Postbank
Your Bank

2022-23

1875
Establishment of SA's first savings bank.

1974
Post Office assumes responsibility got Post Office Savings Bank.

1994
Post Office savings bank division renamed Postbank.

2010
Approval to transition Postbank into a separate SOC.

2011
Approval to transition Postbank into a Licensed Bank
Acquired VISA member status.

2012-14
PASA full membership.
Amended Postbank Act promulgated.
SARB Section 12 Application.

2016
Obtained a Section 13 approval to establish a bank.

2017
Officially registered as South African Postbank SOC Limited
Submitted SARB Section 16 Banking License Application.

2019
Gazzetted to operate as a separate legal entity (1 April).

2020
Gazzetted to operate as a separate legal entity (1 April).

2021
Establishing Banking Capabilities to Attain Banking License.

ANNUAL REPORT

SOUTH AFRICAN POSTBANK SOC LTD

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Postbank
Your Bank

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PART A
General information

REGISTERED NAME
South African Postbank SOC (Limited)

REGISTRATION NUMBER
2017/177755/30

REGISTERED OFFICE ADDRESS
497 Sophie de Bruyn Street, Pretoria

POSTAL ADDRESS
PO Box 10 000, Pretoria, 0001

TELEPHONE NUMBER
(012) 407 7000

WEBSITE ADDRESS
www.postbank.co.za

EXTERNAL AUDITORS INFORMATION
Auditor-General of South Africa

BANKER'S INFORMATION
Standard Bank South Africa

COMPANY SECRETARY
Nobuhle Sibeko

Photographs:
Shutterstock

Stamp images:
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Designed by:
Mahuma Group (Pty) Ltd

List of **Abbreviations**

Annual General Meeting	**AGM**
Automated Teller Machine	**ATM**
Bid Adjudication Committee	**BAC**
Banking Association of South Africa	**BASA**
Cash Pay Points	**CPP**
Directors Affairs' Committee	**DAC**
Department of Communication and Digital Technologies	**DCDT**
Designated Clearing System Participant	**DCSP**
Developmental Finance Institution	**DFI**
Department of Social Development	**DSD**
Europay, Mastercard, and Visa	**EMV**
Financial Intelligence Centre	**FIC**
Financial Sector Conduct Authority	**FSCA**
Gross Domestic Product	**GDP**
Human Resources and Transformation Committee	**HRTC**
International Financial Reporting Standards	**IFRS**
Information Technology Steering Committee	**ITSC**
Managed Network Service	**MNS**
Memorandum of Incorporation	**MOI**
Medium Term Strategic Framework	**MTSF**
National Developmental Plan	**NDP**
Net Interest Income	**NII**
Non Interest Revenue	**NIR**
National Payment System	**NPS**
Over the Counter	**OTC**
Occupational Health and Safety Act	**OHSA**
Payments Association of South Africa	**PASA**
Payment Card Industry Data Security Standard	**PCI DSS**
Public Finance Management Act	**PFMA**
Risk and Capital Management Committee	**RCMC**
Remuneration Committee	**REMCO**
South African Post Office	**SAPO**
South African Reserve Bank	**SARB**
South African Social Security Agency	**SASSA**
Social and Ethics Committee	**SEC**
Small, Medium and Micro Enterprises	**SMME**
State Owned Entity	**SOE**
Social Relief of Distress	**SRD**
Terms of Reference	**TOR**

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL **HIGHLIGHTS**

Metric	31-Mar-23	31-Mar-22
Net Profit/(Loss)	(R2 bn)	R302 m
Revenue	R2.1 bn	R1.9 bn
Net Interest Income	R552 m	R335 m
Non-interest Revenue	R1.5 bn	R1.59 bn
Net Interest Margin	4%	3%
Cost to Income Ratio	84%	77%
Total Assets	R11 bn	R13 bn
Return on Assets	-16%	3%
Return on Equity	-136%	9%
Capital Adequacy Ratio	27%	46%

OPERATIONAL **HIGHLIGHTS**

Active accounts

As at 31 March 2023, Postbank had 20 million active accounts (savings, transactional, and investment) for individuals and groups.

SASSA Master Service Agreement

Postbank accepted the cession of the SASSA Master Service Agreement from SAPO, effective 1 October 2022, and the bank continues to deliver the mandated social grant disbursement activities including all other related and supporting activities – the parties continue with the process of reviewing the contract to ensure it is mutually beneficial.

SASSA social grant beneficiaries

More than 7.1 million SASSA social grant beneficiaries receive monthly social grants through Postbank. R101 billion was disbursed annually in the period under review (R102.8 billion in FY2021/22).

SRD grant recipients

More than 2.4 million SRD grant recipients were paid via Postbank accounts and to whom an annual total of R8.09 billion (R8.96 billion in FY2021/22) was disbursed in the period under review.

Financial literacy

Postbank continued implementing its programme of educating customers on financial matters and conducted more than 76 financial literacy campaigns during the 2022/23 financial year.

Channel diversification

Postbank further diversified its channel footprint by partnering with spaza groups in rural and township areas. This was to ensure convenient accessibility of its services by customers and beneficiaries residing in these areas.

IT modernisation

Postbank continued to address the conditions of the variation notice and with the implementation of the IT modernisation in terms of making available the critical requisite IT assets. Postbank is in the process of replacing SASSA cards as directed by the SARB.

Foreword by **Chairperson**

> *The Bank increased its revenue by R200 million and delivered a substantial increase in its investments position by R1 billion on a year on year basis. And our liabilities book remained flat at R8 billion.*

Mr. Thabile Wonci
Chairperson

FINANCIAL **RESULTS**

The Return on Equity (RoE) for Postbank has decreased significantly from 9% in the previous year to -136% in the current year. This decline in ROE indicates that the bank's profitability has deteriorated, primarily due to expected credit loss provision of R2.2 billion relating to the SAPO exposure and this is negatively affecting Postbank's financial operations. The net interest margin for the bank increased from 2.8% to 4% in the reporting year. This improvement in net interest margin can be attributed to the prevailing high-interest rate regime, which allowed the bank to generate higher interest income.

It is worth noting that the capital adequacy ratio (CAR) decreased from 46% in the previous year to 27% in the current year. This decline is concerning as it indicates that the bank has a lower cushion for potential losses and may have difficulty meeting regulatory requirements set by the South African Reserve Bank (SARB). The cost-to-income ratio increased from 77% to 84% in the current year. This rise indicates that the bank's operating expenses have increased relative to its income, leading to reduced profitability more especially at the back of the bank's sluggish pace in adding other revenue generation initiatives.

The Bank increased its revenue by R200 million and delivered a substantial increase in its investments position by R1 billion on a year on year basis. And our liabilities book remained flat at R8 billion.

To minimize the impact of the SAPO loss and enable Postbank to execute its 2030 strategy and finalize its Section 16 application to become a state-owned retail bank, it is crucial for the bank to undergo a recapitalization process. This recapitalization should address the current exposure in SAPO and provide the necessary cushion to the bank's balance sheet. By infusing additional capital, the bank can enhance its financial stability, meet regulatory requirements, and pursue its strategic objectives effectively. By resolving the SAPO exposure and strengthening its balance sheet, the bank can position itself for future growth and stability.

OPERATING **ENVIRONMENT**

The year 2023 has presented a challenging economic environment in South Africa, posing major operational issues for companies. The country continues to face several economic headwinds, hindering growth and stability. One of the core issues affecting the South African economy is the sluggish GDP growth. The South African economy contracted by 1.1% in the fourth quarter of 2022 and showed a slight rebound in the first quarter of 2023 thus expanding by an estimated 0.4%. Despite initial signs of recovery, the growth rate remains modest and is projected to be around 1.8% for 2023. This subdued growth stems from various factors including low consumer confidence, limited investment, weak business sentiment, and external economic uncertainties.

The unemployment rate also remains alarmingly high, standing at 32.9% in the first quarter of 2023. This situation exacerbates the economic challenges as it reduces disposable incomes, dampens consumer spending, and hinders overall economic activity. Furthermore, the high unemployment rate leads to increased social pressures and inequality, which can potentially impact social stability and further burden the financial sector.

Inflationary pressures persist, with the consumer price index (CPI) showing signs of upward trajectory. The CPI is expected to average around 4.5% in 2023, driven primarily by rising fuel costs, higher import prices, and supply chain disruptions. This inflationary pressure weighs on the purchasing power of consumers and increases input costs for businesses, potentially squeezing profit margins.

The South African banking sector faces unique challenges within this economic context. The prolonged economic slowdown has led to increased credit risk, as individuals and businesses struggle to repay their loans. This poses a significant threat to banks' asset quality and profitability, requiring diligent risk management and provisioning practices.

Furthermore, the regulatory landscape has become more stringent, particularly in terms of capital adequacy and liquidity requirements. Banks must navigate these regulatory changes while also addressing the operational impact of the economic challenges. Striking the right balance between risk management and growth becomes crucial in such an environment.

POST OFFICE **OPERATIONAL ISUES**

The operational challenges at the South African Post Office (SAPO) has had a profound impact on Postbank. As one of the major stakeholders, the financial health and stability of Postbank have been intricately tied to the viability and success of SAPO. As such the impact of the SAPO business rescue process on Postbank has been primarily twofold. Firstly, it has caused a level of uncertainty and volatility within the organisation, impacting its day-to-day operations and decision-making processes. This, in turn, has affected the bank's ability to deliver its products and services and to better serve its clients and SASSA beneficiaries.

Secondly, SAPO's challenges have also had financial implications for Postbank. While we acknowledge that the focus of the current business rescue efforts has been on addressing the financial distress at SAPO, it should be noted that Postbank's exposure in SAPO increased to R4.3 billion as at 31 March 2023. The statement of profit and loss indicates a significant net loss position of R2 billion that is mainly attributed to the R2.2 billion expected credit loss provision relating to the SAPO position for the reporting period.

This translated into a loss for the year and resulted in a reduction in equity from about R3.5 billion in the 2021/22 financial year to R1.5 billion in the 2022/23 financial year. Postbank's capital adequacy ratio reduced to 28%, way below the minimum required by SARB.

Furthermore, the business rescue process has also influenced the relationship between SAPO and Postbank. The close affiliation between the two entities means that any instability or uncertainty at SAPO resonates within Postbank. Given that Postbank relies on SAPO's infrastructure and logistics capabilities for its day-to-day operations, any disruptions or limitations in SAPO's services can directly affect Postbank's service delivery to its customers. This interdependence stresses the need for effective communication, collaboration, and coordination between the two entities during this challenging period.

In conclusion, the business rescue process at the South African Post Office has had a multifaceted impact on Postbank. It has introduced uncertainty, affected financial stability, and influenced the relationship between the two entities. However, with careful strategic planning and resilient management, Postbank can navigate through these challenges and emerge as a stronger and more resilient institution in the dynamic banking industry.

POSTBANK **AMENDMENT BILL**

A seminal moment took place on 23 June 2023 when the National Council of Provinces (NCOP) passed the South African Postbank Limited Amendment Bill. The passing of the Bill represents a major milestone in the mission to address one of the government's longstanding policy positions towards creating a State Bank. The idea of a State Bank within a developmental state has been in the policy pipeline for more than a decade. The current architecture of the financial system, dominated by large commercial banks who command the bulk of the market share; alongside hybrid structures like mutual banks and a range of developmental finance institutions; has failed to address some of the key issues relating to financial inclusion and access.

The enactment of the South African Postbank Amendment Act will pave the way for a significant transformation, enabling the Postbank to evolve into a fully-fledged retail bank with comprehensive transactional banking capabilities. In this essay, we will explore the importance of this Act to the Postbank and the country, emphasizing the need to support its implementation and advancement.

And we see the South African Postbank Amendment Act serves as a catalyst for the expansion of financial services to underserved communities throughout the country. By enabling the Postbank to operate as a retail bank, it will be equipped to provide a full range of financial services, including savings accounts, loans, and transactional banking capabilities. This expansion will ensure that previously marginalized individuals and businesses have access to formal financial services, thereby promoting financial inclusion and economic empowerment.

The expansion of Postbank into a fully-fledged retail bank will have a positive impact on job creation and economic growth. As the bank expands its operations, it will require additional staff to manage new branches, customer service operations, and various banking functions. This expansion will not only create direct employment opportunities but also stimulate economic activity through increased consumer spending, supporting local businesses and driving economic growth at both national and community levels.

In conclusion, the South African Postbank Amendment Act constitutes a crucial step towards the transformation of the Postbank into a fully-fledged retail bank, equipped with all the necessary transactional banking capabilities. By supporting and implementing this Act, we can advance financial inclusion, stimulate economic development, and ensure a more equitable and prosperous future for all South Africans.

LOOKING **FORWARD**

Capacity Building at Executive Levels:

Postbank recognizes the critical role that strong leadership plays in achieving our strategic objectives. As such, we are building capacity at the executive and senior levels, with the view of filling the executive and other positions within the organisation with the necessary skills and knowledge to drive the bank forward whilst ensuring effective decision-making and improved organisation performance.

Strengthening Internal Control Environment:

Maintaining a robust internal control environment is of utmost importance to Postbank. We are implementing stringent controls and governance mechanisms to safeguard the bank against potential risks and enhance operational efficiency. Regular audits and assessments will conducted to identify and address any control gaps, thereby ensuring compliance with regulatory requirements and promoting the trust and confidence of our stakeholders.

Adapting to Technological Advancements:

It is essential for Postbank's ability to adapt to the rapidly evolving technological landscape. The organisation need to embrace digital innovations, allowing customers to access banking services through online platforms and mobile applications. By leveraging technology, the Postbank can provide convenient and efficient banking services, contributing to the country's digital transformation agenda and ensuring it remains competitive in the modern banking landscape.

Financial Stability and Governance:

The critical focus areas also include provisions that bolster financial stability and governance within the Postbank. Much focus has been channelled towards risk management, addressing of the audit issues, effective and efficient procurement and contract management, reporting, and compliance, ensuring that the bank operates in a responsible and transparent manner. These measures should enhance our internal control governance, customer confidence and trust in Postbank, making it a reliable and secure financial institution for individuals and businesses alike.

KEY **PROJECTS**

Postbank is currently engaged in several significant business projects aimed at enhancing its operations and expanding its reach.

IT Modernisation:

Postbank is undergoing a comprehensive IT modernisation project to upgrade and enhance our infrastructure. This project aims to optimize our technology platforms, improve operational efficiency, and enhance the customer experience. The modernisation efforts will not only enable us to offer innovative digital banking solutions but also ensure the security and confidentiality of customer data.

Card Issuance:

The issuance of SASSA and core clients bank cards by the Postbank plays a crucial role in expanding financial inclusion and access to banking services. By providing SASSA beneficiaries and our core clients with debit cards, the Postbank will be simultaneously be dealing with the SARB order to replenish the existing cards and enabling our clients and SASSA beneficiaries to securely store and manage their funds, make cashless transactions, and access various financial services. This not only enhances convenience and security for customers but also promotes financial literacy and inclusion by introducing them to a formal banking system.

Point of Sale (POS) and ATMs:

Acquiring via Point-of-Sales (POS) and ATMs is a key component of the Postbank's infrastructure as it will allow our clients and SASSA beneficiaries to make transactions and access their funds conveniently. By partnering with retail merchants and deploying ATMs across the country, the Postbank will provide a widespread network for customers to withdraw cash, check account balances, and engage in retail transactions. This accessibility is particularly important for individuals in remote areas or those in underserved communities who may have limited access to traditional banking channels. By enabling cashless transactions and expanding access to ATMs, the Postbank empowers individuals to be financially self-sufficient and participate actively in the economy.

SASSA Master Service Agreement (MSA):

The South African Social Security Agency (SASSA) grant distribution has significant positive implications for the Postbank's mission to convert SASSA beneficiaries into banking clients. SASSA is responsible for the distribution of social grants and there is an opportunity for the Postbank to serve as the primary provider of banking services to SASSA beneficiaries. This not only enhances the efficiency and effectiveness of social grant payment processes but also allows the Postbank to establish long-term relationships with beneficiaries, fostering financial inclusion and stability. By becoming the bank of choice for SASSA beneficiaries, the Postbank can provide them with a range of financial services and empower them to build savings, access credit facilities, and improve their overall financial well-being.

Variation Notice and Section 16 Application:

Postbank remains focused in addressing the issues raised by the SARB on the variation notice and we are confident that we will adequately address all issues raised before the cut-off date. And work on the Section 16 application process has started. This development marks a significant step towards transitioning Postbank from a savings bank to a fully-fledged bank. The approval of the Section 16 application will provide us with expanded capabilities, allowing us to offer a wider range of products and services to our customers.

Benefits of the Projects:

The implementation of these key projects will bring several benefits to Postbank. We anticipate increased customer satisfaction through the delivery of more efficient and convenient services, enabling us to attract and retain a larger customer base. Furthermore, these projects will contribute to our revenue growth and profitability, ensuring long-term sustainability and supporting our social mandate of financial inclusion.

In addition to the aforementioned key projects, Postbank is committed to several critical focus areas. These include enhancing customer engagement through personalized experiences, expanding financial literacy programmes, fostering strategic partnerships, and promoting sustainable practices. By prioritizing these areas, we aim to strengthen our market position, increase our impact on society, and build a strong foundation for future growth.

APPRECIATION

I wish to express my sincere appreciation and gratitude to each member of the esteemed Board for your unwavering support and commitment to Postbank. Under your guidance and leadership, Postbank has reached new heights of business stability thus placing it on a safe path towards success. The dedication and vision demonstrated by the Board of Directors have been instrumental in shaping the bank into the thriving institution it is today. The entire staff and stakeholders, including our esteemed shareholders, have greatly benefited from your wisdom and expertise.

The commitment shown by the Board of Directors during challenging times has been truly commendable. Your strategic decisions and ability to navigate through uncertainties have ensured the stability and prosperity of Postbank. The trust you have placed in our team has immensely motivated us to strive for excellence and inspired confidence in our stakeholders.

I would also like to extend my heartfelt appreciation to the Honourable Minister, Mr. Mondli Gungubele, for his invaluable support and guidance throughout our journey.

I am pleased to announce the appointment of our new executives who will play pivotal roles in shaping the future of our organisation. We warmly welcome the following individuals to their respective leadership positions:

1. Ms. Nikki Ntomboxolo Mbengashe as the Chief Executive Officer (CEO)
2. Mr. Innocent Hlungwani as the Chief Financial Officer (CFO)
3. Ms. Nokwanda Madondo as the Chief Human Resources Officer (CHRO)
4. Mr. Thokozani Sihlangu as the Chief Audit Executive (CAE)
5. Ms. Nobuhle Sibeko as the Company Secretary

Each of these individuals brings with them a wealth of knowledge, experience, and expertise that will undoubtedly contribute to the growth and success of our organisation. As a team, their collective strength lies in their unique skill sets and extensive backgrounds in their respective fields.

These appointments strengthen Postbank's leadership team, bringing together a collective wealth of experience and expertise. The collaborative strength of these executives will be instrumental in driving the organisation's vision forward and achieving its objectives. With their diverse backgrounds and deep knowledge of their respective fields, they will play a significant role in shaping Postbank's future and successfully obtaining the banking license.

And to Postbank staff members, I would like to take this opportunity to express my deepest gratitude and appreciation to each and every one of you for your unwavering commitment and dedication to our business. Your hard work and dedication are the foundation of our success, and we are truly fortunate to have such a talented and driven team.

In particular, I would like to extend a special word of thanks to those staff members who had been acting in executing and senior positions over the past months. Your exceptional leadership and ability to step up during challenging times have been instrumental in keeping our operations running smoothly. Your dedication and commitment to our business have not gone unnoticed, and we are incredibly grateful for your contributions.

Thank you all once again for your tireless efforts, teamwork, and commitment to excellence. It is because of you that we continue to thrive even in the face of adversity. Your hard work does not go unnoticed, and we are truly grateful to have such an amazing team.

Lastly, but first in my heart, I would like to express my heartfelt gratitude to our esteemed customers for selecting Postbank as their trusted partner in their financial journey. Your choice and trust in us is truly humbling and motivates us to continuously strive for excellence. At Postbank, we recognize that choosing a bank is not just a transaction, but a decision to entrust your hard-earned savings and financial aspirations to us. We are deeply grateful to our customers for placing their confidence in us, and we promise to uphold the highest standards of service and integrity. Thank you for choosing us and allowing us to be a part of your financial success story.

The Postbank is the next frontier for financial inclusion and community banking!

Mintirho ya vula vula, hi ta vula vula mundzuku!

Thank you

Mr. Thabile Wonci
Chairperson of the Board
14 August 2023

Chief Executive Officer's **Overview**

Despite the challenges, Postbank continued to realize noteworthy operations achievements which mark significant building blocks for a prosperous future state bank.

Ms. Nikki Mbengashe
Chief Executive Officer

South Africa's macroeconomic environment remained challenging during the reporting period. This has been evidenced through acute electricity shortages, high interest rates, a weak gross domestic product (GDP), and high levels of inflation as well as high unemployment rates. These macroeconomic headwinds affected Postbank during the reporting period, but despite this the executive team delivered a commendable performance.

Traversing the uncertainties surrounding the financial year 2022/23 was no easy task. These uncertainties involved taking over the contract to make SASSA social grants payments from the South African Post Office (SAPO) midway through the financial year. Postbank's dependency on SAPO as a channel partner and provider of many our services at a time when SAPO is experiencing operational challenges is also amongst the difficult issues we have had to contend with during the reporting period.

On this background, Postbank is working hastily to reduce the extent of our dependency on customer service model. We have commenced with the implementation of our channel diversification strategy which includes our plans to introduce our own ATM network into the market.

The resourcing of vacant executive positions has also commenced, with some positions already filled and the recruitment processes for the remaining roles is underway. A full complement of a permanent executive management team will aid in attaining performance accountability. This is also a mandatory SARB requirement for Postbank's banking license application.

It is with pleasure that I present to you the financial performance report of Postbank for the period ended 31 March 2023. This report is a comprehensive overview of our operations and financial metrics, highlighting key achievements, challenges, and our strategic outlook for the future.

During this financial period, Postbank maintained its moderate financial performance in most areas of our business. Our commitment to improve customer-centricity, digitisation, governance, risk and compliance remain our key focus areas and hallmarks from which to build the bank. We see these playing a pivotal role in our business success going forward.

Postbank recorded a gross revenue of R2.1 billion, representing a 10% increase compared to the previous financial period. This is attributed to an increase in the Net Interest Income, which increased by 65% to R554 million (31 March 2022: R335 million). Postbank has posted a positive Net Interest Margin (4%) during the 2022/23 financial year, which is up by 1 percentile from the previous financial year.

None Interest Revenue declined by 6 percent to R1.5 billion (31 March 2022: R1.59 billion) as a result of a decrease in transactions volumes stemming from the SARB Variation Notice condition which put a limitation on the offering of new products and on boarding of new customers. We are putting all efforts into meeting the SARB Variation Notice conditions. This milestone will enable us to enhance customer experience and strengthen our product offering which will allow us to attract new customers and deepen relationships with existing ones.

Our operating costs increased by 55 percent to R884 million during the period under review as a result of an increase in costs to serve the SASSA beneficiaries' base following the transfer of the grants payments contract to Postbank midway of the financial year in October 2023.

Postbank reports a net loss of R2 billion in the 2022/23 financial year, when compared to a profit of R302 million in the prior year. The 2022/23 net loss position is predominantly due to a R2.2 billion Expected Credit Loss from a SAPO debt. However, on a pre-impairment operating profit basis, Postbank still recorded a profit of R194 million during the 2022/23 financial year period. The loss has resulted in a reduction in equity from R3.5 billion in the 2021/22 financial year to R1.5 billion in the 2022/23 financial year, therefore negatively impacting Postbank's capital adequacy ratio.

For a period of 18 months, from 16th of March 2021 to 25th of October 2022, the Minister of Communications and Digital Technologies put Postbank under a moratorium which prevented Postbank from entering into long-term contracts and the recruitment of executives. As a result, the implementation of several strategic initiatives were put on hold for of the most 2022/23 financial year. This freeze explains the reason Postbank was unable to meet the performance target set out in the Annual Performance Plan for the 2022/23 financial year. This further impacted the implementation of the several initiatives meant to address the conditions set out in SARB Variation notice issued by SARB on the 17 December 2022. The SARB Variation notice condition put a limitation on the offering of new products and on boarding of new customers, which meant that the bank could not introduce new banking products and issue new cards. This impacted the growth in deposits as well the revenue.

Despite these challenges, Postbank continued to realize noteworthy operational achievements which mark significant building blocks for a prosperous future state bank.

OPERATIONAL ACHIEVEMENT

Strong customer book and channel diversification drive

As at 31 March 2023, Postbank had 20 million active accounts across its savings, transactional, and investment products. The number of active accounts exclude SASSA grants payments accounts (7.1 million) and Social Relief of Distress R350 accounts (2.4 million). Postbank further diversified its channel footprint by partnering with spaza groups in rural and township areas. This was to ensure convenient accessibility of its services by customers and this channel will also be utilised to facilitate social grants payments in the near term.

SASSA social grants payments contract ceded to Postbank

The SASSA social grants payments contract was transferred to Postbank midway through the financial year on 1 October 2022. The payments of social grants is an important service to the livelihoods of many of the country's poor and the social grants customers are conspicuously linked to Postbank's mandate to bridge the financial services access divide.

The social grants payments contract transferred from SAPO required Postbank to make significant financial investments towards manpower and supplementary services towards the existing architecture of the physical cash payments of social grants. Postbank has been for some time paying only the social grants component that was facilitated via the National Payment System through ATM's and retailers.

The physical cash payments are a small component of the grants services, but they are a very cost intensive exercise. This facet of the SASSA grants places an obligation on Postbank to ensure that SAPO branches and over 1000 payments sites across the country have sufficient cash to fulfil payments through these channels at unsustainably above market rates. Postbank is working jointly with SASSA to pursue suitable alternatives as part of the SASSA MSA revision negotiation process currently underway. These MSA negotiations do not exclude the possibility of SASSA taking over some of the supplementary physical cash payments services required of it by law, and Postbank as a financial institution fulfilling only the payments component.

Many of the contracts ceded to Postbank alongside the SASSA grants payments contract transferred via the cession agreement had expired prior to the commencement of this financial year and this has accorded Postbank management the opportunity to enter into its own contractual arrangements under suitable terms.

The SASSA grants payments master services agreement is itself under review to ensure that suitable terms are agreed between us and SASSA. Management hold the view that the SASSA grants beneficiaries have the potential to be become fully banked beyond social grants disbursements.

Postbank cardless payments solution

It is essential to note the significant investment which we have made in our digital transformation initiatives. The Postbank cardless method of SASSA grants payments, launched during this financial period, has received an overwhelmingly positive response from our customers. This convenient and secure platform has become an integral part of our grants customer's service strategy and has significantly contributed to improving customer engagement and satisfaction levels. Postbank will make this service available to our core banking customers in the 2023/24 financial year.

LOOKING **FORWARD**

Looking ahead, we remain committed to strengthening our core business areas while exploring new growth opportunities. Our strategic focus areas for the next financial period include further expansion of our product and service offering, deepening customer relationships, and investing in cutting-edge technology to enhance operational efficiencies.

The below summarises our key focus areas:

Variation Notice

At the end of a challenging financial year period, I am pleased to announce that Postbank is looking into the new financial year with promise and optimism. Attaining the long-term strategic direction provided by the board to satisfy the conditions of the SARB's Variation Notice and eventually submitting our banking license in the last quarter of the financial year is centremost part of management's conviction. Postbank is much closer to this milestone that all our stakeholders should look forward to. Sufficient progress has been made towards fulfilling the conditions of the SARB Variation Notice, thus paving a way for Postbank's revenue growth.

IT Modernisation

The social grants payments system has been migrated to both a primary and disaster recovery site, and a target of earlier than the end of quarter two has been set for our new core banking system's migration. The abovementioned Information Technology related actions are on the critical path of Postbank's license to become a fully-fledged bank.

SASSA Card Issuance

The program to replace the SASSA cards with new card as directed by the SARB is also advanced. Many SASSA grants recipients will be issued new SASSA black cards which will become a replacement payment instrument for the current SASSA yellow cards in quarter three of the next financial year.

Head Office Move

As part of the Postbank's decoupling from SAPO milestones, Postbank will move into its own office premises in quarter 2 of the next financial year. This milestone is in line with the strategic thrust to establish an attractive banking brand and institution. The head office move expected to become conducive to the culture we intend to cultivate in the organization.

Internal Control Environment

Postbank is in the process of strengthening the internal control environment to improve its audit outcomes. This includes ensuring that there are sufficient controls across all business functions. In addition, we have made significant progress in ensuring that there is a fully functional internal audit function that will serve as a first line of defense in promoting a robust control environment, adherence to processes and procedures and addressing all the audit issues raised by the auditors. We are pleased to report that we have made progress in building capacity within our internal control environment through the appointment of a permanent Chief Audit Executive during the reporting period.

Multiple channel strategy for customer convenience

Postbank has started implementing alternative service distribution channels, especially for the SASSA grants payments and these channels will be extended to our core banking customers. To this end retailers, including township spaza shops, are being added to our channel mix and we will be implementing our ATM network as well as other technology based channel innovations in the next financial year.

SASSA MSA

The MSA negotiations between Postbank and SASSA have advanced during the reporting period and it is envisaged that parties will sign the MSA prior to the end of quarter 2 of the financial year. The MSA revision has also accorded Postbank the opportunity to review some of the contracts it inherited from SAPO as part of the MSA cession for their model fit and value for money.

In conclusion, I would like to extend my sincere gratitude to our esteemed shareholders, the board, stakeholders, and customers for their unwavering support throughout this financial period. It is your trust and confidence in Postbank that drives us to continuously strive for our utmost best.

I would also like to express my appreciation to the Postbank team for their dedication, professionalism, and unwavering commitment towards achieving our organizational goals. Every Postbank employee should be proud of their contribution to the progress we have made navigating the generally challenging period of the financial year under review.

As we navigate through this ever-changing financial landscape, we remain focused and steadfast in our pursuit of sustainable growth and value creation for all our stakeholders. With our quest for an entity characterised by robust controls, customer centricity, and adaptation to technology changes I am confident that Postbank will record its place in the banking industry.

Ms. Nikki Mbengashe
Chief Executive Officer
14 August 2023

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

Postbank's 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 Honourable Minister, Mr. Mondli Gugunbele. The Annual Report covers Postbank's performance for the 2022/23 financial year, and it is the Bank's third report tabled in this format wherein Postbank reports as a separate legal entity.

As a Board of Directors, our mandate, 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 our activities in the context of our operating environment and its impact in the course of our advancement of our set mandate in the 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 August 2023.

Ms. Nikki Mbengashe
Chief Executive Officer

Mr. Thabile Wonci
Chairperson

IDENTIFIED
MATERIAL ISSUES

Postbank identified the following matters that substantively affect the organisation's ability to create value over the short, medium and long term. These material issues are integral to the implementation and execution of our strategy.

The management and the board concurs that these material issues are most likely to cause risk to the bank, shareholder and our customers. The material issues are describe herein as well as their possible impact on the business, customers and shareholder value.

SARB
VARIATION NOTICE

On 17 December 2021, the SARB issued a variation notice in terms of S6 (3) (b) of the National Payment System Act, Act 78 of 1998 (NPS Act), varying the conditions of Postbank's designation as a Designated Clearing System Participant (DCSP) in the government gazette.

The SARB had previously issued a directive to Postbank to implement certain remedial actions , including the reissuance of SASSA cards within 18 months with the final implementation date of 31 March 2021, which Postbank unfortunately was unable to meet. The Variation Notice was then subsequently issued and required Postbank to implement the following measures:

- employ a sufficient number of payment experts
- secure the entire key management environment in the manner prescribed by the SARB and/or PASA
- produce and reissue cards for Postbank's entire SASSA client base utilizing new secure keys
- establish, implement and maintain an operational disaster recovery site, in accordance with applicable PASA Regulatory Framework
- implement and comply with applicable card security standards, including EMV and PCI DSS
- enter into a mentorship arrangement with Standard Bank
- not offer new products to its existing client base related to its designation as a DCSP without prior approval of the SARB and Standard Bank
- not acquire and/or offer new products to new clients related to its designation as a DCSP without prior approval from the SARB and Standard Bank
- submit a plan to the SARB outlining how Postbank will implement the conditions outlined in the Designation Notice and this Variation Notice
- submit monthly progress and status reports

The risk of not meeting the variation notice conditions may result in a possible revocation of Postbank's designation as a DCSP in terms of the NPS Act. The variation notice was gazetted on 17 December 2021 with an implementation period of 12 months with a due date of 16 December 2022. Postbank provides monthly status updates to the SARB focusing on the variation conditions. The variation notice was extended by a further twelve months period up to 17 December 2023 for Postbank to comply with the outstanding conditions.

The IT modernisation project which will deliver the new compliant data centre (DC) and data recovery (DR) sites, including migration of the bank's IT systems have been approved (24 June 2022) by the shareholder for implementation. This project was a critical dependency as the bank is not permitted to issue any cards in the current environment due to non-compliance to tier 3 IT requirements. Postbank has made significant progress on other variation notice conditions that were not dependent on Postbank having a compliant DC or DR.

IT modernisation project will address the following conditions:

- Produce and reissue cards for Postbank's entire SASSA client base utilising new secure keys;
- Establish, implement and maintain an operational disaster recovery site, in accordance with applicable PASA Regulatory Framework and/or rules;
- Establish, implement and maintain an operational business continuity facility to ensure business continuity in accordance with PASA's policies and/or Regulatory Framework.

In addition to that, Postbank has not offered new products or acquired new products to new clients related to its designation as a DCSP as required by the variation notice. Management has regular engagements and monthly reporting sessions with the SARB to discuss progress to ensure that Postbank meets the requirements of the variation notice. Postbank remains focused in addressing the issues raised and we are confident that we will adequately address all issues before the cut-off date.

SAPO FINANCIAL **DIFFICULTIES**

Postbank's current operating model, Postbank relies on SAPO to service its normal core banking customers to perform cash withdrawals and deposits over the counter through its branch network (OTC). To facilitate payments through these channels (CPPs and OTC), SAPO is required to prepare funds for these channels at least four days in advance before the commencement of the pay cycle through the cash-in-transit companies. As a result, Postbank was required to prefund (i.e. advance funds) SAPO to fulfil the SASSA monthly payment cycles and service Postbank's core banking customers. The principle was that monies transferred to SAPO would be reconciled and any surplus or deficit transferred between the two entities at the end of each month. However, SAPO has been unable to transfer any surplus funds not used resulting in significant monies owing to Postbank.

SAPO also started to withhold payments due to Postbank from SASSA for NPS services provided by Postbank, thereby increasing SAPO's debt to Postbank. As a result of the above, SAPO owes Postbank a total of R4.3 billion as at 31 March 2023. The details of this exposure are outlined in the Annexure below. Postbank has written to SAPO numerous times, asking for payment of money due to the bank. Although SAPO has acknowledged and confirmed that the money is indeed due to Postbank, SAPO has not been able to settle these debts.

Postbank is required by the International Financial Reporting Standards (IFRS), specifically IFRS 9, to consider the amount of impairment to be recognised as expected credit losses (ECL) for its financial assets at each reporting date. The recognised expected credit losses on financial assets should reflect whether there has been a significant increase in the credit risk of a financial asset since its initial recognition. As a result, Postbank had to classify the SAPO debt of R4.3 billion as credit-impaired as there is objective evidence of impairment at the reporting date. The objective evidence of impairment at the reporting date was driven by the fact that SAPO has defaulted on the repayment of the outstanding debt and that SAPO was placed under provisional liquidation and subsequently under the business rescue.

Consequently, Postbank had to recognise an additional impairment charge of R2.2 billion in the statement of profit and loss resulting in lifetime expected losses of R3.2 billion. This translated into a loss for the year and resulted in a reduction in equity from about R3.5 billion in the 2021/22 financial year to R1.5 billion in the 2022/23 financial year. Postbank's capital adequacy ratio reduced to 27%, way below the SARB requirement of 30%. As a result, Postbank has reached out to its shareholders in order to identify a possible solution to seek a mitigation of the financial impact of SAPO debt on Postbank.

Additionally, Postbank's current service model, Postbank relies on SAPO to service its normal core banking customers to perform cash withdrawals and deposits over the counter through its branch network (OTC). The closure of South African Post Office (SAPO) branches continues to impact the customer's ability to transact. Postbank continues to pursue alternative channels through partnerships with retail merchants and spaza shops to help improve customer experience and has also started the process of reissuing and replace expired cards. Furthermore, as part of its strategy, the banks plans to roll out its own ATM, POS and Postbank branded branches.

HISTORY AND JOURNEY OF POSTBANK

2022-23

1875
Establishment of SA's first savings bank.

1974
Post Office assumes responsibility got Post Office Savings Bank.

1994
Post Office savings bank division renamed Postbank.

2010
Approval to transition Postbank into a separate SOC.

2011
Approval to transition Postbank into a Licensed Bank
Acquired VISA member status.

2012-14
PASA full membership.
Amended Postbank Act promulgated.
SARB Section 12 Application.

2016
Obtained a Section 13 approval to establish a bank.

2017
Officially registered as South African Postbank SOC Limited
Submitted SARB Section 16 Banking License Application.

2019
Gazzetted to operate as a separate legal entity (1 April).

2020
Gazzetted to operate as a separate legal entity (1 April).

2021
Establishing Banking Capabilities to Attain Banking License.

Figure 1: Postbank historical timeline and key milestones

Postbank is not yet a registered bank in terms of the Banks Act 94 of 1990, but it is a designated deposit-taking entity with full participative membership within the National Payments 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, including supporting government in providing government-to-citizens financial services. The government, through the DCDT is corporatizing Postbank and as part of the process the bank has been granted Section 13 approval to establish a bank. The bank is planning to finalise its Section 16 application for a banking license with the SARB in terms of Section 16 of the Banks Act. This will be done in the new financial year.

VISION, MISSION **AND VALUES**

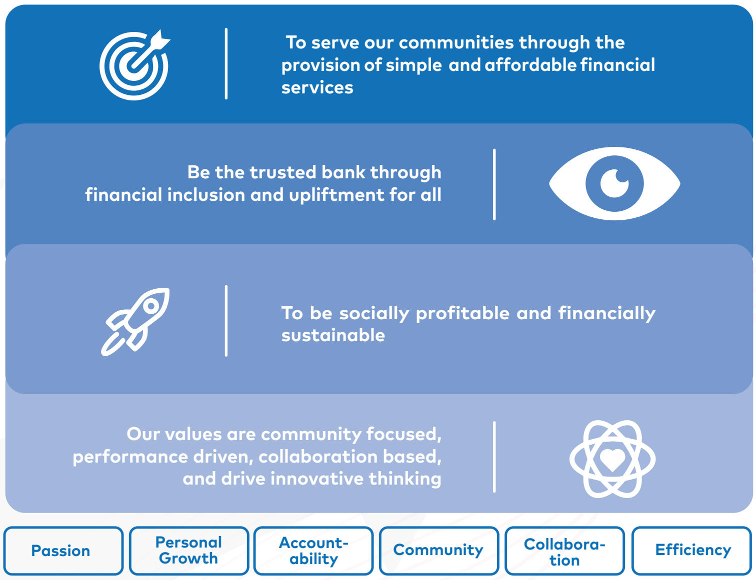
Postbank's core purpose and mandate is to promote financial inclusion, which is a necessary component to alleviating poverty and improving the quality of life of low-income people. Postbank's affordable and easily-accessible financial services will provide under-served and un-served individuals and businesses 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:

Mission key considerations

- The mission needs to be aligned to the Postbank Act and Mandate
- We differentiate ourselves through knowing and serving underserved communities
- We are about equality, alleviating poverty and generating wealth for the people that we serve

Aspiration key considerations

- The aspiration should:
  - Drive our Growth strategy
  - Ensure a sustainable operationally efficient strategy
  - Drive our Social impact and focus on underserved communities and businesses
  - Offer measurable and tangibles outcomes



Vision key considerations

- Focus is on meaningful economic development
- To support the country growth objectives:
  - Economic boost
  - Poverty alleviation
  - Reduce inequality
  - Financial astute South Africa
  - Financial inclusive South Africa
  - Ensure sustainable and long term impact

Values key considerations

- Must reflect both social and financial aspirations
- Must drive the right set of transformational behaviours
- Must support our strategic capabilities

Figure 2: Postbank's Vision, Mission and Values

MANDATE OF POSTBANK / **WHY WE EXIST**

The South African Postbank Limited Act, No. 9 of 2010, mandates Postbank to promote financial inclusion within the broader society, particularly in rural and lower-income markets, including communities with limited access to retail banking services. Financial inclusion, defined by the National Treasury (2020), is the delivery of financial services at the lowest cost to large numbers of previously excluded or underserved communities.

Postbank's mandate as prescribed by the Postbank Limited Act and extends beyond the scope of traditional banking incumbents.

	Clause	High Level Mandate for Postbank
a	Conducting the business of a bank that will encourage and attract savings amongst the people of the Republic	• Obtain a banking licence • Incentivise customers to save • Financial education
b	Rendering transactional services and lending facilities through, amongst others, existing infrastructure of the Post Office	• Establishing a core banking solution • Modernising IT infrastructure • Establishing a product portfolio • Establishing an omnichannel sales and service delivery
c	Expanding the range of banking services and developing into a bank of first choice, in particular to the rural and lower income markets as well as communities that have little or no access to commercial banking services or facilities	• Targeting rural geographical areas • Targeting lower income markets and segments • Extending commercial banking services to unserved communities
d	Promoting universal and affordable access to banking services	• Customer centric approach to affordable products and services • Innovative use of technology • Expand agent-based banking and other cost effective delivery channels
e	Ensuring that the rates and charges of the Company take into consideration the needs of the people in the lower income market; and	• Leverage a digital first approach to reduce Capital and Operating expenditure costs • Providing products and services that reduce the cost of acquiring credit and conducting
f	Ensuring lending to rural and lower income markets.	• Reduce the cost of lending • Introduction of micro/nano loans across retail and SMEs • Introduction of dynamic incentives linked to the prime lending rate

Figure 3: Mandate of Postbank / Why we exist

POSTBANK ORGANISATIONAL **STRUCTURE**

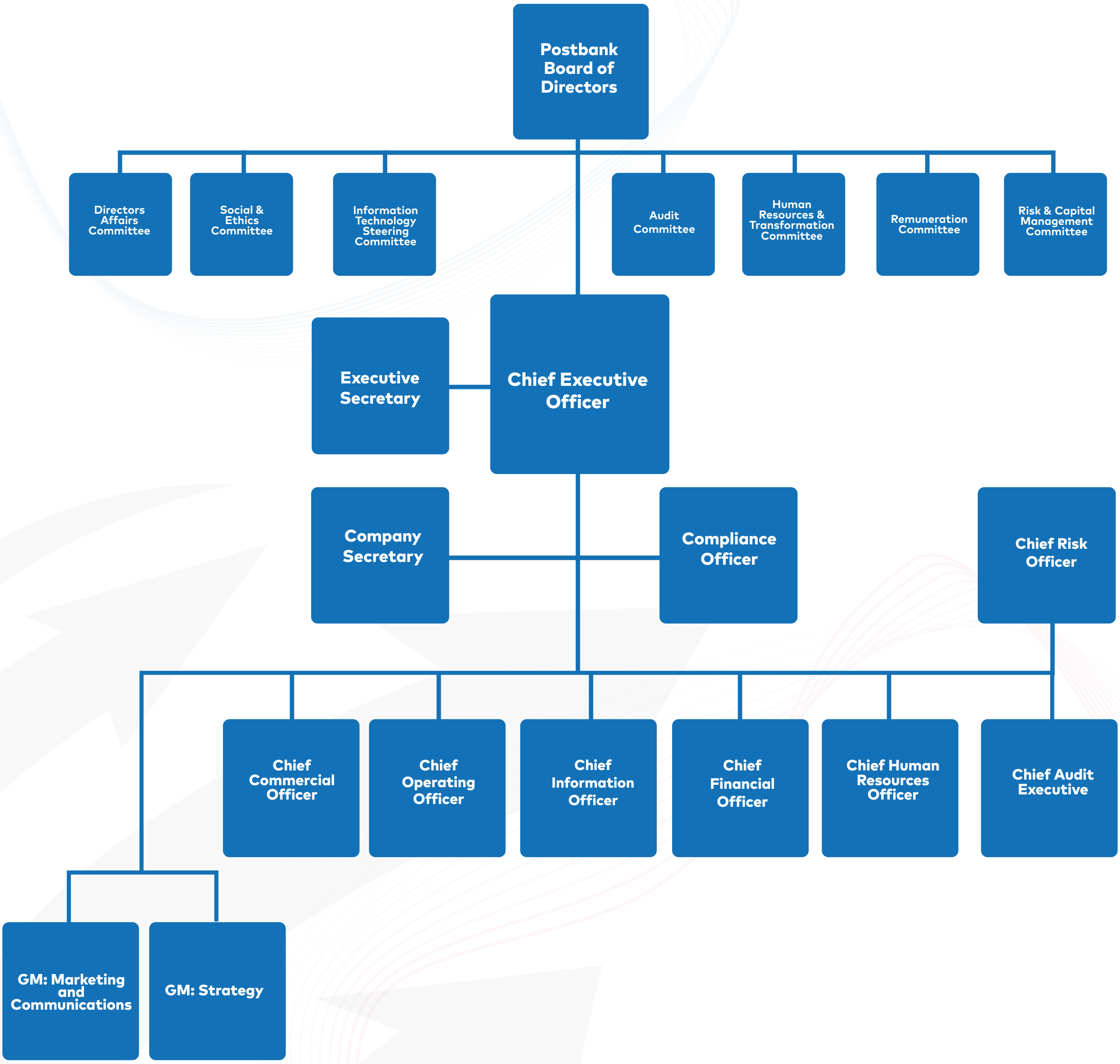


Figure 4: Postbank Executive Organogram

EXTERNAL ENVIRONMENT

The world economy remains particularly vulnerable to several risks. Financial system instability risk is particularly concerning as monetary policy is aggressively tightened to fight inflation. Debt sustainability concerns are mounting in several economies. Tightening financial conditions and asset repricing have already contributed to the failure of three mid-sized banks in the US and Switzerland's second-largest bank. Other key risk areas include the tense geopolitical environment, supply chain disruptions, and climate change.

South Africa finds itself in an economic crisis. The worsening electricity supply constraint is at the core of this predicament, but other key factors also play a role. The structural impediments to growth, such as transport and logistics infrastructure constraints and operational inefficiencies, alongside continued delays in the development and/or implementation of enabling policies and strategies, are hindering the economy's current and future performance.

The current economic environment has far-reaching implications. Production activity and spending are falling, potentially leading to business failures and job losses. Investment activity is also adversely affected as business sentiment tumbles further and potential investors reconsider South Africa as a destination for their capital projects. The country's grey-listing and recent diplomatic spat with the US, a key trading partner and source of Foreign Direct Investments have aggravated the situation. The domestic currency has lost around 12% of its value against the dollar since 2023, making it one of the worst-performing emerging market currencies.

Locally, households are struggling and their finances have deteriorated due to the rising cost of living, higher debt-servicing costs as interest rates rose to their highest in 14 years, and persistently high unemployment, whose rate increased to 32.9% in the first quarter of 2023. Consumer sentiment has consequently fallen sharply to one of its most unfavorable readings on record.

Global economic growth is projected to remain below the long-term average in 2023. The International Monetary Fund (IMF) expects economic growth to decelerate to 2.8% in light of persistent constraints, with a small recovery to 3.0% projected for 2024 on the back of lower inflationary pressures and potentially lower interest rates. South Africa's economic prospects have worsened considerably. Gross domestic product is now expected to grow by 0.3% in 2023. Consumer spending will be affected by cost-of-living pressures, rising interest rates, and very high unemployment, while fixed investment activity is likely to remain subdued.

Consumer price inflation has trended downward from recent highs but remains elevated. Although headline inflation moderated to 7.1% in March 2023, core inflation rose to 5.2%. The recent sharp depreciation of the Rand, if sustained, will increase imported inflation in the months ahead. To contain inflationary pressures, the MPC deemed it essential to raise interest rates further since 2022.

The repo rate was raised by 425 basis points (bps) from April 2023 to 8.25% as 30 June 2023 which supported Postbank's return.

SERVICE DELIVERY ENVIRONMENT

During the period under review, Postbank embarked on the process to improve on accessibility of its product and deployed a diversified channels in a form of partnerships with spaza groups in rural and township areas. This was to ensure convenient accessibility of its services by customers and beneficiaries residing in these areas.

In June 2022, Postbank was granted approval by the minister to proceed with the IT Modernization Project contracting. Contracting with service provider for the project was concluded in September 2022. The implementation was initially planned for completion in 6 months, however, due to various delays in the equipment delivery, the timeline was not achieved. The project is in its final stages whereby the base technology infrastructure setup has been concluded and the migration of applications is the next implementation phase.

ORGANISATIONAL **ENVIRONMENT**

In the period under review, efforts to continue to capacitating ensued with Postbank filling critical vacancies in the Risk Management, Information Technology, Finance, Human Resources, Operations and Commercial divisions. The filling of critical roles will contribute to introduction of banking solutions and systems, meeting banking regulatory and legislative requirements and the development of current and new revenue streams.

The capacitation programme was impacted by the moratorium on the filling of positions and therefore not all targeted roles were filled.

Postbank employee head count increased to 290 as at March 2022 from 285 in March 2021.

KEY LEGISLATIVE **AMENDMENTS**

Following the successful incorporation of Postbank as a legal entity (Postbank SOC Limited), the DCDT gazzetted the transfer of the Postbank division from the South African Post Office group to a newly incorporated company as of 1 April 2019.

As part of the process to transition Postbank into a fully registered state owned bank, the shareholder initiated a process to amend the Postbank Act. This will ensure that the South African Postbank Holding Company is established in terms of the Banks Act and can function as a Bank Controlling company. After the public consultation process, the National Council of Provinces passed the amendments to the Bill on June 20th, 2023. The Bill is currently being sent to the president to assent into law.

Once the Act is signed off, Postbank intends to start the process of resubmitting and finalizing its Section 16 application to become the fully registered state owned bank.

STRATEGY

As part of the process to transition Postbank into a registered retail bank, Postbank intends to start the process of resubmitting and finalising its Section 16 application to become fully registered state owned bank. The aforesaid presented a persuasive case for Postbank to refocus its strategies, business models, and operating models, in order to provide a full range of retail, small and medium- sized business, and public sector banking services.

An intensive consultation process took place during the strategy planning sessions that shaped the strategy for FY2023/24 - FY2025/26. The journey to define a strategic plan that will enable and empower Postbank to drive financial inclusion across the most marginalized and needy segments of society. In defining the Bank's 'North Star,' focus on the capabilities that will ensure our success as the future State bank.

In order to define the ambitious strategic plan, the Bank conducted an environmental scan to assess the current internal and external environment and to identify strategic opportunities and risks. A new mission, vision, and values have also been defined for the Bank going forward. Postbank's strategy is based on three pillars: Personal and Community (Retail), Small, Medium and Micro Enterprises/ Business, and Public Sector banking. To realize this new ambition, we are able to identify the strategic themes and differential capabilities needed. Over the next seven years, Postbank will focus on establishing business capabilities that stabilises, builds, and differentiate the Bank.

STRATEGIC THEMES

As part of Postbank's efforts to achieve its strategic aspirations and become a registered bank with retail, SMME, and public sector capabilities. A total of six key themes were identified as critical to meeting Postbank's strategic aspirations. These include community, core services enablement, partnerships, and alliances, platform play, digital transformation and governance, risk, and compliance.

Investment in these differentiating capabilities within these six themes will be required to enable the strategic aspirations and address a shift in the themes. The capabilities associated with each of these themes are outlined in the table below:

Theme	Description
Community (customer and employee experience)	Experience (Customer and Employee) must be at the heart of all we pursue going forward. A differentiated experience is a critical ingredient to achieve our 'Right to Win' in the market. The right experience will demonstrate our values sincerity and integrity and assist us in re-establishing trust with our communities.
Core services enablement	A strong foundation of key differentiated capabilities system(s) supported by agile and resilient enabling capabilities are now crucial to build sustainable strategic success story. Given our mandate and intent, our success will be success for many of our customer and employees with limited financial options.
Partnerships and alliances	Addressing partnerships and alliances spurs a strategy toward expediting the implementation in an effective and robust manner. Thus, the overall leverage provided through strategic alliances and partnerships across spectrums is crucial to furthering the endeavours of any corporate.
Platform play	Platform play is a fundamental organisational and operational change to create an IT environment that runs as a set of platforms throughout any organisation.
Digital transformation	Digital transformation is essential for enabling efficient processes, and improving solution quality, products and assets to enhance customer value, manage risks and to navigate through innovative opportunities.
Governance, risk and compliance	Governance is fundamental for the effective execution and attainment of the strategic outcomes. Postbank will ensure that governance principles are clearly articulated and forms the basis of executing the strategy. During the rebuilding and stabilising phases will ensure the creation of a good control environment focusing on the following: 1. Definition of the ethical culture and ensure it's embedded in execution of all business activities and processes 2. Establishment and effective functioning governance structures; 3. Identification and articulation of risks and its management to acceptable well defined risk appetite; 4. Development of the critical business processes and policies giving effect to implementation of controls that are adequate and effectively responding to risks; 5. Driving legislative compliance through an effective compliance monitoring process; 6. Pursuit of the clean audit outcomes by promptly developing and implementing integrated audit actions; and

Table 1: Strategic Themes

STRATEGY ALIGNMENT WITH GOVERNMENT PRIORITIES

The National Development Plan (NDP) adopted in 2012 is the South African government's blueprint for building a better and prosperous nation. The NDP aims to directly address the country's triple challenge of poverty, inequality and unemployment by stimulating economic growth, creating more jobs and enhancing service delivery.

The Medium-Term Strategic Framework (MSTF) 2019 - 2024 outlines the South African government's implementation priorities which collectively contribute to achieving the vision set out in the NDP. Three pillars underpin the MTSF framework: (1) a strong and inclusive economy, (2) capable South Africans and (3) a capable developmental state. All public entities, including state-owned entities, are required to align their strategies with the MSTF and pool their resources towards the objectives of the MTSF.

The Postbank strategy contributes to three of the seven strategic priorities presented in the MTSF:

MTSF Priority	Postbank Strategic Outcome
Priority 1: Building a capable, ethical and developmental state	Acquiring a banking license - Establish a Retail and SMME/Business bank that is a trusted bank through financial inclusion and upliftment for all
Priority 2: Economic transformation and job creation	Promote financial inclusion in target customer segments
Priority 3: Education, skills and health	Improve the financial literacy of Postbank customers Develop staff for the digital economy and fourth industrial revolution

Table 2: Strategy alignment with government priorities

STRATEGIC OUTCOME

The strategic goal of Postbank is to become a registered bank with retail, SMME, and public sector capabilities. The bank has set the following five outcomes to achieve this.

Outcome 1	**To become a registered bank** • Acquiring a banking license allows Postbank to (1) strengthen its market competitiveness, (2) expand its financial service offering and (3) better serve the financial needs of its customer segments. • Establish Community and Personal (Retail), SMME/Business and Public sector banking capabilities. This objective focuses on developing a business and operating model for Retail, SMME/Business and Public sector banking. • Brand Management. • Developing channel strategy which allows Postbank to approach the right customer through right channel mix. Developing strong partnerships and alliances which will allow us to leapfrog and expedite the realisation of our objectives.
Outcome 2	**Financial Impact** • Maintain an optimal cost-to-income ratio and grow the revenue.
Outcome 3	**Digital Transformation** • IT strategy (that will enable digital customer acquisition, digitisation of key client touch points and/or migration to digital channels). • Core banking stabilisation. • Data analytics capabilities.
Outcome 4	**Community (Customer And Employee Experience)** • Understanding our target segments and having a tailored value proposition. • Implementation of customer relationship management tool. • Talent Acquisition and Retention. • Organisational culture change/Transformation. • Make a social impact through targeted financial education/literacy events nation- ally/ Education about digital payment solution.
Outcome 5	**Governance, Risk And Compliance** • Address 100% of material external audit findings and achieve unqualified annual audit outcomes by FY2023/24.

Table 3: Strategic Outcome

PART B

Performance Information

PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVE

Postbank developed a related Annual Performance Plan (APP) which provides further details on the banks performance targets and measurements for 2022/23 financial year. The bank's performance is tracked and measured against its Annual Performance Plan, comprising fourteen (14) Key Performance Indicators (KPIs) linked to four (4) strategic outcomes.

For the year under review, Postbank achieved three (3) KPIs and failed to achieve eleven (11) KPIs. Therefore, for FY2022/23, Postbank achieved 21% of the planned KPIs and was unable to achieve 79% of the fourteen (14) KPIs outlined in its Annual Performance Plan. A number of KPIs included in the Annual Performance Plan for FY2022/23 were crucial to the bank's transition into a fully licensed Retail and Business Bank. However, of the fourteen (14) KPI's included in the Annual Performance Plan, five (5) KPIs were impacted by the Ministerial moratorium on procurement and filling of vacancies resulting in delays in implementation. Further, three (3) KPIs required the implementation of IT modernisation, which was also affected by the moratorium.

Table 1 below shows that Postbank achieved an overall performance rating of 21% for the year under review. Over the last four quarters, this underperformance is mainly due to the non-activation of several strategic initiatives planned for FY2022/23. Mainly, the delay in the finalisation of the of the IT modernisation project, deployment of diversified channels. The acquisition of relevant capabilities and disbursement of loans have been adversely impacted by the dependencies the process has on the implementation of the bank's IT modernisation initiative. IT modernisation has not been finalised owing to delays in the delivery of the equipment and this has spill-over effects on all dependent initiatives including Lending.

Internally, the underperformance can also be attributed to the lack of human resource capacity, due to the moratorium that was passed in quarter one, April 2022 that put a halt all recruitment initiatives. The moratorium was only lifted in quarter three , on the 25th October 2022. Table 1 provides further details of the KPI overall annual performance per strategic outcome.

Strategic Outcomes	Number of APP KPIs	Annual Results	
		Number of APP KPIs	KPIs Not Achieved
1. Become a Retail & Business Bank	5	1	4
2. Financial Sustainability	4	2	2
3. Enhance Organisational Productivity	3	0	3
4. Increase Accountability	2	0	2
TOTAL	**14**	**3**	**11**
Postbank Overall Performance Rating (%)			**21%**

Table 4: Postbank FY2022/23: Annual KPI Performance Summary

Table 2 depicts the quarterly performance for the fourteen (14) KPIs under review.

KPI	1.1.1 Channel Strategy Implemented	1.2.1 Build Postbank Retail Banking Brand	1.3.1 Rationalise existing product portfolio	1.4.1 Commence lending business and launch new affordable lending products	1.5.1 Launch low-cost Bankassurance products offering (Funeral and/or Credit life)	2.1.1 Achieve targeted Net Interest Income (NII)	2.2.1 Achieve targeted Non Interest Revenue (NIR)
Q1	No target for Quarter	Not Achieved	Achieved	Not Achieved	Not Achieved	Achieved	No target for Quarter
Q2	Achieved	Achieved	Achieved	Not Achieved	Not Achieved	Achieved	No target for Quarter
Q3	No target for Quarter	Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	No target for Quarter
Q4	Not Achieved	Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved

KPI	2.3.1 Achieve 8% year-on-year growth in deposits	2.4.1 Conduct high-impact financial literacy/ education events	3.1.1 Cost-to-Income ratio	3.2.1 Fill vacant Executive positions and maintain a targeted low vacancy ratio	3.3.1 Implement IT modernisation project with requisite Disaster Recovery (DR) capabilities	4.1.1 Deficiencies as per audit findings resolved by 31 March 2023	4.2.1 Achieve targeted Non Interest Revenue (NIR)
Q1	No target for Quarter	Achieved	Achieved	Not Achieved	Not Achieved	Achieved	No target for Quarter
Q2	Achieved	Achieved	Achieved	Not Achieved	Not Achieved	Achieved	No target for Quarter
Q3	No target for Quarter	Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	No target for Quarter
Q4	Not Achieved	Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved	Not Achieved

Legend: Achieved | Not Achieved | No target for Quarter

Table 5: KPI Quarterly Performance

PERFORMANCE REPORT ON **PREDETERMINED OBJECTIVES**

CORPORATE STRATEGIC **PRIORITIES**

The strategic goal of Postbank is to become a fully operational Retail and Business Bank by FY2024/25. Therefore, Postbank's three (3)-year, Corporate Plan articulates the following focus areas: (1) Establishing business capabilities that enhance its competitiveness within the market, (2) Revenue diversification, (3) Acquiring the relevant skills necessary to operate and lead the future of Postbank, and (4) Modernizing its processes and digital technologies.

Apart from building the future Postbank, the organisation will continue its efforts to effectively manage its costs, attain higher productivity levels, and enhance accountability by strengthening its corporate governance capabilities. Postbank recognises that banks are transitioning into technology organisations. Therefore, market success and to better serving evolving customer expectations require Postbank to establish a modern core banking technology platform, optimise its transactional banking capabilities, and utilise technology to optimise banking options.

Postbank's first strategic outcome is to transition the organisation into a fully operational retail and business bank. The second outcome focuses on revenue growth, and the third outcome aims to increase productivity across the organisation. Underpinning these three core outcomes is strengthening the organisation's corporate governance capabilities through increasing accountability.

These strategic outcomes are collectively geared towards fulfilling the bank's financial inclusion mandate.

Become a Retail & Business Bank

Achieve Financial Sustainability

Enhance Organisational Productivity

Increase Accountability

The following diagram depicts the linkages of the planned FY2022/23 KPIs (Focus Areas) to Postbank's Corporate Plan output results (Objectives) and strategic outcomes (Goals).

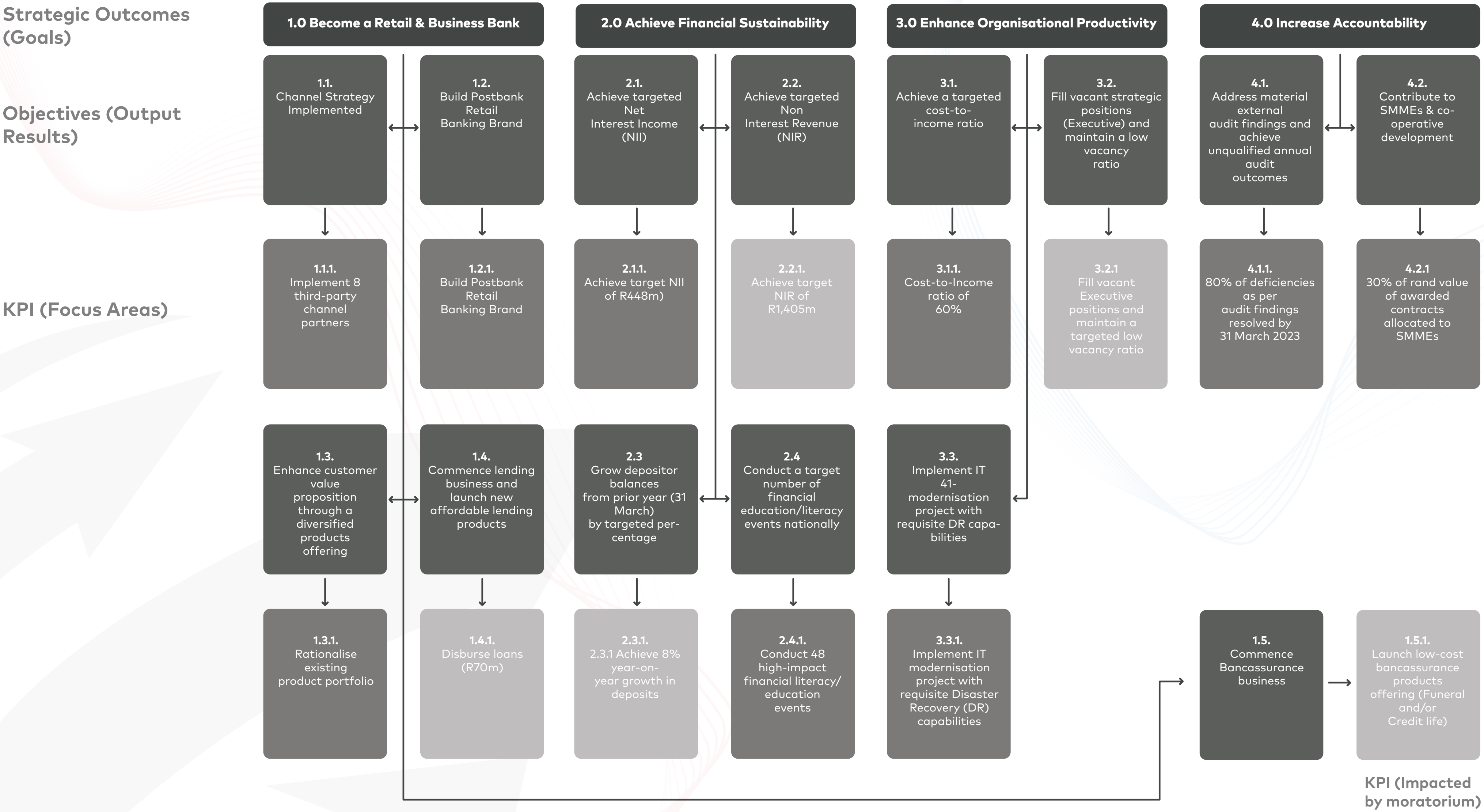


Figure 5: Postbank Corporate KPI Map

ANNUAL PERFORMANCE **SCORECARD FY2022/23**

Postbank's Annual Performance Plan (APP) which is included in the bank's Annual Corporate Plan, outlines the bank's performance targets and measurements for FY2022/23 financial year. This performance plan was underpinned by a set of fourteen (14) Key Performance Indicators (KPIs) through which the bank's annual performance was measured on a quarterly basis.

POSTBANK KPI ACTUAL **PERFORMANCE SUMMARY**

		ANNUAL TARGET	QUARTERLY TARGETS				ACTUAL PERFORMANCE (ANNUAL)	Total KPIs	Total Achieved KPIs	Total Achieved KPIs
OUTCOME INDICATOR	ID	FY2022/23	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4		05	01	20%
STRATEGIC OUTCOME 1: BECOME A RETAIL AND BUSINESS BANK										
Channel Strategy Implemented	1.1.1	Implement 8 third-party channel partners	Integrate 2 contracted channel partners	Integrate 2 contracted channel partners	Integrate 2 contracted channel partners	Integrate 2 contracted channel partners	6 partnerships with channel partners implemented/integrated	1	0	Not Achieved
Build Postbank Retail Banking Brand	1.1.2	Launch new corporate brand and identity	Launch Corporate Identity campaign	Launch Product/ service marketing communication campaign	Launch Product/ service marketing communication campaign	Launch Product/ service marketing communication campaign	Launched a new corporate brand and identity and the marketing communication campaign	1	1	Achieved
Enhance customer value proposition through a diversified products offering	1.2.1	Rationalise existing product portfolio	Conduct product feasibility study	Conduct product feasibility study	Implement feasibility study recom-mendations	Implement feasibility study recom-mendations	Product portfolio not rationalised	1	0	Not Achieved
Commence lending business and launch new affordable lending products	1.3.1	Disburse loans (R70m)	R5.8m	R17.5m	R17.5m	R29.1m	0	1	0	Not Achieved
Commence bancassurance business	1.3.2	Launch low-cost bancassurance products offering (Funeral and/ or Credit life)	-	-	Launch credit life product	Launch funer-al plan product	No bancassurance product was launched	1	0	Not Achieved

Table 6: Strategic Outcome 1: Become a Retail and Business Bank

OUTCOME INDICATOR	ID	ANNUAL TARGET FY2022/23	QUARTERLY TARGETS QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	ACTUAL PERFORMANCE (ANNUAL)	Total KPIs 04	Total Achieved KPIs 02	Total Achieved KPIs 50%
STRATEGIC OUTCOME 2: FINANCIAL SUSTAINABILITY										
Achieve targeted Net Interest Income (NII)	2.1.1	Achieve target NII of R448m	R112m	R112m	R97m	R209m	R552m	1	1	Achieved
Achieve targeted Non Interest Revenue (NIR)	2.1.2	Achieve target NIR of R1,405m	R351m	R211m	R492m	R351m	R659,9m	1	0	Not Achieved
Grow depositor balances from prior year (31 March) by targeted percentage	2.2.1	Achieve an 8% year-on-year growth in deposits	-	4% YoY	-	8% YoY	5%	1	0	Not Achieved
Conduct a target number of financial education/literacy events nationally	2.3.1	Conduct 48 high-impact financial literacy/ education events	12	12	12	12	76	1	1	Achieved

Table 7: Strategic Outcome 2: Financial Sustainability

		ANNUAL TARGET	QUARTERLY TARGETS				ACTUAL PERFORMANCE (ANNUAL)	Total KPIs	Total Achieved KPIs	Total Achieved KPIs
OUTCOME INDICATOR	ID	FY2022/23	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4		03	0	0%
STRATEGIC OUTCOME 3: ENHANCE ORGANISATIONAL PRODUCTIVITY										
Achieve a targeted cost-to-income ratio	3.1.1	Cost-to-Income ratio of 60%	60%	60%	60%	60%	91%	1	0	Not Achieved
Fill vacant strategic positions (Executive) and maintain a low vacancy ratio	3.1.2	Fill vacant Executive positions and maintain a targeted low vacancy ratio	Reduce Executive Vacancy ratio to 80%	Reduce Executive Vacancy ratio to 60%	Reduce Executive Vacancy ratio to 40%	Reduce Executive Vacancy ratio to 20%	89%	1	0	Not Achieved
Implement IT modernisation project with requisite DR capabilities	3.1.3	Implement IT modernisation project with requisite Disaster Recovery (DR) capabilities	Implement Phase 1 of IT modernisation project	Implement Phase 2 of IT modernisation project.	Finalise and implement all closing activ-ities under IT modernisation	-	The equipment has been delivered for both the primary and secondary data centres	1	0	Not Achieved

Table 8: Strategic Outcome 3: Enhance Organisational Productivity

		ANNUAL TARGET	QUARTERLY TARGETS				ACTUAL PERFORMANCE (ANNUAL)	Total KPIs	Total Achieved KPIs	Total Achieved KPIs
OUTCOME INDICATOR	ID	FY2022/23	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4		02	0	0%
STRATEGIC OUTCOME 4: INCREASE ACCOUNTABILITY										
Address material external audit findings and achieve unqualified annual audit outcomes	4.1.1	80% of deficiencies as per audit findings resolved by 31 March 2023	Approve Audit Action Plan	20% of deficiencies as per audit findings resolved	50% AGSA's audit findings affecting the audit report resolved	80% of deficiencies as per audit findings resolved	27%	1	0	Not Achieved
Contribute to SMMEs & co-operative development	4.1.2	30% of rand value of awarded contracts allocated to SMMEs	-	-	-	30% of rand value of awarded contracts allocated to SMMEs	0%	1	0	Not Achieved

PERFORMANCE SUMMARY	
Total KPIs	14
Number of KPIs Achieved	3
Number of KPIs Not Achieved	11
Number of KPIs with 'No Target'	0
Postbank Overall Performance Rating (%)	**21%**

Table 9: Increase Accountability

KEY PERFORMANCE CHALLENGES AND RECOVERY PLANS

KEY CHALLENGES

Ministerial directive referred to as the moratorium prevented Postbank from entering into long-term contracts and the appointment of executives. As a result, the implementation of several strategic initiatives during FY2022/23 was delayed. The moratorium was only lifted in quarter three, on 25th October 2022. The implementation of the following initiatives was delayed by the Ministerial Moratorium and the SARB Variation notice:

- Enhancing customer value proposition through a diversified products offering. Introducing new banking products and issuing new bank cards. As a result, customers are unable to transact when their bank cards expire or access a wider range of Postbank products and services.
- Modernising/upgrading Postbank's core banking platform including migrating SASSA accounts to the core banking system. Modernising and aligning foundational infrastructure inline with banking requirements and South African Reserve Bank (SARB) directive.
- Commencing of both the lending and bancassurance business. Diversification of the bank's revenue streams such as the credit and insurance markets.
- Achieving targeted Non Interest Revenue. Delays in launching of the bank's proprietary ATM network, POS and broader channel strategy. Replacement of SASSA cards, as per the South African Reserve Bank's (SARB) directive.
- Filling executive vacancies.

Since the ministerial moratorium was lifted in quarter four of FY2022/23, several strategic actions have been implemented that are expected to lead to improved performance. It is anticipated that the IT modernisation and recruitment of key executives will be completed in the first quarter of the new FY2023/24.

Postbank also recognises that internal deficiencies contribute to underperformance and low productivity across the organisation. For example, the following internal issues contributed to low performance during the financial year under review:

- The number of system blackouts the bank experienced between quarter three and quarter four of FY2022/23 greatly impacted our customer ability to transact.
- The closure of South African Post Office (SAPO) branches continues to impact the customer's ability to transact, thus impacting the bank's transactional revenue generation capability.
- The efficacy of procurement policies and processes is not conducive to Postbank's highly competitive industry.
- The bank's under-resourcing contributes to lower productivity levels.
- SAPO's financial constraints underpin branch and back office non-conformances to the Postbank Service Level Agreement (SLA).

RECOVERY PLANS

- Management is focused on the finalisation of the IT modernisation, which expedites the migration of critical banking systems out of the Datacentre located at the 7th Church. Expediting the rollout of the Postbank network and the IT security services. The completion of the Postbank IT modernisation implementation is also expected to make available the critical IT systems that will enable innovation, cost efficiencies, and enhanced customer service.
- The Postbank management has begun work on the new business model, and as part of that effort, a feasibility study on product rationalization will be conducted. The new model will also identify and define market segments, offerings, and go-to-market strategies across segments, including the Lending business.
- Establishing partnerships with retail merchants as alternatives to the branch channel, as well as forging partnership with industry peers. Postbank expanded its channels for the first time by enabling grant payments via retailers like Pick n Pay, Boxer, Spar, Usave, and Shoprite. Testing with Spar continues whilst signing up more retailers and spazas is underway.

- The Point of Sale (POS) acquiring project is awaiting the finalisation of the extension of the contract with the service provider for the financial switch and compliance with the variation notice. While the revised business case for the Automated Teller Machine (ATM) is proceeding through the governance process for recommendation to the Board for approval.

- The efforts and changes made to improve IGPS controls and various fraud awareness campaigns have resulted in a significant decline in fraudulent cases.

- Additionally, the Fraud Analytics team has increased their daily monitoring of transactions to prevent possible fraudulent transactions as they are detected and proactively blocks the account to avoid theft from the accounts.

- Postbank's new Corporate Identity (CI) is finalised. The new Corporate Identity (CI) was introduced (soft launch) in the period under review. Postbank plans to rollout its new Corporate Brand Identity in the new financial year.

REVENUE PERFORMANCE

South Africa's economic recovery also suffered significant setbacks in 2022 due to adverse developments both globally and domestically. External factors include the impacts of the Russia-Ukraine conflict, global supply-chain constraints, rising inflation, and interest rates, as well as weakening global demand. These affected developments domestically regarding prices, monetary policy, financial markets, production activity, export performance, and investment spending.

Severe load-shedding, transport and logistical challenges, the devastating floods in KZN, industrial actions in several sectors, and low business and consumer confidence adversely impacted the economy's performance as operating and trading conditions worsened. The pace of expansion thus moderated to 2% in 2022, following a 4.9% rebound in 2021. Consumer price inflation rose steeply towards a recent peak of 7.8% in July 2022 but subsequently moderated to some extent, measuring 7.0% in February 2023. To contain inflation expectations, the South African Reserve Bank has raised the repo rate by a cumulative 425 basis points since November 2021, to 8.25% as of 31 May 2023. The increase in the interest rate helped improve banks' net interest margins. Despite these improvements, Postbank's financial performance is still constrained by low unemployment, high growth numbers, and internal challenges.

Postbank's revenue for the year under review increased from R1.9 billion in the prior year to R2.1 billion in the current financial year. This can be attributed to an increase in Net Interest Income (NII) which increased by 65% to R552 million (31 March 2022: R335 million). The bank's non-interest revenue declined by 6% to R1.5 billion (31 March 2022: R1.59 million) as a result of decreased transaction volumes resulting from technical glitches and the closure of the South African Post Office (SAPO) branches. Closures of SAPO branches and continued technical glitches continue to have a negative impact on the customer's ability to transact, thus having an adverse effect on the bank's ability to generate revenue from transactions. In addition to the bank's inability to issue cards, the delayed implementation of its IT transformation, and the project that would have seen a significant reduction in interchange fees, all of which negatively impact its ability to generate revenue.

OPERATIONAL PERFORMANCE

Grant Payments

Postbank has been disbursing SASSA grants through its banking systems with the majority of beneficiaries using Postbank cards. The journey of the SASSA grant disbursement initiative began when Postbank was still a division of the South African Post Office (SAPO), the main contract holder at the time. Postbank was gazetted as a separate legal entity in April 2019, which meant that Postbank was now a banking service provider SAPO. Service invoicing was now paid to Postbank monthly by SAPO based on transactions performed through the National Payment System (NPS) for both point of sale (POS) at retail merchants and Automated Teller Machine (ATM) transactions at the agreed rates. The other two channels namely Over-The-Counter (OTC) and Cash Payment Points (CPP) were entirely performed by SAPO. The only role Postbank played was to make the banking system available as these transactions also utilize Postbank's Integrated Grant Payments System (IGPS) system.

On 29 June 2022, a Ministerial decision was taken in a meeting between the Ministers of the Department of Social Development (DSD) and the Department of Communications and Digital Technology (DCDT) that Postbank would take over responsibility for the implementation of the SASSA Master Services Agreement (MSA) in its entirety. The decision meant that SAPO would cede all its rights and obligations under the MSA entered into with SASSA, to Postbank as the new party to the SASSA MSA.

Postbank was required to take over the SASSA MSA contract "As-Is" as there would be no changes in the contract terms such as rights, obligations, related costs, and revenue. Postbank was further required to take over (through separate cession agreements) all related operational contracts entered between SAPO and third-party service providers for various services necessary to fulfil the obligations of the SASSA MSA with effect from 01 October 2022.

The three entities (SAPO, SASSA, and Postbank) together with their reporting Departments (DSD and DCDT) were required to implement the decision within three months (July, August and September 2022) as per the decision taken at the meeting on 29 June 2022. This resulted in Postbank now being wholly responsible for the SASSA contract with effect from 01 October 2022.

Postbank pays 7.1 million social grant recipients/ beneficiaries through Cash Payment Points (CPP), the National Payment System (NPS) for both point of sale (POS) at retail merchants and Automated Teller Machines (ATM) and in collaboration with SAPO, through their branch network. This ensures social grant recipients have convenient access to their funds. A total of R101.4 billion was disbursed annually in the period under review, with an average of R9.2 billion distributed monthly.

In addition to normal grants, Postbank pays 2.4 million Social Relief and Distress grant recipients. A total of R8.09 billion (R8.96 billion in FY2021/22) was disbursed in the period under review.

Head Office Relocation

Postbank shares premises with SAPO in the National Postal Centre (NPC), which serves as SAPO Group's Main Head Office. The NPC building has several critical problems, including the lack of maintenance that underpins several OHSA concerns. To reduce its exposure to potential OHSA and other building-related penalties as it currently occupies a non-compliant building. The Postbank Board, on December 14, 2022, approved the relocation of the Postbank head office to alternative premises. The relocation of the Postbank head office to alternative premises within Pretoria is expected to be finalised in quarter three (3) of the new financial year.

The acquisition of alternative premises to host its head office can be considered a critical component in establishing an organisational culture true and distinct to Postbank. The establishment of Postbank as a standalone entity focusing on financial services and banking requires the creation of a distinct brand for the bank.

Channel Partnership

Postbank further diversified its channel footprint by partnering with retail merchants and spaza groups in rural and township areas. This was to ensure convenient accessibility of its services for customers and beneficiaries residing in these areas. In the year under review, cooperation agreements were signed with four (4) spaza groups, with one (1) spaza group having been fully integrated. Moreover, two (2) retail groups signed cooperation agreements, and both retailers were integrated fully.

IT Modernisation

Postbank has identified and prioritized the need to finalize its IT infrastructure modernisation project to ensure that its IT systems and processes meet industry and SARB requirements, especially in the areas of risk, business continuity, and disaster recovery. In June 2022, Postbank received ministerial approval for the IT Modernisation Project. The implementation was initially scoped for completion in 6 months ending in March 2023, however, due to the various delays, i.e. worldwide semiconductor shortages leading to delays in equipment delivery, design changes, and human resource constraints, the timeline was not achieved and was revised to 31 July 2023. The project is in its final stages whereby the base technology infrastructure setup has been concluded and the migration of applications is the next implementation phase.

Postbank experienced multiple cyber fraud incidents on the Integrated Grant Payment System (IGPS). The fraud incidents exploited the existing vulnerability that IT Modernisation seeks to address. Various security controls and solutions have been implemented in the interim to prepare banking environments for migration to a more secure environment as part of the IT Modernisation project. The controls have thus far yielded positive results in terms of minimising cyber fraud incidents on the systems. Postbank is in the process of completely decommissioning the IGPS.

IT department's objectives are to enable the business to serve the customer efficiently, grow the business through a data-driven approach and boost employee effectiveness, enhance mobility, promote IT security, and reduce operating costs; ultimately transforming the way the bank operates through embracing technology. The bank is currently running on old infrastructure with limited capacity resulting in lack of innovation and digitisation. The challenges faced by the banking systems have also negatively impacted the bank's beneficiaries resulting in the decision to consolidate the different systems into a single core banking platform that is future-proof and will embrace the new digital economy and enable the implementation of innovative solutions that will appeal to our customers. The developed business case for this platform is currently undergoing the approval process.

The conclusion of the IT modernisation project which sits at the heart of building Postbank into a sustainable business that innovates and competes, will drastically improve Postbank's operational efficiency. The project is also a crucial element in the corporatization of Postbank and the application for a full banking license process as well as addressing the many elements of the SARB variation notice that have hampered operations in various areas of the business.

STAKEHOLDER

OUR STAKEHOLDER **UNIVERSE**

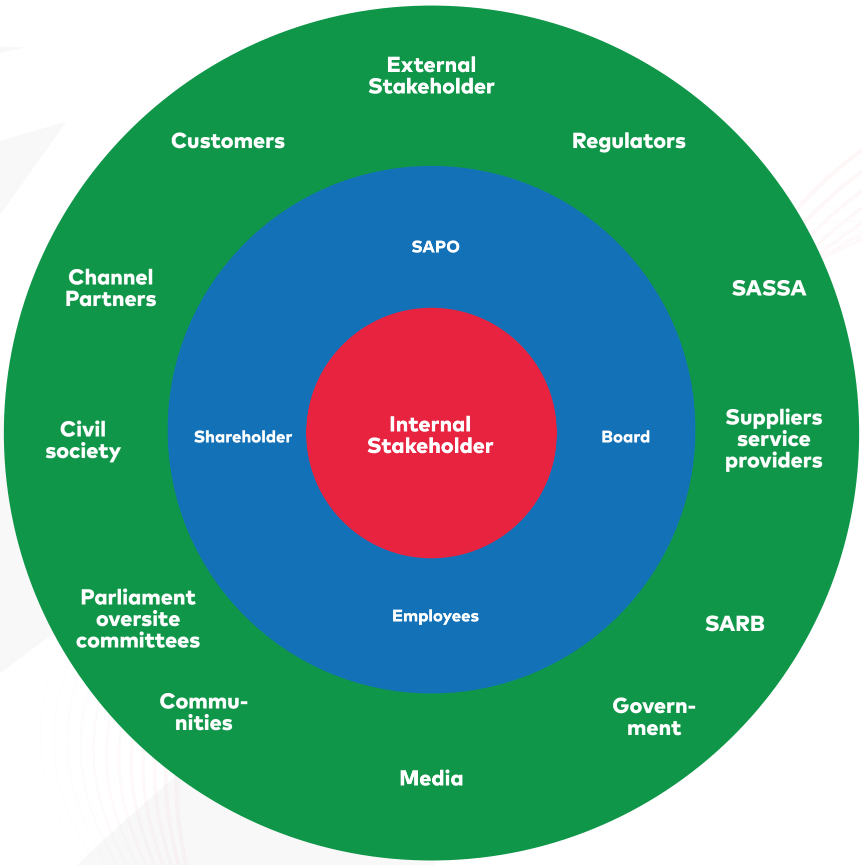


Figure 6: Stakeholder Universe

COMMUNICATIONS AND MARKETING

During the 2022/23 financial year, the Bank's communications and marketing business unit undertook the following key strategic initiatives.

Postbank Brand Launch

In the third quarter of the reporting year, Postbank launched its new brand identity. The bank unveiled its new in staggered approaches – inward out. After the soft launch, the new look and feel including a new logo and tagline was quietly introduced to the market. To the market, the new brand identity was tactically introduced though the ongoing Bakgotsi Stokvel and Smart Save Accounts product marketing campaigns.

Brand Communication and Marketing

Postbank officially took over the SASSA contract. A huge component of the contract are Cash Pay Points – where beneficiaries collect their monthly grants. This meant ensuring prominent Postbank brand visibility at all the locations through investing in branded material – including traditional pull-banners and personnel uniforms.

Product Enhancements

The marketing and communications business unit is instrumental in helping business to project its image be it in how it packages and presents its products. The team carries the responsibility to design all product look and feel. Products that have been redesigned include:

- Bakgotsi Stokvel Passbook
- Smart Save Passbook
- The New black SASSA Card
- Mzansi Card
- Flexi Card
- Aspire Card; and
- Postbank's generic Debit Card – as Postbank is in the process of streamlining and rationalising its products and services.

The first public unveiling of the new Postbank Corporate Identity during one of the Bakgotsi Stokvel Activations in the Eastern Cape.

Revenue Growth Product Marketing

During the year under review, the marketing and communications business unit implemented the following broad revenue marketing initiatives:

Outcome	To become a registered bank
Bakgotsi Stokvel Account Marketing	The team embarked on year-round nationwide campaigns 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.
Smart Save Account Marketing	The Smart Save Account, like the Bakgotsi Stokvel is considered Postbank flagship product. This product is unique in that it caters for adult and youth segments through its Smart Save Minor extension. The marketing of this product was strategically paired with the Bakgotsi Stokvel – to give both products enhanced mileage all year round.
SASSA SRD Payment	The extension of the social relief of distress (SRD) grant by government required intensified communication. Moreover, with Post Office announcing their official withdrawal from participating in the SRD payment process, Postbank had to be innovative in ensuring a seamless takeover. To ensure that recipients continued to receive their SRD money, Postbank partnered with retail merchants like Pick n Pay, Boxer, Shoprite, Checkers and Boxer. This included on the ground campaigns teaching SRD recipients how the withdrawal process at retailers work.
FICA Campaign	The primary objective of this campaign was to encourage Postbank customers to update their information as required by the FICA Act. This guarantees that they are compliant with the FICA law and benefits from the protection it gives them.

Table 10: Revenue Growth Product Marketing

Bakgotsi Stokvel and Smart Save Campaign outreach programme in Peddie, Eastern Cape.

Corporate Social Investment (CSI)

As a State-owned Company, Postbank appreciates its responsibility to society at large and is committed to improving the social, environmental, and economic well-being of the communities in which it operates. This approach gives people the necessary financial education to independently make sensible financial decisions. To this end, Postbank is involved in multiple financial literacy programmes across the country. 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 in 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 programmes that respond directly to these communities' social and economic needs.

Financial Literacy Programmes

Postbank's core mandate is financial inclusion which is educating our customers and the country's citizens on how to consume banking products and services is, therefore, a critical part of the Postbank CSI delivery methodology. Postbank has contributed significantly through investing and implementing programmes designed for educating marginalised communities on financial matters. During FY2022/23, the Bank facilitated 90 financial education events nationally. The Bank conducts these events not only as part of its annual financial education programme. The bank also supports events coordinated by the Ministry/DCDT while other events are delivered in partnership with the Banking Association of South Africa (BASA). The financial inclusion/education portfolio has an annual target of implementing 48 activities for FY2023/24.

As a tactical approach, the financial inclusion portfolio seeks to piggyback off marketing activities to increase impact and bring a more tangible offering to the communities targeted.

Some of the outreach programmes included a school visit to Nare Secondary School in Moletji. In addition, the Launch of the Yarona Digital Ambassadors Programme at the Capricorn TVET College in Polokwane where the Deputy Minister of Communication and Digital Technology was present. Postbank Chair, Mr. Thabile Wonci, was invited to the Career Expo and Launch of the Ya Rona Digital Ambassadors Programme by MP Mapulane. The Yarona Digital Ambassadors Programme is aimed at empowering and educating communities on basic digital literacy.

For exhibitions, Postbank participated in the Bloemfontein Show to ensure brand awareness which helped give information on the separation from SAPO. This also allowed Postbank to softly showcase its revamped brand identity.

The outreach events are well received by the communities we target. Often, a request is made at these events for us to facilitate account opening.

The Postbank team conducting a financial literacy session at a school in Mpumalanga during the Yarona Digital Ambassadors Programme Launch

PART C

GOVERNANCE

INTRODUCTION

Postbank is a State Owned Company (SOC) and draws its mandate from the South African Postbank Limited Amendment Act 44 of 2013. Its mandate is primarily that of financial inclusion, and in particular the provision of accessible and affordable financial services, including responsible lending to the unbanked and under-served communities of South Africa.

Postbank's mandate and strategy are aligned with the South African National Development Plan (NDP) Vision 2030. Postbank is further regulated by the Public Finance Management Act No 1 of 1999 (PFMA) and subscribes to the King Code of Governance Principles for South Africa (King IV™, 2016). Postbank's vision is to be the trusted banking partner to Government on financial inclusion.

THE EXECUTIVE AUTHORITY

The Minister of Communications and Digital Technologies fulfills the PFMA defined role of Executive Authority over the Postbank, and is also the sole shareholder on behalf of the South African Government over Postbank. 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 Postbank's participation in the payment of social grants project.

THE ACCOUNTING AUTHORITY / THE BOARD

The Board is the Accounting Authority of Postbank. It is appointed by the Minister of Communications and Digital Technologies in accordance with Section 10 of the Postbank Act read with Section 66 of the Companies Act 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 2022/23 financial year. The Annual General Meeting will be held in September 2023 where the requisite statutory approvals in terms of the Public PFMA and Companies Act will be made.

GOVERNANCE STRUCTURE

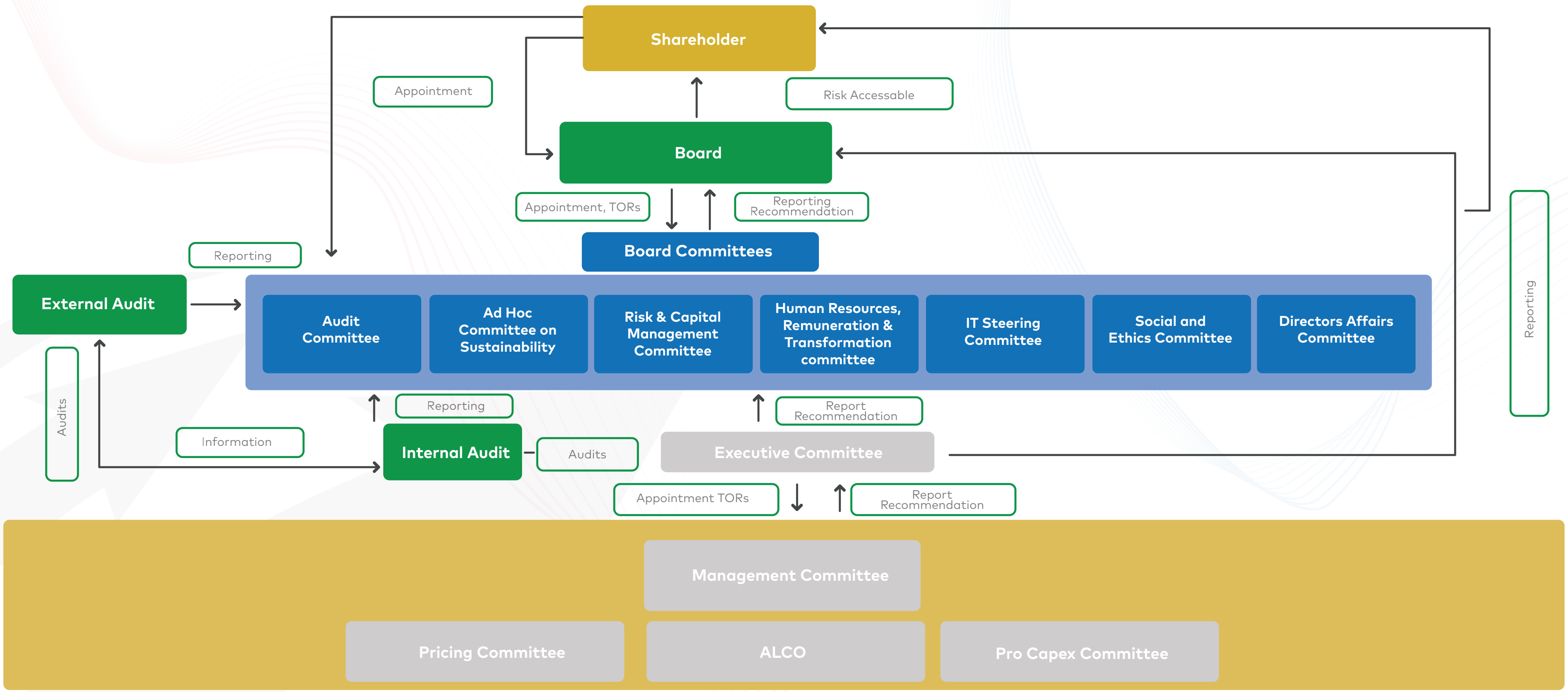


Figure 7: Governance Structure

The power, authority to lead, control, manage and conduct business, including the power and authority to delegate is vested with the Board to ensure that Postbank implements its mandate and remains a sustainable and viable business. This responsibility is facilitated through the Governance Framework which clearly articulates reporting lines. In discharging its responsibilities, the Board is supported by Board sub committees and Senior Management. The Board has several sub-committees in which non-executive directors play a pivotal role. The Board has oversight over the appropriate management of Postbank's activities.

The responsibilities delegated to the sub-committees are formally document in the Terms of Reference to each committee. The Board considers committee recommendations and reports at each meeting and ensures transparency and full disclosure of the committees' activities. The composition and responsibilities of each committee are further elaborated in this report.

The Board is individually and collectively accountable to the Minister for the direction and control of the operations and business of the Bank.

The Company Secretary is appointed in terms of the Companies Act, 2008, and plays a key role in ensuring that Board procedures are followed and regularly reviewed. The Company Secretary is the primary source of advice on the conduct of the business.

KING IV™ APPLICATION

The Board is committed to achieving the highest standards of corporate governance, business integrity and ethical conduct across its activities. The Board is committed to ensuring that every effort is made to apply material aspects of King IV™.

ROLE AND FUNCTION OF THE BOARD

The role of the Board is to give effect to the corporate plan of Postbank as required by Section 52 of the PFMA to achieve the required objectives of the Postbank. The Board further provides guidance to the CEO and Postbank personnel and is required to notify the Minister of Communications and Digital Technology immediately of any matter that may adversely affect the functioning of Postbank or materially affect the achievement of the objects or financial targets of the Postbank.

The Board performs its functions in accordance with the provisions of the Banks Act and the Postbank Act. Non-executive directors are not involved in the day-to -day management of the business and are not full time salaried employees of Postbank.

BOARD COMPOSITION

In terms of the Postbank Act, the Board comprises of seven (7) non-executive directors appointed by the Minister, Department of Communications and Digital Technologies and two (2) other non-executive members appointed from among the persons nominated by the Post Office as well as the CEO who is an executive director, ex officio. During the year under review, the Board - comprised of three (3) non-executive directors for the period commenced on 1 April 2022 to 30 September 2023. The remaining four (4) Board vacancies were filled by the Minister with effect from 1 October 2022. The profiles of Postbank's Board of Directors are included below:

Thabile Wonci

Chairperson

Non-executive director effective
1 October 2020

Committees

- Directors Affairs Committee (Chairperson)
- Human Resources, Remuneration and Transformation Committee
- IT Steering Committee

Expertise

Investment Banking & Financial Services, Mergers & Acquisitions, Corporate Finance, Leveraged Finance, Equity & Debt Capital Markets, Profit & Loss and Balance Sheet Management, Corporate and Financial Restructurings

Academic qualifications

- Master in Business Administration (MBA)
- Postgraduate Diploma in Business Administration (PGDIP - General Management)
- Postgraduate Diploma in Business Administration (PDBA)
- Postgraduate Diploma in Management Accounting
- Bachelor of Commerce (BCom)
- Duke Leadership Program (The Fuqua School of Business – Duke University)

Gcobani Mancotywa

Non-executive director

Non-executive director effective
1 October 2020

Committees

- Social and Ethics Committee
- Audit Committee
- Risk and Capital Management Committee (Chairperson)
- Ad Hoc Committee

Expertise

Banking, management consultancy and the aviation industry

Academic qualifications

- Master's degree (Macro Economics)
- Bachelor of Commerce (B Com) (Economics & Commercial Law)
- Post Graduate Diploma(Management)
- Certificate in Financial Management
- Certified Director (IODSA)

Dr. Adv. Leigh Hefer

Non-executive director

Non-executive director effective
1 October 2020

Committees

- Social and Ethics Committee
- Audit Committee
- Human Resources, Remuneration and Transformation Committee
- IT Steering Committee

Expertise

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™

Academic qualifications

- Ph.D
- LL.M.
- LL.B.
- B.Sc (Honours)

Vuyelwa Matsiliza

Non-executive director

Non-executive director effective
1 October 2022

Committees

- Audit Committee (Chairperson)
- Risk and Capital Management Committee Directors Affairs Committee ITSC

Expertise

Governance, Development Finance and Investment, Macro-economic Application, Treasury Management, Credit Insurance, Risk Management, Project Finance, Corporate Finance, Governance and Compliance.

Academic qualifications

- BA
- BA Economics Honours (Cum Laude)
- MBL
- Certified Director (IODSA)
- Chartered Director (SA) (IODSA)

Martin Mahosi

Non-executive director

Non-executive director effective
1 October 2022

Committees

- Human Resources, Remuneration and Transformation Committee (Chairperson)
- Audit Committee
- Risk and Capital Management Committee
- Ad Hoc Committee
- Directors Affairs Committee

Expertise

Corporate Governance, Regional & Local Economic Development, Ethics of Development, Leadership of Development Organisations, Human Resources Management, Industrial Psychology

Academic qualifications

- BA
- B Admin Honours

Letlhogonolo Noge-Tungamirai

Non-executive director

Non-executive director effective
1 October 2022 Committees

- Social and Ethics Committee (Chairperson)
- Human Resources, Remuneration and Transformation Committee
- Directors Affairs Committee
- Ad Hoc Committee
- IT Steering Committee

Expertise

ICT, Risk Management, Human Capital, Business Management, Business Development, Strategic Leadership, Sustainable Development, Negotiation

Academic qualifications

- Master's in Business Administration (MBA)

Ashley Latchu

Non-executive director

Non-executive Executive director effective
1 October 2022

Committees

- IT Steering Committee (Chairperson)
- Ad Hoc Committee (Chairperson)
- Audit Committee
- Social and Ethics Committee

Expertise

Information Technology, Project Management, PFMA, MFMA, CGICT Framework, Corporate Governance

Academic qualifications

- Bachelor's Degree in Computer Science
- Honours Degree in Computer Science
- Master's Degree in Computer Science

Lucas Ndala

Interim Chief Executive Officer

Executive director effective
11 April 2022 to 12 April 2023

Committees

- N/A

Expertise

Finance, Corporate Finance, Telecoms, Information Technology, Structured Finance and Corporate Credit

Academic qualifications

- Chartered Accountant (SA)
- Bachelor of Commerce (B Com) ((Honours) in Accounting
- Post Graduate Diploma (Financial Accounting)
- Bachelor of Commerce (B Com) (Financial Accounting)

Nikki Mbengashe

Chief Executive Officer

Executive director effective
17 July 2023

Committees

- N/A

Expertise

Banking and Financial services, Public Sector, Retail, Logistics and Automotive industry, Strategy, Business Re-engineering, Leadership Coaching, Startups, Risk and Compliance, Digitisation and Board Directorship.

Academic qualifications

- National Higher Diploma in Industrial Engineering
- Masters in Business Administration (MBA)

ATTENDANCE OF BOARD MEETINGS

The Board held twenty (20) meetings during the financial year. Meetings are conducted according to a formal agenda. The table below sets out the attendance by the Directors.

Name	Designation	Date Appointed	Date Resigned	Board	Audit Committee (AC)	Social and Ethics Committee (SEC)	Risk and Capital Management Committee (RCMC)	Human Resources, Remuneration and Transformation Committee (HRRTC)	Information Technology Steering Committee (ITSC)	Directors' Affairs Committee (DAC)
Mr Thabile Wonci	Board Chairperson (Non-Executive Director)	1 October 2020	Current	19/20	-	-	3/3	1/3	-	-
Mr Gcobani Mancotywa	Board Member (Non-Executive Director); RCMC Chairperson	1 October 2020	Current	20/20	12/12	3/3	3/3	2/3	-	-
Dr/Adv Leigh Hefer	Board Member (Non-Executive Director); HRTC Chairperson; REMCO	1 October 2022	Current	20/20	10/12	3/3	-	3/3	3/3	-

Name	Designation	Date Appointed	Date Resigned	Board	Audit Committee (AC)	Social and Ethics Committee (SEC)	Risk and Capital Management Committee (RCMC)	Human Resources and Transformation Committee (HRTC)	Information Technology Steering Committee (ITSC)	Directors' Affairs Committee (DAC)
Ms Vuyelwa Matsiliza *	Board Member Non-executive director Audit Committee Chairperson RCMC	1 October 2022	Current	5/20	3/12	-	1/3	-	1/3	-
Mr Ashley Latchu *	Board Member Non-executive director ITSC Chairperson Audit Committee SEC	1 October 2022	Current	5/20	3/12	1/3	-	-	1/3	-
Ms Letlhogonolo Noge-Tungamirai *	Board Member Non-executive director SEC Chairperson HRRTC DAC Ad hoc Committee	1 October 2022	Current	5/20	-	1/3	-	1/3	1/3	-

Name	Designation	Date Appointed	Date Resigned	Board	Audit Committee (AC)	Social and Ethics Committee (SEC)	Risk and Capital Management Committee (RCMC)	Human Resources and Transformation Committee (HRTC)	Information Technology Steering Committee (ITSC)	Directors' Affairs Committee (DAC)
Mr Martin Mahosi *	Board Member Non-executive director HRRTC Chairperson Audit Committee RCMC Ad hoc Committee *	1 October 2022	Current	5/20	3/12	-	1/3	1/3	-	-
Mr Lucas Ndala	Interim CEO	11 April 2022	12 April 2023	19/20	-	-	3/3	-	-	-

* Joined 1 October 2022

Table 11: Board and Sub-Committees meeting attendance register (01 April 2022 – 31 March 2023)

COMMITMENT AND APPROACH TO CORPORATE GOVERNANCE

The Board embraces its responsibility to ensure that principles of sound corporate governance are observed and incorporated into the leadership and management of the bank. In discharging its responsibility, the Board is guided by the MOI, the regulatory environment and its Terms of Reference.

THE COMMITTEES OF THE BOARD

The Board has established the Audit Committee (AC); Social and Ethics Committee (SEC) Risk & Capital Management Committee (RCMC); Directors Affairs Committee (DAC); Human Resources, Remuneration and Transformation (HRRTC) and the Information Technology Steering Committee (ITSC).

AUDIT COMMITTEE (AC)

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 responsible for evaluating and advising on a number of elements including Postbank's financial statements which will be provided to Parliament and other stakeholders, the systems of internal control which management has established and approved by the Board, the audit processes, the risk management framework, 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 (HRRTC)

The Board delegated the accountability for compliance with relevant labour 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. It is further accountable 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)

The 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.

AD HOC COMMITTEE **ON SUSTAINABILITY**

The Board delegated the responsibility of the oversight of shortcomings in systems and processes that had led to breaches of controls and ultimate financial losses to the Postbank. The Committee was an Ad Hoc Committee and did not assume the functions of management.

The Committee had a delegated responsibility of assisting the board in its evaluation of the risks relating to adequacy of control processes and systems (including focus on addressing user control deficiencies and cybersecurity related risks) and recommending measures that should be taken to mitigate the risks. The Committee's role was to complement all other measures that the Audit Committee is vested with and had a term for a period not exceeding 12 months, subject to review or extension by the Board of Postbank. At the time of issuing this Annual Report, the Board had dissolved the Committee.

RISK **MANAGEMENT**

The success of Postbank relies on the ongoing management of risks in a very volatile and uncertain world. Postbank embraces its challenges and strives to manage risks in a responsible and sustainable manner that will create value for all our stakeholders.

Postbank recognizes that 'risk' is an integral part of our business and entails continuous risk management. Postbank seeks to properly understand risks 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 Shareholder.

The Board of Directors is ultimately accountable for managing risk and monitoring opportunities. The Board's Enterprise Risk Management (ERM) framework is developed to guide the Risk Management eco-system within Postbank. It represents the Bank's response to the various risk management requirements imposed on the Bank by our Customers, Community, Regulators, Shareholder, Board and Staff, and facilitates 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.

A "Risk Management Framework" provides a structured approach to incorporating sound governance principles into an organisation, allowing for the creation of a risk culture that provides and protects stakeholder value. The framework defines our risk universe supported by clear risk policies and processes. The framework recognises 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 bases its governance foundation on a combination of the Banks Act, King IV™ and the Five Lines of Assurance. The five lines of assurance include (1) line functions that own and manage risk and opportunity, (2) specialist functions that facilitate and oversee risk and opportunity, (3) internal assurance providers, (4) external assurance providers, and (5) governing body and committees. The Board is ultimately accountable for ensuring that an adequate and effective process of corporate governance exists, 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.

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'.

FIVE LINES **OF ASSURANCE**

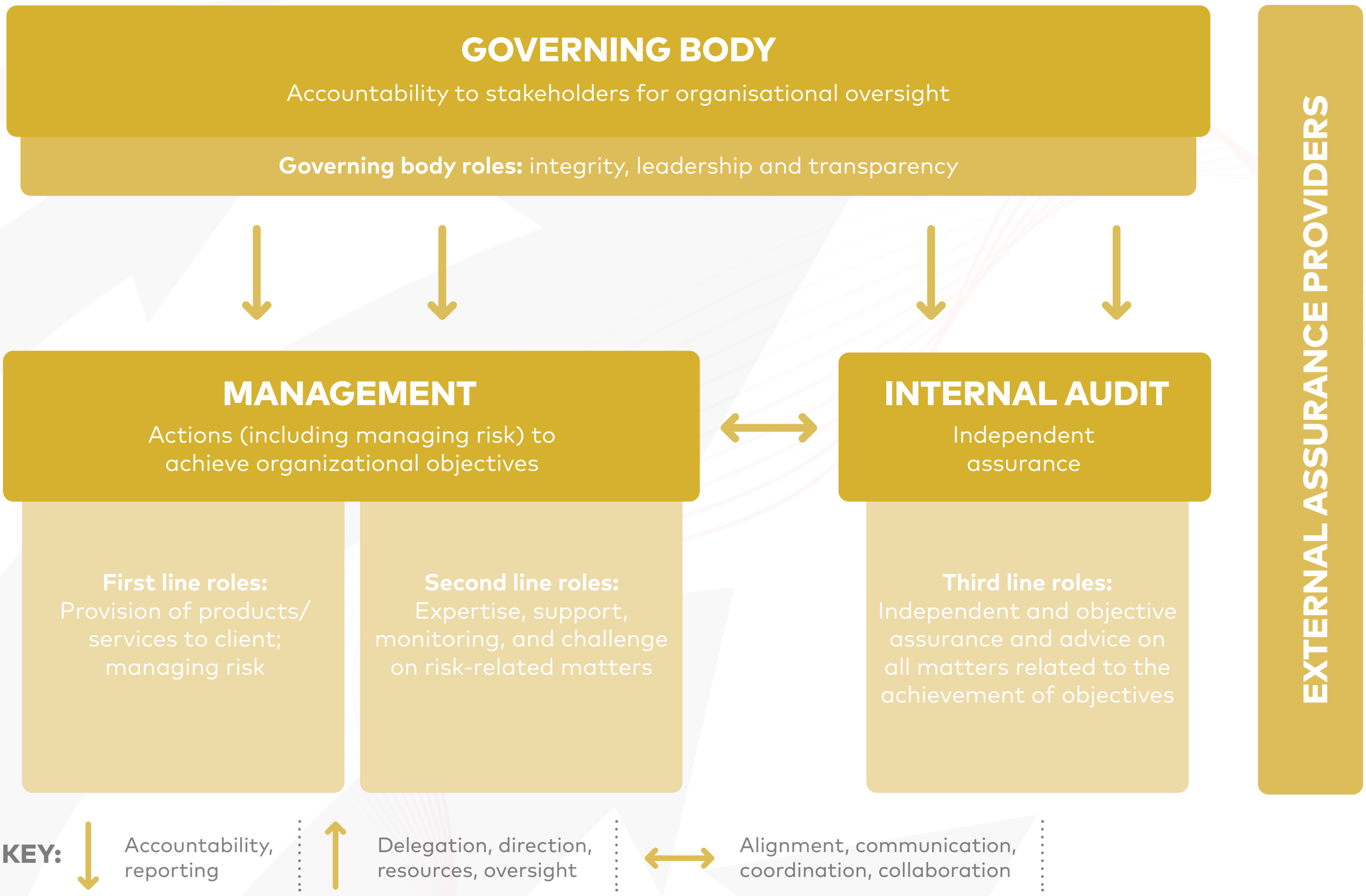


Figure 8: The Five Lines of Assurance

RISK STRATEGY **AND IMPLEMENTATION MODEL**

Postbank recognises 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 Governance Model

01 Communication & Consulting

1. 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.
2. Include people with the right level of expertise to be part of the process.

02 Risk identification

1. Understanding the context will inform the risks identification as assist to define the risk criteria used to identify the applicable risks.
2. 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.
3. Risks are generally identified, utilising the risk universe as guidance, by the management team and supported by the Risk Management team.

03 Risk Assessment

1. 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.
2. 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.

04 Risk Treatment

1. A risk treatment strategy is selected based on the nature and impact of the assessed risks. Risks can be managed, transferred, accepted or avoided.
2. If risks are mitigated then appropriate control strategies will be developed or clear management actions will be identified.

05 Risk Treatment

1. Risk information should be recorded in an appropriate manner and reported in such a way that it can enhance decision-making

06 Risk Evaluation

1. Risk management activities is monitored and reviewed to promote effective risk management practices and continuous improvement of the risk management activities within Postbank. Monitoring activities forms part of the combined assurance plans for Postbank.
2. The output of monitoring activities are used to enhance the risk practices.

Figure 9: Risk Governance Model

RISK
REVIEW

Risk Management is an important process that empowers organisations with the necessary tools to adequately identify and mitigate potential risks. Risk management is fundamental to achieve Postbank's strategy largely due to the pervasiveness of risk in financial services.

Risk Category	Risk Type	Risk Description	Mitigation Plan	Strategic Outcomes
Strategic Risks	**Strategy Execution**	Ability to achieve strategic outcomes is directly linked to key project execution. There are significant delays in the delivery of key strategic projects which impacts on the achievement of the strategic outcomes contained in the Corporate Plan. During the 2022/23 financial year, only 21% of the Corporate Plan was achieved, which is a significant underperformance.	There are a number of plans that are being implemented to improve the execution of delayed plans and projects. Multiple key projects are executed by the same people. Resource constraints have had a negative impact on the achievement of the outcomes in the corporate plan. The bank is underway with filling critical vacancies and establishing emergency interim resources.	Positive Customer and Employee Experience
	Reputational	Relationship with key stakeholders including regulators, the payment industry, and customers requires significant improvement due to prior judgements and fines imposed on Postbank, system instability affecting the delivery of the grant payment mandate, and lack of automated system error correction. Although Postbank is a separate company from the South African Post Office, the public perceives that the South African Post Office's business rescue process has a negative impact on Postbank's image, despite the fact that the two are separate companies.	Develop and implement the integrated stakeholder relationship management strategy. Identify and analyze the stakeholders. Establish a plan to meet their needs and objectives. Monitor and review the effectiveness of the strategy regularly.	A registered state owned bank, Positive Customer and Employee Experience, and Good Governance, Risk and Compliance
Financial risks	**Financial Accounting**	Inadequate internal financial controls and systems resulting in material uncertainty which may cast significant doubt on the bank's ability to continue as a going concern.	An internal control function will be established to strengthen the internal control, improve contract management processes, and enforce consequence management for non-adherence to established processes.	Strong Financial Performance
	Liquidity and Capital	A bank's inability to meet its obligations to its depositors as a result of an increase in risk weighted assets. The Bank having an insufficient capital held as reserve for all residual risks.	Postbank maintains in a strong liquidity position that exceeds all the regulatory liquidity requirements. There is a regular monitoring of prudential limits, in order to make sure that they stay within the risk appetite of the bank, as well as regular cash flow forecasting ALCO assesses capital held monthly and reports quarterly to the RCMC. Monitoring risk-weighted assets growth by Market Risk Department and ALCO monthly. Discussions were held with the DCDT and SAPO to address SAPO exposure and to identify a possible solution to seek mitigation of the financial impact of SAPO debt on Postbank.	Strong Financial Performance

Risk Category	Risk Type	Risk Description	Mitigation Plan	Strategic Outcomes
	Counterparty Credit	The inability of a counterparty to honour repayment obligations resulting in a financial loss which will have a significant impact on Postbank's financial position. Postbank does not currently lend money to customers and has no credit risk from lending activities. There is however some exposure on the part of the bank due to its investments in Landbank as well as advances made to SAPO	Regular engagements are held with these counterparties to find solutions and recover outstanding monies. The Landbank has made significant capital reductions and interest payments on the amount outstanding. Debt acknowledgment agreements with SAPO were signed and discussions were initiated with the DCDT and SAPO to address the exposure and recoup some of the unpaid debt.	Strong Financial Performance
	Concentration	Postbank took over the SASSA contract from SAPO in October 2022, and this contract is a significant revenue and cost driver for Postbank. Postbank remains reliant on the SAPO branch network as the primary channel to service customers. SAPO has closed various branches recently due to financial challenges and that has a negative impact on Postbank customers.	Postbank is exploring various business opportunities that will diversify the current revenue streams and reduce the impact of SASSA on its ability to generate revenue. Postbank is developing new channels to service customers including but not limited to ATM's, digital banking, and partnerships with retailers.	Strong Financial Performance Positive Customer and Employee Experience
Non-Financial risks	Technology and Business Disruption	The bank utilizes old systems and infrastructure susceptible to breakdowns, which are currently shared with SAPO. With the current technology architecture, the bank will not be able to achieve its corporate plan and will be unable to compete in the market.	Postbank is in the process of implementing its IT modernisation programme which will assist the bank to build the products and services that are needed to serve our customers in the future.	Positive Customer and Employee Experience
		The closure of a number of SAPO branches had a significant impact on the resilience of the plans and strategy set by the bank. The lack of a fully migrated data centre and functional disaster recovery site is a pre-condition to the issuance of new bank cards as well as the launching of new products. There are many system outages impacting customers' ability to transact and staff's ability to connect to systems and maintain high productivity.	Business impact assessments, Business Continuity Plans, and an Eskom blackout plan were compiled. The bank is in the process of migrating a compliant data centre and disaster recovery site.	Digital Transformation Positive Customer and Employee Experience
	Cyber and Fraud risk	Malicious attacks on the bank's business partners, employees, and customers. These malicious attacks can result in data theft, financial loss, or even reputational damage. Therefore, banks need to have robust security measures in place to protect their networks and data. These attacks increased as more employees work from home with out-of-date software or security patches, and others are duped by phishing. Payment systems that do not meet the Payment Card Industry Data Security Standard (PCI-DSS) result in bank customers being prone to fraudulent activities.	There is an ongoing enhancement of the technology infrastructure and systems to improve resilience against cyber-attacks. The necessary investments are being made, including in the area of staff training and upskilling to ensure the organisation is prepared for any potential threat. Additionally, regular security testing and audits are conducted to identify any gaps in the organisation's cyber security posture. The new bank cards that meet industry standards are expected to be rolled out within the next few months.	Digital Transformation Good Governance, Risk and Compliance

Risk Category	Risk Type	Risk Description	Mitigation Plan	Strategic Outcomes
		Syndicates are targeting vulnerable clients as well as internal staff to defraud them. They are using various methods such as phishing emails, fake bank accounts, and fraudulent websites to access clients' personal information. Significant fraud incidents were reported on key bank systems.	Postbank has made improvements to its network security. These improvements include two-factor authentication, additional encryption protocols, and regular security audits. Postbank's security measures ensure that customer data is safe and secure. As a result, there has been a reduction of fraud incidents in the key bank systems. The bank has implemented measures to protect clients and staff from these scams, including providing financial education to clients and staff and increasing fraud detection systems	Experience Good Governance, Risk and Compliance.
	People	Risk of not being able to attract and retain sufficient skills in the open market, especially critical, digital, and core banking skills as well as Executive Leadership roles. Potential decrease in staff morale and adversely impacting on work productivity	Postbank is developing an employee value proposition attractive to critical skills required. The bank is currently recruiting executive management who will also build capacity within various levels of employment within the bank. The bank is assessing its organisational and risk culture.	Positive Customer and Employee Experience
	Compliance	Compliance relating to securing and maintaining the banking license. Ability to adapt the compliance infrastructure from that of a savings bank to that of a fully licensed bank.	The bank is updating its IT infrastructure, adapting its business model and building its compliance capability. The compliance division is prioritising compliance with high impact regulations & legislation that are most relevant for a license to operate.	Good Governance, Risk and Compliance.

Table 12: Top Ten (10) Risks

SOCIAL AND ETHICS **COMMITTEE REPORT**

The Social and Ethics Committee (hereafter referred to as "the Committee") is entrusted by the Board with the task of overseeing Postbank's ethical conduct, commitment to responsible corporate citizenship, sustainable development, adherence to legal requirements, and fostering productive stakeholder relationships. In its endeavours, the Committee collaborates seamlessly with the Human Resources, Remuneration, and Transformation Committee (HRRTC), which supervises Postbank's transformation initiatives.

This report is articulated in compliance with the stipulations of the Companies Act (No. 71 of 2008), as amended, and the King IV Report on Corporate Governance for South Africa (2016). It provides an overview of how the Committee has effectively carried out its statutory obligations, as per the Companies Act, and additional duties delegated by the Board for the financial year concluding on 31 March 2023.

Committee Members and Attendance at Meetings

Comprising four suitably skilled and experienced members nominated by the Board, the Committee ensures that a majority have no involvement in the routine management of Postbank's operations or have had any such engagement over the preceding three financial years. Details on committee membership during the year in question can be referenced in the Board attendance table on page 52. Ms L Noge-Tungamirai, an esteemed independent non-executive director, chairs the Committee. The Committee's Terms of Reference mandate a minimum of two meetings annually.

Role and Responsibilities

Comprising four suitably skilled and experienced members nominated by the Board, the Committee ensures that a majority have no involvement in the routine management of Postbank's operations or have had any such engagement over the preceding three financial years Details on committee membership during the year in question can be referenced in the Board attendance table on page [please insert page number]. Ms L Noge-Tungamirai, an esteemed independent non-executive director, chairs the Committee. The Committee's Terms of Reference mandate a minimum of two meetings annually.

Role and Responsibilities

The Committee operates under the guidance of an official charter ratified by the Board, which undergoes an annual revision. Central to its mission is aiding the Board in evaluating Postbank's performance concerning ethical behaviour, corporate responsibility, sustainability, legal adherence, and fostering stakeholder relationships. By keeping a vigilant eye on Postbank's sustainable development practices, the Committee ensures that the bank pursues its goals ethically and sustainably. The Committee confidently acknowledges the successful fulfilment of its duties, as delineated in its annual agenda.

Policy Review

The Committee is tasked with crafting, refining, and endorsing Postbank's policies that dictate the governance, commitment, and reporting of the bank's pivotal social and ethical performances. Furthermore, it provides invaluable suggestions to both the management and the Board. During the assessment year, the Committee examined the following policies:

- Code of Ethics
- Whistleblowing Policy

Monitoring of Sustainable Development Practices

Diligently executing its obligations, the Committee has scrutinised several paramount sustainable development practices of Postbank, encompassing:

- Ethics and compliance;
- Corporate social investment;
- Stakeholder relations;
- Broad-based black economic empowerment;
- Health and public safety;
- Labour relations and working conditions;
- Training and skills development.

Beyond these specific areas, the Committee also ensures compliance with relevant laws, best practice codes, and directives pertaining to social and economic progress, exemplary corporate citizenship, employment equity, environmental stewardship, health and safety, customer relations, labour and employment, and overarching ESG concerns. While external assessments of Postbank's impact have not been conducted, the Committee plans to commission such studies in the upcoming financial year.

Reporting

The Committee is duty-bound to update the Board on its undertakings. A representative will also present its findings to Postbank's stakeholders during the Annual General Meeting. The Committee confirms that it has adequately informed the Board throughout the year and will further share insights with stakeholders at the forthcoming Annual General Meeting, scheduled for 8 September 2023.

Acknowledgments

The Committee wishes to extend its gratitude to the Board, management, employees, and all stakeholders for their unwavering support, feedback, and commitment to making Postbank a beacon of ethical and responsible banking in South Africa.

On behalf of the Social and Ethics Committee,

Social & Ethics Committee Chairperson:

Ms. L Noge-Tungamirai

POSTBANK EXECUTIVE **ETHICS PLEDGE**

I, Lucas Ndala (Interim Chief Executive Officer), hereby pledge to restore and maintain public trust in the **South African Postbank (SOC) Limited,** I commit to conduct myself ethically. I commit to a decision-making that disregards private gain or selfish interest but endeavour to be merited and exclusive to the interest of the South Africans. I commit to ethical choices beyond my assignment and not to take advantage of acquired relationships and services for private gain including my privileged access to confidential information.

I commit to uphold the Constitution of the Republic of South Africa, 1996, the spirit and the letter of the law and to consistently commit myself to the following obligations, which I comprehend are binding and enforced on my duties:

1. **Postbank Values:** I will endeavour to uphold the Postbank values when exercising my duties.

2. **Conflict of Interest:** I will avoid any conflict of interest at all cost, when it is unavoidable I will recuse myself.

3. **Receiving and giving of gifts:** I will not accept or give gifts above the prescribed threshold and or seeking to influence my business decisions, from registered suppliers or lobbying organisations for the duration of my service as an appointee/ employee.

4. **Anti-Corruption:** I take zero-tolerance to bribery and corruption and anything which seeks to threaten the development of our society, economy and the Bank.

5. **Nepotism and Cronyism:** I commit to making hiring and employment decisions that are purely ethical and not bias but based on candidate's equity, qualifications, competence, and experience and in accordance with the legislative requirement.

The ethical commitments in the pledge provided for herein are solely enforceable by the Postbank Board of Directors pursuant to this section by any legally available means, including debarment proceedings with the Bank or any civil proceedings as a binding declarationorder

	Pretoria	01/12/22
Signature:	at	date

Lucas Ndala
Interim Chief Executive Officer

COMPLIANCE **MANAGEMENT**

Postbank has made significant progress in strengthening compliance measures following the full board capacitation. Our efforts have focused on updating policies, frameworks, and terms of reference to ensure adherence to regulatory requirements. However, we acknowledge that there are areas where we are still lagging behind in mitigating compliance risks. This compliance note provides an overview of the current state of compliance and outlines remedial actions taken to address identified non-compliance issues.

Compliance Risks and Section 16 Banking License Application

Due to the prioritization of meeting the conditions outlined in the variation notice from the South African Reserve Bank (SARB) with the extended deadline of December 2023, focus has been directed toward projects aimed at compliance. As a result, the Section 16 banking license application has been refocused to align with these efforts. This decision was made to ensure that Postbank fulfils the SARB requirements and safeguards its compliance status..

South Africa subscribes to OHSA Risk and Office Move

In light of the current non-compliance issues regarding the NPC building, the need to move offices has been identified. This is to manage the Occupational Safety and Health Administration (OHSA) risk associated with the NPC building. This action is necessary to rectify compliance gaps and improve our employees' safety and well-being. Measures are being implemented to address non-compliance concerns related to office premises..

Impact of Variation Notice and Non-Compliance Fines

Postbank's compliance environment has been negatively impacted by the SARB variation notice. The notice highlighted several non-compliance issues, including the failure to be EMV and PCI-DSS compliant, as well as the absence of implemented Disaster Recovery Plans. These non-compliance factors have exposed Postbank to financial losses and resulted in a non- compliance fine of R500, 000.00 imposed by the Payment Association of South Africa (PASA) for violations.

Remedial Actions and Improvements

To rectify the identified non-compliance issues, we have initiated remedial actions in the form of projects and other interventions. These efforts aim to enhance compliance across the organisation. Additionally, measures have been taken to address non-compliance concerns raised by the Financial Intelligence Centre (FIC). Notably, the IT modernisation project has been implemented to enable proper KYC (Know Your Customer) processes for all customers, addressing a key non-compliance issue identified by the FIC. This project will also improve record management, ensuring the quality and integrity of bank records and mitigating fraudulent risks.

Moreover, as a financial institution, we are committed to contributing to the efforts of moving South Africa off the greylisting. In line with this commitment, we have intensified training programmes on Anti-Money Laundering (AML) for our staff during the 2023/24 financial year. These training sessions aim to strengthen our AML protocols, enhance awareness among employees, and ensure strict adherence to regulatory requirements. By focusing on AML training, we aim to further align our practices with international standards and improve South Africa's standing.

In conclusion, Postbank has taken significant steps to improve its compliance environment and address non-compliance issues. Although challenges remain, our remedial actions demonstrate a commitment to compliance and a proactive approach to mitigating risks. We will continue to monitor and enhance our compliance measures to ensure regulatory compliance.

Legislative Mandate

In June of 2023, we obtained approval of the South African Postbank Amendment Bill which seeks to align Postbank with the Banks Act of 1990 and provides for the establishment of the South African Postbank Holding Company in terms of the Banks Act. Once promulgated into law, we will be enabled to operate with our framework which separates us from the South African Post Office.

Furthermore, the Public Finance Management Act (PFMA), Company Act, and the Banks Act underpin the Postbank operation. Subject to the regulations to enable compliance, obtain guidance, and pre-empt compliance risk. Additionally is the below legislation which informs the Banks risk profile.

Postbank Regulatory Universe

Legislation	Purpose
Banks Act 94 of 1990	To achieve a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole.
Public Finance Management Act, No. 1 of 1999 - Public Entities Schedule 3	To promote responsible and ethical financial management
Basic Conditions of Employment Act 75 of 1997	To give effect to the right to fair labour practices
Consumer Protection Act, No. 68 of 2008	To promote a fair, accessible, and sustainable marketplace for consumer products and services
Companies Act 71 of 2008	To guide running the company
Financial Advisory and Intermediary Services Act, No. 37 of 2002	To regulate the rendering of certain financial advisory and intermediary services to clients; to repeal or amend certain laws, and to provide for matters incidental thereto.
Financial Intelligence Centre Act 38 of 2001	To establish a Financial Intelligence Centre and a Money Laundering Advisory Council to combat money laundering activities

Legislation	Purpose
Protection of Constitutional Democracy Against Terrorist and Related Activities Act, No. 33 of 2004	to provide measures to prevent and combat terrorist and related activities;
Prevention of Organised Crime Act, No. 121 of 1998	to introduce measures to combat organized crime, money laundering, and criminal gang activities
Protection of Personal Information Act, No.4 of 2013	to promote the protection of personal information processed
Prevention and Combating of Corrupt Activities Act, No. 12 of 2004	to provide for the strengthening of measures to prevent and combat corruption and corrupt activities
Public Audit Act, no 25 of 2004	To give effect to the provisions of the Constitution establishing and assigning functions to an Auditor-General

Table 13: Postbank Regulatory Universe

Policy Mandate

The Compliance framework, policies, and manual enable the function to be able to assist management to fulfill the Bank's compliance obligations. We continue to provide a proactive approach to managing compliance risk. We report on the status of compliance timeously to enable management to implement controls and avoid penalties. In cases of non-compliance, we assist the business with management actions. We manage stakeholder relationships and keep abreast with; the Regulator, the Auditor General, and the stakeholder. We aim to achieve the following;

Quality Improvement

Early guidance to assure compliance saves time, reducing the need to rework which will result in cost saving on repeating tasks.

Good Business Practice

Client confidence will be improved that the Bank is conducting business on a sustainable basis.

Reputational Risk

The level of reputational risk is reduced when an organisation complies with requirements that will result in maintaining standards of integrity, and honesty and producing a quality service. The Bank will be seen as a good corporate citizen.

Financial Soundness

The Bank would not be exposed to regulatory fines and unnecessary litigations which might hurt its financial affairs of the Bank.

Voluntary Code

We are aligned with the King IV™ code. The Board through the committee of Social and Ethics oversees the effective management of ethics. Principle 1 and Principle 2, of the code to develop an ethics programme beyond alignment but as guiding principles to achieving good governance. The board is accountable and responsible for managing the compliance risk and has the appointed RCMC to effect that.

Ethics Code of Conduct

During the period under review, Postbank developed a code of ethics to address the audit finding, demonstrate leadership commitment to ethics, and provide guidelines and set ethical standards for employees. The code will be used as a guide and disciplinary tool to guard against unethical conduct. The code defines our culture through alignment with our values which are; passion, personal growth, accountability, community, collaboration, and efficiency.

The code informs conduct on; Confidentiality and privacy, Safe work environment, conflict of interest, gift and entertainment, corporate opportunities, compliance with the law, fair trade, and competition. It further provides a checklist for employees' guidance on making ethical decisions and their responsibility to maintain ethical conduct.

Whistle-blower Policy

The bank has a board approved the whistle-blower policy in place to promote a safe reporting mechanism that seeks to encourage both the employees and the public to report any witnessed or suspected fraud, corruption, irregularities, or illegal business practice. We endeavour to create an environment of transparency and accountability.

The ethics office has managed to record reported cases and significantly resolved them as a first-line call and where necessary conducted preliminary investigation and the board sub-committee oversight which involves senior management. Additionally, we are in a process of acquiring a dedicated reporting line from an independent ethics hotline (current line – KPMG Ethics line shared with SAPO), to enable concerned employees in an organisation to report their suspicions of fraud and other unethical behaviour in a confidential manner. They serve as a cost-effective way for organisations to detect fraud and other unethical behaviour before they become problematic.

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 (SBD), 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 organisation 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 ethics foundation through awareness creation. Furthermore the Ethics Officer 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)

The Postbank Operations Division is currently based 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 4 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 offices with SAPO and the building has a number of occupational health and safety issues. Postbank has engaged SAPO, as the landlord, who confirmed that they are aware of all identified issues and that their efforts to remedy them are hampered by their adverse financial position. The Postbank Board, on December 14, 2022, approved the relocation of the Postbank head office to alternative premises. The relocation of the

The relocation of Postbank's head office to its new offices in Pretoria is expected to be completed in quarter three.

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 programmes across the country. The bank has contributed significantly in various efforts aimed at educating the marginalised communities on financial matters. During the 2022/23 financial year, Postbank conducted a total of 76 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 programmes that would respond directly to the social and economic needs of these communities.

INTERNAL AUDIT

Postbank Internal Audit's mandate is to provide independent, objective assurance and consulting activity designed to add value and improve the operations of Postbank. 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.

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

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

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

The Internal Audit function has an approved structure with five (5) positions (one (1) Chief Audit Executive; 1 Senior Audit Manager; and 3 Internal Audit Managers). As of June 2023, Internal Audit was capacitated with a Chief Audit Executive, Senior Audit Manager, and two (2) Internal Audit Managers, with only one (1) vacancy for an Internal Audit Manager.

In the financial year 2022/23, Internal Audit completed seven reviews, one risk-based compliance audit, three supply chain probit audits, and three internal audit engagements.

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 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.

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 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 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

- 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;
- 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;
- Review the annual financial statements, and consider whether they are accurate, complete, and consistent with information known to committee members;
- 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;
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information;
- 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
- Oversee integrated reporting which includes financial information, sustainability, interim results, and summarised information.

In respect of the Internal Audit:

- Ensure that internal audit is independent of management in terms of International Internal Audit Standards and that it has the necessary resources, budget, standing, and authority within Postbank to enable it to discharge its functions;
- Be responsible for the appointment and termination of the services of the Chief Audit Executive, as well as oversee the budget, resource plan, and organisational structure and objectives of the internal audit function;
- Approve the internal audit charter, internal audit plan, internal audit strategic plan, and operational plan;
- Encourage cooperation between external and internal audits;
- Review the effectiveness of the internal audit function and evaluate performance in terms of the agreed goals and objectives and conformance with International Standards for Professional Practice of Internal Auditing; and
- Ensure that the function is subjected to independent quality review.

In respect of the External Audit:

- 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;
- Determine the fees to be paid to the auditor and the auditor's terms of engagement;
- 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;
- 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;
- Pre-approve any proposed agreement with the auditor for the provision of non-audit services to Postbank;
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- Address any potential restrictions or limitations of scope with management;
- Resolve any disagreements between management and external auditor if they arise;
- Review the management letter and management's response to the auditor's findings and recommendations; and
- Review the effectiveness of the audit process annually.

In respect of the planning and performance information and reporting

- 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
- 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:

- Review the adequacy of Risk Management, specifically on the independent assurance of the entire process;
- 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;
- Oversee the financial reporting risks, and the internal financial controls;
- Oversee the fraud risks as it relates to financial reporting and internal controls;
- Oversee IT risks as it relates to financial reporting and internal controls;
- Review the results of and response to reporting via the Postbank ethics line or equivalent; and
- 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:

- 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;
- 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 combined assurance:

- 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;
- The Audit Committee must consider the legal and regulatory requirements to the extent that they may have an impact on the financial statements;
- Review the findings of any examinations by regulatory agencies, and any auditor observations;
- 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;
- Review the adequacy of the regulatory report processes, including quality of reporting and adequacy of systems and human resources to complete these functions satisfactorily;
- Meet as required with the regulators;
- 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
- Interact periodically with other Committees to be informed of matters that may affect the functioning of the Audit Committee.

AUDIT COMMITTEE **REPORT**

This Committee is pleased to present you with its report for the financial year ended, 31 March 2023. This report has been prepared in accordance with the Public Finance Management Act 1 of 1999 as amended (PFMA). The Audit Committee is responsible for overseeing:

- Quality and integrity of the Company's integrated planning and reporting including its financial statements;
- The appointment, remuneration, independence and performance of the external auditor and the integrity of the audit process including the approval of non-audit services;
- Effectiveness of the Group's internal audit function, internal financial controls and systems of internal control;
- Compliance; and
- Governance and assurance processes.

During the year under review, the Committee monitored the effectiveness of the internal control environment through the review of reports from Internal Audit, management and the external auditor, and ensured the quality of financial reporting through the review of the financial statements submitted to the Committee.

STATUTORY **DUTIES**

The Committee is constituted as a statutory committee of Postbank SOC Limited in line with the PFMA and Companies Act 71 of 2008 (as amended) and is accountable to the Board and shareholders. It is a Committee of the Board in respect of all other duties the Board assigns to it and has been delegated powers to perform its functions in accordance with the PFMA, National Treasury Regulations of the PFMA and the Companies Act.

COMPOSITION OF THE **COMMITTEE**

The Committee members are Independent non-executive directors. During the year under review, from 1 April to 30 September 2022, the committee did not meet the independent non-executive director requirement as outlined in Section 64 of the Banks Act, Section 177(2) of the Companies Act, Section 77 of the PFMA and Postbank's Audit Committee Terms of Reference in respect the composition of the Committee. The committee was initially constitute by two members, Mr Gcobani Mancotywa and Dr Leigh Hefer. The Minister appointed three additional non-executive directors with effect from 1 October 2022. Consequently, the Board has been able to further capacitate the audit committee.

The committee is composed of the following directors: Ms Vuyelwa Matsiliza (Chairperson), Mr Gcobani Mancotywa, Mr Ashely Latchu and Mr Martin Mahosi. These members have adequate knowledge and skills to carry out their duties. Their deep and varied experience enable perspective and insight to the committee's deliberations and decisions. Further details on the experience of the members can be found in the Governance Report.

MEETINGS OF THE **COMMITTEE**

The Committee met 12 times during the financial year, with attendance as per the Board and Sub-Committees meeting attendance register in page 52.

The Acting Chief Executive Officer, Acting Chief Financial Officer, Acting Chief Audit Executive, and Auditor General's Office representatives attended committee meetings. Management, internal auditors and external auditors were afforded an opportunity to have separate meetings with the committee. The committee reports to the Board on committee activities and matters discussed at each committee meeting and provides recommended resolutions from the committee.

ADOPTION OF THE **TERMS OF REFERENCE**

The committee is an essential part of the Postbank's Governance Framework to which the Board has delegated responsibilities. There is currently a process in place to update the Terms of Reference of the Audit Committee.

ROLE OF THE **CHAIRPERSON**

The role of the Chairperson of the committee requires regular interactions with the CFO, CAE and external auditors in order to understand Postbank's operations and risks facing the business. These interactions are essential to the role of the Chairperson as they provide an additional layer of assurance to gain comfort that the control functions are aligned in terms of their understanding of the risks facing the bank and mitigation thereof. The Committee reports that it was fully constituted, with effect from 1 October 2022 and would strengthen its effectiveness in all material respects in the current year.

EFFECTIVENESS OF **INTERNAL CONTROLS**

The committee reviewed the effectiveness of systems for internal control, and financial reporting and considered the major findings of internal investigations into control weaknesses including fraud, cyber-attacks and employee misconduct, and management's responses thereto. The committee received regular reports on these matters. Having reviewed information provided by management, internal audit and external audit, the following deficiencies were identified in the internal control environment:

- Postbank's control environment requires significant improvement to enable the bank to achieve its strategic outcomes.
- Inadequate and ineffective controls were identified within the finance, procurement, operations, and information technology business units. Although management is making progress in improving the state of controls including appointing skilled service providers to help address the most critical areas, more progress is needed on the design and operating effectiveness of controls.
- A review of all the Service Level Agreements (SLAs) with SAPO was underway to enable Postbank to move from the overreliance on SAPO.
- Prior audit findings have not been satisfactorily resolved. The Internal Audit function has been capacitated and will be instrumental in driving sustainable resolution of audit findings by management.

The Audit Committee confirms that it effectively discharged its responsibilities for the financial year ended 31 March 2023.

EVALUATION OF THE ANNUAL 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.

EXTERNAL **AUDIT**

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 audit strategy, the extent of the work required, and audit scope.

The committee reviewed the findings and recommendations of the external auditor as reported in the FY2022/23 Management Letter and considered the audit response plan to the findings.

INTERNAL **AUDIT**

The Committee has considered the independence and evaluated the effectiveness of the Internal Audit function, assessed the audit team capability, audit approach, and value add of the function.

The Committee has:

- Approved the three years Internal Audit Rolling Plan.
- Approved the Internal Audit Charter.
- Received reports from Internal Audit on significant issues relating to the processes for controlling the Postbank's activities, recommended improvements to those issues and management's responses thereto.
- Reviewed the co-operation and co-ordination between the Internal Audit and external audit functions, which will in the next financial year enable proper co-ordination of Internal Audit work with external audit to avoid duplication of work.

The Internal Audit function was capacitated with an Interim Chief Audit Executive and two Internal Audit Managers. With effect from June 2023, a permanent Chief Audit Executive has been appointed.

The committee is satisfied with the effectiveness of internal audit and the function has complied with its responsibilities in terms of the requirements of the PFMA, National Treasury Regulations, King IV™ and the Committee's Terms of Reference.

CORPORATE **PLAN**

The Corporate Plan was considered, paying due attention to the strategic position, revenue projection, expenditure reduction, key performance indicators, and was recommended to the Board for approval.

CHIEF FINANCIAL OFFICER AND FINANCE **FUNCTION**

The committee considered the experience and expertise of the Acting Chief Financial Officer. The committee was satisfied that the experience and expertise of the Chief Financial Officer were appropriate. The committee also considered the expertise, resources and experience of the finance function, having due regard to the moratorium placed on Postbank in relation to recruitment. The committee is satisfied that the finance function has the appropriate expertise, resources and experience and has further sought to resource the function following the lifting of the moratorium. As of the date of this report, the new Chief Financial Officer had joined the organisation with effect from 1 July 2023.

LOOKING **AHEAD**

The committee is aware of the challenges highlighted in the Audit report from the AGSA. The committee will monitor the implementation of the financial plan to ensure that Postbank remains sustainable and thrives in the years ahead. The committee will also ensure that the Postbank's financial systems, processes and controls are operating effectively.

The committee will monitor the implementation of the financial plan to ensure Postbank remains sustainable and thrives in the future. The committee will also monitor the progress toward addressing the SARB variation notice conditions. This includes the replacement of cards, migrating to a PCI DSS-compliant data centre, and the progress towards an IT modernisation project that resolves system stability issues.

On behalf of the Audit Committee

Ms. Vuyelwa Matsiliza
Audit Committee Chairperson
Date: 14 August 2023

PART D

Human Resources Management

OVERVIEW

This Human Resources report provides an overview of key performance areas and achievements for FY2022/23. The primary focus is on priority areas that are critical to driving and supporting Postbank's strategic objectives.

During FY2022/23, the Human Resources discipline focused on driving strategic objectives committed priority the Annual Performance Plan (APP) (Strategic objectives/ outcomes), enhancing human resources capacity to enable Postbank to fulfil its mandate of becoming a State Retail Bank.

In the interim, executive and senior management secondment agreements were entered into between Postbank and various strategic partners to close critical gaps in and management roles.
Following the lifting of the moratorium on recruitment in October 2022. Recruitment for five priority positions i.e. Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, Chief Information Officer, and Company Secretary commenced before the end of the financial year with appointments being made early in the 2024 financial.

Postbank is committed to transforming the workplace and creating an enabling environment that embraces diversity and inclusion. Promotes a high performance culture and compliance with the country's legislative framework.

To this end, the company has established the Employment Equity Committee and formulated an Employment Equity Plan.

STAFF **ESTABLISHMENT**

At the end of the financial year, Postbank had a 264 staff complement and 253 vacant positions. Of the vacant positions, 120 were identified as key priority roles for the new year. Postbank's headcount was reported at 51% against the organisational structure.

STRATEGIC **SOURCING**

The target is to fill all remaining Executive positions within the 1st half of FY 2023.

LEARNERSHIP AND **DEVELOPMENT PROGRAMMES**

The Learning and Development department plays a key role in facilitating organisation-wide development needs and growth. By empowering its leaders, managers, and employees. During FY2022/23, Learning and Development initiatives were linked to three (3) strategic focus areas: a) Becoming a Retail Bank; b) Enhancing Organisational Productivity; and c) Increasing Accountability.

Strategic Objectives	FY2022/23 Learning & Development Interventions	
Becoming a retail and business bank	PASA Certificate in foundational payments	
Enhance organisational productivity	• International Financial Reporting Standard • Stress management • Women in leadership • Excel advance • Excel intermediate • Excel basic • Document management • Best practice in multi shift operation • Core directorship programme	• Oracle web logic • ISO lead implementer • TOGAF • Financial modelling • Lead cyber security • OHSA • ITIL • Agile project management
Increase accountability	• POPIA • FAIS • Effective disciplinary hearing • Employment equity • Ethics officer certification	

Table 14: Learning & Development Interventions

The Learning and Development department conducted Postbank training and development needs analysis to determine the priority list of skills and competencies required. Postbank's learning and development interventions are implemented in accordance with the annual workplace skills plan and skills development priority areas identified by BankSETA.

BankSETA Priority Skills Areas		
• Regulatory skills • Risk management • Cyber security • Data analytics • Software development	• Network engineering • Relationship management • Management and leadership • System analysis	• Customer centricity • Programming • Product development • Critical thinking

Table 15: BankSETA Priority Skills Areas

GRANT RECEIVED vs SKILLS LEVY PAID		
Qualifying Requirements	**Grant Received**	**Skills Levy Paid**
WSP & ATR Reports	R278,352.42	R2,794,907.98
Graduate programme	R516 000.00 (10 graduates)	
Internship programme	R516 000.00 (10 graduates)	

Table 16: Grant Received vs Skills Levy Paid

YOUTH DEVELOPMENT **PROGRAMMES**

Postbank transformation journey included partnering and supporting the national skill development objectives of the country. Postbank continued to work in partnership with key development stakeholders such as BankSETA to accelerate the development of critical banking skills.

For the period under review ten (10) graduates and fourteen (14) interns were contracted.

The Postbank Graduate Development programme supports the establishment of a talent feeder pool to ensure a sufficient supply of capable individuals, equipped with skills and competencies to take up current and future banking roles within business and industry. The Postbank graduate programme targets unemployed graduates who aspire to work in the sector.

EMPLOYEE BURSARY **FUNDING**

A total of fifty-five (55) Postbank employees (53% females and 47% males) benefitted from the bursary scheme. Postbank supported employee development to a total of R1.6 million (31 March 2022: R1.7 million) for the period under review.

Bursaries are awarded based on critical skills gaps identified in the banking industry. The following areas remain key areas of interest.

- Technology and Digitalisation
- Customer Centricity
- Regulation, Compliance, and Risk Management
- Management and Leadership Development
- Markets, Products, and Services

EMPLOYMENT **EQUITY**

Employment Equity targets are set based on the economically active population as set out in the 19th Commission for Employment Equity's annual report. For FY2022/23, Postbank's Employment Equity Plan was approved and submitted to the Department of Labour. The Bank's employment equity targets were aligned to recruitment plan and initiatives. Postbank experieinced challenges attracting suitably qualified candidates, with key and scarce skills from the banking and financial services industry. As reported above, performance against EEP was inhibited by the moratorium on recruitment.

The following graphic reflects our Employment Equity status as at 31 March 2023:

Employment Equity Targets/Goals 2020 - 2023																	
Occupational Level	Males by race				Females by race				People with disability (Race & Gender)								Vacant
	AM	CM	IM	WM	AF	CF	IF	WF	AM	CM	IM	WM	AF	CF	IF	WF	
Top management (Executive)	0	1	1	0	1	1	1	1	0	0	0	0	1	1	1	0	9
Senior management (Head of department)	0	3	3	1	1	4	4	1	2	1	1	0	1	1	0	0	23
	1	6	6	4	2	6	6	5	1	0	0	0	2	1	0	0	40
Skilled	16	17	19	15	12	18	19	12	7	7	7	7	6	6	6	4	178
Semi-skilled	4	0	0	0	0	1	0	0	2	0	0	0	2	0	0	0	9
Unskilled	4	0	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0
Total	**21**	**27**	**29**	**20**	**16**	**30**	**30**	**19**	**21**	**27**	**29**	**20**	**16**	**30**	**30**	**19**	**259**

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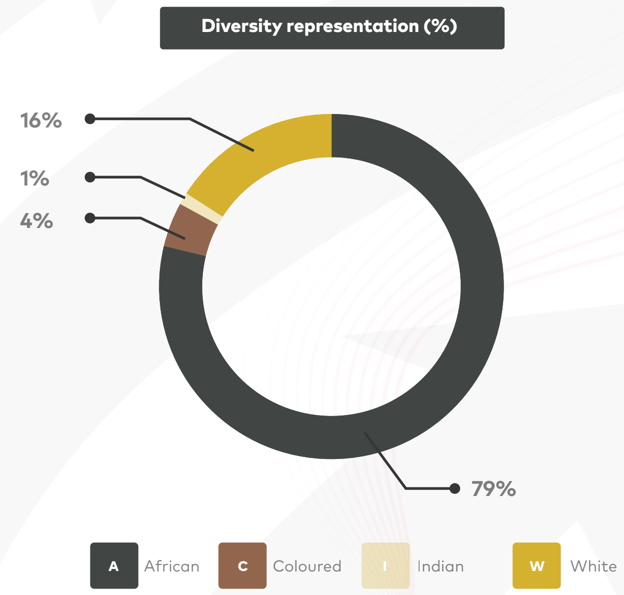
Table 17: Employment Equity Targets/Goals 2020 - 2023

DIVERSITY AND GENDER **REPRESENTATION**



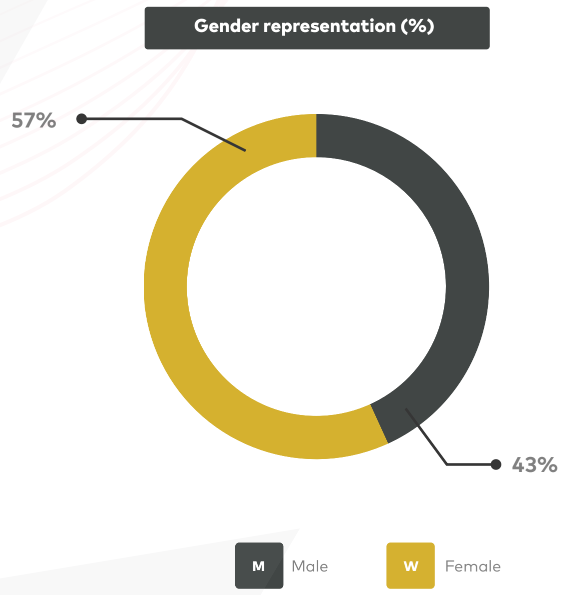


Figure 10: Diversity and gender representation

Overall, Employment Equity targets were barely met. Below is a high-level overview of performance achievement over a 3-year period against the set targets. As at the end FY2022/23, the following outcomes and achievements were recorded.

Employment Equity Performance Results								
Occupational Level	Race				Gender			
	AM	CM	IM	WM	AF	CF	IF	0
Top management (Executive)	0	0	0	0	1	0	0	0
Senior management (Head of department)	4	0	0	0	1	0	0	0
Middle management	4	0	0	0	3	0	0	-2
Skilled	25	1	1	0	18	-2	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	**-2**
Total	**33**	**1**	**0**	**0**	**23**	**-2**	**0**	

Table 18: Employment Equity Targets/Performance Results

The Employment Equity and Skills Development Committee was established and members received training during the year under review.

HR **GOVERNANCE**

Postbank is committed to transforming the workplace and ensuring compliance with applicable legislative requirements. The following Employment Equity and Skills Development objectives were achieved:

- Risk review process was initiated.
- Policiy review process was initiated.
- Cross functional engagements held to align on governance requirements and risk framework.

PERFORMANCE **MANAGEMENT**

Effective performance management, tracking, and reporting processes are paramount to driving a high-performance culture in a business. Postbank will be able to compete and thrive in the banking sector provided it ensures all critical performance objectives and measures (linked to business success) are correctly identified, appropriately structured, and contracted against every Executive leader and cross-functional team. During FY2022/23 performance management process remained a challenge for the business. Plans are in place to capacitate the HR discipline to facilitate, track and report performance progress. Systemic challenges hinder our ability to accurately track and report progress. Organisation-wide capacity development will be implemented in the new financial year. Business priority focus and performance areas were largely dictated by reactive measures aimed at mitigating business-as-usual operational challenges and cyber-attack risks the bank was exposed to.

Capacitation of management and employees will help establish the foundation for effective implementation of the performance differentiation principles, performance-based rewards approaches, and development of incentive schemes which the Bank will put in place to drive high-performance culture and ensure retention of effective and performing critical resources in the business.

EMPLOYEE **WELLNESS**

During the period under review, Human Resources appointed a service provider to provide Employee health and wellness programmes focused on employee assistance programme (EAP), disability management, incapacity management, and occupational health promotion.

WAGE **NEGOTIATIONS**

Postbank Employee Relations focused its efforts on building relations with the organized labour. During the year under review, planned wage negotiation process was delayed due to instability within the employee representative organisations.

PART E

FINANCIAL INFORMATION

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON SOUTH AFRICAN POSTBANK

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

1. I was engaged to audit the financial statements of the public entity set out on pages 102 to 171, which comprise statement of financial position as at 31 March 2023, 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

Other deposits (grants)

3. I was unable to obtain sufficient and appropriate audit evidence for other deposits (grants) because of the limitations imposed by the information system that manages the related transactions. I was unable to confirm the other deposits by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the other deposits (grants) stated at R1 586 297 000 (2022: R1 201 479 000) in note 17, and the related amount included in financial instruments and risk management in note 36, to the financial statements.

Trade and other receivables

4. I was unable to obtain sufficient and appropriate audit evidence for the cash pay point (CPP) receivables due to the inadequate status of the accounting records. I was unable to confirm the CPP receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the CPP receivables stated at R377 448 000 in note 11 to the financial statements.

Deposits due to customers

5. I was unable to obtain sufficient and appropriate audit evidence for deposits due to customers because of the inadequate status of the accounting records. I was unable to confirm the deposit from customers by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the deposits due to customers stated at R8 146 767 000 in note 16, and the related amount included in financial instruments and risk management in note 36, 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 and 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 555 171 000 (2022: R3 555 171 000) in note 14 to the financial statements.

Transaction and service fee income

7. I was unable to obtain sufficient appropriate audit evidence for fee and transactional income because of the inadequate status of accounting records and a lack of required reconciliations between the supporting information systems. 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 499 727 000 (2022: R1 592 743 000) in note 21 to the financial statements.

Material losses

8. I was unable to obtain sufficient appropriate audit evidence that material losses are complete due to the significance of internal control deficiencies identified in the key business systems and fraud incidents. I was unable to confirm the completeness of material losses by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to material losses stated at R103 620 000 (2022: R93 349 000) in note 38 to the financial statements. I was unable to determine whether any further adjustments was necessary to material losses and other write-offs stated at the R103 620 000 (2022: R94 750 000) in note 24 to the financial statements.

Intercompany receivable

9. I was unable to obtain sufficient appropriate audit evidence that all intercompany receivables were recorded due to the inadequate status of the accounting records and the limitations imposed by the information system that manages the related transactions. Consequently, I was unable to determine whether any adjustment was necessary to intercompany receivables, stated at R3 181 996 000 (2022: R2 368 233 000) in note 9, the same amount included in related parties in note 29, and the related amounts included in the financial instruments and risk management, in note 36 to the financial statements.

Material uncertainty relating to going concern

10. I draw attention to note 33 to the financial statements, which indicates that the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern and further describes the events or conditions, along with other matters as set forth in note 33 that may cast significant doubt on the public entity's ability to continue as a going concern, and how the public entity is responding to such events or conditions. My opinion is not modified in respect of these matters.

Emphasis of matter

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

Restatement of corresponding figures

12. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2023.

Other matters

13. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Cyber security incidents

14. I reported in the 2021-22 audit report in paragraph 11, misstatements in the financial statements which were indicative of significant fraud. Some of these matters in the prior and current year, although known to the accounting authority and management for some time since they occurred, were not always brought to the attention of the auditors and therefore cast doubt on the representations made by management and the accounting authority. I issued management with a final special management report on the Postbank cyber security audit, signed 30 January 2023. In this report, I alerted management to the assessment of significant risks. These fraud related incidents reported in the prior year continued on the integrated grant payment system, and have now extended to the universal banking system (UBS) in the 2022-23 financial year. Management reported approximate losses of R89 million and R3 999 630, in 2021-22. Subsequent losses of R26 586 597 from IGPS and another R30 716 108 from UBS were suffered in 2022-23. Some initiatives were implemented by management and the accounting authority subsequent to year-end. Some of the significant internal control deficiencies which resulted in these significant matters are as described in paragraphs 46 - 53 of this report.

15. At the time of finalising my report, I was not able to fully assess management's response to my findings. I will deal with the follow-up work on IGPS and UBS and report accordingly when my work is concluded.

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

16. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 34 and 35 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of South African Postbank SOC Limited. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

17. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

18. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS), and 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.

19. In preparing the financial statements, the accounting authority is responsible for assessing the public 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 public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

20. 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.

21. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International coc/e of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that are relevant to my audit 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

22. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objective presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

23. I selected the following objective presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected an objective that measures the public entity's performance on its primary mandated functions and is of significant national, community or public interest.

Objective	Page numbers	Outcome description
Become a retail & business Bank	34	This objective focuses on implementing several strategic initiatives that will enable Postbank to operate as a retail & business bank. These initiatives include: 1. Redesigning Postbank's business model 2. Optimising its business functions, processes and operating procedures 3. Modernising the bank's IT platform to comply with banking legislation and regulatory prescripts.

24. I evaluated the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides users with useful and reliable information and insights regarding the public entity's planning and delivery on its mandate and objectives.

25. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently, and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

26. I performed the procedures only for the purpose of reporting material findings and not to express an assurance opinion.

27. I did not raise any material findings on the reported performance information regarding the objective 'Become a retail & business bank'.

Other matter

28. I draw attention to the matter below.

Achievement of planned targets

29. The annual performance report includes information on repoi1ed achievements against planned targets and provides explanations for underachievements.

REPORT ON COMPLIANCE WITH LEGISLATION

30. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

31. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

32. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow for consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

33. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual report

34. 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 (b) of the PFMA.

35. 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

36. Effective and appropriate steps were not taken to prevent irregular expenditure. The majority of the irregular expenditure disclosed in the financial statements was caused by entity approving agreements without following proper SCM processes.

Procurement and contract management

37. I was unable to obtain sufficient appropriate audit evidence that all contracts were awarded in accordance with the legislative requirements as information on those awards could not be provided.

38. I was unable to obtain sufficient appropriate audit evidence that goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. This limitation was identified in the procurement processes by other means.

Consequence management

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

Revenue management

40. 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.

Strategic planning

41. An annual shareholder's compact was not concluded in consultation with the executive authority as required by treasury regulation 29.2.1.

OTHER INFORMATION IN THE ANNUAL REPORT

42. The accounting authority is responsible for the other 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 71 of 2008. The other information referred to does not include the financial statements, the auditor's report and those selected objective presented in the annual performance report that have been specifically reported on in this auditor's report.

43. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

44. My responsibility is to read this other information and, in doing so, consider whether it 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.

45. I did not receive the other information prior to the date of this auditor's report, When I do receive and read this information and 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

46. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

47. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion and the material findings on compliance with legislation included in this report."

48. Management did not implement adequate internal controls to ensure the preparation of accurate financial statements as numerous material misstatements were identified that resulted in the modification of the auditor's opinion.

49. Key positions were not timeously filled to ensure stability, adequate development and implementation of the audit action plan. The continuous changes in the chief information officer (CIO) position and inadequate capacitation of the information technology (IT) function have resulted in the over-reliance on service providers and created an environment that focused more on resolving operational challenges than on the implementation of controls.

50. Leadership and management did not exercise oversight responsibility to ensure that the internal control over the integrated grants payment system (IGPS), such as reconciliations of data with other key systems are implemented. The entity did not implement key application controls on the key banking systems (IGPS and UBS) that can prevent and detect deficiencies whether due to fraud or error. The entity did not implement adequate user access management, particularly those with special access privileges, to protect against misuse and unauthorised access.

- User management in IGPS is poor; as there were 1 524 active users with branch manager privileges.

- User management in IGPS is poor; as there were 1 524 active users with branch manager privileges.
- There were missing transactions in the transaction log tables.
- SMS functionality to warn customers of amounts exiting or entering their account was not active as an early warning mechanism for unauthorised/ fraudulent transactions.
- There were account and card number correlations and irregularities in IGPS, suggesting that the database remained compromised beyond the disappearance of transaction logs.
- Management further did not provide sufficient access to the data required to perform the follow-up procedures on cyber security audit.
- 51. Leadership did not implement effective monitoring controls over services rendered by a shareholding entity on its behalf. Postbank 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 caused significant limitations and delays in the submission of information, material errors and material non-compliance, which resulted in irregular expenditure and an unfavourable audit outcome.
- 52. Management did not timeously implement proper record keeping of information for which they were responsible, to ensure that complete, relevant and accurate information was accessible and readily available to support credible financial reporting and compliance, resulting in limitations and exposure in the key business processes, transactions and balances.
- 53. The leadership did not ensure that adequate structures, processes and practices were implemented for the governance of IT. The principles and guidance of good corporate governance (King IV) and IT governance (Cobit) practices were not adequately implemented.

MATERIAL IRREGULARITIES

54. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities in progress

55. I identified other material irregularities during the audit and notified the accounting authority of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the responses from the accounting authority. These material irregularities will be included in next year's auditor's report.

OTHER REPORTS

56. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or compliance with legislation.

Investigations

57. Final report on an investigation into contract management at Postbank, by an external service provider, that covered the period 22 December 2017 to December 2022, was issued on 23 June 2023 and recommendations were issued to management.

58. A draft report was issued by the same external service provider on an investigation into alleged cyber theft of money from the Postbank, which covered the period September 2021 to December 2022. The report had not been finalised at the date the audit report.

59. Another draft report was also issued by the same external service provider on the review of fraud risk management at Postbank. The report had not been finalised at the date the auditor report.

Auditor-General

Pretoria
30 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

ANNEXURE TO THE **AUDITOR'S REPORT**

The annexure includes:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR **THE AUDIT**

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

Financial Statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

COMPLIANCE WITH **LEGISLATION**

Selected legislative requirements

Legislation	Sections or regulations
Public Finance Management Act No.1 of 199e (PFMA)	Section 50(3); 50(3}{a); 50(3}{b) Section 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b); 51(1}(b}(i); 51(1)(b)(ii); 51(1)(e}(iii) Section 52(b); Section 53(4); Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56; Section 57(b); 57(d); Section 66(3}(a)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Regulation 29.1.1; 29.1.1(a); 29.1.1(c;); 29.2.1; 2e.2.2; 29.3.1 Regulation 31.2.5; 31.2.7(a) Regulation 33.1.1; 33.1.3
Companies Act No.71 of 2008	Section 30(3)(b}(i); 33(1)(a) Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1}(b); 46(1)(c') Section 72(4)(a); Section 75{6); Section 86(1); 86(4); Section 88(2)(d); Section 112(2}(a); Section 129(7)
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Companies Regulations	Regulation 30(2); 43(2}(a)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(fj
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5; Paragraph 9.1; 9.2 Paragraph 10.1; 10.2; Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 2021-22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c);4.4(d); 4.6 Paragraph 5.4
NT SCM Instruction Note 4A of 2016-17	Paragraph 6

Legislation	Sections or regulations
NT SCM Instruction Note 03 2019-20	Paragraph 5.5.1(iv); 5.5.1(x)
NT SCM Instruction Note 11 2020-21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1;6.2;6.7
PFMA SCM Instruction Note 08 of 2022-23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
Competition Act	Section 4{1}(b)(ii)
NT Instruction Note 4 of 2015-16	Paragraph 3.4

AUDIT COMMITTEE REPORT

This report is provided by Postbank SOC Limited audit committee, in respect of the 2023 financial year of Postbank SOC 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.

1. MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee of Postbank comprises of at least 3 Independent non-executive directors and the chairperson of Audit Committee is also an independent non-executive director. The Audit committee is a statutory committee of Postbank and adopts the recommendation of King IV™ Report on Corporate Governance in South Africa. Postbank aspires to be a registered licenced bank in terms of the Banks Act, as such the Audit Committee complied with requirements of the Banks Act. 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 of any of the subsidiaries of the controlling company.

Name	Qualification	Experience	Start Date	End Date
Mr. G Mancotywa	Master's degree in Management (Macro Economics); B Com (Economics & Commercial Law); Post Graduate Diploma in Management (Strategy & Analytics);Certificate in Financial Management	Banking and aviation industries.	2020/10/01	Current Member AC
Ms. V Matsiliza	Cert. Dir. CD (SA), MBL Honours in Economics (Cum Laude), Secondary Teachers Diploma	Treasury management, Project finance and Corporate finance	2022/10/01	Current Member AC
Mr. A Latchu	Ph.D student, Masters in IT, Honours in IT, Bsc in IT	IT specialist	2022/10/01	Current Member AC
Mr. M Mahosi	B Admin Hons, Accredited Member of IODSA	Retail and Development Banking experience	2022/10/01	Current Member AC
Dr Adv L Hefer	B.Sc (Hons); LL.B; LL.M; Ph.D	Corporate laws and Governance, Author and authority in various laws	2020/10/01	Current Member AC

Table 19: Members of the audit committee

The Audit Committee reviewed the unaudited Annual Financial Statements and the Audit Report for the period under review and recommended both for Board's approval. The Committee is satisfied that the members have the necessary knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Regulation, 2011.

2. MEETINGS HELD BY THE AUDIT COMMITTEE

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

3. FUNCTIONS OF THE AUDIT COMMITTEE

The Committee's operation is guided by a detailed mandate that is informed by the Companies Act, the Banks Act, Postbank's Terms of Reference (ToR) and its Memorandum of Incorporation (MOI). The functions of the Audit Committee are carried out in line with the prescripts of the committee's ToR as set out below:

In respect of the financial statements:

- 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;
- 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;
- Review the annual financial statements, and consider whether they are accurate, complete and consistent with information known to committee members;
- 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;
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information;
- 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 committee; and
- Oversee integrated reporting which includes financial information, sustainability, interim results and summarised information.

In respect of the Internal Audit:

- Ensure that internal audit is independent of management in terms of International Internal Audit Standards and that it has the necessary resources, budget, standing and authority within Postbank to enable it to discharge its functions;
- Be responsible for the appointment and termination of the services of the Chief Audit Executive, as well as oversee the budget, resource plan and organisational structure and objectives of the internal audit function;
- Approve the internal audit charter, internal audit plan, internal audit strategic plan and operational plan;
- Encourage co-operation between external and internal audit;
- Review the effectiveness of the internal audit function and evaluate performance in terms of the agreed goals and objectives and conformance with International Standards for Professional Practice of Internal Auditing; and
- Ensure that the function is subjected to independent quality review.

In respect of the External Audit:

- 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. However, Postbank is currently audited by Auditor General of South Africa as a State Owned Entity;
- Determine the fees to be paid to the auditor and the auditor's terms of engagement;
- 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;
- 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;

- Pre-approve any proposed agreement with the auditor for the provision of non-audit services to Postbank;
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- Address any potential restrictions or limitations of scope with management;
- Resolve any disagreements between management and external auditor if they arise;
- Review the management letter and management's response to the auditors' findings and recommendations; and
- Review the effectiveness of the audit process annually.

In respect of Risk Management:

- Oversee the financial reporting risks;
- Oversee the internal financial controls;
- Oversee the fraud risks as it relates to financial reporting and internal controls;
- Oversee IT risks as it relates to financial reporting and internal controls;
- Review the results of and response to reporting via the Postbank ethics line or equivalent; and
- Review the monitoring process to ensure the ethical behaviour of Postbank, its management and officials as determined by the Social and Ethics Committee Terms of Reference.

In respect of combined assurance:

- 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, 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;
- The following should be disclosed in statement by the Audit Committee setting out the views of the Audit Committee relating to:

1. Satisfaction that the external auditor is independent of Postbank;
2. Significant matters that the Audit Committee has considered in relation to the annual financial statement, and how these were addressed by the committee;
3. Quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators;
4. Effectiveness of the Chief Audit Executive and the arrangements for internal audit.
5. Effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error;
6. Effectiveness of the Chief Financial Officer (CFO) and the finance function; and
7. Arrangements in place for combined assurance and the Committee's views on its effectiveness.

In respect of Compliance:

- The Audit Committee must consider the legal and regulatory requirements to the extent that it may have an impact on the financial statements;
- Review the findings of any examinations by regulatory agencies, and any auditor observations;
- 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;
- Review the adequacy of the regulatory report processes, including quality of reporting and adequacy of systems and human resources to complete these functions satisfactorily;
- Meet as required with the regulators;
- 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
- Interact periodically with other Committees to be informed of matters that may affect the functioning of the Audit Committee.

4. FOCUS AREAS FOR THE AUDIT COMMITTEE

- 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 weakens the business of Postbank;
- There 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 irregular expenditure 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 must ensure that it establishes an internal audit function as part of its risk management framework to serve primarily as the first line of defense as far as internal controls, adherence to processes and procedures is concerned. The weaknesses in its control environment are exacerbated by the absence of an internal audit function within Postbank. This function will also help in clearing any outstanding audit issues raised by the external auditors and thus put controls in place to avoid repeat findings;
- Postbank need to review its over reliance on SAPO given the challenges that SAPO is currently faced with. An urgent review of all the Service Level Agreements (SLAs) with SAPO need to be performed and these be brought inhouse as part of the corporatisation 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 in the normal cause of business.

5. I NDEPENDENCE 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.

On behalf of the Audit committee

Mr. G Mancotywa
Acting Chairperson - Audit Committee
24 July 2023

DIRECTORS' RESPONSIBILITIES

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the audited financial statements and related financial information included in this report. It is their responsibility to ensure that the audited financial statements fairly present the state of affairs of the Bank 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 audited 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 Bank 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 Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank 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 audited 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 Bank's cash flow forecast for the year to 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the Bank has access to adequate resources to continue in operational existence for the foreseeable future.

The independent auditor is responsible for independently auditing and reporting on the Bank's audited financial statements.
The audited financial statements have been examined by the Bank's independent auditor.

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the audited financial statements of South African Postbank (SOC) Ltd for the year ended 31 March 2023.

1. Incorporation

The Bank 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 6 of the South African Postbank Limited Act No. 9 of 2010. There have been no material changes to the nature of the Bank's business from the prior year.

3. Review of financial results and activities

The audited financial statements have been prepared in accordance with International Financial Reporting Standards, Public Finance Management Act and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently in preparation of the financial statements. The Bank reported net assets of R1.4 billion and a net loss of R2 billion for the 2023 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	Appointment date
Ms LR Mokgabudi	Non-executive Independent	South African	Appointed Saturday, 01 October 2022, Resigned 31 October 2022
Mr L Ndala	Interim Chief Executive Officer	South African	Appointed Monday, 11 April 2022, Resigned, 31 March 2023
Mr. T Wonci	Chairperson of the Board	South African	Appointed Thursday, 01 October 2020 as director and appointed as a chairperson on 01 March 2022.
Mr. G Mancotywa	Non-executive Independent	South African	Appointed Thursday, 01 October 2020
Adv. L Hefer	Non-executive Independent	South African	Appointed Thursday, 01 October 2020
Mr. A Latchu	Non-executive Independent	South African	Appointed Saturday, 01 October 2022
Mr. M Mahosi	Non-executive Independent	South African	Appointed Saturday, 01 October 2022
Ms. V Matsiliza	Non-executive Independent	South African	Appointed Saturday, 01 October 2022
Ms. L Tungamirai	Non-executive Independent	South African	Appointed Saturday, 01 October 2022

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 Bank, were made by the Bank 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

1. Basis of preparation of the annual financial statements

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Bank will have funds available to finance future operations and that realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Although the Bank had accumulated losses of R 2 billion it has to be noted that the Bank remains solvent as total assets exceed its liabilities by R1.5 billion.

Certain conditions have given rise to a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Refer to note 33 for details.

9. Litigation statement

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

10. Auditors

The Bank reappointed the Auditor General of South Africa as the auditor of the Bank for 2022/23.

11. Secretary

The Bank has appointed an Acting Company Secretary, Tlamelo Majatladi on 20 May 2021.

12. Acknowledgements

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

Approval of audited financial statements

Mr. Thabile Wonci
Board Chairperson
28 July 2023

FINANCIAL
HIGHLIGHTS

KEY FINANCIAL
INDICATOR

Indicator	31-Mar-23	31-Mar-22
Net Profit/ (Loss)	(R2 bn)	R302 m
Revenue	R2.1 bn	R1.9 bn
Net Interest Income	R552 m	R335 m
Non-interest Revenue	R1.5 bn	R1.59 bn
Net Interest Margin	4%	3%
Cost to Income Ratio	84%	77%
Total Assets	R11 bn	R13 bn
Return on Assets	-16%	3%
Return on Equity	-136%	9%
Capital Adequacy Ratio	27%	46%

Financial Overview by the **Chief Financial Officer**

"Postbank's revenue increased from R1.9 billion in the prior year to R2.1 billion in the current financial year. This can be attributed to an increase in Net Interest Income which increased by 65% to R552 million."

Mr. Innocent Hlungwani
Chief Financial Officer

PROFITABILITY

REVENUE

The Bank reported a net loss of R2 billion in 2022/23 financial year as compared to a profit of R302 million is the prior year. The net loss is mainly as a result of an increase in expected credit loss and SASSA project costs incurred. However, on Pre-Impairment Operating Profit basis, the Bank still recorded a profit of R194m. The encouraging results were achieved under difficult operating environment. Postbank's revenue increased from R1.9 billion in the prior year to R2.1 billion in the current financial year. This can be attributed to an increase in Net Interest Income (NII) which increased by 65% to R552 million (31 March 2022: R335 million). This was as a result of the increase in the repo rate by SARB in the year under review. The Net interest margin improved to 4% from 3% in the prior year. The bank's non-interest revenue declined by 6% to R1.5 billion (31 March 2022: R1.6 billion) as a result of a decrease in transaction volumes resulting from imposed Regulatory limitations and the closure of the SAPO branches. The challenges experienced have negatively impacted on the existing customer's ability to transact, thus having an adverse effect on the bank's ability to generate non-interest revenue. Furthermore, the bank was unable to issue new cards, owing to the SARB's variation notice, thereby limiting the Bank's ability to attract and on-board new customers.

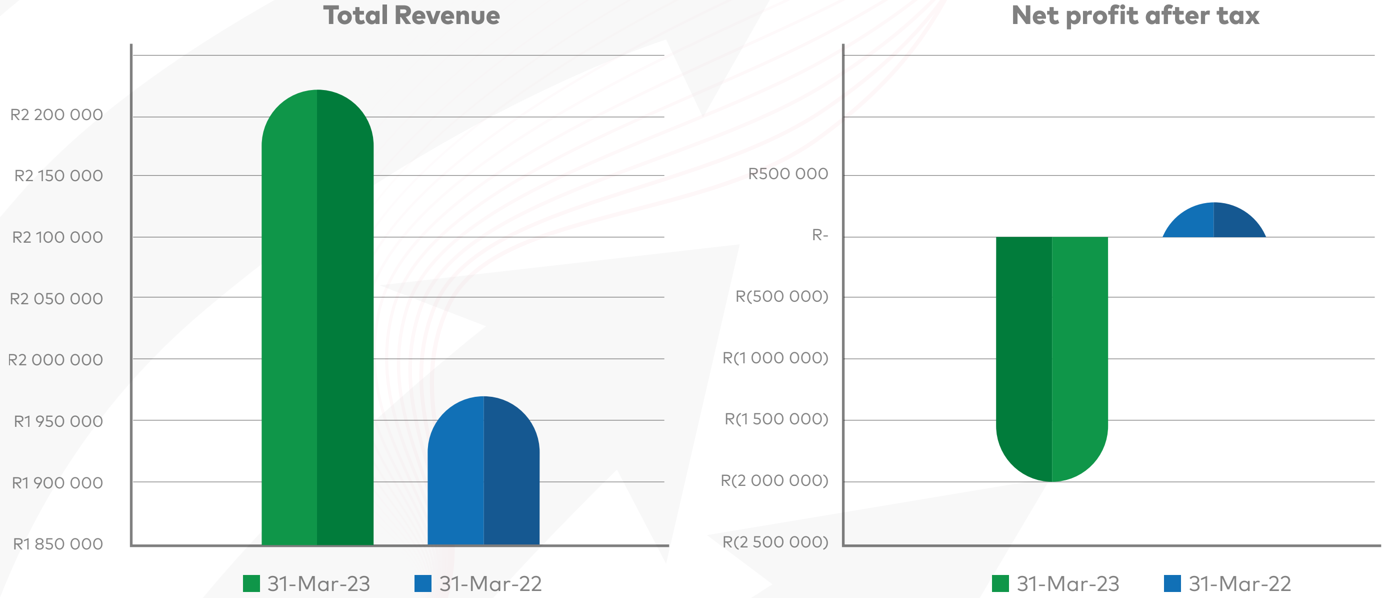


Figure 11: Total Revenue and Net profit after tax

COST **OPTIMISATION**

Other operating costs increased by 55% to R884 million in the year under review from R568 million in prior year impacted by the increase in costs to serve the SASSA beneficiary base following the cession of the SASSA contract to Postbank in October 2022. The increased cost mainly related to marketing, CIT (cash in transit) and dignity services costs to support the Cash Pay Points (CPP). However, transactional expenses decreased by R168 million from prior year and it is consistent with the decline in transactional fee income. Cost to income ratio increased to 84% (31 March 2022: 77%) which exceeds the targeted ratio of 60.2%.

The high cost to income ratio is as a result of declining non- interest revenue and an increase in operating expenditure during the year under review. Management will continue to optimise the key processes and core functions to achieve the target CTI ratio, given pressure on the revenue growth.

TOTAL **ASSETS**

Total assets decreased from R13 billion in the previous year to R11.5 billion in the current year. The decline is a result of a decrease in cash and equivalent and the impact of the Expected Credit Loss (ECL) provision. The expected credit loss in the current year increased significantly by R2.2 billion is due to the increase in the intercompany debt balance and the stage classification for SAPO. The SAPO stage classification worsened to stage 3 (non-performing stage) mainly due to SAPO being under provisional liquidation and subsequently placed under Business Rescue. Trade and other receivables have increased from R621 million in previous year to R1.1 billion in the year under review. The increased is mainly due to Cash Pay Points (CPP) advances, also an increase in SASSA transactional billing receivables. The Return on Assets (RoA) worsened from 2% in previous financial year to negative 17% in the current year. Postbank's Return on Equity (RoE) also worsened from 9% of prior year to -136% in the current year as a result of a significant decline in retained earnings for the current financial year. The Bank's capital adequacy ratio decreased to 27% (31 March 2022: 55%) below the minimum required by the Prudential Authority. The ratio declined

compared to the previous years as a result of the decrease in equity in current financial year due to the operating loss recorded. As at the 31 March 2023, Postbank had R2.3 billion invested in of HQLA, and a Liquidity Cover Ratio (LCR) and Net Stable Funding Ratio (NSFR) well above the minimum required by the Prudential Authority. Cash from Operating Activities resulted in a net outflow of R1.3 billion from a net inflow R2.2 billion in the prior year due to increased operating costs and increase in intercompany receivable.

STATEMENT OF FINANCIAL POSITION **AS AT 31 MARCH 2023**

	Note(s)	2023 R'000	2022 Restated* R'000
Assets			
Non-Current Assets			
Property, plant and equipment	3	106,263	17,179
Right-of-use assets	4	23,424	5,579
Intangible assets	5	32,777	40,171
Investments	7	349,319	-
Deferred tax	8	142,946	76,485
		654,726	**139,414**
Current Assets			
Investments	7	6,032,401	5,060,911
Intercompany receivables	9	876,734	1,938,398
Inventories	10	-	-
Trade and other receivables	11	1,115,878	621,038
Cash and cash equivalents	12	2,667,521	5,290,116
Current tax receivable	26	130,129	113,019
		10,822,663	**13,023,482**
Total Assets		**11,477,389**	**13,162,896**
Equity and Liabilities			
Equity			
Reserve for Valuation of Investments		2,812	2,212
Other reserves	14	3,555,171	3,555,171
Accumulated losses		(2,086,276)	(84,802)
		1,471,707	**3,472,581**
Liabilities			
Non-Current Liabilities			
Lease liabilities	4	15,340	-
Provisions	15	682	682
		16,022	**682**
Current Liabilities			
Lease liabilities	4	5,553	7,067
Provisions	15	40,137	11,808
Deposits due to customers	16	8,146,767	8,376,388
Other deposits	17	1,586,297	1,201,479
Trade and other payables	18	210,906	92,891
		9,989,660	**9,689,633**
Total Liabilities		**10,005,682**	**9,690,315**
Total Equity and Liabilities		**11,477,389**	**13,162,896**

* See Note

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2023 R'000	2022 Restated* R'000
Interest and similar income	19	663,476	366,852
Interest expense and similar charges	20	(111,477)	(31,957)
Net Interest income		**551,999**	**334,895**
Transactional and service fee income	21	1,506,834	1,599,417
Other interest expens	4&15	(2,557)	(1 046)
Interest accrued from SARS		1,931	1 042
Employee costs	22	(156,441)	(161 133)
Other operating costs	24	(884,489)	(568 496)
Expected credit loss	27	(2,231,282)	148 987
Transactional expenses	23	(823,041)	(991 653)
(Loss) profit before taxation		**(2,037,046)**	**362,013**
Taxation	25	35,572	(57,477)
(Loss) profit for the year		**(2,001,474)**	**304,536**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
(Losses) gains on valuation of investments in equity instruments		(198)	(2,340)
Income tax relating to items that will not be reclassified		798	369
Total items that will not be reclassified to profit or loss		**600**	**(1,971)**
Other comprehensive income for the year net of taxation		**600**	**(1,971)**
Total comprehensive income (loss) for the year		**(2,000,874)**	**302,565**

* See Note

STATEMENT OF **CHANGES IN EQUITY**

	Other reserves R'000	Reserve for Valuation of Investments R'000	Total reserves R'000	Retained income R'000	Total equity
Restated* Balance at 01 April 2021	**3,555,171**	**4,183**	**3,559,354**	**(389,339)**	**3 170 015**
Restated * Profit/(loss) for the year	-	-	-	304,536	304536
Other comprehensive income	-	(1,971)	(1,971)	-	(1 971)
Total comprehensive Loss for the year	**-**	**(1,971)**	**(1,971)**	**304,536**	**302,565**
Opening balance as previously reported	3,555,171	2,212	3,557,383	(65,144)	3,492,239
Adjustments					
Prior year adjustments	-	-	-	(19,658)	(19,658)
Balance at 01 April 2022 as restated	**3,555,171**	**2,212**	**3,557,383**	**(84,802)**	**3472581**
Loss for the year	-	-	-	(2,001,474)	(2,001,474)
Other comprehensive income	-	600	600	-	600
Total comprehensive Loss for the year	**-**	**600**	**600**	**(2,001,474)**	**(2,000,874)**
Balance at 31 March 2023	**3,555,171**	**2,812**	**3,557,983**	**(2,086,276)**	**1,471,707**
Note(s)	14			32	

* See Note

STATEMENT OF CASH FLOWS

	Note(s)	2023 R'000	2022 Restated* R'000
Cash flows from operating activities			
Profit (Loss) before taxation		(2,037,046)	362,013
Adjustments for			
Depreciation and amortisation		45,319	37,018
Inventory write-off expense		-	-
Expected credit loss		2,231,283	(148,987)
Interest expense and similar charges		114,034	33,003
Interest income		(663,476)	(366,852)
Fraud losses		-	(969)
Movements in provisions		28,328	3,021
Interest received		474,210	284,254
Interest paid		(111,477)	(31,957)
Other non-cash items		16,590	(385)
Changes in working capital:			
Trade and other receivables		(1,652,101)	251,238
Trade and other payables		118,019	35,032
Movement in depositors funds		155,196	1,681,468
Cash generated from operations		**(1,281,122)**	**2,137,897**
Finance costs		-	-
Tax (paid)/refund	26	(45,269)	(47,223)
Net cash from operating activities		**(1,326,391)**	**2,090,674**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(24,977)	(27,00)
Purchase of other intangible assets	5	(24,263)	(4 236,00)
Movement in financial assets		(1,239,259)	(366,485)
Net cash from investing activities		**(1,288,499)**	**(370,748)**
Cash flows from financing activities			
Lease payments	4	(7,706)	(6,970)
Total cash movement for the year		**(2,622,595)**	**1,712,956**
Cash at the beginning of the year		5,290,116	3,577,160
Total cash at end of the year	12	**2,667,521**	**5,290,116**

* See Note

ACCOUNTING **POLICIES**

Corporate information

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 Bank 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 audited 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 of South Africa 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 Bank'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 Bank entered into a two (2) year lease of a building with rentals of average amount of R448 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.

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 Bank 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.

1.2. Significant judgements and sources of estimation uncertainty (continued)

Allowance for 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.

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 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 var 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 useful lives. 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, 1.2. Significant judgements and sources of estimation uncertainty (continued)

existing market conditions as well as forward-looking estimates at the end of each reporting period.

Employee benefit accruals and provisions

In determining the value to be placed on the long-term 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.

Provision

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 14. 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
Buildings	Straight line	Term of the lease plus the option to extent
Plant and machinery	Straight line	3-20 Years
Furniture and fixtures	Straight line	3-15 Years
IT equipment	Straight line	3-8 Years
Leasehold improvements	Straight line	Term of the lease plus the option to extent

Property, plant and equipment are tangible assets which the Bank 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.

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.

1.3. Property, plant and equipment (continued)

Subsequent to initial measurement, property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment. 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.

Right of use of assets

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 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. 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. The amortisation period and the amortisation method for intangible assets are reviewed every period-end. 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
Computer software and licenses	Straight line	2-8 Years
Intangible assets under development	Straight line	Not amortised until is complete and in use

1.5. Financial instruments

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

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

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.

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

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

Financial assets at amortised cost include:

- Cash and cash equivalents
- Trade receivables
- Fixed deposits
- CPD
- Goverment bonds
- Intercompany receivables
- Loans to group companies

Financial asset at Other Comprehensive Income includes the following:

- NCD (Negotiable certificates of deposits)

Financial liabilities:

- Amortised cost

Note 36 Financial instruments and risk management presents the financial instruments held by the Bank 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 urchases 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 Bank 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. Refer to note 11 for details.

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 Bank'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 Bank 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 losses using the simplified approach.

1.5. Financial instruments (continued)

Measurement and recognition of expected credit losses

The Bank 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 11.

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 material operating items requiring separate disclosure in profit or loss as a movement in credit loss allowance note 27.

Details of credit risk are included in the trade and other receivables note 11 and the financial instruments and risk management note (Note 36).

Trade and other payables and Deposits due to customers

Classification

Trade and other payables note 18, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost. The Bank's financial liabilities at amortised cost include customer deposits.

Recognition and measurement

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.

Trade and other payables expose the Bank to liquidity risk and possibly to interest rate risk. Refer to note 36 for details of risk exposure and management thereof.

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 Bank 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 Bank'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 in profit 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 as referred to in the cash flow statement comprise cash at bank, short-term investments and amounts due from banks on demand or with an original maturity of three months or less from the date of acquisition. Cash and cash equivalents are measured at amortised cost. The amortised cost of the cash and cash equivalents approximates its fair value.

Derecognition

Financial assets

The Bank 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 Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets

The Bank derecognises financial liabilities when, and only when, the Bank 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.

1.6. 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.

1.7. Leases

Identifying a lease

At inception of a contract, the Bank assesses 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

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.

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.

1.8. Inventories

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

Net realisable value (NRV) 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.

The cost of inventories is assigned using the weighted average cost formula.

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.

1.9. Impairment of non-financial assets

The Bank 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 Bank estimates the recoverable amount of the asset.

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.

1.10. Reserves

Other reserve

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.

Reserve for valuation of investment

The reserve is created to account for an increase/decrease in the value of investments. Any increase in value will be credited (increase the reserve a/c) to this account, and any decrease in value will be debited (decrease the reserve a/c) to the account.

1.11. 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 bank's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.12. Provisions and contingencies

Provisions are recognised when:

- the bank 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.

1.12. Provisions and contingencies (continued)

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 Bank 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 37.

1.13 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 obligation (PO)

Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.
An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises 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, the Bank 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 fees, cash withdrawal fees, enquiry fees, administration fees; fund transfer 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 recognised 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 and declined purchases. This revenue is recognised at a point in time when transactions are declined.

1.13 Revenue from contracts with customers (continued)

Interest income and expenses

Interest income and expense are recognised in the income statement for all instruments measured at amortised 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.

1.14. 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 institutions 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 whether there have been transactions between them. Postbank discloses the name of the shareholder and the ultimate controlling party.

1.15. Irregular expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorised 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 finalisation 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.

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.

In 2022 National Treasury issued the PFMA Compliance and Reporting Framework replacing previous guidance and strengthens the identification, investigation, management, condonation and reporting functions. The transitional provisions in terms of the new guidance requires irregular expenditure disclosed in the annual financial statements of the Bank in the previous financial year must be disclosed as a comparative amount in the annual financial statements. This results that irregular expenditure when incurred and confirmed is recorded in the annual financial statements disclosure and relates to irregular expenditure incurred in the current financial year with a one financial year comparative analysis.

National Treasury does not require the Bank to report a cumulative balance, however the analysis for previous financial years must be recorded in the register and dealt with in terms of its recovery process.

1.16. 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.

1.16. Fruitless and wasteful expenditure (continued)

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.

In 2022 National Treasury issued the PFMA Compliance and Reporting Framework replacing previous guidance and strengthens the identification, investigation, management, condonation and reporting functions. The transitional provisions in terms of the new guidance requires fruitless and wasteful expenditure disclosed in the annual financial statements of the Bank in the previous financial year must be disclosed as a comparative amount in the annual financial statements. This results that fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure and relates to fruitless and wasteful expenditure incurred in the current financial year with a one financial year comparative analysis.

National Treasury does not require the Bank to report a cumulative balance, however the analysis for previous financial years must be recorded in the register and dealt with in terms of its recovery process.

1.17. 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.

1.18. Other operating expenses

Other operating expenses consist of different types of expenditure items as per note 24. These expenses are recognised as an expense in profit or loss in the year that the expenditure was incurred.

1.19. Material losses

Material losses are losses incurred through criminal conduct occurred during the financial year. These losses are recognised as an expense in profit or loss in the year that the expenditure/loss was incurred.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

2. Standards and Interpretations issued not yet effective

The Bank has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Bank's accounting periods beginning on or after 01 April 2023 or later periods:

2.1. Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.
The Bank expects to adopt the amendment for the first time in the 2024 annual financial statements.

2.2 Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty." The effective date of the amendment is for years beginning on or after 01 January 2023. The Bank expects to adopt the amendment for the first time in the 2024 annual financial statements.

2.3. Classification of Liabilities as Current or Non-current - Amendments to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.
If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The Bank expects to adopt the amendment for the first time in the 2024 annual financial statements.

2.4. Deferred tax related to Assets and Liabilities arising from a single transaction - amendments to IAS 12

The amendment clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after 01 January 2023. The revised standard will be applied prospectively and will not have a material impact on the Bank's financial statements.
The Bank expects to adopt the amendment for the first time in the 2024 annual financial statements.

The financial reporting standards, amendments or interpretations listed below are currently not applicable to the Bank and will have no impact on the Bank's financial statements:

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendments also include one amended and one new illustrative examples.

The effective date is for annual periods beginning on or after 1 April 2024.

The revised standard will have no impact on the Bank's financial statements.

3. Property, plant and equipment

	2023 R'000	2022 R'000

Used within the company	2023 Cost	2023 Accumulated depreciation	2023 Carrying value	2022 Cost	2022 Accumulated depreciation	2022 Carrying value
Plant and machinery	2,293	(2,242)	51	2,296	(2,220)	76
Furniture and fixtures	1,246	(1,018)	228	1,269	(1,000)	269
IT equipment	180,078	(74,148)	105,930	78,965	(62,295)	16,670
Leasehold improvements	585	(531)	54	585	(421)	164
Total	**184,202**	**(77,939)**	**106,263**	**83,115**	**(65,936)**	**17,179**

3. Property, plant and equipment (continued)

	2023 R'000	2022 R'000

Reconciliation of property, plant and equipment - 2023	Opening balance	Additions	Disposals	Deprecia-tion	Total
Plant and machinery	76	-	-	(25)	51
Furniture and fixtures	268	-	(1)	(39)	228
IT equipment	16,671	101,625	(3)	(12,358)	105,935
Leasehold improvements	164	-	-	(110)	54
	17,179	**101,625**	**(4)**	**(12,532)**	**106,268**

Reconciliation of property, plant and equipment - 2022	Opening balance	Additions	Disposals	Impair-ment loss	Deprecia-tion	Total
Plant and machinery	106	-	-	-	(29)	76
Furniture and fixtures	313	-	(5)	-	(40)	268
IT equipment	30,900	27	(13)	(5)	(14,238)	16,671
Leasehold improvements	327	-	-	-	(164)	164
	31,646	**27**	**(18)**	**(5)**	**(14,471)**	**17,179**

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

	2023 R'000	2022 R'000
Buildings	23,424	5,579
Leasehold improvements	54	164
	23,478	**5,743**

Impairment and reversal of impairment

Only class 101 was affected by impairment. Class 101 consist of computers and printers. These assets were impaired due to their poor condition.

4. Right-of-use assets and lease liabilities

	2023 R'000	2022 R'000
The bank leases 2 buildings located in Pretoria and Bloemfontein. The average lease term is 1 to 2 years with an option to extend.		
Details pertaining to leasing arrangements, where the bank is lessee are presented below:		
Net carrying amounts of right-of-use assets		
The carrying amounts of right-of-use assets are included in the following line items:		
Buildings	23,424	5,579
Depreciation recognised on right-of-use assets		
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 24).		
Buildings	1,129	5,579

Reconciliation of right-of-use asset	31 March 2023			
	Opening balance	Effect of change in accounting estimate	Depreciation	Closing balance
Buildings	5,580	18,973	(1,129)	23,424
	5,580	**18,973**	**(1,129)**	**23,424**

	31 March 2022			
	Opening balance	Effect of change in accounting estimate	Depreciation	Closing balance
Buildings	7,133	4,025	(5,579)	5,579
	7,133	**4,025**	**(5,579)**	**5,579**

4. Right-of-use assets and lease liabilities (continued)

	2023 R'000	2022 R'000
Other disclosures		
Interest expense on lease liabilities	2,557	1,046
Total cash outflow from leases	-	6,969
Lease liabilities		
Lease liabilities have been included in the statement of financial position.		
The maturity analysis of lease liabilities is as follows:		
Within one year	5,553	7,067
Two to five years	26,285	-
	31,838	7,067
Less finance charges component	(5,392)	-
	26,446	**7,067**
Non-current liabilities	15,340	-
Current liabilities	5,553	7,067
	20,893	**7,067**

Extension options

Some of the property leases contain extension options exercisable by the Bank up to one year before the end of the noncancellable contract period. Where applicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at the lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Bank has estimated that the potential future lease payments, should it exercise the expention option, will result in an increase of R26.2 million.

4. Right-of-use assets and lease liabilities (continued)

	2023 R'000	2022 R'000

Reconciliation of lease liablilities

31 March 2023	Opening balance	Effect of change in account-ing estimate	Interest	Payments	Closing balance
Buildings	7,067	18,973	2,557	(7,705)	20,892
	7,067	**18,973**	**2,557**	**(7,705)**	**20,892**

31 March 2022	Opening balance	Effect of change in account-ing estimate	Interest	Payments	Closing balance
Buildings	8,734	4,362	941	(6,970)	7,067
	8,734	**4,362**	**941**	**(6,970)**	**7,067**

Provision for site restoration

31 March 2023	Opening balance	Disposal	Interest	Closing balance
Buildings	1,231	(1,231)	-	-
	1,231	**(1,231)**	**-**	**-**

	SAPO	Bloem	Total
Current	59,160	4,957	64,117
Non current	-	20,733	20,733
	59,160	**25,690**	**84,850**

4. Right-of-use assets and lease liabilities (continued)

	2023 R'000	2022 R'000
		Payments
Within next 12 months		5,553
Between 2 to 5 years		26,285
		31,838
		Finance lease liability
Current		5,553
Non current		15,340
		20,893

5. Intangible assets

	2023			**2022**		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software and licenses	151,797	(119,020)	32,777	127,533	(101,659)	25,874
				-	-	-
Intangible assets under development	19,238	(19,238)	-	19,238	(4,941)	14,297
				-	-	-
Total	**171,035**	**(138,258)**	**32,777**	**146,771**	**(106,600)**	**40,171**

Reconciliation of intangible assets - 2023	**Opening balance**	**Additions**	**Amortisation**	**Impairment**	**Total**
Computer software and licenses	25,874	24,263	(17,360)	-	32,777
Intangible assets under development	14,297	-	-	(14,297)	-
	40,171	**24,263**	**(17,360)**	**(14,297)**	**32,777**

5. Intangible assets (continued)

					2023 R'000	2022 R'000
Reconciliation of intangible assets - 2022	**Opening balance**	**Additions**	**Transfers**	**Amortisation**	**Impairment loss**	**Total**
Computer software and licenses	25,498	1,195	11,195	(11,979)	(35)	25,874
Intangible assets under development	27,393	3,040	(11,195)	-	(4,941)	14,297
	52,891	**4,235**	**-**	**(11,979)**	**(4,976)**	**40,171**

Impairment

The project for an accounting system was discontinued due to contractional issues. The total amount for this project was impaired.

Pledged as security

None of the intangible assets are pledged as security.

6. Loans to group companies

Postbank (a division of SAPO at the time) had from the 3rd of September 2003 made individual loans to SAPO totalling R 1 494 million. 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 million 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 million consolidated loan was reduced by R828 million, of which R750 million of this amount was paid to CPD by National Treasury and the remaining amount of R78 was paid to Postbank the division at the time. This capital amount and interest earned on this loan resulted in the loan balance of R216 million, still priced at 3 months NCD rate as at 31 March 2022.

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%.

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.

6. Loans to group companies (continued)

	2023 R'000	2022 R'000
SAPO Loan receivable	215,869	207,897
Provision for Expected Credit loss - at stage 3	(215,869)	(207,897)
	-	-

Reconciliation of intangible assets - 2022

Group loans receivable

	2023 R'000	2022 R'000
Balance at the beginning of the year	207,897	202,750
Increase/(decrease) in provision for loss allowance	7,972	5,147
	215,869	**207,897**

2023	Stage 1	Stage 2	Stage 3	Total
SAPO Loan receivable	-	-	215,869	215,869
Less Provision for Expected Credit loss	-	-	(215,869)	(215,869)
	-	-	-	-

2022	Stage 1	Stage 2	Stage 3	Total
SAPO Loan receivable	-	-	207,897	207,897
Less Provision for Expected Credit loss	-	-	(207,897)	(207,897)
	-	-	-	-

7. Investments

Investments are categorised as follows:

	2023 R'000	2022 R'000
At fair value through other comprehensive income (OCI)	1,982,987	1,201,498
At Amortised cost	4,398,733	3,859,413
	6,381,720	**5,060,911**

Investments at fair value through other comprehensive income (OCI)

	2023 R'000	2022 R'000
Negotiable certificate of deposits	1,982,987	1,201,498

7. Investments (continued)

	2023 R'000	2022 R'000

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 movement in the loss allowance of Negotiable certificates of deposits. The movement in the gross carrying amounts of the negotiable certificates of deposit (NCD's) note is presented to assist in the explanation of movement in the allowance:

2023	External creditrating(Moody's)	Basis of loss allowance	Gross carrying amount
Negotiable certificate of deposits	Ba3	12m ECL	1,982,987

2022	External creditrating(Moody's)	Basis of loss allowance	Gross carrying amount
Negotiable certificate of deposits	Ba3	12m ECL	1,201,498

Reconciliation of provision for ECLs

The table below shows the movement of the loss allowances for investments in debt instruments that are measured at Fair value through other comprehensive income (FVTOCI).

The increase in ECL allowance for NCD's was due to more acquisitions as compared to matured instruments.

Negotiable certificate of deposit: Loss allowance measured at 12 month ECL

	2023 R'000	2022 R'000
Balance at the beginning of the year	3,532	4,162
Increase/(decrease) in provision for ECLs	3,497	(630)
	7,029	**3,532**

Investments at amortised cost

	2023 R'000	2022 R'000
Fixed deposit	1,161,147	975,848
Increase/(decrease) in provision for ECL's	2,458,019	2,314,429
Land Bank deferred	430,248	569,136
Government bonds	349,319	-
	4,398,733	**3,859,413**

7. Investments (continued)

	2023 R'000	2022 R'000
Current assets	6,032,401	5,060,911
Non-current assets	349,319	-
	6,381,720	**5,060,911**

Fixed deposits, CPD, Promissory Notes and Land Bank Deferred 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

Exposure to credit risk

Fixed deposits, CPD, Promissory Notes and Land Bank Deferred 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:

2023	External credit rating(Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance -	Carrying amount at Amortised cost
Fixed Deposit	Ba3	12m ECL	1,164,611	(3,464)	1,161,147
Corporation for public deposits(CPD)	Ba2	12m ECL	2,458,188	(169)	2,458,019
Land Bank Deferred	Caa3	Lifetime	597,372	(167,124)	430,248
Government bonds	Aa2	12m ECL	349,333	(14)	349,319
			4,569,504	**(170,771)**	**4,398,733**

2022	External credit rating(Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance	Carrying amount at Amortised cost
Fixed Deposit	Ba2/Ba3	12m ECL	976,473	(626)	975,848
Corporation for public deposits(CPD)	Ba2	12m ECL	2,314,576	(147)	2,314,429
Land Bank Deferred	Caa1	Lifetime	743,093	(173,957)	569,136
			4,034,142	**(174,730)**	**3,859,413**

7. Investments (continued)

	2023 R'000	2022 R'000

Reconciliation of loss allowance

The table below shows the movement in the loss allowance for debts instruments 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 deposits - The increase in ECL allowance for Fixed deposit was due to more acquisitions as compared to matured instruments.
- CPD - The increase in ECL allowance for CPD was due to additional interest capitalised for the period
- Land Bank - The decrease in ECL allowance for Land Bank was due to a partial repayment of R146m in the current financial year. Reducing the exposure to R597m.

1. Fixed deposits: Loss allowance measured at 12 month ECL

	2023 R'000	2022 R'000
Balance at the beginning of the year	626	1,797
Increase/(decrease) in provision for ECLs	2,838	(1,171)
	3,464	**626**

2. CPD: Loss allowance measured at 12 month ECL

	2023 R'000	2022 R'000
Balance at the beginning of the year	146	3,304
Increase/(decrease) in provision for ECLs	23	(3,158)
	169	**146**

3. Land Bank deferred: Loss allowance measured at lifetime ECL

	2023 R'000	2022 R'000
Balance at the beginning of the year	173,957	236,719
Increase/(decrease) in provision for ECLs	(6,833)	(62,762)
	167,124	**173,957**

Promissory notes: Loss allowance measured at lifetime ECL

	2023 R'000	2022 R'000
Balance at the beginning of the year	-	31,050
Increase/(decrease) in provision for ECLs	-	(31,050)
	-	**-**

The decrease on the Expected Credit Loss provision for Promissory notes was due to the reversed allowance as the defaulted promissory Notes are transferred to Deferred land Bank portfolio.

Government bonds: Loss allowance measured at 12 Month ECL

	2023 R'000	2022 R'000
Balance at the beginning of the year	-	-
Increase/(decrease) in provision for ECLs	14	-
	14	**-**

Postbank acquired R400m government bonds with an external rating of (Aa 2).The Ecl is measured at 12 month and it is classified as stage 1.

8. Deferred tax

	2023 R'000	2022 R'000
Deferred tax Asset		
Originating and reversal of temporary differences	142,943	76,485
Reconciliation of deferred tax asset		
At beginning of year	76,485	50,607
Originating and reversal of temporary differences	66,458	25,878
	142,943	**76,485**
The balance comprises:		
Provisions	29,896	20,600
Trade and other receivables	108,256	56,248
Fixed assets	4,116	(2,519)
Intangible assets	(1,913)	(1,248)
Investments measured at fair value through other comprehensive income	1,162	364
Employee benefits	1,426	3,040
Total	**142,943**	**76,485**

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.

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 assets is through sale the capital gains tax rate of 22.4% (2022: 22.4%) is used.

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

9. Intercompany receivables

	2023	2022
SAPO receivable	3,181,996	2,368,233
Provision for expected credit loss	(2,305,262)	(429,835)
	876,734	**1,938,398**

Included in the intercompany receivable is prefunding by Postbank to SAPO for the purpose of paying SASSA beneficiaries.

The table below shows the staging of intercompany debtor.

9. Intercompany receivables (continued)

			2023 R'000	2022 R'000
2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Intercompany debtor	-	-	3,181,996	3,181,996
Provision for expected credit loss	-	-	(2,305,262)	(2,305,262)
	-	**-**	**876,734**	**876,734**
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Intercompany debtor	2,368,233	-	-	2,368,233
Provision for expected credit loss	(429,835)	-	-	(429,835)
	1,938,398	**-**	**-**	**1,938,398**

Reconciliation of loss allowance:

	2023 R'000	2022 R'000
Balance at the beginning of the year	429,835	510,750
Increase/(decrease) in provision for loss allowance	1,875,427	(80,915)
	2,305,262	**429,835**

Exposure to credit risk Intercompany 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. Intercompany 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 receivable as presented above. The Bank does not hold collateral or other credit enhancements against SAPO intercompany receivable.

Change in ECL staging (from stage 1 to 3) The provision for SAPO's ECL increased to R2.3 billion (2022: R429 million) partly due to the increase in the intercompany debt balance and the stage classification for SAPO. The SAPO stage classification worsened to stage 3 (non-performing stage) mainly due to SAPO being under provisional liquidation. This is despite the R2.4 billion allocated to SAPO by National Treasury during the 2023/2024 budget speech. As a result, SAPO's PD (probability of default) increased to 100% and LGD (loss given default) increase to 75%.

10. Inventories

	2023 R'000	2022 R'000
SASSA Cards - Transfer from SAPO	68,760	68,760
Provision for inventory write-down - Transfer from SAPO	(68,760)	(68,760)
	-	-

Included in the R68 million are Sassa cards that were bought for the grant project in 2018 financial year and they were subsequently provided for impairment in 2019 financial year. This took place before the split date from South African Post Office.

Inventory pledged as security

No inventory has been pledged as security for liabilities

11. Trade and other receivables

	2023 R'000	2022 R'000
Financial instruments:		
Trade receivables	1,318,029	961,524
Less provision for ECL on trade receivables	(682,938)	(356,271)
Trade receivables at amortised cost	635,091	605,253
CPP receivables	377,448	-
Miscellaneous - Parthold fees	24,318	663
Other receivables	7,578	(3,916)
Non-financial instruments:		
VAT	-	13,603
Prepayments (if immaterial)	71,443	5,435
Total trade and other receivables	**1,115,878**	**621,038**
Split between non-current and current portions		
Current assets	1,115,878	621,038
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	1,044,435	602,000
Non-financial instruments	71,443	19,038
	1,115,878	**621,038**

Exposure to currency risk

The significant increase in the gross carrying amount of trade and other receivables is due to the CCP receivables which we did not have in the prior year, and has significantly contributed to the increase in the ECL provision.

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.

11. Trade and other receivables (continued)

	2023 R'000	2022 R'000
Rand Amount		
Rand	1,044,435	602,000

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.

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).

2023 R'000	Current	30 Days +	60 Days +	90 Days +	120 Days +	Total
Balances outstanding at reporting date	121,516	89,090	87,927	95,605	923,891	1,318,029
Provision for Expected credit loss	(1,676)	(1,814)	(3,570)	(5,817)	(670,061)	(682,938)
	119,840	**87,276**	**84,357**	**89,788**	**253,830**	**635,091**

2022 R'000	Current	30 Days +	60 Days +	90 Days +	120 Days +	Total
Balances outstanding at reporting date	55,295	54,882	9,097	56,132	786,116	961,523
Provision for Expected credit	(863)	(860)	(114)	(924)	(353,480)	(356,241)
	54,432	**54,022**	**8,983**	**55,208**	**432,636**	**605,281**

	2023 R'000	2022 R'000
Reconciliation of loss allowance		
Balance at the beginning of the year	356,271	330,720
Increase/(decrease) in provision for allowance	326,667	25,551
	682,938	**356,271**

12. Cash and cash equivalents

	2023 R'000	2022 R'000
Cash and cash equivalents include cash on hand, actual bank balance and investments in money market instruments. The effective interest rate of money market instruments is 7.64% (2022: 4.42%):		
Bank balances	618,465	1,137,734
Short-term deposits	2,049,056	4,152,382
	2,667,521	**5,290,116**

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

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.

2023	Level 1	Level 2	Stage 3	Total
Negotiable Certificates of Deposit (NCD)	-	1,982,987	-	1,982,987

2022	Level 1	Level 2	Stage 3	Total
Negotiable Certificates of Deposit (NCD)	-	1,201,498	-	1,201,498

13. Fair value of financial assets (continued)

	2023 R'000	2022 R'000

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

2023	Level 1	Level 2	Stage 3
Fixed deposit	-	1,164,611	-
Cash and cash equivalents	-	2,667,521	-
CPD	-	2,458,188	-
Government bonds	349,333	-	-
Intercompany loan	-	-	215,869
Total level 1, 2 and 3	**349,333**	**3,622,799**	**215,869**

2022	Level 1	Level 2	Stage 3
Fixed deposit	-	976,474	-
Cash and cash equivalents	-	5,290,116	-
CPD	-	2,314,576	-
Government bonds	-	-	-
Intercompany loan	-	-	207,897
Total level 1, 2 and 3	**-**	**8,581,166**	**207,897**

Management believes that the carrying amounts of the above mentioned assest approximates fair value. There were no gains or losses realised on the disposal of amortised financial assets during the year ending 31 March 2023 financial assets were disposed of at their redemption date.

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 2022.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 years.

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	3,555,171	3,555,171

15. Provisions

	2023 R'000	2022 R'000

Reconciliation of provisions - 2023	Opening balance	Additions	Utilised during the year	Total
Provision for office restoration	1,231	-	(1,231)	-
Provisions for support costs	-	35,244	-	35,244
Provision for insurance	-	294	-	294
Provision for leave pay	10,067	-	(5,879)	4,188
Provision for bonus	826	544	(502)	868
Provision for long service cash	75	-	(141)	(66)
Provision for long service leave	291	-	-	291
	12,490	**36,082**	**(7,753)**	**40,819**

Reconciliation of provisions - 2022	Opening balance	Additions (Interest and service cost)	Utilised during the year	Change in accounting estimates	Total
Provision for site restoration	1,463	104	-	(336)	1,231
Provision for leave pay	6,812	7,506	(4,251)	-	10,067
Provision for bonus	420	-	(2)	-	826
Provision for long service leave cash	483	-	-	-	75
Provision for long service leave	291	-	-	-	291
	9,469	**7,610**	**(4,253)**	**(336)**	**12,490**

	2023 R'000	2022 R'000
Non-current liabilities	682	682
Current liabilities	40,137	11,808
	40,819	**12,490**

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.

15. Provisions (continued)

	2023 R'000	2022 R'000

Provision for support costs

The provision for support costs relates to cost of services rendered by The South African Post Office in relation to Cash Pay points and Over The Counter transactions that the entity performs on behalf of Postbank.

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 office restoration

Provision for office restoration 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

Provision for insurance

Provision for insurance costs relates to employee benefits in relation to motor car insurance that are due to employees.

Long Service Cash Awards

The actuarial valuation for long service cash awards was last completed in the 2021 financial year.

The Bank has a once off cash award policies in respect of long service. A cash lump sum award is payable on reaching a certain milestone.

16. Deposits due to customers

	2023 R'000	2022 R'000
Transactional, term deposits and savings accounts	8,146,767	8,376,388

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 amortised 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.

17. Other Deposits (Grants)

	2023 R'000	2022 R'000
SASSA grants	1,586,297	1,201,479

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 2023.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

	2023 R'000	2022 R'000
Financial instruments:		
Trade payables	28,560	14,678
Accrued expenses	158,105	78,213
Non-financial instruments:		
VAT	24,241	-
	210,906	**92,891**

19. Interest and similar income

Interest and service income	663,476	366,852
Interest comprise the following:		
Financial assets measured at amortised cost	540,844	317,813
Financial assets measured at FVTOCI	122,632	49,039
	663,476	**366,852**

20. Interest expense and similar charges

Interest expense	111,477	31,957

21. Transactional and service fee income

Commissions received	5,136	6,214
Fee and transactional income	1,499,727	1,592,743
Other income	1,971	460
	1,506,834	**1,599,417**

The payment terms do not have a significant financing component.

22. Employee costs

	2023 R'000	2022 R'000

As at Friday, 31 March 2023 the company had 268 (2022: 293) permanent employees. Employee benefits expense is made up of the following for all employees, including executive directors:

Employee costs		
Basic	132,748	131,364
13th Cheque	1,334	1,297
Home owners allowances	68	68
Leave pay provision charge	(4,813)	4,169
Medical aid - company contributions	6,807	7,049
Motor scheme	240	151
Other short term costs	5,101	2,260
Pension contribution	12,976	12,816
SDL	1,397	1,351
UIF	583	608
	156,441	**161,133**

23. Transactional expenses

Transactional expenses consist of the following items:

EFT charges	9,014	8,982
Saswitch ATM terminal fees	762,467	934,381
Switching POS Expense	16,221	8,804
Visa fees	35,339	39,486
	823,041	**991,653**

24. Other operating costs

	2023 R'000	2022 R'000
Audit fees	12,979	8,454
Assessment rates and municipal charges	2,549	3,470
Bank charges	43,818	47,479
Bursaries and study fees	1,666	1,712
Business continuity	11,168	15,067
Cell phone costs	1,784	53
Consumables	4,837	348
Data lines	(5,232)	8,883
Depreciation, amortisation and impairment loss	45,026	37,018
Dignity service pay-outs	18,360	77
Directors fees	3,126	1,651
Fines and penalties	506	1,929
Insurance premiums	22,827	18,403
Legal costs	1,854	1,435
Marketing expenses	43,719	3,566
Material losses and other write-offs	103,620	94,750
Other expenses	2,258	1,479
Personnel recruitment	640	1,020
Professional and membership fees	36,209	33,563
Repairs and maintenance	19,234	5,486
Research	1,022	(330)
Retail transaction payment	98,684	12,609
Security services CIT	160,264	-
Short term vehicle rentals	8,373	-
Software expenses and licenses	85,294	151,426
Support costs	157,880	116,774
Telephone calls	(462)	1,022
Travel and subsistence	2,486	1,152
	884,489	**568,496**

25. Taxation

Major components of the tax expense (income)

Current

Local income tax - current period	30,088	63,255

Deferred

Originating and reversing temporary differences - current period	(65,660)	(8,290)
Effect of rate change	-	2,512
	(65,660)	**(5,778)**
	(35,572)	**57,477**

25. Taxation (continued)

	2023 R'000	2022 R'000
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate		
Applicable tax rate	27.00 %	28.00 %
Exempt income	(25.25)%	-11,82%
Deferred tax charge	- %	0,69%
	1.75 %	**16.87 %**

The applicable normal income tax rate changed during the current year to 27% . The Bank has adopted IFRIC 23 Uncertainty over Income Tax treatments effective from 1 April 2019. IFRIC 23 clarifies the accounting for current and deferred tax liabilities and assets when there is uncertainty over income tax treatments. No current and deferred tax liabilities or assets were recognised as a result of the adoption of IFRIC 23.

	2023 R'000	2022 R'000
Accounting profit	(2,037,045)	362,014
Tax at applicable tax rate 27%/28%	(550,002)	97,744
Non deductible expenses/(Exempt income)	514,431	(42,779)
Effect of decrease in tax rate	-	2,512
	(35,572)	**57,477**

26. Tax paid

	2023 R'000	2022 R'000
Balance at beginning of the year	(113,019)	(128,009)
Current tax for the year recognised in profit or loss	30,089	63,255
Amount paid	(104,249)	(106,445)
Interest accrued from SARS	(1,931)	(1,042
Amount received from SARS (refund)	58,980	59,222
	(130,130)	**(113,019)**

27. Expected Credit Loss on financial assets

	2023 R'000	2022 R'000
Expected Credit Loss		
Trade and other receivables	348,345	25,551
Investments	(462)	(98,770)
Loans to group companies	7,971	5,147
Intercompany receivable	1,875,428	(80,915)
	2,231,282	**(148,987)**

28. Commitments

Authorised capital expenditure

Already contracted for but not provided for

	2023	2022
Property, plant and equipment	10,523	-
Intangible assets	597	597

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.

29. 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 Communications and Digital Technologies (DCDT)
Members of key management	Refer to Note 30
Government-related entity	South African Revenue Services; South African Social Security Agency; Land and Agricultural Bank and Other entities

Amounts included in Trade receivable (Trade Payable) regarding related parties

	2023	2022
South African Revenue Services - Income tax receivable	130,129	113,019
South African Post Office SOC Limited - Support costs - Payable	(458)	(10,426)
Other entities - Payables	(6,970)	(6,248)

Expenditure from related parties

	2023	2022
Other entities	24,316	23,167
South African Post Office SOC Limited - Support costs	157,880	116,774
South African Revenue services - Income tax	(35,572)	57,477

29. Related parties (continued)

	2023 R'000	2022 R'000
Fees and other income from related parties		
South African Post Office -Sassa related revenue	250,945	654,692
South African Social Security Agency	450,529	-
Landbank - Interest	54,796	56,902
South African Revenue services - Interest accrued	1,931	1,042
Transactions with authorities and regulators		
Other entities	2,563	2,568
Land and Agricultural Bank		
Investment	597,372	743,093
Provision for expected credit loss	(167,124)	(173,957)
	430,248	**569,136**
South African Post Office		
Intercompany receivable	3,181,996	2,368,233
Provision for expected credit loss	(2,305,262)	(429,835)
	876,734	**1,938,398**
South African Post Office		
SASSA and other commission revenue receivable	870,032	961,523
Provision for Expected Credit Loss	(662,323)	(356,271)
	207,709	**605,252**
South African Post Office		
Loans to group companies	215,869	207,897
Provision for expected credit loss	(215,869)	(207,897)
	-	-
South African Post Office		
Lease liability - refer to lease liability for movement during the year	193	1,204
Right of use of Asset - refer to lease liability for movement during the year	376	480
	-	-
South African Post Office		
SASSA related revenue and other commission	447,962	-
Provision for Expected Credit Loss	(20,615)	-
	427,347	-
Compensation to directors and other key management		
Short-term employee benefits	26,497	17,473

30. Directors' emoluments

Executive 2023 Directors' emoluments	Basic salary	Other material benefits*	Leave pay	Total
Services as directors				
1. Mr. F Nieman	618	349	-	967
2. Ms. T Motsweni	1,555	198	-	1,753
3. Mr. L Ndala	4,938	-	-	4,938
Services as prescribed officers				
4. Ms. T Dhlamini	682	46	-	728
5. Mr. P Jacobs	984	289	-	1,273
6. Mr. T Lengane	961	297	-	1,258
7. Mr. K Maartens	3,294	108	-	3,402
8. Ms. N Madondo	1,102	8	-	1,110
9. Ms. T Majatladi	907	267	-	1,174
10. Mr. R Mashau	1,136	6	64	1,206
11. Mr. N Moja	1,316	669	-	1,985
12. Ms. N Ogoh	997	326	-	1,323
13. Mr. J Radebe	1,426	384	-	1,810
14. Mr. HP Mkhavele	394	74	-	468
15. IKB Company secretaries	90	-	-	90
	20,400	**3,021**	**64**	**23,485**

*Other benefits include mainly telephone and acting allowance.

1. Appointed as acting CFO on 24 January 2022. Contract ended on 30 September 2022.

2. Appointed as acting CFO on 1 October 2022 until 31 March 2023.

3. Appointed as acting CEO on 11 April 2022. Resigned on 31 March 2023.

4. Appointed as acting Head of Compliance on 1 September 2022.

5. Appointed as HR Head on 1 November 2014. Acting as CHRO from 6 August 2019 until 20 November 2022.

6. Appointed as SM: Postbank Business/Product Development on 1 December 2016. Acting as CCO from 15 November 2019.

7. Appointed as CRO on 13 July 2020. Appointed as acting CEO on 12 January - 31 March 2022.

8. Appointed as Chief Human Resources Officer on 21 November 2022.

9. Appointed as acting Company Secretary on 23 September 2021.

10. Appointed as Interim CIO: Postbank on 13 January 2020. Resigned 30 June 2022.

11. Appointed as SM: Project Management on 15 January 2015. Acting as Head: PMO from 14 August 2019.

12. Appointed as acting CIO on 1 August 2022.

13. Appointed as acting CAE from 01 April 2022 to 31 March 2023.

14. Appointed as Compliance Officer on 25 November 2021 until 13 August 2022.

Executive 2022 Directors' emoluments	Basic salary	Compensation for loss of office/ leave pay	Other material benefits	Total
Services as directors				
1. Mr. M Kgauwe	960	-	-	960
2. Ms. T Motsweni	1,221	-	128	1,349
3. Mr. F Nieman	91	-	131	222
4. Mr. K Maartens	3,110	-	99	3,209
Services as prescribed officers				
5. Mr. T Lengane	903	-	143	1,046
6. Mr. N Moja	1,238	-	270	1,508
7. Mr. P Jacobs	1,390	-	230	1,620
8. Mr. R Mashau	2,144	-	23	2,167
9. Mr. J Radebe	120	-	79	199
10. Ms. D Khumalo	943	163	11	1,117
11. Ms. T Majatladi	428	-	116	544
12. JS Ngozo	1,453	150	5	1,608
13. HP Mkhavele	371	-	-	371
	14,372	**313**	**1,235**	**15,920**

*Other benefits include mainly telephone and acting allowance.

1. Appointed as Acting CEO on 12 April 2021. Retired on 31 December 2021.

2. Appointed as Acting CFO on 1 August 2020 until 23 January 2022.

3. Appointed as acting CFO on 24 January 2022.

4. Appointed as CRO on 13 July 2020. Appointed as acting CEO from 12 January 2022 to 10 April 2022.

5. Appointed as SM: 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 HR Head on 1 November 2014. Acting CHRO from 6 August 2019.

8. Appointed as Interim CIO on 13 January 2020.

9. Appointed as acting CAE on 24 January 2022.

10. Appointed as Company Secretary on 1 May 2020. Retired on 22 September 2021.

11. Appointed as acting Company Secretary on 23 September 2021.

12. Appointed as Compliance Officer on 1 January 2018. Retired on 28 January 2022.

13. Appointed as Compliance Officer on 25 November 2021.

Retired implies resigned, retired or dismissed.

30. Directors' emoluments (continued)

Non-executive 2023 Directors' emoluments **Services as director**	Directors fees	Total
1. Adv. LH Hendrikse	474	474
2. Mr. A Latchu	234	234
3. Mr. AM Mahosi	271	271
4. Mr. G Mancotywa	486	486
5. Ms. VV Matsiliza	226	226
6. Ms. LR Mokgabudi	11	11
7. Ms. L Tungamirai	257	257
8. Mr. T Wonci	1,053	1,053
	3,012	**3,012**

1. Appointed on the 1st of October 2020.

2. Appointed on the 1st of October 2022.

3. Appointed on the 1st of October 2022.

4. Appointed on the 1st of October 2020.

5. Appointed on the 1st of October 2022.

6. Appointed on the 1st of October 2022. Resigned on 30 October 2022.

7. Appointed on the 1st of October 2022.

8. Appointed on the 1st of October 2020. Appointed as Chairperson of the Board on 1 March 2022.

Non-executive 2022 Directors' emoluments **Services as director or prescribed officer**	Directors fees	Total
1. Mr. DZ Nkonki	93	93
2. Adv. L Hefer	428	428
3. Mr. G Mancotywa	554	554
4. Mr. T Wonci	441	441
5. Mrs. Noxaka	37	37
	1,553	**1,553**

1. Was appointed as a Chairperson of the Board on the 1st of October 2020 and resigned in April 19th 2021.

2. Appointed on the 1st of October 2020

3. Appointed on the 1st of October 2020.

4. Appointed on the 1st of October 2020.

5.Resigned on the 30th of September 2021 and did special work for Postbank in June 2021.

31. 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 financial year.

32. Prior period errors

Intercompany receivables and deposit due to customers

Intercompany receivable and deposit due to customers from the public was understated by R267 467 000 and this resulted in an understatement of ECL and retained earnings by R8 512 000. This error also resulted in an understatement of the related party balance of the South African Post Office by R258 955 000.

Material losses and Other deposits

Material losses and Other deposits were understated in the 2022 financial year by R15 409 400. This resulted in an overstatement of retained earnings by R15 409 400.

In addition to this, R2.3 million was incorrectly classified by material losses in the prior year.

Income tax implications

Refer to the tables below for the effect of the changes in income tax as a result of the above changes.

Related parties

Prescribed officers disclosure note for the prior year was understated by R1 823 975, however the amount was accounted for in the annual financial statements.

Funds colleced on behalf of employees was overstated by R12.8 million due to the incorrect classification of the Post Office Retirement Fund as a related party.

Director emoluments

The Director's emoluments disclosure note was overstated by R32,000 due to incorrect classification of travel and subsistence cost.

The impact of the above is as follows: Increase/(decrease) in the financial statements items:

Statement of cash flows

Interest received and interest paid were previously not separately disclosed in the cash flow from operations line and thus has been corrected in the curret year. Comparatives have been updated for this more granular presentation.

The impact of the above is as follows: Increase/(decrease) in the financial statements items:

	Previously stated	Correction of error	Restated
Statement of Financial Position			
Income tax receivable	110,099	2,920	113,019
Intercompany receivables	1,679,443	258,955	1,938,398
Deferred tax	75,140	1,345	76,485
Deposits due to customers	(8,108,921)	(267,467)	(8,376,388)
Other deposits	(1,186,070)	(15,409)	(1,201,479)
Accumulated losses	(65,144)	(19,658)	(84,802)
	-	-	-

32. Prior period errors (continued)

	Previously stated	Correction of error	Restated
Statement of Profit and loss and other comprehensive income			
Other operating expenses	553,091	15,409	568,500
Expected credit loss	(157,499)	8,512	(148,987)
Income tax expense	61,742	(4,265)	57,477
	-	-	-

	Previously stated	Correction of error	Restated
Related parties			
SAPO intercompany receivables	1,679,443	258,955	1,938,938

	Previously stated	Correction of error	Restated
Material losses	80,309	13,040	93,349

	Previously stated	Correction of error	Restated
Irregular expenditure	117,946	(5,095)	112,851

	Previously stated	Correction of error	Restated
Risk management			
Basis points	111,487	(2,745)	108,742

	Previously stated	Correction of error	Restated
Exposure to currency risk			
Exposure to currency risk	621,030	(19,030)	602,000

32. Prior period errors (continued)

	Previously stated	Correction of error	Restated
Liquidity risk			
Trade and other receivables	978,000	(357,000)	621,000
Transactional accounts	(4,118)	(272)	(4,390)
Term deposits	(129)	6	(123)
Equity	(3,492)	22	(3,470)
	970,261	**(357,244)**	**613,017**

33. Going concern

Basis of preparation of the annual financial statements

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Bank will have funds available to finance future operations and that realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Although the Bank had accumulated losses of R (2,086,276) it has to be noted that the Bank remains solvent as total assets exceed its liabilities by R 1,471,707.

Certain conditions have given rise to a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Details of conditions casting doubt on the Bank's ability to continue as Going Concern

Variation Notice

Postbank is required to comply with the pre-designation conditions imposed by the SARB relating to the processing of South African Social Security Agency (SASSA) social grants. In February 2019, irregularities were detected on SASSA cards. To mitigate the risk, Postbank was mandated to implement specified remedial actions recommendations and instructions, including the reissuance of Postbank-branded SASSA card base within 18 months, with the final implementation date being 31 March 2021. However, Postbank has not met the timelines for the implementation of remedial actions, recommendations and instructions aimed at addressing these risks.

Subsequent to this, the variation notice was gazetted on 17 December 2021 with an implementation period of 12 months ending 16 December 2022. On 14 October 2022, the Bank wrote to the SARB to request an extension of 12 months commencing on 17 December 2022 to implement the conditions of the variation notice. The request was prompted by the challenges experienced by Postbank in implementing the conditions due to the moratorium imposed on the Information Technology (IT) Modernisation/Refresh project (project), which delayed the finalisation of the procurement and appointment of a service provider for the project. The lifting of the moratorium in June 2022 enabled the Postbank to finalise the procurement and appointment of a service provider and to initiate the project.

Subsequently, the Governor of the SARB had with effect from the date of publication of Government Gazette: 3.2.1, varied the conditions in the variation notice of the Postbank as a DCSP in terms of Section 6(3)(b) of the NPS Act, by extending the variation notice compliance date with 12 months to 17 December 2023.

Postbank has since made significant strides towards compliance with the variation notice in order to maintain its going concern status. The Bank has revised its activity plan and to date the following measures have been put in place:

- Primary data centre (DC) site already has been delivered.
- The disaster recovery (DR) site is being configured for readiness.
- The core banking systems are planned to migrate out of non-compliance environment to a compliant data centre as per the Variation Notice.
- New bank cards will be produced in the new compliant environment in accordance with the variation notice. This willassist in ensuring compliance with tier 3 IT requirements.
- Management has through its shareholder department, Department of Communications and Digital Technologies, lifted the moratorium on 4 November 2022 to enable the Bank to fill vacant executive positions and enter into other revenue generating initiatives. Most of these positions have been advertised and recruitment is in progress.
- The IT modernisation initiative has commenced in September 2022 to enable the Bank to move to PCI DSS compliant data centres. This project is further expected to address the following conditions:

1. Produce and reissue cards for Postbank's entire SASSA client base utilising new secure key.

2. Establish, implement and maintain an operational disaster recovery site in accordance with applicable PASA Regulatory Framework and/or rules.

3. Establish, implement and maintain an operational business continuity facility to ensure business continuity in accordance with PASA's policies and/or Regulatory Framework.

Postbank has not offered new products or acquired new products to new clients related to its designation as a DCSP. Management continues to hold regular engagements with the SARB to discuss progress to ensure that the Bank meets all the requirements of the variation notice.

Failure to implement conditions stipulated in the variation notice may result in the revocation of Postbank's designation as a designated clearing system participant (DCSP) in terms of section 6(3)(b) of the NPS (National Payment System) Act.

Other conditions

Effect of provisional liquidation and subsequent business rescue of SAPO

On 30 March 2023, a judgement was made by the High Court to place SAPO under provisional liquidation and a provincial liquidator was appointed. Whilst Postbank is a full participant within the National Payments System (NPS), which means that Postbank customers can access banking services through the NPS channels that include all the other bank's ATM's and retailers that provide financial services, Postbank also utilises SAPO branches amongst its banking services access channels. The uncertainty relating to the continued availability of SAPO branches to provide Postbank's banking services has the likelihood to impact banking services access to those customers that solely rely on SAPO branches, an outcome that may redirect these impacted customers to utilise the available NPS channels. The management of Postbank has updated the Business Continuity Plan (BCP) of Postbank to factor in the impending risk of the likelihood of SAPO's possible liquidation. The BCP details the speedy implementation of immediate as well as long term alternative banking services access channels to ensure that Postbank continues its customers services operations for those customers that prefer transacting via physical branches in the unfortunate event that SAPO gets liquidated and Postbank's physical branchtransactions are discontinued.

Some of the interventions introduced by Postbank in this regard includes cardless transacting solutions which enables access to services without a physical card utilising the physical presence and human intervention across participating retailers. The bank continues to collaborate with participating retailers to enable beneficiaries to perform transactions without any disruptions and thereby reduce reliance on SAPO branches.

33. Going concern (continued)

Customer education and awareness campaigns are also utilised to mobilise customers to utilise the available alternative NPS channels outside of the Post Office branches to access Postbank services.

On the 7th of July 2023, the High Court ruled that SAPO be placed on business rescue with proceedings to commence with immediate effect following an application by the Minister of Communication and Digital Technologies. This therefore means that the provisional liquidation formally fell away and enables SAPO to continue with its operations. Consequently, SAPO has appointed two interim business rescue practitioners and commenced business rescue proceedings on 10 July 2023 in accordance with Section 131 of the Companies Act 71 of 2008, as amended ("Companies Act"). SAPO is currently working on a Business Rescue Plan which is also expected to have less severe impact on SAPO's workforce than the initial provisional liquidation.

Placing SAPO in business rescue has paved a way for the Government to inject an amount of R 2.4 billion it had committed to provide. Furthermore, Cabinet has also indicated its intention to support SAPO's application for an additional R3.8 billion in the October 2023 adjustment budget. SAPO remains Postbank's shareholder with no control over Postbank. This is subject to the Postbank Limited Amendment Bill. The Postbank Limited Amendment Bill was passed by the National Assembly in February 2023, and Cabinet in March 2023, and the National Council of Provinces in June 2023, to align Postbank with the Banks Act of 1990 as well as create a bank controlling company as the ownership structure for Postbank separate from SAPO. Consequently, the Postbank Limited Amendment Bill proposes to amend the South African Postbank Act to allow its transfer and shareholding from the South African Post Office to a bank controlling company. The Postbank Amendment Bill has been sent to the President of the Republic of South Africa for ascent. Based on the assessment made by the board, there is no reason to believe that the businesses will not be going concerns in the year ahead.

34. Fruitless and wasteful expenditure

	2023 R'000	2022 R'000
Current period fruitless and wasteful expenditure	611	5,979

Fruitless and wasteful expenditure to the amount of R0.6 million (2022: R6 million) relates to systems and licenses procured but not utilised, financial losses due to fraud and penalties incurred due to a breach of contract with a customer.

Changes in comparative figures

Changes in comparative figures Fruitless and wasteful expenditure reported in the prior year was restated due to changes in the reporting framework. National Treasury Instruction No.4 of 2022/2023 states that Fruitless and wasteful expenditure is recorded in the annual financial statements disclosure when incurred and confirmed. This relates to Fruitless and wasteful expenditure incurred in the current financial year, with a one financial year comparative analysis. Fruitless and wasteful expenditure for the previous financial year (comparative amounts) must be recognised in the period in which they occurred.

National Treasury does not require entities to report on a cumulative balance, however the analysis for previous financial years must be recorded in the register and dealt with in terms of its recovery process.

Reconciliation of Fruitless & Wasteful Expenditure

Description	2022/23 R'000	2021/22 R'000
Opening Balance	84,034	41,493,812
Add: Fruitless and Wasteful Expenditure confirmed	611	5 97
Less: Fruitless and Wasteful Expenditure recoverable	-8	-
Closing Balance	**84,637**	**41, 499,791**

Reconciling notes to the annual financial statement disclosure

Description	2022/23 R'000	2021/22 R'000
Fruitless and Wasteful expenditure that was under assessment in 2021/22	84 034	41 499 791
Fruitless and Wasteful expenditure for the current year	603	-
Closing Balance	**84 637**	**41, 499,791**

35. Irregular expenditure

	2023 R'000	2022 R'000
Current period irregular expenditure	165,164	112,851

Irregular expenditure to the amount of R165 million (2022: R113 million) were unavoidable 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.

Changes in comparative figures

Irregular expenditure reported in the prior year was restated due to changes in the reporting framework. National Treasury Instruction No.4 of 2022/2023 states that Irregular expenditure is recorded in the annual financial statements disclosure when incurred and confirmed. This relates to Irregular expenditure incurred in the current financial year, with a one financial year comparative analysis. Irregular expenditure for the previous financial year (comparative amounts) must be recognised in the period in which they occurred. National Treasury does not require entities to report on a cumulative balance, however the analysis for previous financial years must be recorded in the register and dealt with in terms of its recovery process.

Reconciliation of Irregular Expenditure

Description	2022/23 R'000	2021/22 R'000
Opening Balance	201,908	89,057
Add: Irregular Expenditure confirmed	165,164	112,851
Closing Balance	**367,072**	**201,908**

Reconciling notes to the annual financial statement disclosure

Description	2022/23 R'000	2021/22 R'000
Irregular Expenditure that was under assessment in 2021/22	201,908	201,908
Irregular Expenditure for the current year	165,164	-
Total	**367,072**	**201,908**

Postbank in its natural pursuit of its business activities exposes itself to the following 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 is answerable to 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 and 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.

36.1. 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 policies. While the market risk unit of the Bank will ensure that the management of the market risk is done within the prescripts of the market risk policy.

36.1.1. 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. 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 the Bank's 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 re-invested 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 re-pricing 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. The interpolation is performed to coincide with the maturities and re-investments of the principal cash flows.

The table below shows the net interest income sensitivity analysis.

Basis points	2023 R'000	2022 R'000
+100bps	559,827	418,488
-100bps	(455,313)	(309,746)
	104,514	**108,742**

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 R105 million (March 2022 R109 million).

The table below summarises the re-pricing exposure to interest rate risk through grouping assets and liabilities into repricing categories, determined to be the earlier of the contractual re-pricing or maturity date.

The table below analyses the Contractual Re-pricing GAP for March 2023:

Assets R'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
Cash at Bank	618,000	-	-	-	-	-
Call Deposit	2,049,000	-	-	-	-	-
Fixed Deposit	-	461,000	-	703,000	-	-
Landbank Deferred Investments	597,000	-	-	-	-	-
Negotiable Certificate of Deposit	-	528,000	633,000	822,000	-	-
Sovereign Bonds	-	-	-	-	349,000	-
Postbank CPD	2,458,000	-	-	-	-	-
Loans to Group Companies	216,000	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	1,116,000
SAPO Intercompany receivables	-	-	-	-	-	877,000
Deferred tax	-	-	-	-	-	123,000
Right of use of assets	-	-	-	-	-	23,000
Intangible assets	-	-	-	-	-	33,000
Property, plant and equipment	-	-	-	-	-	106,000
Current tax receivable	-	-	-	-	-	150,000
	5,938,000	**989,000**	**633,000**	**1,525,000**	**349,000**	**2,428,000**

36. Financial Instruments and Risk Management (continued)

Assets in thousands of rands	Total
Cash at Bank	618,000
Call Deposit	2,049,000
Fixed Deposit	1,165,000
Landbank Deferred Investments	597,000
Negotiable Certificate of Deposit	1,983,000
Sovereign Bonds	349,000
Postbank CPD	2,458,000
Loans to Group Companies	216,000
Trade and other receivables	1,116,000
SAPO Intercompany assets	877,000
Deferred tax	123,000
Right of use of assets	23,000
Intangible assets	33,000
Property, plant and equipment	106,000
Current tax receivable	150,000
	11,863,000

Liabilities and equity R'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
Savings deposit	(3,652,000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(4,376,000)
Term deposits	(4,000)	(51,000)	(27,000)	(28,000)	(8,000)	-
Grant accounts	-	-	-	-	-	(1,568,000)
	(3,656,000)	**(51,000)**	**(27,000)**	**(28,000)**	**(8,000)**	**(5,944,000)**

36. Financial Instruments and Risk Management (continued)

Liabilities and equity R'000	Non-financial instruments	Total
Savings deposit	-	(3,652,000)
Transactional accounts	-	(4,376,000)
Term deposits	-	(119,000)
Grant accounts	-	(1,586,000)
Trade and other payables	(211,000)	(211,000)
Lease liability	(21,000)	(21,000)
Provisions	(41,000)	(41,000)
Equity	(1,472,000)	(1,472,000)
	(1,745,000)	**(11,478,000)**

	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
Periodic Gap	2,283,000	938,000	606,000	1,498,000	342,000
Cumulative	2,283,000	3,220,000	3,826,000	5,324,000	5,665,000
	-	-	-	-	-

	Non-interest sensitive items	Non-financial instruments
Periodic Gap	(5,963,000)	684,000
Cumulative	(297,000)	387,000
	-	-

The table below analyses the Contractual Re-pricing GAP for March 2022:

Assets R'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
Cash at Bank	1,138,000	-	-	-	-	-
Call Deposit	4,152,000	-	-	-	-	-
Fixed Deposit	-	976,000	-	-	-	-
Landbank Deferred Investments	-	743,000	-	-	-	-
Negotiable Certificate of Deposit	-	495,000	-	706,000	-	-
Postbank CPD	-	-	2,315,000	-	-	-
Inter company loan	208,000	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	621,000
SAPO Intercompany receivables	-	-	-	-	-	1,938,000
Deferred tax	-	-	-	-	-	76,000
Right of use of assets	-	-	-	-	-	6,000
Intangible assets	-	-	-	-	-	40,000
Property, plant and equipment	-	-	-	-	-	17,000
Current tax receivable	-	-	-	-	-	110,000
	5,498,000	**2,214,000**	**2,315,000**	**706,000**	**-**	**2,808,000**

Liabilities and equity R'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
Savings deposit	(3,862,000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(4,390,000)
Term deposits	(1,000)	(11,000)	(88,000)	(11,000)	(12,000)	-
Grant accounts	-	-	-	-	-	(1,202,000)
	(3,863,000)	**(11,000)**	**(88,000)**	**(11,000)**	**(12,000)**	**(5,592,000)**

36. Financial Instruments and Risk Management (continued)

Assets R'000	Total
Cash at Bank	1,138,000
Call Deposit	4,152,000
Fixed Deposit	976,000
Landbank Deferred Investments	743,000
Negotiable Certificate of Deposit	1,201,000
Postbank CPD	2,315,000
Intercompany loan	208,000
Trade and other receivables	621,000
SAPO Intercompany assets	1,938,000
Deferred tax	76,000
Right of use of assets	6,000
Intangible assets	40,000
Property, plant and equipment	17,000
Current tax receivable	110,000
	13,541,000

Liabilities	Non-financial instruments	Total
Savings deposit	-	(3,862,000)
Transactional accounts	-	(4,390,000)
Term deposits	-	(123,000)
Grant accounts	-	(1,202,000)
Trade and other payables	(93,000)	(93,000)
Lease liability	(7,000)	(7,000)
Provisions	(12,000)	(12,000)
Equity	(3,470,000)	(3,470,000)
	(3,582,000)	**(13,159,000)**

	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
Periodic Gap	1,635,000	2,204,000	2,226,000	695,000	(12,000)	(5,591,000)
Cumulative	1,635,000	3,839,000	6,066,000	6,761,000	6,749,000	1,157,000
	-	-	-	-	-	-

	Non-financial instruments
Periodic Gap	(773,000)
Cumulative	384,000
	-

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 R2.3 billion for March 2023 indicates that the Bank is expected to re-price R2.3 billion more of rate sensitive assets (RSAs) than rate sensitive liabilities of RLAs during the next 30 days. Further the one-year cumulative GAP for the period under review indicates that R5.3 billion more in assets than liabilities are expected to re-price over this longer period.

36.1.2 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 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 2023, Postbank had no open foreign currency position.

36.2. 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 of the following;

- Unexpected withdrawal of cash by depositors; and
- Daily working capital requirements.

Treasury unit of Postbank is specifically mandated by ALCO to ensure that the Bank 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 metrics such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). As the 31 March 2022, Postbank had R2.3 billion of HQLA, as investment held with the CPD, this was in line with the prescript of the Liquidity risk policy.

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 2023, Postbank had R2.4 billion of High-Quality Liquid Assets (HQLA), as investment held with the CPD, this was in line with the prescript of the Liquidity risk policy.

The tables below details Postbank's contractual maturity analysis for financial liabilities and financial assets. The figures have been compiled based on capital plus accrued interest, excluding Expected Credit Loss (ECL) adjustments of financial assets and financial liabilities based on the maturity date on which the Postbank can be required to settle the liabilities. 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.

36. Financial Instruments and Risk Management (continued)

The table below analyses the contractual maturity liquidity Gap for 31 March 2023:

Assets R'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
Cash at Bank	618,000	-	-	-	-	-
Call Deposit	2,049,000	-	-	-	-	-
Fixed Deposit	-	461,000	-	703,000	-	-
Landbank Deferred Investments	597,000	-	-	-	-	-
Negotiable Certificate of Deposit	-	528,000	633,000	822,000	-	-
Postbank CPD	2,458,000	-	-	-	-	-
Inter Company Loans	216,000	-	-	-	-	-
Sovereign Bonds	-	-	-	-	349,000	-
Trade and other receivables	-	-	-	-	-	1,116,000
SAPO Intercompany receivables	-	-	-	-	-	877,000
Deferred tax					-	123,000
Right of use of assets	-	-	-	-	-	23,000
Intangible assets	-	-	-	-	-	33,000
Property, plant and	-	-	-	-	-	106,000
equipment	-	-	-	-		
Current tax receivable	-	-	-	-	-	150,000
	5,938,000	**989,000**	**633,000**	**1,525,000**	**349,000**	**2,428,000**

36. Financial Instruments and Risk Management (continued)

Assets R'000	Total
Cash at Bank	618,000
Call Deposit	2,049,000
Fixed Deposit	1,165,000
Landbank Deferred Investments	597,000
Negotiable Certificate of Deposit	1,983,000
Sovereign Bonds	349,000
Postbank CPD	2,458,000
Loans to Group Companies	216,000
Trade and other receivables	1,116,000
SAPO Intercompany assets	877,000
Deferred tax	123,000
Right of use of assets	23,000
Intangible assets	33,000
Property, plant and equipment	106,000
Current tax receivable	150,000
	11,863,000

Liabilities and equity R'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
Savings deposit	(3,652,000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(4,376,000)
Term deposits	(4,000)	(51,000)	(27,000)	(28,000)	(8,000)	-
Grant accounts	-	-	-	-	-	(1,586,000)
Trade and other payables						(211,000)
Lease liability						(21,000)
Provisions						(41,000)
Equity						(1,472,000)
	(3,656,000)	**(51,000)**	**(27,000)**	**(28,000)**	**(8,000)**	**(7,707,000)**

36. Financial Instruments and Risk Management (continued)

Liabilities and equity R'000						Total
Savings deposit						(3,652,000)
Transactional accounts						(4,376,000)
Term deposits						(119,000)
Grant accounts						(1,586,000)
Trade and other payables						(211,000)
Lease liability						(21,000)
Provisions						(41,000)
Equity						(1,472,000)
						(11,478,000)

	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	Nonfinancial asset / liability
Net liquidity Gap	2,283,000	938,000	606,000	1,498,000	342,000	(5,279,000)
Cumulative Liquidity gap	2,283,000	3,220,000	3,826,000	5,324,000	5,665,000	387,000
	-	-	-	-	-	-

36. Financial Instruments and Risk Management (continued)

The table below analyses the contractual maturity liquidity Gap for 31 March 2022:

Assets R'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-financial asset / liability
Cash at Bank	1,138,000	-	-	-	-	-
Call Deposit	4,152,000	-	-	-	-	-
Fixed Deposit	-	976,000	-	-	-	-
Landbank Deferred	-	743,000	-	-	-	-
Negotiable Certificate of Deposit	-	495,000	-	706,000	-	-
Postbank CPD	-	-	2,315,000			
Inter company loan	208,000	-	-	-	-	-
Trade and other receivable	-	-	-	-	-	621,000
SAPO Intercompany assets	-	-	-	-	-	1,938,000
Deferred tax	-	-	-	-	-	76,000
Right of use of assets	-	-	-	-	-	6,000
Intangible assets	-	-	-	-	-	40,000
Property,plant and equipments	-	-	-	-	-	17,000
Current tax receivable	-	-	-	-	-	110,000
	5,498,000	**2,214,000**	**2,315,000**	**706,000**	**-**	**2,808,000**

36. Financial Instruments and Risk Management (continued)

Assets R'000	Total
Cash at Bank	1,138,000
Call Deposit	4,152,000
Fixed Deposit	976,000
Landbank Deferred Investments	743,000
Negotiable Certificate of Deposit	1,201,000
Postbank CPD	2,315,000
Inter company loan	208,000
Trade and other receivable	621,000
SAPO Intercompany assets	1,938,000
Deferred tax	76,000
Right of use of assets	6,000
Intangible assets	40,000
Property,plant and equipments	17,000
Current tax receivable	110,000
	13,541,000

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	Nonfinancial asset / liability
Savings deposit	(3,862,000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(4,390,000)
Term deposits	(1,000)	(11,000)	(88,000)	(11,000)	(12,000)	-
Grant accounts	-	-	-	-	-	(1,202,000)
Trade and other payables	-	-	-	-	-	(93,000)
Lease liability	-	-	-	-	-	(7,000)
Provisions	-	-	-	-	-	(12,000)
Equity	-	-	-	-	-	(3,470,000)
	(3,863,000)	**(11,000)**	**(88,000)**	**(11,000)**	**(12,000)**	**(9,174,000)**

	Total
Liabilities	
Savings deposit	(3,862,000)
Transactional accounts	(4,390,000)
Term deposits	(123,000)
Grant accounts	(1,202,000)
Trade and other payables	(93,000)
Lease liability	(7,000)
Provisions	(12,000)
Equity	(3,470,000)
	(13,159,000)

	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-financial asset / liability
Net liquidity Gap	1,635,000	2,204,000	2,226,000	695,000	(12,000)	(6,365,000)
Cumulative Liquidity gap	1,635,000	3,839,000	6,066,000	6,761,000	6,749,000	384,000
	-	-	-	-	-	-

36.3. Capital Risk

Capital adequacy risk is the risk that the Postbank will not have sufficient capital reserves to meet materially adverse market conditions beyond that which has already been assumed and unable to absorb losses, maintain public confidence and support the competitive of the business. 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 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 table below shows the capital adequacy ratio at 31 March 2023:

Capital Adequacy (ZAR millions; percent)	31 March 2023	31 March 2022
Total capital	1,471,703	3,019,906
Total Tier 1 capital	1,471,703	3,019,906
Total CET1 (common equity Tier 1) capital	1,471,703	3,019,906
Capital adequacy ratio (weighted average)	**27%**	**55%**

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 with the support of the Treasury unit 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 undertook 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.

36.4. 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 cash and liquidity management activities, investments, and lending activities. At present, Postbank does not have any credit risk exposures arising from lending activities as it will only start provide lending products in near future. Postbank describes credit risk arising from cash and liquidity management activities and investments as "counterparty credit risk". This should however not be confused with counterparty credit risk as defined by the Basel standards.

The counterparty credit risk arising from these 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 pre-settlement 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. 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.

Maximum exposure

The following table shows the maximum exposure on financial instruments within the scope of IFRS 9's impairment model to credit risk.

36. Financial Instruments and Risk Management (continued)

2023: Credit exposure per class of financial instruments R'000	Maximum exposure to credit risk	Provision for ECLs	Collateral held as security
Cash and cash equivalent	2,667,521	-	-
Financial Assets at amortised cost	4,569,504	(170,771)	-
Financial Assets at fair value through OCI	1,982,987	(7,029)	-
Trade and other receivable	1,318,029	(682,938)	-
Loan to shareholders	215,869	(215,869)	-
SAPO receivable	3,181,996	(2,305,262)	
	13,935,906	**(3,381,869)**	**-**

2022: Credit exposure per class of financial instruments R'000	Maximum exposure to credit risk	Provision for ECLs	Collateral held as security
Cash and cash equivalent	5,290,116	-	-
Financial Assets at amortised cost	4,034,142	(174,730)	-
Financial Assets at fair value through OCI	1,201,498	(3,533)	-
Trade and other receivable	3,062,289	(777,594)	-
Loan to shareholders	207,897	(207,897)	-
SAPO Receivables	2,368,233	(429,835)	
	14,063,410	**(1,172,266)**	**-**

Postbank does not hold any collateral for all our exposures.

Refer to note 6 for Loans to shareholders ECL assessment and measurement.

Refer to note 9 for SAPO receivables ECL assessment and measurement.

36. Financial Instruments and Risk Management (continued)

2023 - Financial assets at amortised cost-Stage 1: 12-month ECL R'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	3,972,132	-	-	3,972,132
Provision for ECL	(3,648)	-	-	(3,648)
	3,968,484	**-**	**-**	**3,968,484**

2023 - Financial assets at amortised cost-Stage 3: LIfetime ECL R'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	-	-	597,372	597,372
Provision for ECL	-	-	(167,124)	(167,124)
	-	**-**	**430,248**	**2,406,206**

Financial assets at fair value through OCI - Stage 1: 12-month ECL R'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	1,982,987	-	-	1,982,987
Provision for ECL	(7,029)	-	-	(7,029)
	1,975,958	**-**	**-**	**1,975,958**

2023 - Financial assets at fair value through OCI- Stage 3: Life-time ECL Credit impaired R'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	-	-	215,869	215,869
Provision for ECL	-	-	(215,869)	(215,869)
	-	**-**	**-**	**-**

2022 - Loan to shareholders -Stage 1: 12-month ECL R'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	3,291,049	-	-	3,291,049
Provision for ECL	(773)	-	-	(773)
	3,290,276	**-**	**-**	**3,290,276**

2022 - Financial assets at amortised cost: Stage 3: Lifetime ECL R'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	-	-	743,093	743,093
Provision for ECL	-	-	(173,957)	(173,957)
	-	**-**	**569,136**	**569,136**

2022 - Financial assets at fair value through OCI - Stage 1: 12-month ECL R'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	1,201,498	-	-	1,201,498
Provision for ECL	(3,533)	-	-	(3,533)
	1,197,965	**-**	**-**	**1,197,965**

2022 - Loan to shareholders - Stage 3 : Lifetime ECL- Credit impaired R'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	-	-	207,897	207,897
Provision for ECL	-	-	(207,897)	(207,897)
	-	**-**	**-**	**-**

Expected Creidt Loss Assessment and Measurement Additional information for SAPO receivables and Loans to Shareholders, refer to notes 6 and 9.

Cash and cash equivalents

Postbank held cash and cash equivalents of R2.7 billion (2022: R5.3 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

Expected credit losses are defined as probability-weighted estimates of credit losses over the expected life of a financial instrument. A loss is defined as a shortfall between the cash flows that are due to an entity in accordance with the contract and the cash flows the entity expects to receive.

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.

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.

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 (i.e change in PD) occurring over the expected life of the instrument, rather than the change in ECL. 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.

At reporting date, Postbank has assessed whether there has been significant increase in credit risk for all financial assets that are exposed to credit risk.

As at the reporting date Land Bank had received a R7 billion appropriation as part of the Adjustments Appropriation Bill (B10B-2020) and has since made progress in collections on the loans and advances book and resumed interest payments as and when they become due and payable in accordance with the terms of each relevant underlying agreement. Postbank has from 1st September 2020 to 31st March 2023 received an amount of R134 million for default interest due from Land Bank for all the deferred investments. Furthermore, Land Bank had made an additional repayment of R147 million (2022: R297 million) of the nominal capital outstanding to financial creditors reducing Postbank exposure to Land Bank to R592 million (2022: R 738 million) as at 31st March 2023.

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 ECL model takes into account macro-economic factors when assessing the expected losses. Incorporating forward-looking information increases the level of judgement as to how changes in these macro-economic factors will affect ECL and counterparty repayment ability.

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 credit-impaired. A lifetime ECL was recognised for Loan to shareholders (note 6).

Definition of default and credit impaired assets

Postbank considers a 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.
- It is becoming probable that that the borrower will enter Bankruptcy or other financial reorganisation;
- 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 on recoveries 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 loss rates or LGD for high credit quality financial institutions. Minimum LGD for Postbank is 45%. This 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.

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 d efault 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 %
Baa	BBB	0.2100 %
Baa3 2	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 %
		-%

37. Contingencies

	2023 R'000	2022 R'000

Contingent liabilities

Various proceedings were instituted against the Postbank during the 2023 financial year and the previous financial years. The amounts being claimed from the Bank total approximately R182.7 million (2022: R112,7 million). The Bank also has contingent liabilities in relation to labour claims due to alleged unfair labour practice is R14.507 million (2022: R4,6 million). The Bank'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	2023 R'000	2022 R'000
Civil cases	168,228	108,073
Labour cases	14,507	4,661
	182,735	**112,734**

Contingent assets

The contingent assets include various cases where 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	2023 R'000	2022 R'000
Civil cases	47	47
Labour cases	7	8
	54	**55**

38. Material losses

Material losses represent cash lost due to fraudulent withdrawals

	2023 R'000	2022 R'000
Material losses	103,620	93,349

Postbank incurred material losses due to fraudulent withdrawals.

2022-23

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Postbank
Your Bank

(012) 407 6000
postbank.enquiries@postoffice.co.za

497 Sophie de Bruyn Street,
Pretoria, 0001

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