in note 10 in the financial statements. In addition, I was unable to determine whether any adjustment was necessary to provision for expected credit loss on financial assets, stated at R62 610 000 in note 28 to the financial statements.

Emphasis of matters

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Material losses

9. As disclosed in note 39 to the financial statements, material losses of R20 278 000 were incurred because of suspected fraudulent transactions relating to banking and social grant distributions related transactions.

Responsibilities of the accounting authority for the financial statements

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act 1 of 1999 (PFMA), the Companies Act of South Africa 71 of 2008 (Companies Act) , and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

12. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

13. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance-planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the public entity's annual performance report for the year ended 31 March 2021.

Objectives	Pages in the annual performance report
Corporatise the bank and acquire a banking licence	**25-38**

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:

- Objective 1: corporatise the bank and acquire a banking licence

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual report

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and 55(1)(b) of the PFMA.

22. Material misstatements of current assets identified by the auditors in the submitted financial statements were corrected, but the supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R9 521 000 as disclosed in note 36 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by the entity approving statements of work and agreement without following the proper SCM processes.

Procurement and contract management

24. Some of the goods, works or service were not procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

Consequence management

25. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because the investigations into irregular and fruitless and wasteful expenditure, were not performed.

26. Allegations of theft, fraud and forged document which exceeded R100 000 were not reported to the SAPS, as required by section 34(1) of the Prevention and Combating of Corrupt Activities Act (PRECCA).

Revenue management

27. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA. This was mainly due to SASSA-related revenue not collected from another entity within the portfolio.

Other information

28. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer opinion and the findings on compliance with legislation included in this report.

33. Instability and vacancies in key leadership and management positions during the year contributed to the inadequate implementation of the approved action plan as it was not effectively monitored and recommendations not properly followed through.

34. Leadership and management did not implement oversight responsibilities to ensure that the internal control deficiencies on Integrated Grants Payment System (IGPS), such as reconciliations of data to the systems are addressed to ensure that the system generates reliable data.

35. Leadership did not ensure that the entity has policies and processes in place to prevent irregular and fruitless and wasteful expenditure. Additionally, they did not ensure that instances of irregular and fruitless and wasteful expenditure are investigated in order to implement disciplinary action where necessary.

36. Leadership did not implement effective monitoring controls over services rendered by a shareholding entity on its behalf. The entity remained over reliant on the processes and controls of the shareholding entity, which were deficient, for significant components of financial information and compliance requirements of supply chain management processes. This impacted on significant limitations and delays in the submission of information, material errors and

material non-compliance, which resulted in irregular expenditure and unfavourable audit outcomes.

37. Management did not timeously implement proper record keeping over information they were responsible for, to ensure that complete, relevant and accurate information was accessible and readily available to support credible financial reporting. This also contributed to the significant delays in submission of information and significant limitations in some. Leadership also did not exercise adequate oversight in this regard.

Other reports

38. I draw attention to the following engagements conducted by various parties, which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

39. There is a matter currently being investigated by the Directorate of Priority Crime Investigation (DPCI) relating to losses as a result of suspected fraudulent transactions identified in the beneficiary grant distribution.

Auditor – General

Pretoria
14 March 2022

AUDITOR-GENERAL
SOUTH AFRICA

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities,the directors set standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards includes proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 93 to 97 which have been prepared on the going concern basis, were approved by the directors on 13 December 2021 and were signed on their behalf by:

Approval of financial statements

Director

DIRECTOR'S REPORT

The directors have pleasure in submitting their report on the annual financial statements of South African Postbank (SOC) Ltd for the year ended 31 March 2021.

1. Incorporation

The company was incorporated on 01 April 2017 and obtained its certificate to commence business on the same day.

2. Nature of business

South African Postbank (SOC) Ltd was incorporated in South Africa with interest in the Banking industry. The company conducts the business of banking to encourage and attract savings amongst the people of the Republic of South Africa, in accordance with the Postbank Limited Amendment Act No.44 of 2013 and the relevant sections of the Postal Services Act No.124 of 1998. The Company operates principally in South Africa. Postbank ceased to be division of the South African Post Office and became a separate legal entity on 01 April 2019. On this date, assets and liabilities which were previously owned by Postbank as a division of SAPO were transferred to the South African Postbank SOC Ltd as required by Section 16 of the South African Postbank Limited Act No. 9 of 2010.

3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, Public Finance Management Act and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently in preparation of the financial statements. The company reported net assets of R3 billion and a net loss of R491 million for the 2021 financial year.

4. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Nationality	Changes
Mr DZ Nkonki	Chairperson of the board	South African	Appointed Thurday, 01 October 2020 and resigned 19 April 2021
Mr Thabile Wonci	Non-executive Independent	South African	Appointed Thurday, 01 October 2020
Mr Gcobani Mancotywa	Non-executive Independent	South African	Appointed Thurday, 01 October 2020
Adv Leigh Hefer	Non-executive Independent	South African	Appointed Thurday, 01 October 2020
Molatlhegi Kgauwe	Interim Chief Executive Officer	South African	Appointed Friday, 09 April 2021

DIRECTORS' REPORT (CONTINUED)

6. Special resolutions

No special resolutions, the nature of which might be significant to the shareholder in their appreciation of the state of affairs of the company,were made by the company during the period covered by this report.

7. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Going concern

The annual financial statements of the company were prepared on a going concern basis. The Board has performed a formal review of the company's results and its ability to continue trading as a going concern in the foreseeable future. The directors of Postbank confirm that they are satisfied that the company has adequate resources to continue in business for the foreseeable future.

9. Litigation Statement

From time to time the company becomes involved in various claims and lawsuits incidental to the ordinary course of business.

10. Auditors

The Shareholders have reappointed the Auditor General of South Africa as the auditor of the company for 2020/21.

11. Secretary

The company has appointed a permanent Company Secretary, Adv Ditebogo Khumalo, effective from 1 May 2020. The company's secretariat functions were previously performed on an interim basis by a third party secretariat company (First Corporate Secretaries) from 1 April 2019 to 28 February 2020.

12. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by the directors on Monday, 13 December 2021. No authority was given to anyone to amend the annual financial statements after the date of issue.

13. Acknowledgements

Thanks and appreciation are extended to all of our shareholders, staff, suppliers and consumers for their continued support of the company.

The annual financial statements were approved by the directors on 13 December 2021, and were signed on its behalf by:

Approval of financial statements

Chairperson
Monday, 13 December 2021

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note(s)	2021 R'000	Restated* 2020 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	2	30 310	37 367
Intangible assets	4	49 108	61 400
Deferred tax	7	76 331	50 606
Right-of-use assets	3	5 290	10 629
		161 039	**160 002**
Current Assets			
Trade and other receivables	10	453 382	360 863
Investments	6	4 514 670	7 065 021
Current tax receivable	27	124 415	63 263
Intercompany receivable	8	2 314 498	1 911 604
Intercompany receivable	11	3 577 141	4 516 670
		10 984 106	**13 917 421**
Total Assets		**11 145 145**	**14 077 423**
Equity and Liabilities			
Equity			
Reserve for Valuation of Investments	12	20	14 664
Other reserves	14	3 470 669	3 470 669
Retained income		(450 783)	26 432
		3 019 906	**3 511 765**
Liabilities			
Non-Current Liabilities			
Provisions	15	2 158	1 986

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021 (CONTINUED)

	Note(s)	2021 R'000	Restated* 2020 R'000
Current Assets			
Trade and other payables	18	63 096	84 607
Provisions	15	100 689	46 795
Deposits due to customers	16	6 993 620	5 290 411
Other Deposits (grants)	17	959 825	5 131 068
Lease liabilities	3	5 851	10 791
		8 123 081	**10 563 672**
Total Liabilities		**8 125 239**	**10 565 658**
Total Equity and Liabilities		**11 145 145**	**14 077 423**

* See note 33 for details regarding the restatement as a result of errors in prior year.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2021 R'000	Restated* 2020 R'000
Interest and similar income	19	435 815	653 697
Interest expense and similar charges	20	(30 154)	(99 092)
Net Interest income		**405 661**	**554 605**
Transactional and service fee income	21	1 663 374	1 556 762
Other interest expens		(883)	(1 514)
Interest accrued from SARS	27	879	-
Employee costs	22	(133 744)	(98 756)
Other operating costs	23	(513 025)	(464 214)
Expected credit loss	28	(798 481)	(520 930)
Transactional expenses	24	(992 098)	(889 522)
Operating profit/(loss)		**(368 317)**	**136 431**
(Loss) profit before taxation		**(368 317)**	**136 431**
Taxation	26	(108 899)	(109 998)
(Loss) profit for the year		**(477 216)**	**26 433**
Other comprehensive income	26	(14 684)	14 664
Total comprehensive (loss) income for the year		**(491 900)**	**41 097**

* See note 33 for details regarding the restatement as a result of errors in prior year.

STATEMENT OF CHANGES IN EQUITY

	Reserve for Valuation of Investments	Other reserves	Total reserves	Retained income	Total equity
	R'000	R'000	R'000	R'000	R'000
Restated * Profit for the year	-	-	-	26 432	26 432
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**26 432**	**26 432**
Transfer between reserves	14 664	-	14 664	-	14 664
Transfer of net assets from Postbank division	-	3 470 669	3 470 669	-	3 470 669
Total contributions by and distributions to owners of company recognised directly in equity	**14 664**	**3 470 669**	**3 485 333**	**-**	**3 485 333**
Balance at 01 April 2020	**14 664**	**3 470 669**	**3 485 333**	**26 432**	**3 511 765**
Loss for the year	-	-	-	(477 216)	(477 216)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(477 216)**	**(477 216)**
Transfer between reserves	(14 684)	-	(14 684)	-	(14 684)
Balance at 31 March 2021	**20**	**3 470 669**	**3 470 689**	**(450 784)**	**3 019 905**

Note(s)
* See note 33 for details regarding the restatement as a result of errors in prior year.

STATEMENT OF CASH FLOWS

	Note(s)	2021 R'000	Restated* 2020 R'000
Cash flows from operating activities			
Loss before taxation		(368 317)	136 431
Adjustments for:			
Depreciation and amortisation		36 875	41 071
Inventory write-off expense		-	13 579
Expected credit loss		798 481	520 251
Losses on foreign exchange		-	-
Other interest expense (Site restoration and lease liability)		883	1 514
Impairment and fraud losses		69 272	62 819
Movements in provisions		54 066	29 924
Non cash interest		(47 661)	(49 301)
Other non-cash items		(25 647)	(5 782)
Changes in funds for operating activities:			
Trade and other receivables		(1 044 765)	(923 492
Trade and other payables		(25 511)	137 695)
Movement in depositors funds		(2 468 034)	4 574 133
Net cash from operating activities before taxation		**(3 016 358)**	**4 538 844**
Tax paid	27	(190 669)	(228 101)
Net cash from operating activities		**(3 207 027)**	**4 310 743**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(6,462)	(3,959)
Purchase of other intangible assets	4	(5,775)	(5,502)
Movement in financial assets		2,285,402	(975,229)
Net cash from investing activities		**2,273,165**	**(984,690)**
Cash flows from financing activities			
Cash transferred from SAPO		-	1 195 928
Payment on lease liabilities		(5 667)	(5 311)
Total cash movement for the year		**(939 529)**	**4 516 670**
Cash at the beginning of the year		4 516 670	-
Total cash at end of the year	11	**3 577 141**	**4 516 670**

* See note 33 for details regarding the restatement as a result of errors in prior year.

ACCOUNTING POLICIES

Corporate information

The South African Postbank (SOC) Ltd is a public company incorporated and domiciled in South Africa. Its parent and ultimate holding entity is the South African government represented by the South African Post Office. The principal activities of the company is the provision of banking services as envisaged in the Banking Act No.94 of 1990 , after the company is registered in terms of Section 17 of the Banks Act.

The operating results and the state of affairs of the company are set out in the attached statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes thereto.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African Rand (ZAR), which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Lease classification

The company entered into a six (6) months lease of a building with annual rentals of average amount of R570 000 per month. Significant judgement was applied by management in concluding the correct lease term and the discount rate. Only extension and termination options held by the lessee were considered when determining the lease term. The discount rate to use is the rate implicit in the lease, which cannot be readily determined, in which case the lessee's incremental rate of borrowing is used.

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables, investments and receivables

Management assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, management makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables, investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimate loss emergence period.

Financial assets through other comprehensive income (OCI)

The company follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgment. In making this judgment, management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

The allowance for stock write-off at the lower of cost or net realisable value requires the use of estimates to determine the selling price and direct cost to sell.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. The fair value of financial instruments that are not traded in active market (for example, over the counter derivatives) is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing of non-financial assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may then impact estimations and may then require a material adjustment to the carrying value of non-financial assets. The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Useful lives, residual values and impairment of assets

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Property, plant and equipment are depreciated over their useful lives taking into account the residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessment consider issues such as future market conditions, the remaining lives of the assets and the projected disposal values. Intangible assets are amortised on a straight line basis over their estimated usefullives. The amortisation methods and remaining useful lives are reviewed at least annually. The estimation of the useful lives of intangible assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement.

Taxation

Judgment is required when determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit 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.

Allowance for expected credit losses (ECL) on financial assets

The company assesses on a forward-looking basis the ECL associated for all debt instruments not held at fair value through profit or loss and the bank recognises an allowance for ECL for these financial assets. The measurement of the ECL allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Employee benefit accruals and provisions

In determining the value to be placed on these post-employment benefits, various assumptions in respect of various economic and demographic factors have been made. In order to have consistency between the benefits, the same assumptions for all benefits have been applied where relevant. In assessing the appropriateness of the assumptions used it is important to consider the assumptions as a whole rather than in isolation. In particular, the relationship between the assumptions for the discount rate and the rate of increase in benefits is important.

Provisions and contingent liabilities

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 16. Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and discounted where the effect of discounting is material.

The discount rate used is the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which require management's judgement. The company is required to recognise provisions for legal contingencies when the occurrence of the contingency is probable and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

1.3 Property, plant and equipment

Item	Depreciation method	Average useful life
Leasehold property	Straight line	Term of the lease
Plant and machinery	Straight line	3-20 Years
Furniture and fixtures	Straight line	3-12 Years
Office equipment	Straight line	3-12 Years
IT equipment	Straight line	3-8 Years
Computer software	Straight line	1-3 Years
Leasehold improvements	Straight line	Term of the lease

ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

Property, plant and equipment are tangible assets which the company holds for its own use which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Subsequent to initial measurement, property, plant and equipment is measured at cost less accumulated depreciation.The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

RIGHT OF USE OF ASSETS

Recognition and Measurement

Initial measurement of the right-of-use asset

At the commencement date, the bank measures the right-of-use of asset at cost.

The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent measurement of the right-of-use asset

Subsequent to initial measurement, the right of use assets are depreciated on a straight line basis over the remaining term of the lease . This depreciation is recognised as part of operating expenses.

1.4 Site restoration and dismantling cost

The company has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

ACCOUNTING POLICIES

1.4 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

- a decrease in the liability (subject to (b)) is credited in other comprehensive income and accumulated in the revaluation reserve in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit orloss

- an increase in the liability is recognised in profit or loss, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss.

- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to profit or loss and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

1.5 Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.

- There is an intention to complete and use or sell it.

- There is an ability to use or sell it.

- It will generate probable future economic benefits,

- there are available technical, financial and other resources to complete the development and to use or sell the asset and the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carryin amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

ACCOUNTING POLICIES

1.5 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Licenses and franchises	Straight line	Over the term of the contract
Internally generated softwares	Straight line	1-3 Years
Computer softwares	Straight line	2-8 Years
Intangible assets under development	Straight line	Not amortised until is complete and in use

1.6 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

ACCOUNTING POLICIES

1.6 Financial instruments (continued)

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 32 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

TRADE AND OTHER RECEIVABLES

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost note 10.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The bank recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT,accrued interest and prepayments. The amount of expected credit losses is updated at each reporting date.

The bank measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable. Loss allowance for trade receivables is determined as lifetime expected credit losss using the simplified approach.

ACCOUNTING POLICIES

1.6 Financial instruments (continued)

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Details of the provision matrix is presented in note 10.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in transactional expenses in profit or loss as a movement in credit loss allowance note.

Credit risk

Details of credit risk are included in the trade and other receivables not 10 and the financial instruments and risk management note (note 32).

TRADE AND OTHER PAYABLES

Classification

Trade and other payables note 18, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest rate method results in the recognition of interest expense, then it is included in profit or loss in finance costs note 17 .

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note for details of risk exposure and management thereof.

ACCOUNTING POLICIES

1.6 Financial instruments (continued)

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other operating gains (losses).

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the company's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised inprofit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs .

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

DERECOGNITION

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.7 Financial instruments: IAS 39 comparatives

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-forsale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

ACCOUNTING POLICIES

1.7 Financial instruments: IAS 39 comparatives (continued)

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables. Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

ACCOUNTING POLICIES

1.8 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction if at the time of the transaction, it affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Leases

Identifying a lease

At inception of a contract, the bank assess whether the contract is, or contains, a lease. 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.

Separating components of a contract

The bank has elected to separate non-lease components from lease components and report any non-lease components separately as an expense in the financial records. Non-lease items are sewerage costs, water, electricity, cleaning, security costs and rates and taxes.

Recognition of leases

At the commencement date, the bank recognises a right-of-use asset and a lease liability. This recognition is for leases other than the short term and low cost leases.

Measurement

Initial measurement of the lease liability

ACCOUNTING POLICIES

1.9 Leases (continued)

At the commencement date, the bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the bank use the lessee's incremental borrowing rate. Where a lease does not contain the interest rate implicit, the bank uses the incremental borrowing rates.

Subsequent measurement of the lease liability

After the commencement date, the bank measures the lease liability by:

increasing the carrying amount to reflect interest on the lease liability;

reducing the carrying amount to reflect the lease payments made;

and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised insubstance fixed lease payments.

Reassessment of the lease liability

After the commencement date, the bank applies IFRS 16 to remeasure the lease liability to reflect changes to the lease payments. The bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the bank recognises any remaining amount of the remeasurement in profit or loss.

The lease term is reassessed at the end of the initial term.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventory is issued, the carrying amount is recognised as an expense in the period in which the cards are issued.

Inventories consists of cards. Write downs to net realisable value are recognised as an expense in the period the loss occurs. Reversals arising from an increase in NRV are recognised as a reduction of the inventory expense in the period in which they occur.

1.11 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

ACCOUNTING POLICIES

1.11 Impairment of non-financial assets (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 Other reserves

Measurement

The SA Post Office was required by Postbank Act to transfer assets and liabilities to Postbank on 1st April 2019. Postbank measured the assets and liabilities received using the book-value method. The book value method means that SAPO transferred asset and liabilities at their carrying value as reported in their 2019 financial statements.

Consideration paid

No consideration was paid by Postbank for the transfer of assets and liabilities. The difference between the transferred asset and liabilities is presented as reserves in Postbank's annual financial statement. Refer to the statement of financial position.

1.13 Employee benefits

Short-term employee benefits Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of (13th cheque) service bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past events (employees restructuring their salaries to receive 13th cheque).

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

ACCOUNTING POLICIES

1.14 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the
- obligation; and a reliable estimate of the obligation can be made.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Management applies its judgment to the fact of patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgment application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.15 Revenue from contracts with customers

Revenue recognition

Revenue from contracts with customers is applied using a single model which is a five step-Model. The five-step model consist of the following steps:

- Identify the contract(s) with a customer
- Identify the separate performance obligations (PO) in the contract
- Determine the transaction price
- Allocate the transaction price to the separate performance obligations (PO)
- Recognise revenue when the entity satisfies a performance obligations (PO)
- Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or services (i.e an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

ACCOUNTING POLICIES

1.15 Revenue from contracts with customers (continued)

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above, an entity satisfies the performance obligation at a point in time.

Measurement

When (or as) a performance obligation is satisfied,Company recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration) that is all allocated to that performance obligation.

Commission revenue

Commission revenue is commission due to Postbank for making salary payments on behalf of third parties. Revenue from rendering of agency services is recognised at a point in time when funds collected are transferred to the customers.

Transactional /Service charges revenue.

Transactional income and expenses are recognised on an accrual basis in the period in which the services are rendered.

Service charges revenue consist of deposit fee, cash withdrawal fees, enquiry fees, administration fees; fundtransfer fees and qualifying criteria fees. These charges often relates to charges in respect of personal current account and include monthly charges for the provision of an account. Therefore revenue from these service charges is recognized at a point in time (transactional fees) when the customer makes use of the account and over time (normal provision of an account) when the bank account is kept active.

Other fees

Other fees include fees charged on rejected transactions such as declined ATM withdrawals, declined purchases and dishonored cheques. This revenue is recognized at a point in time when transactions are declined.

Interest income and expenses

Interest income and expense are recognised in the income statement for all instruments measured at amortise cost and fair value through profit and loss using the effective interest rate method.

The effective 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 original effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (before any consideration of future credit losses) 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.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

ACCOUNTING POLICIES

1.16 Translation of foreign currencies (continued)

- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transactions

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements. A person or a close member of that person's family is related to a reporting entity if that person has control or joint control of the reporting entity, has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. Postbank operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government (national, provincial and local) in South Africa, only state owned entities and Constitutional Constitutions will be disclosed as related parties.

Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with Postbank. Other related party transactions are also disclosed in terms of the requirements of IAS 24. The objective of the standard and the financial statements is to provide relevant and reliable information and, therefore, materiality is considered in the disclosure of these transactions.

Relationships between a shareholder, Key Management personnel and other state entities are disclosed irrespective of whether there have been transactions between them. Postbank discloses the name of the shareholder and the ultimate controlling party.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalization of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

ACCOUNTING POLICIES

1.18 Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Treasury Regulation 11.2 requires an accounting officer of a department or constitutional institution to take effective and appropriate steps to timeously collect all money due to their relevant institutions. The accounting authority of a public entity must do the same in terms of the debt management policy of the public entity.

1.19 Fruitless and Wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Profit or Loss and Other Comprehensive Income.

Treasury Regulations 11.2 requires an accounting officer of a department or constitution institution to take effective and appropriate steps to timeously collect all money due to the department or constitutional institution. The accounting authority of a public entity is required to do the same in terms of the debt management policy of the public entity.

1.20 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Two types of events can be identified:

Adjusting event: An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going-concern assumption in relation to the whole or part of the enterprise is not appropriate.

Non-adjusting event: An event after the reporting period that is indicative of a condition that arose after the end of the reporting period.

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.21 Material losses

Material losses are losses incurred through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. These losses are recognised as an expense in the statement of financial performance in the year that the expenditure/loss was incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

2. Property, plant and equipment

	2021		
	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	2 298	(2 196)	102
Furniture and fixtures	1 346	(1 026)	320
IT equipment	79 556	(49 995)	29 561
Leasehold improvements	585	(258)	327
Total	**83 785**	**(53 475)**	**30 310**

	2020		
	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	2 211	(2 172)	39
Furniture and fixtures	1 346	(984)	362
IT equipment	73 725	(36 762)	36 963
Leasehold improvements	41	(38)	3
Total	**77 323**	**(39 956)**	**37 367**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

2. Property, plant and equipment (continued)

	Reconciliation of property, plant and equipment - 2021				
	Opening balance	Additions	Depreciation	Impairment loss	Total
Plant and machinery	39	87	(24)	-	1 012
Furniture and fixtures	362	-	(42)	-	320
IT equipment	36 963	5 831	(13 232)	(1)	29 561
Leasehold improvements	3	544	(220)	-	327
	37 367	**6 462**	**(13 518)**	**(1)**	**30 310**

	Reconciliation of property, plant and equipment - 2020					
	Opening balance	Transfers	Additions	Depreciation	Impairment loss	Total
Plant and machinery	-	66	17	-	(44)	39
Furniture and fixtures	-	258	155	(10)	(41)	362
IT equipment	-	46 839	3 787	(89)	(13 574)	36 963
Leasehold improvements	-	7	-	-	(4)	3
	-	**47 170**	**3 959**	**(13 518)**	**(13 663)**	**37 367**

Property, plant and equipment encumbered as security

None of the property, plant and equipment items has been pledged as security for liabilities.

Net carrying amounts of leased assets

Buildings	5 290	10 629
Leasehold improvements	327	3
	5 617	**10 632**

Impairment and reversal of impairment

The main classes affected by impairment are class 101,102 and 120. Class 101 and 102 consist of computers and printers and class 120 consist of chairs and cabinets. These assets were impaired due to their poor condition.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

3. Leases (company as lessee)

The company leases a buildings in Bloemfontein for operations. The lease is currently on a month to month basis.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

The company adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IFRS 16. The information presented in this note for right-of-use assets therefore only includes the current period.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Buildings	5 290	10 629

	2021			
	Opening balance	Changes in interest rate	Deprecia-tion	Total
Building	10 629	(50)	(5 289)	5 290

	2020			
	Opening balance	IFRS 16 Adjustments	Deprecia-tion	Total
Building	-	15 944	(5 315)	10 629

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	5 937	5 667
Two to five years	-	5 937
Current liabilities	**5 937**	**11 604**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

3. Leases (company as lessee) (continued)

	2021				
	Opening balance	Changes in interest rate	Interest accrued	Repayments	Total
Leased building	10 791	(33)	760	(5 667)	5 851

	2020				
	Opening balance	IFRS 16 Adjustmens	Interest accrued	Repayments	Total
Leased building	-	14 694	1 408	(5 311)	10 791

The bank applied the weighted average borrowing rate of 9,5%(2021) and 7,25%(2020).

4. Intangible assets

	2021		
	Cost or revaluation	Accumulated depreciation	Carrying value
Computer softwares	110 946	(85 449)	25 497
Intangible assets under development	23 611	-	23 611
Total	**134 557**	**(85 449)**	**49 108**

	2020		
	Cost or revaluation	Accumulated depreciation	Carrying value
Computer softwares	105 477	(67 382)	38 095
Intangible assets under development	23 305	-	23 305
Total	**128 782**	**(67 382)**	**61 400**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

4. Intangible assets (continued)

	Reconciliation of intangible assets - 2021			
	Opening balance	Additions	Amortisa-tion	Total
Computer software, other	38 095	5 469	(18 067)	25 497
Intangible assets under development	23 305	306	-	23 611
	61 400	**5 775**	**(18 067)**	**49 108**

	Reconciliation of intangible assets - 2020				
	Opening balance	Transfer from SAPO	Additions	Amortisa-tion	Total
Computer software, other	-	60 103	86	(22 094)	38 095
Intangible assets under development	-	17 889	5 416	-	23 305
	-	**77 992**	**5 502**	**(22 094)**	**61 400**

Pledged as security

None of the intangible assets are pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

5. Loans to group companies

Postbank (a division of SAPO at the time) had from 3rd of September 2003 made individual loans to SAPO totaling R 1 494 794 731.78. These loans were for 3 months (91 days) priced at the 3 months NCD rate. These loans were then consolidated into a single loan of R965 794 731.78 from 1st February 2004. The consolidated loan was still priced at 3 months NCD rate for a 3 months duration. On the 29th September 2006, the R965 794 731.78 consolidated loan was reduced by R828 010 902.58, of which R750 million of this amount was paid to CPD by National Treasury and remaining amount of R 78 010 902.58 was paid to Postbank the division at the time. This capital amount and interest earned on this loan resulted in the loan balance of R 203 million, still priced at 3 months NCD rateb as at 31 March 2021.

Exposure to credit risk

Loans receivable inherently expose the bank to credit risk, being the risk that the bank will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on lifetime expected losses.

In determining the amount of expected credit losses, the bank has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. The bank does not hold collateral or other credit enhancements against SAPO loan receivable.

Due to the fact that the loan has been outstanding for years it is then assumed that after 360 days have passed, the bank will not recover any of the outstanding exposure. The following had been assumed;

The loan will have a Probability of Default (PD) of 100%

A loss given default (LGD) of 100%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			2021 R'000	Restated* 2020 R'000
5. Loans to group companies (continued)				
Reconciliation of loan receivable				
The table below shows the reconciliation of the opening balance to the closing balance and the provision for expected credit losses.				
2021				
Loan receivable				
SAPO Loan receivable			202 750	197 322
Less Provision for Expected Credit loss			(202 750)	(197 322)
			-	-
2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan	-	-	202 750	202 750
Provision for Expected credit loss	-	-	(202 750)	(202 750)
	-	-	-	-
2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Tranfer from SAPO	-	-	187 807	187 807
Accrued interest for 2020	-	-	9 515	9 515
Provision for Expected credit loss	-	-	(197 322)	(197 322)
	-	-	-	-

6. Investments		
Current assets		
At fair value through OCI	713 141	3 242 171
At Amortised cost	3 801 529	3 822 850
	4 514 670	**7 065 021**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
6. Investments (continued)		
Financial Assets held at fair value through other comprehensive income (OCI)		
Exposure to credit risk		
Negotiable Certificate of Deposits and Promissory Notes inherently exposes the bank to credit risk, being the risk that the bank may incur financial loss if counterparties fail to make payments as they fall due.		
Credit Loss allowance		
The following table shows the carrying amounts, loss allowance and measurement basis for expected credit losses by credit rating grade.		
Negotiable certificate of deposits	713 141	2 253 549
Promissory Notes	-	988 622
	713 141	**3 242 171**

2021	External credit rating (Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance	Total
Negotiable Certificate of Deposits	Ba2/Ba3	12m ECL	717 303	(4 162)	713 141

2020	External credit rating (Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance	Total
Negotiable Certificate of Deposits	Ba1	12m ECL	2 257 474	(3 925)	2 253 549
Promissory Notes	Ba3	12m ECL	993,883	(5 211)	988 622
Subtotal	-	24	3 251 357	(9 136)	3 242 171
			3 251 357	**(9 136)**	**3 242 171**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
6. Investments (continued)		
Reconciliation of provision for ECLs		
The table below shows the movement in the loss allowance for NCD's		
Negotiable certificate of deposit :Loss allowance measured at 12 Month ECL		
Balance at the beginning of the year	3 925	-
Increase/(decrease) in provision for ECLs	237	3 925
	4 162	**3 925**
The table below shows the movement in the loss allowance for PN's		
Promisory Notes :Loss allowance measured at 12 Month ECL		
Balance at the beginning of the year	5 211	-
Increase/(decrease) in provision for ECLs	(5 211)	5 211
	-	**5 211**

Financial Assets held at amortised cost

Exposure to credit risk

Fixed deposits and CPD inherently exposes the Bank to credit risk, being the risk that the bank may incur financial loss if counterparties fail to make payments as they fall due.

Credit Loss allowance

The following table shows the Carrying amounts, loss allowance and measurement basis for of expected creditlosses by credit rating grade

At amortised cost		
Fixed Deposit	928 720	1 678 610
Corporation for public deposits(CPD)	2 225 645	2 144 240
Land Bank Deffered	585 588	-
Promissory Notes	61 576	-
	3 801 529	**3 822 850**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

6. Investments (continued)

Financial Assets held at amortised cost

Exposure to credit risk

Fixed deposits, CPD, Promissory Notes and Land Bank Deffered Investment inherently exposes the bank to credit risk, being the risk that the bank may incur financial loss if counterparties fail to make payments as they fall due.

Credit Loss allowance

The following table shows the movement in the loss allowance of Fixed Deposit,CPD,Promissory Notes and Land Bank deffered investements. The increase in the loss allowance is due to the Deffered Promisory Notes currently held at amortised cost.

2021	External credit rating (Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance	Total
Fixed Deposit	Ba2/Ba3	12m ECL	930 517	(1 797)	928 720
Corporation for public deposits(CPD)	Ba2	12m ECL	2 228 949	(3 304)	2 225 645
Land bank Deferred Investment	Caa1	Lifetime	822 307	(236 719	585 588
Promissory Notes	Caa1	Lifetime	92 626	(31 050)	61 576
			4 074 399	**(272 870)**	**3 801 529**

2020	External credit rating (Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance	Total
Fixed Deposit	Ba1	12m ECL	1 680 398	(1 788)	1 678 610
Corporation for public deposits(CPD)	Ba2	12m ECL	2 145 400	(1 160)	2 144 240
			3 825 798	**(2 948)**	**3 822 850**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
6. Investments (continued)		
Reconciliation of provision for ECLs		
The table below shows the movement in the loss allowance for investments that are measured at amortised cost. The movement in the gross carrying amounts of the investments is also presented to assist in the explanation of movements in the loss allowance.		
Fixed Deposit: Loss allowance measured at 12 Month ECL		
Balance at the beginning of the year	1 788	-
Increase/(decrease) in provision for ECLs	9	1 788
	1 797	**1 788**
CPD: Loss allowance measured at 12 Month ECL		
Balance at the beginning of the year	1 160	-
Increase/(decrease) in provision for ECLs	2 144	1 160
	3 304	**1 160**
Land Bank Deffered: Loss allowance measured at Lifetime		
Increase/(decrease) in provision for ECLs	387 266	-
Promissory Notes: Loss allowance measured at Lifetime		
Increase/(decrease) in provision for ECLs	49 666	-

During the current financial year, Postbank changed its business model for managing Promissory Notes resulting in reclassification from FVOCI to Amortised Cost. This reclassification is applied prospectively from the reclassification date, defined as the first day of the reporting period following the change in the business model. Previously recognised gains/losses and interest income are not restated. As at the end of the financial year approximately 80% of the Promissory Notes portfolio was reclassified from FVOCI to Amortised Cost, with one investment remaining at FVOCI, this investment was subsequently derecognised in April 2021.This is an adjusting event as at end of the current financial year resulting in the entire investment recognised at Amortised Cost and ECL adjusted accordingly.

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
7. Deferred tax		
Deferred tax Asset		
Originating and revesal of temporary differences	25 725	50 606
Reconciliation of deferred tax liability		
At beginning of year	50 606	700
Originating and revesal of temporary differences	25 725	49 906
	76 331	**50 606**
The balance comprises:		
Provisions	34 203	14 226
Trade and other receivables	49 041	44 733
Fixed assets	(5 330)	(1 990)
Intangible assets	(3 886)	(3 327)
Available for sale financial assets adjustments	(6)	(4 233)
Employee benefits	2 309	1 197
	76 331	**50 606**
Movement in deferred tax		
Provisions	19 977	14 226
Trade and other receivables	4 308	44 733
Fixed assets	(3 340)	(1 990)
Intangible assets	(559)	(3 327)
Available for sale financial assets adjustments	4 227	(4 233)
Employee benefits	1 112	1 197
	25 725	**50 606**

An entity shall disclose the amount of deferred tax asset and the nature of the evidence supporting its recognition, when:

- The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable differences; and
- The entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

A deferred tax asset was recognised as there is currently indication that the company will have future taxable profit to utilise the deferred tax asset against.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

7. Deferred tax (continued)

Use and sales rate

The deferred tax rate applied to the fair value adjustments of financial assets is determined by the expected manner of recovery. Where the expected recovery of the financial ssets is through sale the capital gains tax rate of 22.4% (2020: 22.4%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2020: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

8. SAPO Intercompany receivable

Intercompany receivable		
SAPO receivable	2 825 248	1 956 857
Provision for expected credit loss	(510 750)	(45 253)
	2 314 498	**1 911 604**

Included in the intercompany receivable is prefunding by Postbank to SAPO for the purpose of paying SASSA beneficiaries. The amount also includes vat payable of R35million.

The loss rate was determined based on historical information and was adjusted for macro economic factors by 7% and the probability of Postbank recovering the outstanding debt.

The table below shows the staging of intercompany debtor.

2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Intercompany debtor	2 825 248	-	-	2 825 248
Provision for expected credit loss	(510 750)	-	-	(510 750)
	2 314 498	**-**	**-**	**2 314 498**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

8. SAPO Intercompany receivable (continued)

2020	Stage 1	Stage 2	Stage 3	Total
Intercompany debtor	1 956 857	-	-	1 956 857
Provision for expected credit loss	(45 253)	-	-	(45 253)
	1 911 604	**-**	**-**	**1 911 604**

9. Inventories

SASSA Cards - Transfer from SAPO	68 760	82 339
Provision for inventory write-down - Transfer from SAPO	(68 760)	(68 760)
	-	13 579
Inventories (write-downs)		(13 579)
	-	-

Inventory pledged as security
No inventory has been pledged as security for liabilities

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
10. Trade and other receivables		
Financial instruments		
Trade receivables	758 342	566 955
Less provision for ECL on trade receivables	(328 879)	(266 269)
Trade receivables at amortised cost	429 463	300 686
Miscellaneous - Parthold fees	16 527	55 258
Accrued interest	1 165	2 988
Other receivables	22 118	1 331
Provision for impairment	(21 248)	-
Non-financial instruments:		
VAT	5 357	600
Total trade and other receivables	**453 382**	**360 863**
Split between non-current and current portions		
Current assets	453 382	360 863
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	448 025	360 263
Non-financial instruments	5 357	600
	453 382	**360 863**

Exposure to currency risk
The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

Rand Amount		
Rand	453 382	360 863

Forward exchange contracts
Accrued interest and trade receivables are held at amortised cost.

Expected credit losses is provided on trade receivables based on the simplified approach. The bank used historically observed default rates (actual write off) over the expected life of the trade receivables adjusted as necessary to reflect current conditions to calculate the expected credit losses for trade receivables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

10. Trade and other receivables (continued)

The loss rate was determined based on historical information and was adjusted for macro economic factors and the probability of Postbank recovering the outstanding debt. The table below provides information about the credit quality of trade receivables, where the expected credit loss is measured at an amount equal to the lifetime expected credit losses (simplified approach).

2021	Current Days +	30 Days +	60 Days +	90 Days +	120 Days +	Total
Balances outstanding at reporting date	47 952	35 782	48 276	6 555	614 771	758 342
Provision for Expected credit loss	(1 069)	(913)	(1,095)	(154)	(325 647)	(328 879)
	46 883	**34 869**	**47 181**	**6 401**	**289 124**	**429 463**

2020	Current Days +	30 Days +	60 Days +	90 Days +	120 Days +	Total
Balances outstanding at reporting date	65 571	42 224	42 002	41 731	375 427	566 955
Provision for Expected credit loss	(26 459)	(17 104)	(17 243)	(17 749)	(187 714)	(266 269)
	39 112	**25 120**	**24 759**	**23 982**	**187 713**	**300 686**

11. Cash and cash equivalents

Cash and cash equivalents include cash on hand and overnight short term money market instruments. The effective interest rate of money market instruments is 4.02%:

Bank balances	736 152	4,047,000
Other cash and cash equivalents	2 840 989	469,670
	3 577 141	**4 516 670**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

11. Cash and cash equivalents (continued)

Rand amount

Rand Amount		
Rand	3 577 141	4 516 670

12. Fair value adjustment

The amount reported in as a result of fair value on Investments.

Available-for-sale financial instruments	-	(1 126)
Fair value movement in the current year	(26)	(17 771)
Deferred tax charge	6	4 233
	(20)	**(14 664)**

13. Fair value of financial assets

- 'Fair value' is defined according to IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Postbank also uses a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value, which gives highest priority to quoted prices.

- Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets in active markets.

- Level 2 applies inputs other than quoted prices included in level 1 that are observable for the assets either directly (as prices) or indirectly (derived from prices).such as:

- Quoted price for similar assets or liabilities in inactive markets;
- Valuation model using observable inputs; and
- Valuation model using inputs derived from or corroborated by observable market data.

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).

Fair value information of financial assets measured at fair value through other comprehensive income

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

13. Fair value of financial assets (continued)

Financial assets classified as subsequently measured at fair value through other comprehensive income are recognised at fair value unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets. Management believes that cost approximates fair value.

The following classes of financial assets are measured to fair value using quoted market prices:

Negotiable Certificates of Deposit

Promissory Notes

Fair value hierarchy of Other Comprehensive Income financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

2021	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit (NCD)	-	713 141	-	713 141

2020	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit (NCD)	-	2 257 474	-	2 257 474
Promissory Notes (PN)	-	993 833	-	993 833
	-	**3 251 307**	**-**	**3 251 307**

Valuation techniques used to determine fair value

Financial assets at FVTOCI, are based on quoted market prices or dealer price quotations from Reuters Eikon. However, fair value of these financial assets is categorised level 2 due to the lack of market liquidity for these instruments.

Transfers out of levels

Postbank assesses each item for which fair value is disclosed at each reporting date and discloses transfers between levels should the assessment result in a change in level. There were no transfers during the year ending 31 March 2021.

14. Other reserves

Other reserves represents the difference between assets and liabilities transferred from SAPO to Postbank on 01 April 2019 as required by Postbank Act.

Other reserves	3 470 669	3 470 669

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

15. Provisions

	Reconciliation of provisions - 2021					
	Opening balance	Additions (Interest and service cost)	Utilised during the year	(Gains)/ Losses	Changein discount factor	Total
Environmental rehabilitation	1 357	123	-	-	(17)	1 463
Other provisions	43 146	49 992	-	-	-	93 138
Provision for leave pay	3 209	3 843	-	-	-	7 052
Provision for bonus	404	16	-	-	-	420
Provision for long servic cash	414	82	(73)	60	-	483
Provision for long service leave	251	63	(26)	3	-	291
	48 781	**54 119**	**(99)**	**63**	**102 847**	**102 847**

	Reconciliation of provisions - 2020					
	Opening balance	Transfer from SAPO	Additions (interest and service cost)	Utilised during the year	(Gains)/ Losses	Total
Provision for site restoration	-	-	1 357	-	-	1 357
Other provisions	-	15 917	27 229	-	-	43 146
Provision for leave pay	-	1 768	1 440	(1)	2	3 209
Provision for bonus	-	387	17	-	-	404
Provision for long servic cash	-	534	-	(120)	-	414
Provision for long service leave	-	251	45	(56)	11	251
	-	**18 857**	**30 088**	**(177)**	**13**	**48 781**

Non-current liabilities	2 158	1 986
Current liabilities	100 689	46 795
	102 847	**48 781**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

15. Provisions (continued)

Leave obligation

Employees are entitled to 22 days leave per annum. As at 31 March the remaining annual leave may be carried forward for a period of six (6) months after year end, otherwise the leave will be forfeited. Any leave balance remaining when an employee leaves the service of Postbank for whatever reason (e.g. resignation, death, retirement) is encashed at that time.The balance that remains when an employee leaves the service of the company will be encashed at the applicable salary rate.

Capped leave

In addition to their "normal" current accrued leave some staff members also have an amount of "capped" leave. During 2001 and 2002 the South African Post Office (SOC) Limited negotiated with staff in different categories that leave accrued up till that date would in future only be encashed at the salary as at that time. This leave can be taken as leave or encashed, but only after all other accrued leave has been taken. Any balance that remains when an employee leaves the service of the company will be encashed at the applicable salary rate for 2001 or 2002 respectively.

Long service leave awards

The company has a policy of increasing leave days when employees reach ten years in service within Postbank's employment. The increase in leave days is from 22 to 24 days in the employee's tenth period only.

Long service cash awards

The company has a once off cash award policies in respect of long service. The company has valued this benefit in the current period, and shall be valuing the benefit annually.A cash lump sum award is payable on reaching a certain milestone.

Provision for bonus

Provision for bonus consist of 13th cheque. 13th cheque is made up monthly savings withheld by Postbank from employees' salaries.

Provisions for Environmental rehabilitation

Provision for environmental rehabilitation is for the whiteboard fee. White board fee is the amount of money that Postbank will pay the landlord (lessor) after the end of the lease contract. This is to ensure the building is restored to its original state before Postbank moved in.

Other provisions

Other provisions relate to switching costs. The settlement amount of this provision is to a large extent dependent on verified transactions that went through the switch.

This provisions is based on the following assumptions: The discount rate of 8,53%(2020) and 9,23% (2021), the future value is based on the amount stated in the contract adjusted with an incremental rate which is consistent with the white board fee increase as per previous renewals.

The assumptions used are based on statistics and market data as at 31 March 2021. The bank have set the discount rate by using the best fit discount rate at 31 March 2020 based on the yields from the zero coupon government bond curve. The best fit has been determined taking into account the cash-flow weighted duration of the liabilities. The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. The bank have estimated the market's pricing of inflation by comparing the yields on index linked government bonds and long-term government bonds.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

15. Provisions (continued)

Sensitivity analysis

The tables below illustrate the likely impact on Postbank that certain changes to the underlying assumptions would have on the results. (Figures in R'000)

	Long Service Cash Awards - 2021		
Discount Rate	**Current Assumption 9,58%**	**1% decrease 8,58%**	**1% increase 10,58%**
Postbank	483	506	462
Cost / (Saving)	-	23	(21)

	Long Service Cash Awards - 2021		
Retirement Age	**Current Assumption Age 59**	**All members age 57**	**All members age 61**
Postbank	483	379	526
Cost / (Saving)	-	(104)	43

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

15. Provisions (continued)

Discount Rate	Long Service Leave Days		
	Current Assumption 9,58%	1% decrease 8,58%	1% increase 10,58%
Postbank	291	310	274
Cost / (Saving)	-	19	(17)

Retirement Age	Long Service Leave Days		
	Current Assumption Age 59	All members age 57	All members age 61
Postbank	291	225	313
Cost / (Saving)	-	(66)	22

Actuarial assumptions	All members age 61
Discount rate	11,35 %
Salary inflation	7,11 %
A Long term price inflation	6,11 %

16. Deposits due to customers

Deposits from the public		
Transactional, term deposits and savings accounts	6 993 620	5 290 411

Deposit products include current accounts, savings accounts and term deposits. Current accounts and savings accounts are all overnight deposits which are all payable on demand. Term deposits vary from one month to two years. All amounts owed to depositors are classified as financial liabilities at cost. Interest payable on both current accounts and term deposits is capitalised monthly. All account holders are individuals within the Republic of South Africa. Interest paid on overnight deposit accounts is fixed and varies from 0.0% to 3.95% per annum depending on the account balance. Term deposits attract interest which varies from 4.95% to 5.41% per annum depending on the term and all rates are linked to prime rate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

17. Other Deposits (Grants)

Other Deposits (Grants)		
SASSA grants	959 825	5 131 068

Other depositors represent the grants payment that has been deposited to the SASSA grant beneficiaries' bank accounts (transactional and savings accounts) and the amount was not withdrawn by the beneficiary as at 31 March 2021.Transactional and savings accounts are all overnight deposit which are all payable on demand. All amounts owed to the beneficiaries are classified as financial liabilities at cost. Interest payable on both transactional and savings accounts are capitalised monthly. All account holders are individuals within the Republic of South Africa.

18. Trade and other payables

Financial instruments:

Trade payables	8 162	13 869
Acrued expenses	34 743	51 366
Other payables	20 191	19 372
	63 096	**84 607**

Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	63 096	99 698

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other payables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

Rand Amount		
Rand	63 096	84 607

19. Interest and similar income

Revenue from contracts customers		
interest and service income	435 815	653 697

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

20. Interest expense and similar charges

Interest expense	30 154	99 092

21. Transactional and service fee income

Commissions received	5 896	5 726
Fee and Transactional Income	1 657 476	1 462 130
Other Income	2	15
	1 663 374	**1 556 762**

The payment terms do not have a significant financing component.

22. Employee costs

Employee costs		
Basic	107 413	81 115
13th Cheque	1 299	1 464
Medical aid - company contributions	5 810	4 788
UIF	464	389
SDL	765	851
Leave pay provision charge	5 477	1 822
Home Owners allowances	92	86
Motor Scheme	157	123
Other short term costs	2 447	1 449
Pension contribution	9 820	6 669
	133 744	**98 756**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

23. Other operating costs

Other operating costs consist of the following items:

Audit Fees	6 362	1 331
Director's fees	2 834	3 109
Marketing expenses	15 430	8 726
Depreciation,amortisation and impairment loss	36 875	41 071
Professional and membership fees	12 891	10 105
Travel and subsistence	1 121	2 815
Material losses and other write-offs	76 722	62 826
Software expenses and license	112 135	90 289
Repairs and maintenance	8 355	664
Support costs	146 597	195 491
Inventory write-off	-	13 579
Legal costs	6 500	1 035
Assessment rates & municipal charges	2 070	1 361
Bank charges	49 969	14 543
Other expenses	35 164	17 269
	513 025	**464 214**

24. Transactional expenses

Transactional expenses consist of the following items:	42 310	33 979
	10 220	5 423
Visa fees	24	23
EFT charges	931 271	843 373
Internet banking	8 273	6 724
Saswitch ATM terminal fees		
Switching POS Expense	**992 098**	**889 522**

25. Depreciation and amortisation

The following items are included within depreciation, amortisation and impairment losses:

Depreciation		
Property, plant and equipment	13 519	13 663
Right-of-use assets	5 289	5 314

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
25. Depreciation and amortisation (continued)		
	18 808	18 977
Amortisation		
Intangible assets	18 067	22 094
Total depreciation, amortisation and impairment		
Depreciation	18 808	18 977
Amortisation	18 067	22 094
	36 875	**41 071**

26. Taxation

Major components of the tax expense		
Current		
Local income tax - current period	130 396	164 837
Deferred		
Deferred tax	(21 497)	(54 839)
	108 899	**109 998**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Disallowable charges	(55,95)%	52,31 %
Current tax relating to prior year	0,69 %	- %
Net deferred tax raised	- %	0,31 %
	(27,26)%	**80,62 %**
Accounting profit	(368,317)	136,431
Tax at applicable tax rate 28%	(103 129)	38 201

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
26. Taxation (continued)		
Tax affect on adjustments on taxable income		
Non deductible expenses/(Exempt income)	206 078	71 368
Reversing temporary difference	5 950	429
	108 899	**109 998**

27. Tax paid

Balance at beginning of the year	(63 263)	-
Current tax for the year recognised in profit or loss	130 396	164 838
Amount paid	(190 669)	(228 101)
Interest accrued from SARS	(879)	-
	(124 415)	**(63 263)**

28. Expected Credit loss on financial assets

Expected credit loss

Trade and other receivables	62 610	266 269
Investments	264 948	12 085
Loans to group companies	5 427	197 323
Intercompany receivable	465 496	45 253
	798 481	**520 930**

29. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment	-	2 654
Intangible assets	7 135	15 065

Capital commitments are disclosed in respect of contracted amounts for which delivery is outstanding at the accounting date. Capital Commitments represent goods or services that have been ordered, but no delivery has taken place at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of comprehensive income, but are however disclosed as part of the disclosure notes. Management expects these capital commitments to be financed from internally generated cash and other borrowings:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

30. Related parties

Relationships	
Ultimate holding company	South African Government
Holding company	South African Post Office SOC Ltd.
Shareholder with significant influence	National Treasury and Department of C ommunications and Digital Technologies (DCDT)
Members of key management	Refer to Note 31

	2021 R'000	Restated* 2020 R'000
Related party balances		
Balances with related parties		
South African Revenue Services - Income tax receivable	124 415	63 263
Expenditure from related parties		
Other entities	31 536	7 109
South African Post Office SOC Limited - Support costs	146 597	195 491
South African Revenue services - Income tax	108 889	109 998
Fees and other income from related parties		
South African Post Office -Sassa related revenue	552 064	519 795
Landbank - Interest	22 805	49 301
South African Revenue services - Interest accrued	879	-
Transactions with authorities and regulators		
Other entities	1 693	1 629
Funds collected on behalf of the employees		
Post Office Retirement Fund	9 820	6 669
Other balances with related parties		
Land & Agricultural Bank		
Investment	914 933	993 833
Provision for expected credit loss	(267 769)	(5 211)
	647 164	**988 622**
South African Post Office		
Intercompany receivable	2 825 248	1 956 857
Provision for expected credit loss	(510 750)	(45 253)
	2 314 498	**1 911 604**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
30. Related parties (continued)		
South African Post Office		
SASSA revenue receivable	758 342	566 955
Provision for expected credit loss	(328 879)	(266 269)
	429 463	**300 686**
South African Post Office		
Loans to group companies	202 750	197 323
Provision for expected credit loss	(202 750)	(197 323)
	-	-
Compensation to directors and other key management		
Short-term employee benefits	16 841	11 883
Transfer of assets and liabilities		
Property,plant and equipments	-	47 170
Intangible Assets	-	77 992
Intercompany loan (SAPO)	-	187 808
Investments	-	6 101 875
Intercompany debtor	-	943 869
Inventory	-	13 579
Trade receivables	-	652 354
Other receivables	-	64 274
Cash and cash equivalents	-	1 195 928
Provisions	-	(18 797)
Deposits from the public	-	(5 267 828)
Other deposits (Grants)	-	(579 518)
Trade payables	-	(17 038)
Accruals and other payables	-	70 127
Other Comprehensive Income (Reserves)	-	(1 126)
	-	**3 470 669**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

31. Directors' emoluments

Executive 2021		Emolu-ments	Other benefits*	Compen-sation for loss of office (Leave pay)	Total
Mr S Adam	1	1 134	9	528	1 671
Mr I Van der Merwe	2	2 469	30	100	2 599
Ms IM Pule	3	819	8	57	884
Ms. T Motsweni	4	920	23	-	943
Mr. A Kandeh	5	929	14	503	1 446
Mr. T Lengane	6	849	57	-	906
Mr. N Moja	7	1 163	78	-	1 241
Mr B April	8	480	3	112	595
Mr. P Jacobs	9	1 283	103	-	1 386
Mr R Mashau	10	2 027	12	-	2 039
Mr. K Maartens	11	3 112	16	-	3 128

*Other benefits include mainly telephone and acting allowance.

1. Acting MD: Postbank. Suspended 6 August 2019. Retired 14 August 2020.
2. Appointed as Acting Managing Director: Postbank on 7 August 2019. Retired 31 May 2020. Appointed as Acting Managing Director: Postbank on 15 June 2020 on Contract. Retired 31 March 2021.
3. Appointed as Interim CFO: Postbank on 1 August 2019. Resigned 31 July 2020.
4. Appointed as Acting CFO on 1 August 2020.
5. Appointed as CIO on 1 June 2015. Suspended 14 August 2019. Retired 16 November 2020.
6. Appointed as SM: Postbank Business/Product Development on 1 December 2016. Acting as CCO from 15 November 2019.
7. Appointed as SM: Project Management on 15 January 2015 . Acting as Head:PMO from 14 August 2019.
8. Appointed as Interim CRO on 1 August 2019. Retired on 31 May 2020.
9. Appointed as HR Head on 1 November 2014. Acting as CHRO from 6 August 2019.
10. Appointed as Interim CIO: Postbank on 13 January 2020.
11. Appointed as CRO on 13 July 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

31. Directors' emoluments (continued)

Retired implies resigned, retired or dismissed.

2020		Emoluments	Other benefits*	Compensation for loss of office (Leave pay)	Total
Mr S Adam	1	2 827	42	-	2 869
Mr I Van der Merwe	2	1 146	53	-	1 199
Ms IM Pule	3	1 550	16	-	1 566
Mr. A Kandeh	4	926	16	-	942
Mr. T Lengane	5	339	2	-	341
Mr. N Moja	6	755	4	-	759
Mr Y Naidoo	7	331	5	185	521
Mr B April	8	1 810	16	-	1 826
Mr. P Jacobs	9	759	4	-	763
Mr R Mashau	10	447	5	-	452
Ms Z Chonco	11	535	2	108	645
		11 425	**165**	**293**	**11 883**

*Other benefits include mainly telephone and acting allowance.

1. Acting MD: Postbank. Suspended on 6 August 2019, dismissed on 14 August 2020.
2. Appointed as Acting Managing Director: Postbank on 7 August 2019.
3. Appointed as Interim CFO: Postbank on 1 August 2019 and resigned on 31st July 2020.
4. Appointed as CIO on 1 June 2015. Suspended on 14 August 2019.
5. Appointed as SM: Postbank Business/Product Development on 1 December 2016. Acting as CCO from 15 November 2019.
6. Appointed as SM: Project Management on 15 January 2015 . Acting as Head:PMO from 14 August 2019.
7. Appointed as CCO on 19 January 2015. Retired on 22 October 2019.
8. 8. Appointed as Interim CRO on 1 August 2019. Retired on 31 May 2020.
9. 9. Appointed as HR Head on 1 November 2014. Acting as CHRO from 6 August 2019.
10. Appointed as Interim CIO: Postbank on 13 January 2020
11. Acting as CFO from 1 April 2019 – 22 August 2019. Suspended 22 August 2019. Resigned 10 January 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2021 R'000	Restated* 2020 R'000

31. Directors' emoluments (continued)

Non-executive

2021		Directors' fees	Other benefits*	Total
Ms N Noxaka	1	666	-	666
Ms B Mothelesi	2	240	-	240
Mr E Netshivhulana	3	269	-	269
Mr A Seymour	4	264	29	293
Mr DZ Nkonki	5	568	24	592
Dr Adv L Hefer	6	247	18	265
Mr G Mancotywa	7	285	-	285
Mr TW Wonci	8	294	-	294

* Travel and accommodation expenses

1. Ms LN Noxaka appointed on 01 April 2017 and resigned on 30th September 2020 as a Chairperson of the board
2. Ms SP Mothelesi, appointed on 01 April 2017 and resigned on 30 September 2020.
3. Mr ME Netshivhulana, appointed on 01 April 2017 and resigned on 30 September 2020.
4. Mr AC Seymour, appointed on 01 April 2017 and resigned on 30 September 2020.
5. Mr DZ Nkonki was appointed as a Chairperson of the Board on 01 October 2020 and resigned on 19 April 2021.
6. DR Adv L Hefer appointed on 01 October 2020.
7. Mr G Mancotywa appointed on 01 October 2020.
8. Mr TW Wonci appointed on 01 October 2020.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2021 R'000	Restated* 2020 R'000

31. Directors' emoluments (continued)

Non-executive

2020		Directors' fees	Other benefits*	Total
Ms N Noxaka	12	1,088	48	1 136
Mr A Seymour	13	464	179	643
Ms B Mothelesi	14	495	23	518
Mr E Netshivhulana	15	572	54	626
		2 619	**304**	**2 923**

* Travel and accommodation expenses

12. Appointed as Chairperson of the board from 2017 and resigned 30 September 2020.

13. Appointed as Non-executive independent member of the board from 2017 and resigned 30 September 2020.

14. Appointed as Non-executive independent member of the board from 2017and resigned 30 September 2020.

15. Appointed as Non-executive independent member of the board from 2017 and resigned 30 September 2020.

32. Change in estimate

Property, plant and equipment and Intangible assets

In the current period management have revised the useful life of assets based on the condition of the assets. The effect of this revision has no impact on the depreciation and amortisation charges for the current.

The impact on tax is nil for the 2021 financial year.

Lease liability and Provision for site restorations

During the 2021 financial year, the discount rates to calculate both the lease liability and site restoration provision were revised. The change in discount rates were applied prospectively. It is impractical to determine the effect on future periods. It is impractical to to estimate the amount of the effect in future periods due to uncertainty regarding the lease term. The effect of the changes in discount rates were as follows:

Statement of Financial Position		
Reduction in Right of use Asset	(50)	-
Reduction in Lease liability	33	-
Reduction in Site restoration Provisions	17	-
	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

33. Prior period errors

1. Right of use of asset, lease liability and site restoration provision.

IFRS 16 was not applied in the 2020 financial year because the impact was minimal and there were processes to obtain a new lease for Postbank operations. The process was not yet finalised as at 31st March 2021.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Right of use Asset Cost	-	15 944
Accumulated Depreciation	-	(5 315)
Lease liability	-	(10 791)
Provision for site restorations	-	(1 357)
Trade payable - Rental	-	87
Profit or Loss		
Depreciation	-	5 315
Rent expense	-	(5 397)
Interest	-	1 514

2. Property, plant and Equipment and Intangible assets

Property, Plant and Equipment items were omitted during the transfer of assets from SAPO. Some of the assets were identifies during year end verification. Intangible asset were also omitted during the transfer and the carrying amount of these assets on 01 April 2019 was R7. Some of the assets calculated a depreciation of zero in 2020 financial year and this error only affects property, plant and equipment. Some of the intangible assets were understated due to expensing costs that were supposed to be capitalised to the assets.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
Property,plant and Equipments - Cost	-	25
Property,plant and Equipments - Accumulated depreciated	-	42
Intangible assets - Cost	-	27 142
Intangible assets - Accumulated depreciated	-	(4 966)
Trade payables	-	(11 831)
Vat Input	-	1 543
Other reserves	-	(14 828)
Retained earnings	-	2 857
	-	**(16)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

33. Prior period errors (continued)

Profit or Loss		
Amortisation	-	1 806
Depreciation	-	80
Fixed assets written-off	-	99
Software expense	-	872
	-	2 857

3. Deposits (Sassa grants)

Deposits from prior year was misstated and corrected.However, the impact is Rnil as its impact was on the GL accounts mapped under Sassa grants.

4. Related parties

The amount disclosed for key management personnel was understated by R8,7 million.

Error identified on note 34.1(lease);34.2(Assets) and 34.6(ECL) resulted in the following changes on related party transactions and balances: South African Revenue Services - increase in income tax receivable by R5 million; increase in income tax expense by R29 million and decrease in deferred tax asset by R34 million.

5. Contingent liabilities

The amount disclosed on contingent liabilities was understated by R28 000 due one of matters being omitted on the listing.

6. Expected credit loss on Advances

The provision for expected credit loss was understated in the prior year. The impact of this error is an decrease in intercompany receivable and retained earnings by R34 million

7. Revenue

Trade and other receivable and revenue were overstated in 2020 financial year due to an adjustment journal that was processed. The journal was in relation to parthold fee revenue which is revenue charged on accounts that are overdrawn, however it was not practical for management to determine the extent that Postbank will recover the money. According to IFRS 15, revenue can only be recognised to the extent that the company is expecting to recover this money from accountholders. Therefore it was incorrect for the journal to be processed.

The impact of the error is as follows:

Statement of Financial Position		
Other receivables	-	(102 259)
Vat payable	-	13 338
Retained earnings	-	88 921
	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
33. Comparative figures (continued)		
Profit or loss		
Revenue	-	(88 921)
8. Other payables		

Other receivables and other payables were understated and overstated respectively due to incorrect mapping of accounts and incorrect amounts included in the financial statements as part of the transfer. The impact of the error is as follows:

Statement of Financial Position		
Vat receivable	-	7
Other payables	-	(3 840)
Other reserves	-	936
Retained earnings	-	2 897
	-	(7)
	-	-
Profit or loss		
Write-offs	-	(7)

9. Other provisions

An expenditure in relation to switching costs were not recognised in the prior year and no accruals were recorded.The impact of the correction resulted in an increase in other provisions by R43 million, decrease in retained earnings by R27 million and a decrease in other reserves by R15 million.

10. Vat Payable

Vat payable in 2020 was reclassifies to intercompany receivable because all vat returns were filed by SAPO. The impact of this is a decrease in both vat payable and intercompany receivable by R15 617 802,34.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

34. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

35. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure		
Opening balance	123 612	-
Add : Fruitless and wasteful expenditure - Incurred in prior years but disclosed in current year	-	123 612
Add : Fruitless and wasteful expenditure - Incurred in current year	7 438	36
Less: Expenditure written off	-	(36)
	131 050	**123 612**
Analysis of fruitless and wasteful expenditure under investigation per age classification		
Prior year	123,612	123,612
Current year	7,438	-
	131,050	**123,612**

Fruitless and wasteful expenditure to the amount of R131 million relates to systems and licenses procured but not utilised and penalties incurred due to a breach of contract with a customer. During the current period, a total amount of R12,3 million relating to prior years was identified as possible fruitless and wasteful expenditure. A determination exercise will be performed on this amount in line with National Treasury guidelines.

36. Irregular expenditure

Irregular expenditure		
Opening balance	23 065	-
Add: Incurred in prior year but disclosed in the current year	-	-
Add: Current period irregular expenditure	9 521	23 065
	32 586	**23 065**
Analysis of awaiting condonation per age classification		
Prior period	23 065	23 065
Current period	9 521	-
	32 586	**23 065**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

36. Irregular expenditure (continued)

All irregular expenditure incurred in the 2020/21 financial year was legitimate business expenditure required in terms of commodities or services procured. Irregular expenditure relates to approval of statement of work and agreement without proper evidence that SCM processes were followed and services being rendered without a valid contract. During the current period, a total amount of R45 million relating to prior years was identified as possible irregular expenditure. Management also identified irregular expenditure estimated at R93 million that relates to the current and prior year. A determination exercise will be performed on this amount in line with National Treasury guidelines.

37. Financial Instruments and Risk Management

Postbank in its natural pursuit of its business activities exposes itself to the following financial risks.

Market Risk
Liquidity Risk
Capital Risk
Credit Risk

The South African Postbank SOC Ltd.'s ("Postbank") Risk and Capital Management Committee ("RCMC") is constituted as a Committee of the Board and reports directly to the Board. The primary objective and mandate of the RCMC is to assist the Postbank Board in discharging responsibilities in terms of the management of risk and capital across the Postbank.

The RCMC is responsible for assisting the Board in its oversight of Postbank's risk by reviewing Postbank's risk appetite in relation to capital, market risk (comprising foreign exchange risk and interest rate risk), credit risk and liquidity risk an reviewing the effectiveness of the risk management framework. The RCMC has further delegated specific responsibilities relating to credit risk to the Credit Risk Committee ("MRC") with counterparty credit risk, market risk, liquidity risk and capital management delegated to the Asset and Liability Committee . ("ALCO").

ALCO is responsible for the overall oversight of the financial risk assessment and capital management of the Postbank.

The primary function of the ALCO is to monitor and provide guidance to the Treasury unit on the management of the financial risks through the implementation of a sound system of financial risk control that complies with the PFMA, Postbank Act, and the Bank's Act as well as the Postbank Enterprise Risk Management framework. ALCO also has a further strategic function to recommend to RCMC for approval of the Board the risk appetite, tolerance and limits related to the financial risk, these expressed through the Treasury Policy, ALCO policy, Liquidity risk policy, interest rate risk policy, Counterparty credit risk policy, Capital adequacy statement, and Investment policy.

38.1 Market Risk

Market risk is the risk that changes in the market prices, such as interest rates and foreign exchange rates will affect the fair value and future cash flows of a 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 Treasury unit, with oversight of ALCO, is responsible for the management of the market risk and to control market risk exposures within acceptable parameters and in line with the policies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

37. Financial Instruments and Risk Management (continued)

38.1.1 Interest rate risk

Interest rate risk is the risk that Postbank's earnings or economic value of financial assets will decline as a result of changes in interest rates.Postbank has interest rate risk arising from certain of its financial assets and liabilities. Assets giving rise to interest rate risk include cash and cash equivalents, negotiable certificates of deposits, and loans to parent company which earn interest at a variable rate. Liabilities giving rise to interest rate risk include some of our products that earn variable rate. Postbank's exposure to interest rate risk arises primarily from the following:

- Re-pricing risk in the Postbank's portfolio as a result of the financial assets and financial liabilities (mismatch risk), being the timing difference in the maturity (for fixed) and re- pricing (for floating rate)of the Postbank's assets and liabilities.
- Yield curve risk, which includes the changes in the shape and slope of the yield curve. The risk of falling interest rates at the time of the investment or re-investment of the Postbank's surplus cash or the risk of the cash reserves maturing being reinvested at lower rates than expected.

The Treasury unit, with oversight of ALCO and within the prescripts of the interest rate risk policy, is mandated to monitor and manage the Postbank's interest rate risk. The interest rate risk policy prescribes the technique to be used to measure and control interest rate risk. Postbank uses the re-pricing mismatch which measure the timing mismatches in the maturities and repricing frequency of assets and liabilities.

Postbank also calculates the sensitivity of the financial assets and financial liabilities to the interest rate risk. The sensitivity is calculated by a parallel shock in interest rates by 100bp up or down.

Basis points		
+100bps	335 787	426 106
-100bps	(262 994)	(323 409)
	72 793	**102 697**

An immediate 100 basis points upward or downward shift in short term rates is expected to result in an increase/(decrease) in net interest income over the projected 12-month period of approximately R72 million (March 2020 R103 million). The table below summarises 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. The figures have been compiled based on the face value of financial assets and financial liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

37. Financial Instruments and Risk Management (continued)

The table below analyses the Contractual Re-pricing GAP for March 2021:

Assets in thousands of rands

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Cash at Bank	736 000	-	-	-	-	-
Call Deposit	2 841 000	-	-	-	-	-
Fixed Deposit	-	770 000	-	125 000	-	-
Landbank Deferred Investments	-	818 000	-	-	-	-
Negotiable Certificate of Deposit	-	160 000	-	550 000	-	-
Promissory Notes	-	93 000	-	-	-	-
Postbank CPD	-	-	2 229 000	-	-	-
Inter company loan	203 000	-	-	-	-	-
	3 780 000	**1 841 000**	**2 229 000**	**675 000**	**-**	**-**

Assets in thousands of rands

	Non-financial instruments	Total
Cash at Bank	-	736 000
Call Deposit	-	2 841 000
Fixed Deposit	-	895 000
Landbank Deferred Investments	-	818 000
Negotiable Certificate of Deposit	-	710 000
Promissory Notes	-	93 000
Postbank CPD	-	2 229 000
Inter company loan	-	203 000
SAPO Intercompany assets	2 825 000	2 825 000
Deferred tax	76 000	76 000
Intangible assets	49 000	49 000
Property, plant and equipment	30 000	30 000
	2 980 000	**11 505 000**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

37. Financial Instruments and Risk Management (continued)

Liabilities

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Savings deposit	(3 932 000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(1 153 000)
Term deposits	(2 000)	(49 000)	(12 000)	(8 000)	(36 000)	-
Grant accounts	-	-	-	-	-	(3 096 000)
	(3 934 000)	**(49 000)**	**(12 000)**	**(8 000)**	**(36 000)**	**(4 249 000)**

Liabilities

	Non-financial instruments	Total
Savings deposit	-	(3 932 000)
Transactional accounts	-	(1 153 000)
Term deposits	-	(107 000)
Grant accounts	-	(3 096 000)
Trade and other payables	(63 000)	(63 000)
Equity	(103 000)	(103 000)
	(3 020 000)	(3 020 000)
	(3 186 000)	**(11 474 000)**

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months
On balance sheet interest sensitivity	(154 000)	1 792 000	2 217 000	665 000	(38 000)
Cumulative Liquidity gap	(154 000)	1 792 000	2 217 000	4 481 000	4 443 000
	-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

37. Financial Instruments and Risk Management (continued)

	Non-interest sensitive items	Non-financial instruments
On balance sheet interest sensitivity	(582 000)	-
Cumulative Liquidity gap	3 861 000	-
	-	-

The table below analyses the Contractual Re pricing GAP for March 2020:

Assets in thousands of rands

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Cash at bank	4 047 000	-	-	-	-	-
Call Deposit	465 000	-	-	-	-	-
Fixed Deposit	285 000	439 000	531 000	340 000	-	-
Negotiable Certificate of Deposit	100 000	400 000	830 000	845 000	-	-
Promissory Notes	-	310 000	100 000	620 000	-	-
Postbank CPD	2 145 000	-	-	-		
Loans to Group	138 000	-	-	-	-	-
Trade and other receivables Companies	103 000	-	-	-	-	-
					-	-
	7 283 000	**1 149 000**	**1 461 000**	**1 805 000**	**-**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

37. Financial Instruments and Risk Management (continued)

Assets in thousands of rands

	Non-financial instruments	Total
Cash at Bank	-	4 047 000
Call Deposit	-	465 000
Fixed Deposit	-	1 595 000
Negotiable Certificate of Deposit	-	2 175 000
Promissory Notes	-	1 030 000
Postbank CPD	-	2 145 000
Loans to Group Companies	-	138 000
Trade and other receivables	-	103 000
SAPO Intercompany receivable	1 956 000	1 956 000
Deferred tax	50 000	50 000
Intangible assets	61 000	61 000
Property, plant and equipment	37 000	37 000
	2 104 000	**13 802 000**

Liabilities in thousands of rands

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Savings deposit	(3 914 000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(1 202 000)
Term deposits	(9 000)	(31 000)	(41 000)	(26 000)	(9 000)	-
Grant accounts	-	-	-	-	-	(5 131 000)
	(3 923 000)	**(31 000)**	**(41 000)**	**(26 000)**	**(9 000)**	**(6 333 000)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

37. Financial Instruments and Risk Management (continued)

Liabilities

	Non-financial instruments	Total
Savings deposit	-	(3 914 000)
Transactional accounts	-	(1 202 000)
Term deposits	-	(116 000)
Grant accounts	-	(5 131 000)
Trade and other payables	(85 000)	(85 000)
Equity	(49 000)	(49 000)
	(3 512 000)	(3 512 000)
	(3 646 000)	**(14 009 000)**

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
On balance sheet interest sensitivity	3 361 000	1 118 000	1 419 000	1 780 000	(9 000)	(6 333)
	(3 923 000)	**(31 000)**	**(41 000)**	**(26 000)**	**(9 000)**	**(6 333 000)**

	Non-financial instruments
On balance sheet interest sensitivity	(1 467 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

37. Financial Instruments and Risk Management (continued)

The gap measure a bank's net interest sensitivity through the last day of the time bucket by comparing how many assets and liabilities re price through that last day. Thus, the gap of -R154 million indicates that the bank is expected to re price -R154 million more of RSLs than RSAs during the next 30 day. As reflected in the 12-month cumulative repricing gap, PostBank is liability sensitive.

38.1.2 Foreign exchange risk

Foreign exchange risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Foreign exchange risk in the Postbank arises as a mainly from license obligations procured from foreign supplies.

Postbank 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 or other appropriate strategy to ensure adherence to the Postbank's risk appetite. As at the 31st March 2021, Postbank had no open foreign currency position.

38.2 Liquidity risk

Liquidity risk is the risk that Postbank will not be able to meet both expected and unexpected current and future cash flow needs without negatively affecting either the daily operations or the financial condition of Postbank. Liquidity is held primarily in the form of money market instruments such as call deposits, negotiable certificate of deposits and promissory notes.

Postbank's exposure to liquidity risk arises mainly as a result unexpected withdrawal of cash by depositors and daily working capital requirements.

Treasury unit of Postbank is specifically mandated by ALCO to ensure that the banks maintains an adequate buffer of High- Quality Liquid Assets and ensures that cash flow positions are measured/ projected under various interest rate scenarios on regular basis. Furthermore, on a monthly basis the Treasury unit performs behavioural and stress analyses to identify business as usual as well as potential stress cash flow requirements.

ALCO also monitors and controls adherence to the risk appetite and regulatory requirements, using liquidity risk method such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). As the 31 March 2021, Postbank had R2.2 billion of HQLA, as investment held with the CPD, this was in line with the prescript of the Liquidity risk policy.

The tables below detail Postbank's contractual maturity analysis for financial liabilities and financial assets. The figures have been compiled based on the face value of financial assets and financial liabilities based on the maturity date on which the Postbank can be required to settle the liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

37. Financial Instruments and Risk Management (continued)

The table below analyses the contractual maturity liquidity Gap for 31 March 2021:

Assets in thousands of rands

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Cash at Bank	736 000	-	-	-	-	-
Call Deposit	2 841 000	-	-	-	-	-
Fixed Deposit	-	770 000	-	125 000	-	-
Landbank Deferred Investments	-	818 000	-	-	-	-
Negotiable Certificate of Deposit	-	160 000	-	550 000	-	-
Promissory Notes	-	93 000	-	-	-	-
Postbank CPD	-	-	2 229 000	-	-	-
Inter company loan	203 000	-	-	-	-	-
SAPO Intercompany assets	-	-	-	-	-	2 825 000
Deferred tax	-	-	-	-	-	76 000
Intangible assets	-	-	-	-	-	49 000
Property,plant and equipments	-	-	-	-	-	30 000
	3 780 000	**1 841 000**	**2 229 000**	**675 000**	**-**	**2 980 000**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
Assets in thousands of rands		**Total**
Cash at Bank		736 000
Call Deposit		2 841 000
Fixed Deposit		895 000
Negotiable Certificate of Deposit		818 000
Promissory Notes		710 000
Postbank CPD		93 000
Loans to Group Companies		2 229 000
Trade and other receivables		203 000
SAPO Intercompany receivable		2 825 000
Deferred tax		76 000
Intangible assets		49 000
Property, plant and equipment		30 000
		11 505 000

Liabilities	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 1 month up to 3 months	Greater than 12 months	Non-interest sensitive items
Savings deposit	(3 932 000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(2 779 000)
Term deposits	(2 000)	(52 000)	(37 000)	(10 000)	(38 000)	-
Grant accounts	-	-	-	-	-	(959 000)
Trade and other payables	-	-	-	-	-	(63 000)
Provisions	-	-	-	-	-	(103 000)
Equity	-	-	-	-	-	(3 020 000)
	(3 934 000)	**(52 000)**	**(37 000)**	**(10 000)**	**(38 000)**	**(6 924 000)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
Liabilities		**Total**
Savings deposit		(3 932 000)
Transactional accounts		(2 779 000)
Term deposits		(139 000)
Grant accounts		(959 000)
Trade and other payables		(63 000)
Provisions		(103 000)
Equity		(3 020 000)
		(10 995 000)

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 1 month up to 3 months	Greater than 1 month up to 3 months	Greater than 12 months	Non-interest sensitive items
Net liquidity Gap	(194 000)	1 793 000	2 217 000	667 000	(36 000)	330 000
Cumulative Liquidity gap	(194 000)	1 599 000	3,816,000	4 482 000	4 446 000	4 776 000
	-	-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

Assets	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Cash at Bank	4 047 000	-	-	-	-	-
Call Deposit	465 000	-	-	-	-	-
Fixed Deposit	285 000	439 000	531 000	340 000	-	-
Negotiable Certificate of Deposit	100 000	400 000	830 000	845 000	-	-
Promissory Notes	-	310 000	100 000	620 000	-	-
Postbank CPD	2 145 000	-	-	-	-	-
Loans to Group Companies	138 000	-	-	-	-	-
Trade and other receivables	103 000	-	-	-	-	-
SAPO Intercompany assets	-	-	-	-	-	1 956 000
Deferred tax	-	-	-	-	-	50 000
Intangible assets	-	-	-	-	-	61 000
Property,plant and equipments	-	-	-	-	-	37 000
	7 283 000	**1 149 000**	**1 461 000**	**1 805 000**	**-**	**2 104 000**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
Assets		**Total**
Cash at Bank		4 047 000
Call Deposit		465 000
Fixed Deposit		1 595 000
Negotiable Certificate of Deposit		2 175 000
Promissory Notes		1 030 000
Postbank CPD		2 145 000
Loans to Group Companies		138 000
Trade and other receivables		103 000
SAPO Intercompany receivable		1 956 000
Deferred tax		50 000
Intangible assets		61 000
Property, plant and equipment		37 000
		13 802 000

Liabilities	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Nonfinan-cial asset / liability
Savings deposit	(3 914 000)	-	-	-	-	-
Transactional accounts	(1 202 000)	-	-	-	-	-
Term deposits	(9 000)	(31 000)	(41 000)	(26 000)	(9 000)	-
Grant accounts	(5 131 000)	-	-	-	-	-
Trade and other payables	-	-	-	-	-	(85 000)
Provisions	-	-	-	-	-	(49 000)
Equity	-	-	-	-	-	(3 512 000)
	(10 256 000)	**(31 000)**	**(41 000)**	**(26 000)**	**(9 000)**	**(3 646 000)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000
Liabilities		**Total**
Savings deposit		(3 914 000)
Transactional accounts		(1 202 000)
Term deposits		(116 000)
Grant accounts		(5 131 000)
Trade and other payables		(85 000)
Provisions		(49 000)
Equity		(3 512 000)
		(14 009 000)

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 1 month up to 3 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Net liquidity Gap	(2 973 000)	1 118 000	1 419 000	1 780 000	(9 000)	(1 467 000)
Cumulative Liquidity gap	(2 973 000)	(1 854 000)	(435 000)	(1 344 000)	1 336 000	(131 000)
	-	-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

Postbank uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A maturity gap profile report forms part of the asset and liability report which is reviewed and analysed by the ALCO on a periodic basis.

38.3 Capital Risk

Capital adequacy risk is the risk that the Postbank will not have sufficient capital reserves to meet its assumed capital requirements in an adverse market conditions and unable to absorb losses, maintain public confidence and support the competitive growth of Postbank in its quest to finalise its licence application in terms of section 16 of the Banks Act, 94 of 1990 has started the process of measuring of its Regulatory capital requirements. Regulatory capital adequacy is measured by expressing available qualifying capital as a percentage of risk-weighted assets. The Banks Act, 94 of 1990 and supporting regulations, read together with specific requirements for the Bank and the Group, specify the minimum capital required to be held in relation to risk weighted assets. Ancillary regulatory requirements include the Basel III leverage ratio which is included in the scope of regulatory capital adequacy.

The bank's strategic focus is to maintain sufficient capital to meet Regulatory capital requirements while continuing to generate sufficient capital to support the growth of the Postbank's operations within the parameters of the risk appetite set by the RCMC. ALCO is mandated to monitor and manage capital, which includes:

- meeting minimum Basel III regulatory requirements and additional capital add-ons and floors as specified by the South African Reserve Bank ("SARB"); and
- Test the Postbank's strategy against risk appetite and required capital levels.

Postbank has started the process of developing an Internal Capital Adequacy Assessment Process to ensure that it capital requirement reflects its risks.

Postbank remains well capitalised with the capital adequacy ratio higher than the minimum required.

38.4 Credit Risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Postbank. Postbank's exposure to credit risk arises primarily from investment activities which is termed the counterparty credit risk and credit risk emanating from the lending business.

The counterparty credit risk arising from Treasury activities is segmented into two types:

Pre-settlement risk - the risk that the counterparty will not honour the terms of a contract and default before the contract's presettlement date, prematurely ending the contract. Limits to manage pre-settlement risk are the credit ceiling and individual counterparty limits.

Settlement risk - the risk that a counterparty will not honour the terms of a contract at the time of settlement.

Counterparty credit risk is managed in terms of the Board approved counterparty credit risk policy. Counterparty credit risk is managed in terms of the Board approved counterparty credit risk policy.

The Postbank's credit standards are based on ratings from credit rating agencies such as Fitch Ratings, Standard and Poor's, Moody's Investors Service (or any other internationally accredited rating agency. The Market risk function of Postbank monitors on a daily basis compliance with the approved counterparty credit limits and any breach is reported immediately to ALCO and RCMC.

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	2021 R'000	Restated* 2020 R'000

Maximum exposure

The following table shows the maximum exposure on financial instruments within the scope of IFRS 9's impairment model to credit risk.

2021: Credit exposure per class of financial instruments	Maximum exposure to credit risk	Provision for ECLs	Collateral held as security
Cash and cash equivalent	3 577 141	-	-
Financial Assets at amortised cost	4 074 399	(272 870)	-
Financial Assets at fair value through OCI	717 304	(4 162)	-
Loan to shareholders	202 750	(202 750)	-
	8 571 594	**(479,782)**	**-**

2020: Credit exposure per class of financial instruments	Maximum exposure to credit risk	Provision for ECLs	Collateral held as security
Cash and cash equivalent	4 516 670	-	-
Financial Assets at amortised cost	3 825 798	(2 948)	-
Financial Assets at fair value through OCI	3 251 307	(9 136)	-
Loan to shareholders	197 323	(197 323)	-
	11 791 098	**(209 407)**	**-**

Postbank does not hold any collateral for all our exposures.

Credit Quality

Postbank uses external credit risk ratings and forecast of future economic conditions to assess deterioration in the credit quality of a financial assets. The following table shows information about the credit quality of financial assets measured at amortised cost and Financial assets measured at fair value through profit and loss the amounts in the table represent gross carrying amounts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

			2021 R'000	Restated* 2020 R'000
2021 - Financial assets at amortised cost- Stage 1: 12-month ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carying amount	3 159 466	-	-	3 159 466
Provision for ECL	(5 101)	-	-	(5 101)
	3 154 365	**3 251 307**	**-**	**3 154 365**

2021 - Financial assets at amortised cost- Stage 3:Lifetime ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carying amount	-	-	914 933	914 933
Provision for ECL	-	-	(267 769)	(267 769)
	-	**-**	**647 164**	**647 164**

2021 - Financial assets at fair value through OCI-Stage 1: 12-month ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carying amount	717 304	-	-	717 304
Provision for ECL	(4 162)	-	-	(4 162)
	713 142	**-**	**-**	**713 142**

2021 - Loan to shareholders -Stage 3: Lifetime ECL – credit impaired	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carying amount	-	-	202 750	202 750
Provision for ECL	-	-	(202 750)	(202 750)
	-	**-**	**-**	**-**

2020 - Financial assets at amortised cost- Stage 1: 12- month ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carying amount	3 825 798	-	-	3 825 798
Provision for ECL	(2 948)	-	-	(2 948)
	3 822 850	**-**	**-**	**3 822 850**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2021 R'000	Restated* 2020 R'000

2020 - Financial assets at fair value through OCI-Stage 1: 12-month ECL	Stage 1	Stage 2	Stage 3	Total
Gross carying amount	3 251 307	-	-	3 251 307
Provision for ECL	(9 136)	-	-	(9 136)
	3 242 171	**-**	**-**	**3 242 171**

2020 - Loan to shareholders -Stage 3: Lifetime ECL –credit impaired	Stage 1	Stage 2	Stage 3	Total
Gross carying amount	-	-	197 323	197 323
Provision for ECL	-	-	(197 323)	(197 323)
	-	**-**	**-**	**-**

Assets migrate through the three stages based on the change in credit quality since initial recognition Postbank applies a simplified approach for Trade and receivables.

Cash and cash equivalents

Postbank held cash and cash equivalents of R736 million (March 2020 R4.5 billion). The cash and cash equivalents are held with financial institution counterparties that are rated at least AA to AA+, based on a national scale credit rating.

Expected credit losses

Postbank held cash and cash equivalents of R736 million (March 2020 R4.5 billion). The cash and cash equivalents are held with financial institution counterparties that are rated at least AA to AA+, based on a national scale credit rating.

12-Month ECLs

12-month ECL is the expected credit loss that results from default events occurring within 12 months after the reporting date or the remaining expected life of the exposures, whichever is the soonest.

Lifetime ECLs

Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of a financial instrument contractual.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, Postbank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Postbank's historical experience and expert credit assessment and including forward looking information.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Monitoring

When assessing whether the credit risk on an intercompany receivable / investment asset, that does not meet the definition of a trade receivable, has increased significantly since initial recognition (i.e. transfer to stage 2), Postbank uses the change in the risk of a default occurring over the expected life of the instrument, rather than the change in ECL (i.e. change in PD). To make the assessment, the entity compares the risk of default as at the reporting date with the risk of a default at the date of initial recognition of the financial asset.

Land bank has since made progress from collection on the loan advances book and resumed interest payments as and payable in accordance with the terms of each relevant underlying agreement.

Postbank has from 1st September 2020 to 31 March 21 received an amount of R23 million for default interest due from Land Bank for all the deferred investments.

Furthermore, Landbank had made an additional repayment of 12% of the nominal capital outstanding to financial creditors, reducing Postbank exposure to R 911 million.

Forward-looking information

Postbank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Macro-economic factors

IFRS 9 introduced the use of macroeconomic factors when calculating ECL. To the extent that is relevant and practical, Postbank has used macroeconomic factors in the ECL methodology. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL.
An overlay adjustment has been raised to take into effect the potential future Covid-19 impacts based on research from external credit rating agencies and credit cycle analysis. However, overlay adjustment has been revised slightly downwards given that the lockdown have been lifted, GDP forecast have been revised upwards due to resumption of economic activities, and global economic output is expected to expand 4 percent in 2021/2022.

Credit impaired

For financial assets that have become credit impaired, a lifetime ECL is recognised, interest revenue is calculated by applying the effective interest rate to the amortised cost of the asset in reporting periods subsequent to the asset becoming creditimpaired A lifetime ECL was recognised for Loan to shareholders (note 5)

Definition of default and credit impaired assets

PostBank considers financial asset to be in default:

— when the counterparty is unlikely to pay its obligations in full or are 90 days past due.

Evidence that a financial asset is credit-impaired include observable data about the following events:

— Significant financial difficulty of the issuer or the borrower;
— A breach of contract, such as default or past due event;
— The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having
granted to the borrower a concession(s) that the lender(s) would not otherwise consider

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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— It is becoming probable that that the borrower will enter bankruptcy or other financial reorganization;
— The disappearance of an effective market for that financial asset because of financial difficulties; or
— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

ECL Measurement

The key inputs into the measurement of ECL are the term structure of the following variables:

— Probability of default (PD);
—Loss-given default (LGD);
—Exposure at default (EAD).

The ECL is calculated on an individual asset level, using the PD / LGD approach

LGD Assumptions

The loss given default measures the expected loss that the Postbank expects to incur where the counterparty defaults.

In the case of the Investment Assets portfolio very little data is available to model the LGD for high credit quality financial institutions. The LGD of 45% is based on a default approach that Banks may use to estimate their capital requirements for financial institutions.

Write off Assumptions

Any exposures greater than 360 days past due is provided for at 100%. It is assumed that after 360 days past due that the Postbank will not recover any of the outstanding exposure.

To classify financial instruments into the relevant IFRS 9 buckets, Postbank applied the rebuttable presumptions specified in the IFRS 9 requirements.

A summary of the application of the rebuttable presumptions is provided below:

— Stage 1 Financial Instruments – Financial instruments that are 29 days or less delinquent.
— Stage 2 Financial Instruments – Financial instruments that are 30 days or more delinquent but not more than 89 days.
— Stage 3 Financial Instruments – Financial instruments that are 90 days or more delinquent.

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Probability of Default - Mapping External Agency ratings to PD.
The master rating scale (MRS) is created by using the long-run average default rate for each rating category. The resulting MRS is shown below:

Moody's	S&P	PD - (LRA default rates)
Aaa	AAA	0.0001 %
Aa1	AA+	0.0001 %
Aa2	AA	0.0100 %
Aa3	AA-	0.0200 %
A1	A+	0.0400 %
A2	A	0.0500 %
A3	A-	0.0700 %
Baa1	BBB+	0.1200 %
Baa2	BBB	0.2100 %
Baa3	BBB-	0.2500 %
Ba1	BB+	0.4900 %
Ba2	BB	0.7000 %
Ba3	BB-	1.1900 %
B1	B+	2.0800 %
B2	B	5.8500 %
B3	B-	8.7700 %
Caa1	CCC+	16.5600 %
Caa2	CCC	24.3400 %
Caa3	CCC-	62.1700 %
Ca	C	100.0000 %

38. Contingencies

Contingent liabilities

Various proceedings were instituted against the Postbank during the 2020 financial year and the previous financial years when Postbank was still a division of SA Post Office. The amounts being claimed from the bank total approximately R7,3 million. The bank also has contingent liabilities in relation to labour claims due to alleged unfair dismissals amounting to R776 000. The company's legal advisors believe that the company has reasonable defences against the claims and that the probability of loss will be minimal. Accordingly, no provision has been made in the annual financial statements with regard to these cases.

Contingent liabilities		
Civil cases	7 333	7 333
Labour cases	776	-
	8 109	**7 333**

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Contingent assets

The contingent assets include various cases were Postbank is a plaintiff. The nature of the cases include amongst others instances were money was fraudulently withdrawn from client bank accounts. These matters remain contingent as the probabilities of successfully defending the cases remain uncertain.

Contingent assets		
Civil cases	47	92

39. Material losses due to criminal conduct

Material losses	20 278	49 439

Postbank incurred material losses due to fraudent activies by 3rd parties. Most of them are due to fraudulent withdrawals.

SOUTH AFRICAN POSTBANK SOC LTD

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