Postbank
Your Bank

SOUTH AFRICAN POSTBANK SOC LTD

ANNUAL REPORT

2021-22

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Your Bank

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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 6000 / 0800 53 54 55

WEBSITE ADDRESS
www.postbank.co.za

EXTERNAL AUDITORS INFORMATION
Auditor-General of South Africa

BANKER'S INFORMATION
Standard Bank South Africa

COMPANY SECRETARY
Tlamelo Majatladi

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

List of abbreviations

Postbank
Your Bank

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

Foreword by Chairperson

Introduction

As the markets, economies and business start to show signs of recovery from the widespread scourge brought by Covid-19, business leaders and companies need to focus their attention on ethical conduct and sustainable business practices. We have learnt so many valuable lessons over the past two years whilst many business models and practices were rigorously challenged.

This period challenged businesses alike to adopt sound practices whilst also focusing on businesses that are sustainable in the long term. Accordingly, this period also challenged businesses to embrace firmly accountability in line with its responsibilities to shareholders, employees, clients, suppliers, trading partners and the society at large.

The economic ravages of Covid-19 coupled with the lack of job creation opportunities led to South Africa's unemployment rate climbed to 33,56% in 2021, up from 29,22% in the previous year. The unemployment rate eased to 34.5% in the first quarter of 2022, the first decline in seven quarters, down from a record high of 35.3% in the prior period. Living standards have severely been impacted thus prompting our government to increase access to the monthly social grants in order to cushion the poor from the economic calamity.

It is worth noting that the South African economy expanded by 4,91% in 2021 recovering from a 6,43% contraction in 2020. The country's GDP advanced by 1,9% on quarter in the three months to March 2022 and shrank by 0,7% on quarter in the three months to June 2022. This provides an opportunity for our country and its policy makers to align the economic stimulants to our economic policies in order to bring about any meaningful economic reforms.

The South African Reserve Bank (SARB) decided to cut the interest rates by 100 bps to 5,25% during its March 2022 meeting amid growing uncertainly over the impact of Covid-19 crisis at the time. This was also motivated by the country's persistent economic vulnerability. The low interest regime that ensued thereafter had a marginal impact on Postbank's financial position.

Mr Thabile Wonci
Chairperson

When we reflect on Postbank's journey over the past two years, the bank remains well capitalized with the Capital Adequacy Ratio of 55% as at March 2021 down from 63% as at March 2020. This ratio decreased from 55% in 2021 to 46% as at March 2022 due to an increase in risk weighted assets mainly due to the increase in the SAPO exposure. Our total assets showed an increase to R13bn during the period ended March from from R11bn in the previous year. This increase is attributable to an increase in the bank's investments and cash and cash equivalents.

Postbank's turnover remained flat at R2bn on a year-on-year basis and this is mainly attributable to Covid-19, the low interest rate regime we have witnessed over the past two years and most notable the state of our fragile economy that continues to languish in deep paralysis.

Operating Environment

South Africa has a robust and resilient banking and financial services sector. Its strength was tested during the global financial crisis in 2008 and most recently when the country and the whole world were battling the scourge of the coronavirus pandemic. Perhaps as South Africans we must draw strength and courage from this fact.

Without doubt, banking and financial services sector play a critical role in any given economy. In South Africa, this is explained by the sector's significant contribution to the country's GDP. Arguably the provision of banking services to the poor, unbanked and the underbanked remain less impressive. Needless to say that South Africa's prevailing financial system is unequal and exclusionary by design.

This creates an opportunity for the Postbank in line with its mandate of promoting financial inclusion to ensure that the unbanked and the underbanked have access to bank accounts, banking facilities as well as financial services of any kind, whilst also taking care of the banking needs of its existing customer base. The Postbank is well positioned to address the lack of access to the payments systems that the unbanked and the underbanked are currently experiencing.

Accordingly, the unbanked and the underbanked's interaction with the financial system must be through a safe, low-cost and efficient way of sending and receiving money. It's important that the unbanked and the underbanked are protected from the scourge of cyber-crime and premium service costs. Needless to say, it remains our collective responsibility to develop a sound mechanism, systems and processes that will help us greatly in our quest to build a prosperous Postbank.

Indeed, it is our collective duty to free the Postbank from the scourge of weak management oversight and lack of accountability and in the process work towards building a Postbank with capabilities to recruit and retain a Chief Executive Officer and senior executives. It remains important to build a Postbank with strong commercial orientation, sound operational and financial capabilities. A Postbank with effective instruments to monitor and deal decisively with lack of accountability and responsibility, uninspiring levels of productivity, operational and financial sloughs.

In line with our collective responsibility of building a Postbank with retail banking and transactional capabilities, if we do not modernize our infrastructure and IT environment, capacitate the bank with the executive and management structure that is fit for purpose, fast-track the implementation of sound and effective governance frameworks and institutional reforms, individual and organisational performance measures and most importantly bring the much needed capacity at the Board and subcommittee levels to ensure effective strategic oversight.

The effective Board structure and capabilities at the executive and management levels will help stimulate the commercialization of Postbank whilst exerting more accountability. The organisational and financial success of Postbank will be a useful framework from which to evaluate its operating and financial agenda.

Looking Forward

The process of building Postbank into a fully-fledged retail bank with transactional capabilities must be carefully and genuinely guided as an impetus for a prosperous Postbank that we can all be proud of.

We expect that the economic conditions will improve going forward than the last two years but that growth will be slow to reduce unemployment or to increase the income per capita. As such, we remain committed to improving on our performance targets across the business. We will continue working to keep our customers, earn the trust of our shareholders and all stakeholders and lay a strategic foundation from which to deliver our business plan from.

As such, we will be focusing particularly on the following:

- **SARB Variation Notice.** To dedicate much internal resources to fully address the issues raised by the SARB in the Variation Notice.

- **IT Modernisation.** This remains important in our quest to lay a solid IT environment and the infrastructure from which to build our banking capabilities. The process has already started and management is working hard to ensure that we deliver on this project given its urgency. Most of our planned initiatives, issuing banking cards, ATMs, Internet & Mobile Banking, Value Adding Services (VAS) to mention but few, are all premised on a modernized IT environment.

- **Modernisation of Our Core Banking Platform.** We are on the journey of creating a fully digital bank that will ensure that our customers interact and transact in a modern banking environment.

- **Lifting of the Moratorium.** We will continue to engage the Ministry and the Department on the lifting of the moratorium in order to be able to recruit thus capacitating the bank across all levels with specific and urgent focus on the executive and manager levels. The lifting of the moratorium will also help the bank to contract and procure the much needed infrastructure.

- **Head Office Move.** Move into an office environment that will be in commensurate with the kind of a bank that we are building, an office space that is well serviced and fitted with the necessary infrastructure given that our employees are back to working in the office. A move to be conducive of the culture we intend to cultivate in the organisation.

- **Internal Control Environment.** Strengthen the internal control environment that has been found to be very weak by the auditors. This includes ensuring that there are sufficient controls across all business functions. In addition, to ensure 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.

- **Reliance on SAPO.** Postbank needs to review its over reliance on SAPO given the challenges that SAPO is currently faced with. In addition, 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.

- **SASSA MSA.** To monitor the cession and the implementation of the SASSA MSA. Postbank has the responsibility of ensuring that it delivers on this contract, realises the financial benefits whilst building efficiencies in its delivery model and ensure that there are no financial leakages. Above all, the SASSA grants must be paid over to the beneficiaries in a dignified manner. This contract is going to expose Postbank and its offerings to a broader customer base.

- **Card Issuance.** Postbank as a banking institution offers transactional products and in line with its business and the directive from the SARB that it must issue cards to its customers. We foresee that this will contribute positively to the bank's revenue line going forward.

- **Reviewing our Strategic Plan.** Review our strategic plan to ensure that it encapsulates extensively and in much clearer terms the kind of bank we are building.

- **Discipline and Accountability.** To foster a work culture that promotes discipline and accountability within the organisation. A culture that will address and deal decisively with acts of misconduct, poor governance, unethical behaviour and unprofessional conduct.

- **High Performance Work Environment.** Create and foster a high performance environment where staff performance will be adequately measured and remunerated.

- **Values Based Leadership.** As a Board, to take effective governance, ethics, and compliance very seriously. To promote values based leadership approach in leading the Postbank in order to safeguard its integrity.

We are also monitoring closely the process of separating the Postbank from SAPO. As such, the Postbank Amendment Act is currently going through the parliamentary processes. A step in the right direction.

Board of Directors

The current Board of Directors of Postbank took office from 1 October 2020. The process to capacitate the Board with additional member has been ongoing. As such, its most welcomed and appreciated that this process has now been completed and the new Board members will be onboarded. Immediately thereafter, they will be inducted into the business of the bank and allocated accordingly into the respective Board Subcommittees.

This is the step in the right direction given the ambitious plans and the future possibilities of the Postbank. Accordingly, the daunting task that's ahead of us requires a well capacitated and independent Board. Coupled with that, the Board Subcommittees must also be capacitated to effectively contribute to the task at hand.

Postbank requires a well capacitated and independent board that is motivated by good corporate governance principles, ethical behaviour and determination to discharge its duties and responsibilities with ethical and moral standards. Needless to say that the bank deserves a Board structure with capacity to play an effective oversight role over managerial processes and decision making that impact operations and overall strategic direction of the business.

I am certainly looking forward to welcoming the new Board members that will soon be joining the Board of Postbank. I am looking forward to their contribution into the business of Postbank, the great memories that we are going to build as the team and the milestones I'm hoping we will be achieving and celebrating on our quest to build a Postbank that we can all be proud of.

Appreciation

I would like to extend my sincere gratitude to my fellow Board members for their contribution into the business of Postbank, their insights shared and commitment into the affairs of this bank.

Thank you to the executive team under the leadership of the Interim CEO, Mr Lucas Ndala and every employee of Postbank. Your commitment and dedication to our business is truly commendable. We might not say many times how grateful we are of all your hard work, your dedication and efforts do not go unnoticed. Many of you have stayed the course purely driven by the glorious task of building Postbank into a fully-fledged retail bank, by that, I am forever grateful.

A word of gratitude to our Shareholder and the staff in the Department of Communications and Digital Technologies. It's been such an honour to walk this journey with you. I am truly humbled by your love for this bank and the immeasurable support you keep affording us.

My heartfelt gratitude to the Honourable Minister Khumbudzo Ntshavheni for all your guidance and support. It's truly encouraging to know that we can count on your immeasurable guidance and support. Your affinity and commitment to the business of Postbank is greatly appreciated.

Lastly, but first in my heart, I would like to thank our customers. It's encouraging to know that you have chosen and keep choosing us for all your banking needs. Thank you for entrusting us with all your hard earned deposits, investments and savings. We are on a safe journey to add more products and transactional banking capabilities in our quest to serve you better.

In closing, I would like to once again extend a word of gratitude to the Honourable Minister Khumbudzo Ntshavheni for entrusting me with the honour and the responsibility of leading the Postbank Board of Directors. It is truly an honour of the highest order to be entrusted with such a responsibility at this juncture in the history of the Postbank. This epoch signifies a lifetime opportunity to lead a team that must build a Postbank that we can all be proud of.

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

Mr Thabile Wonci
Chairperson of the Board

Chief Executive Officer's Overview

The financial year 2022 has seen a stabilization of the Covid-19 restrictions and the improvement in the overall management of the pandemic. The Covid-19 pandemic had a negative impact on the business environment and individual customers. Overall savings were negatively impacted as customers were dipping into their reserves to mitigate their budget shortfalls during these difficult times. The overall economy started to recover boosted by good commodity prices in both the mining and the agricultural sectors as well as government relief schemes for businesses and individual which were timely interventions.

The Postbank had a tough trading environment as we were impacted by the South African Reserve Bank (SARB) variation notice. On 17 December 2021, the SARB issued a variation notice in terms of S6 (3) (b) of the National Payments Systems (NPS) Act varying the conditions of Postbank's designation as a DCSP in the government gazette. The SARB had mandated Postbank to implement certain remedial actions, recommendations and instructions, including the reissuance of Sassa branded cards within 18 months with final a date of 31 March 2021 with which Postbank unfortunately was unable to meet. The Variation Notice was 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 previously 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

Mr Lucas Ndala

Interim Chief Executive Officer

- 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 performance of bank was further impacted by the Ministerial Moratorium which prohibited Postbank from undertaking certain actions. The moratorium included the following:

- Freeze on all recruitment until Postbank submits a organisational structure, job grading and salary benchmarking

- No entering into contracts more than 12 months tenure

- Request for Postbank to institute a forensic audit on the November 2021 cyber fraud incident and any related incidents

The issuing of the moratorium, while a benevolent undertaking, inevitably impacted Postbank's ability to resolve most of the SARB variation notice items as the notice also require the implementation of the IT modernisation.

The bank financial performance has recovered in the current financial year after experiencing negative impact of expected credit losses ("ECL") provision due to Covid-19 pandemic impact. Postbank financial highlights includes:

- Profit for the year in FY2022 improved to R324m from a loss of R443m in FY2021

- Interest income reduced by 17% to R335 million and negatively impacted by low interest rates

- Transactional and service fee income reduced by 4% to R1.6 billion

- ECL improved to a positive of R157 million from a negative of R800 million in FY2021

- Other operating costs increased by 16% to R553 million impacted by the increase in material losses

- Total assets increased by 15,5% to R12.9 million driven by increase in customer deposits

- Generated a return of total assets of 2.57% as compared to a negative return of 3,51% in FY2021

- Net cash increased by 48% to R5 million driven by increased profitability, increased deposits as well as repayment of loan received from South African Post Office

Postbank missed its corporate plans targets for the FY2022 year and more focused plans are being implemented to improve performance in the new year and lifting of the moratorium will assist greatly. Postbank continues with the implementation of its strategy with the main objective of getting a full banking license as a critical enabler for the bank to offer full banking services. The process has been initiated and has been slowed down by a need to establish a bank controlling company. The process of establishing the bank holding company has been delayed by the legislative processes of the Postbank Amendment Bill that is currently going through the parliamentary considerations.

Building management capacity with relevant banking experience and skills as well as resourcing key vacant areas within the critical parts of the bank is our key focus area. The lifting of the recruitment freeze will be critical for the successful filling of these critical vacancies. During the year under review the bank completed the job grading and salary benchmark based on the Paterson grading model and this will allow the bank to attract good talent within the market. The job profiling and grading was mapped against similar industry players within the financial services sector. The stabilisation of the management team is key for the success of the bank and its future growth.

On behalf of the Postbank employees, we thank the board for the continued support and guidance during this challenging time.

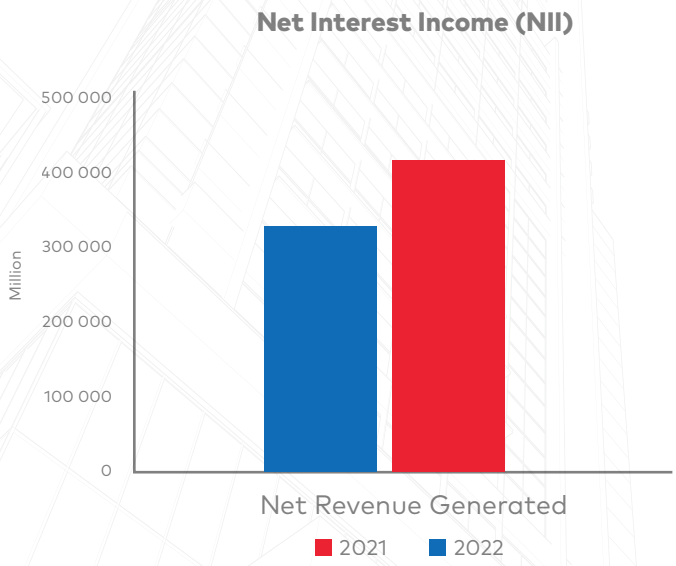
Mr Lucas Ndala
Interim Chief Executive Officer

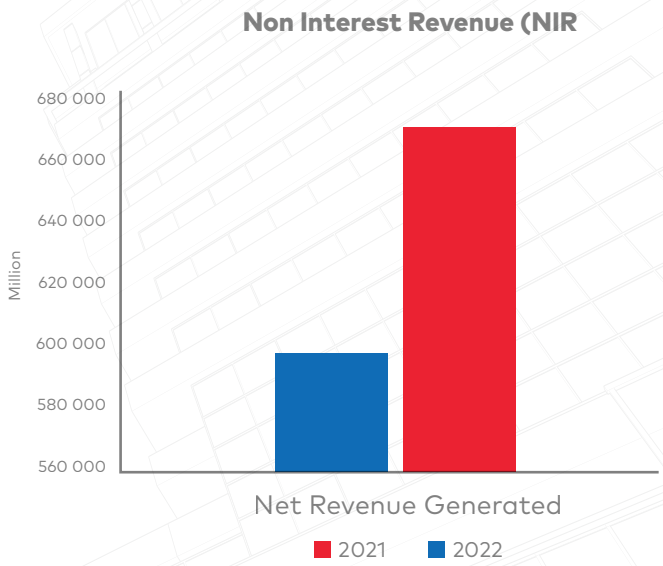
Financial Overview by the Chief Financial Officer

Postbank's net profit improved significantly to R324 million in the year under review,rising from a loss of R443 million in prior year. The improvement from prior year is mainly as a result of lower expected credit losses in the year under review mainly due to reduced Covid-19 overlay adjustment.

Although the Bank's profitability has improved, the effects of Covid-19 still negatively impacted the overall performance of the Bank. This was evident in the flat revenue numbers reported in the year under review. The Bank reported a revenue of R2 billion in the period under review. The revenue was impacted by a 16% decline in NII from R405 million in prior year to R335 million during the year ending 31 March 2022. The main driver of the decline in the NII was due to the reduction in the Interest income from R436 million in the prior year to R367 million in the period under review as a results of the low interest rates.

Ms Thokozile Motsweni
Acting Chief Financial Officer





The Bank's Non Interest Revenue was also impacted, the transactional and service fee income reduced by 4% to R1.6 billion resulting in an overall decline in the Non Interest Revenue of 10% from R672 million in prior year to R607 million as at 31 March 2022. The Bank's revenue generation was negatively impacted by the inability of the Bank to issue cards, failure to implement its IT modernisation and the ATM project which could have seen a significant reduction in the interchange fees.

During the year ending 31 March 2022, Non Interest Revenue contributed to 83% (80%:31 March 2021) of total revenue whilst Net Interest Income accounted to only 17% (20%:31 March 2021) of total revenue.

Other operating costs increased by 16% to R553 million in the year under review from R475 million in prior year impacted by the increase in material losses. Cost to income ratio increased to 75% (56%: 31 March 2021) which exceeds the target of 73%. The high cost to income ratio is as a result of declining revenue and an increase in expenditure during the year under review.

Total assets increased from R11.1 billion to R12.9 billion when compared to previous year mainly as a result of a significant increase in Investments and Cash and cash equivalent.

Trade and other receivable have shown an increase to R731 million when compared to prior year receivables amount of R574 million. Total liabilities for the year ending 31 March 2022 increased from R8 billion to R9.4 billion when compared to prior year in the same period due to the growth in total deposits balances.

Net Cash from Operating Activities increased from negative R3,2 billion to R2,1 billion as compared to prior year as a result of increase in deposits for the year. The Return on Assets (RoA) improved from a negative 3.5% in the previous financial year to negative 2.7% in the current year. The Bank's Net interest margin declined from 3.4% in the previous year to 2.8% in the current year. Postbank's Return on Equity (RoE) improved from -15% of prior year to 10% in the current year as a result of an increase in retained earnings and equity for the current financial year.

The Bank remains well capitalised with Tier 1 ratios of 46% and the CAR of 46% (31 March 2021: 55%) above the minimum required by the Prudential Authority. The ratio declined compared to the previous years as a result of the increase in the risk weighted assets in current financial year. As at the 31 March 2022, 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.

Ms Thokozile Motsweni
Acting Chief Financial Officer

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

Postbank's strategy and strategic outcomes are aligned to South Africa's National Developmental Plan Vision 2030, developmental targets of the Department of Communications and Digital Technologies (DCDT), and the Annual Performance Contract of the Department of Communications and Digital Technologies (DCDT) Honorable Minister, Ms. Khumbudzo Ntshavheni. The Annual Report covers our performance for the 2021/2022 financial year, and it is our third report tabled in this format where Postbank reports as a separate juristic person.

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

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

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

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

Mr Lucas Ndala
Interim Chief Executive Officer

Mr Thabile Wonci
Chairperson

HISTORY AND JOURNEY OF POSTBANK

History and journey of Postbank

1875
Establishment of SA's first savings bank.

1974
SA 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 Licence application.

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

2020
Postbank was desiginated as a national payment system.

2021
Establishing Banking Capabilities to Attain Banking License.

Figure 1: Postbank historical timeline and key milestones

Postbank is a designated deposit-taking entity with full participative membership within the National Payments System (NPS). The participation has positioned Postbank 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. A necessary component towards eliminating inequality and improving the quality of life of low income people. Government is in the process of corporatizing Postbank through the legislative amendments to the Postbank Act which will enable the incorporation of the bank controlling company and registration of the same in terms of section 43 of the Banks Act. This will set the bank on track to finalise it Section 16 application with SARB and enable the bank to promote higher levels of financial inclusion within its target customer segments.

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:

Vision

Be the Trusted Banking Partner to Government on Financial Inclusion

Mission

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

Values

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

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

Personal Growth
We are committed to getting better every day

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

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

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

Figure 1: Postbank's vision, mission and values

LEGISLATIVE AND OTHER MANDATES

MANDATE OF POSTBANK / WHY WE EXIST

The South African Postbank Limited Act, no 9 of 2010, mandates Postbank to promote financial inclusion within society, particularly in rural and lower-income markets, including communities with limited access to retail banking services.

Transactional accounts

have become the anchor product for participating in the economic and social life of a modern society.

Credit facilities

which as they are important to individuals and SMMEs in achieving their long-term objectives.

Insurance products

that enable the absorption of costly unforeseen life events.

Saving products

which provides a safety net and contributes to improving quality of life.

Remittance services

which allow for the convenient sending and receiving of money.

To attain this mandate, Postbank's mission is to focus on two key priorities:

Postbank firstly provides customers access to a basic transactional account to store money, send payments, and receive deposits, thereby achieving the goal of financial access.

Secondly, to serves as a gateway to transaction account holders by providing them with a broader range of financial products to the market.

REGULATION, LEGISLATIVE AND GOVERNANCE FRAMEWORK

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

- Postbank Act No. 9 of 2020 (as amended).
- Banks Act No. 90 of 1990 (as amended).
- Companies Act No. 71 of 2008 (as amended).
- Public Finance Management Act No. 1 of 1999 (as amended).
- Protection of Personal Information Act No, 4 of 2013.
- Relevant legislation applicable to SOCs.
- Relevant legislation applicable to the financial services sector.

Though exempted from the Banks Act, Postbank endeavours to comply with its prescripts. In addition, a special designation notice enables Postbank's deposit-taking institution status and participation within the National Payment System. Postbank submitted its full banking license application in terms of section 16 of the Banks Act in 2017 and intends to finalize the Section 13 application in the fourth quarter of the new financial year once Postbank amendment Bill is approved by Parliament.

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

POSTBANK ORGANISATIONAL STRUCTURE

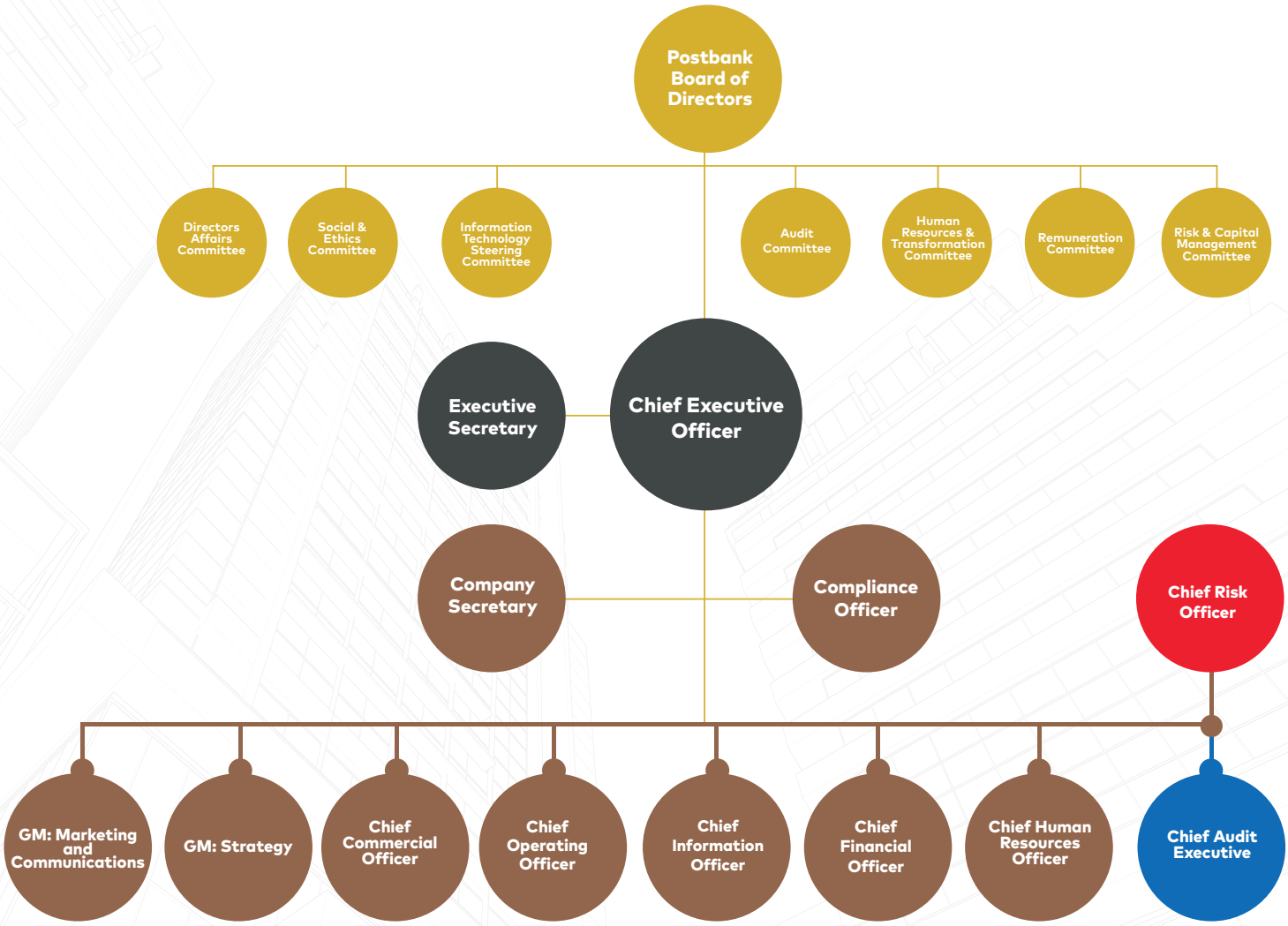


Figure 2: Postbank Executive Organogram

Postbank
Your Bank

PART B

Performance Information

HIGHLIGHTS

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial highlights

Net Profit/Loss After Tax	Net cash from operating activities	Total Assets	Postbank generated total revenue	Investments
31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22
R324 m	**R2.2 bn**	**R13 bn**	**R2 bn**	**R5 bn**
31-Mar-21	31-Mar-21	31-Mar-21	31-Mar-21	31-Mar-21
(R443 m)	**(R3.2 bn)**	**R11 bn**	**R2 bn**	**R4.5 bn**

Return on Assets	Capital Adequacy Ratio	Liquidity Coverage Ratio	Jaws Ratio	Cost to Income Ratio
31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22	31-Mar-22
2.7%	**46%**	**2119%**	**-73%**	**76%**
31-Mar-21	31-Mar-21	31-Mar-21	31-Mar-21	31-Mar-21
-3.7%	**55%**	**2005%**	**21%**	**57%**

- Postbank holds 21 million (31 March 2021: 19.8 million) individual and group savings accounts, with most of the account holders from the previously financially disadvantaged (under-banked) and excluded (unbanked) customers.
- In the period under review, Postbank partnered with additional retail merchants for the disbursement of SRD grants.
- At least 7 million (31 March 2021: 5 million) SRD grants recipients were paid via Postbank accounts to the value of R15 billion in the period under review (31 March 2021/2021: R13 billion).
- More than 71 financial literacy campaigns were conducted in 2021/2022 compared with to the previous financial year.
- In FY2020/2021 , SARB designated Postbank as a clearing system participant in terms of section 6(3)(a) of the NPS Act.

AUDITOR-GENERAL'S REPORT ON PREDETERMINED OBJECTIVES

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. Refer to page 92 of the Report of the Auditors Report, published as Part E: Financial Information.

SITUATIONAL ANALYSIS

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 retail merchants. Through this initiatives Postbank was able to migrate all its SRD grant payment from the SAPO branches to the retail merchants.

ORGANISATIONAL ENVIRONMENT

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

As part of the process to transition the Bank into a registered Retail Bank, the shareholder initiated a process to amend the Postbank Act to enable the establishment and incorporation of the South African Postbank Holding Company, a Bank Controlling company as per Banks Act.

Once promulgated, Postbank intends to start the process of resubmitting and finalizing its section 13 application in the fourth quarter of the new financial year. The delay the process to update and resubmit the application to the SARB was in order to ensure that the updates coincide with the finalisation of the pending legislative amendments to the Postbank Act.

Amendments to the Banks Act were meant to enable state-owned entities to register and acquire banking licenses for the establishment and incorporation of a Postbank Bank Controlling Company (BCC) in line with the provisions of the Banks Act. The finalization of both process and finalization of our IT modernization will then enable Postbank to start the process of updating its banking license application.

STRATEGY

EXTERNAL ENVIRONMENT

The aftershocks of Covid-19 have left many countries with a sluggish economy, high indebtedness and social inequality and, in some cases, instability, with a confluence of these adverse developments threatening to derail its expansion momentum. The World Bank has consequently revised its projections for world economic growth in 2022 to only 3.2%, down from the 6.1% in 2021. The adverse repercussions of the war in the Ukraine and the sanctions imposed on Russia as well as the impact of China's Covid-related mobility restrictions on an already slowing Chinese economy is putting the brakes on the world economy. Economic growth has been dampened in key markets for the domestic export sector, including China, European Union (EU), United States (US) and United Kingdom (UK). This has resulted in an acceleration in global inflation which was sparked by imbalances in demand and supply. Further exacerbated by the increases in fuel and food prices and shortages in some instances. These are affecting the world's poor and the most vulnerable and could ignite social unrest. Excessive volatility in global financial markets has been reflecting investor anxiety.

During the year under review, South Africa's economic environment has worsened in the light of these developments in the world's economic and geopolitical landscapes. Several factors continue hampering the local economy's growth performance, including frequent load shedding, transport and logistics constraints, rising production costs and input shortages due to global supply chain challenges, among other factors.

Consumer inflation in South Africa has been trending upwardly for some time, reaching 5.9% in March 2022, the highest in 6 years. The deteriorating inflation outlook has prompted the SARB to raise interest rates by a cumulative 75 basis points (bps) since November 2021, with the repo rate currently at 4.25% as at March 2022. The committee is expected to raise it by an additional 150 bps over the remainder of 2022, and by a further 25 bps in 2023.

South Africa continues to experience stubbornly high unemployment rates and the low probability of meaningful job creation materialising in the short-term, a falling business and consumer confidence, as already captured in the respective indices for the second quarter of 2022, with adverse repercussions on spending, production and investment activity.

Increased uncertainty over the economy's short-term prospects, with weaker rates of growth now anticipated and a technical recession in 2022 becoming a reasonable possibility.

The social unrest and devastating floods in parts KwaZulu-Natal left a trail of destruction to economic infrastructure and the livelihoods of thousands of households. This saw a significant interruption and closure of branches by our channel partners which impacted on SASSA beneficiaries and our core clients.

Looking forward, rising interest rates and alignment with developed market policy rates will support Postbank returns. However, our customers remains under pressure amidst continued high inflation and a high rate of unemployment.

STRATEGIC OUTCOMES

In support of the attainment of the Postbank's social mandate of promoting financial inclusion, the bank is focused on ensuring the provision of **Low Cost, Simple, Accessible and Affordable** banking solutions for the **under-served and under-banked communities**

The 2019-24 Medium-Term Strategic Framework directs government to invest in seven priorities, three of which are particularly relevant to Postbank and its mandate. These are:

Priority 1
Building a capable, ethical and development state

Priority 2
Economic transformation and job creation

Priority 3
Education, skills and health

Postbank will measure its performance over the next three-year strategic period through delivering on the **seven outcomes** detailed below:

Outcome 1: Corporatise the bank

This will enable Government to establish a State Owned Bank that will meet the State's developmental objectives. There are large markets that are not served by the traditional banks in the private sector that Postbank will endeavour to provide services to. These include the informal sector, rural economies, youth and SMMEs. There is also the overarching objective of enhancing financial inclusion for the unbanked and under-banked as per Postbank's mandate enunciated in the Postbank Act.

Outcome 2: Capacitate the organisation with critical skills

Efficiencies within the organisation contribute towards the establishment of an effective and capable state owned asset. Operational efficiencies also contribute towards long term financial sustainability, thereby ensuring that Postbank is in a strong position to fulfil the State's developmental mandate.

Outcome 3: Develop a retail banking capability

Following the transfer of Postbank business from the Post Office to the new Company (Postbank SOC Ltd), the bank is focusing on building all the requisite capabilities to enable it to become the kind of financial institution it seeks to become. Postbank intends to grow its retail business and market share and will implement all requisite systems and develop related products to better service its target market.

Outcome 4: Digitalisation of the bank

Following the transfer of Postbank business from the Post Office to the new Company (Postbank SOC Ltd), the bank is focusing on building all the

requisite capabilities to enable it to become the kind of financial institution it seeks to become. Postbank intends to grow its retail business and market share and will implement all requisite systems and develop related products to better service its target market.

Outcome 5: Create a financially sustainable bank

Postbank's financial sustainability creates a platform for economic transformation, job creation as well as an ability to contribute towards the fiscus in the form of Income Tax, VAT, skills levies, etc. A strengthened balance sheet provides a strong foundation for the provision of loans in the future.

Outcome 6: Promote financial inclusion

As its core mandate, Postbank is positioned to be a critical element of the **financial inclusion** imperative in South Africa. The country faces several social and economic ills, including unemployment, poverty, and economic inequality. Through the promotion of financial inclusion, Postbank plays an important contributing role in particularly addressing these issues. Research data on financial inclusion suggest that, in fulfilling its mandate, Postbank would play a significant role in addressing the triple social and economic ills that plague our country.

Outcome 7: Become Government's preferred primary banker of choice

Strengthens the working relationship between various Government entities in line with the Inter-Governmental Framework. This will ensure that state resources are well managed, and that Government extracts optimum value for money in line with the responsibility to manage with care the taxpayers' monies.

The following is a list of key success factors considered to be critical in the achievement of the bank's strategic goals which are embedded on the strategic priority areas articulated above:

- People First
- Operational Efficiency
- Customer Centricity/Experience
- Financial Sustainability
- Governance and Compliance

PERFORMANCE INFORMATION BY STRATEGIC OBJECTIVE

Postbank developed a related Annual Performance Plan (APP) which provides further details on banks performance targets and measurements for the 2021/2022. The bank's performance is tracked and measured against its Annual Performance Plan, comprising 28 Key Performance Indicators (KPIs) which are linked to seven strategic outcomes.

For the year under review, Postbank achieved eight (8) KPIs and failed to achieve 20 KPIs. Therefore, for FY2021/22, Postbank achieved 29% of the planned KPIs for FY2021/22 and was unable to achieve 71% of the 28 KPIs outlined in its Annual Performance Plan. Several KPIs marked as not achieved were, in varying degrees, impacted by the moratorium.

Postbank achieved an average performance rating of 38% 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 FY2021/22. As a result, Postbank has been delayed by five months in addressing the South African Reserve Bank Variation Notice, No. 45645, issued on 17 December 2021 (Variation Notice). The significance of this delay is the potential revocation of Postbank's National Payment System license. This is materially impacting the bank's ability to continue operating as it will no longer be able to participate in the national payment system. This means that Postbank will be unable to issue new bank and SASSA cards. As a result, Postbank will experience a significant migration of its customers to alternative banks, including SASSA bank cardholders. Should Postbank exit the NPS, several commercial banks will lose close to R800 million from infrastructure services rendered to Postbank.

Internally, the underperformance can also be attributed to the weak selection, and low quality of the KPIs used to guide and monitor the bank's business performance. However, management is currently optimising its business performance capabilities which will drive the effective selection of KPIs, in turn leading to higher organisational performance in the forthcoming years.

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	Variance
1. Corporatise the bank	1	-	1	100%
2. Capacitate the organisation with critical skills	1	-	1	100%
3. Develop a retail banking capability	6	2	4	67%
4. Digitalisation of the bank	8	1	7	88%
5. Create a financially sustainable bank	4	1	3	75%
6. Promote financial inclusion	6	2	4	67%
7. Become Government's preferred primary banker of choice	2	2	-	-
TOTAL	**28**	**8**	**20**	**71%**

Table 1: Postbank Annual APP Scorecard (FY2021/22)

PERFORMANCE REPORT ON PREDETERMINED OBJECTIVES

CORPORATE STRATEGIC PRIORITIES

Postbank's strategic goal is to be the trusted partner for accessible, simple and affordable banking solutions. Postbank's 3 year strategic document, the Corporate Plan, articulates strategic objectives that will drive Postbank to grow its business and market share and become a formidable financial services entity by the year 2023.

The Corporate Plan also outlines a list of Postbank's strategic goals and a plan on how the bank intended to achieve these and the other key mandated priorities. Postbank identified a list of six key strategic objectives aimed at ensuring the attainment of the bank's mandate of promoting financial inclusion in an effective and sustainable manner with the desired level of impact also achieved. These six strategic priorities included to:

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

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

- **Operational Efficiency**
- **Customer Centricity/Experience**
- **Financial Sustainability**
- **Governance and Compliance**

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 FY2021/22 financial year. This performance plan was underpinned by a set of 28 Key Performance Indicators (KPIs) through which the bank's annual performance was measured on a quarterly basis

ANNUAL PERFORMANCE PLAN _ POSTBANK SOC LTD					PERIOD : APRIL 2021 - MARCH 2022				
#	OUTCOME INDICATORS	OUTPUTS	#	OUTPUT INDICATORS/KPI DESCRIPTION	ANNUAL TARGET FY2021/22	QUARTERLY TARGETS FY2021/22			
						Q1	Q2	Q3	Q4
CSP 1: CORPORATISE THE BANK									
1.1	Acquire a Banking License.	Acquire Banking License for Postbank SOC Ltd.	1.1.1	Acquire Banking License for Postbank SOC Ltd.	Submit section 16 banking license application file and provide timely responses to the SARB (banking license application).	Update section 16 license application.	Ready with submission of the updated Section 16 license application, provided all dependencies have been addressed. (e.g., Postbank Amendment Act approved, IT Systems upgraded, and Executive structure capacitated.	None	None
CSP 2: CAPACITATE THE ORGANISATION WITH CRITICAL SKILLS									
2.1	Capacitate the organisation with key emphasis on Executive, Senior Manager and Management level resources.	Capacitate the organisation by decreasing the vacancy rate on Executive, Senior Manager and Management levels to 21% by the end of Q4, 2021.	2.1.1	Capacitate the organisation by decreasing the vacancy rate on Executive, Senior Manager and Management levels to 21% by the end of Q4, 2021.	Capacitate the bank by decreasing the vacancy rate on Executive, Senior Manager and Management levels to 21%. (33 positions earmarked to be filled by the end of Q4, 2021).	Vacancy rate: 41%	Vacancy rate: 33%	Vacancy rate: 26%	Vacancy rate: 21%
CSP 3: DEVELOP A RETAIL BANKING CAPABILITY									
3.1	Enhance Postbank's corporate brand and increase market awareness and participation.	To develop a strong and unique corporate brand with an increased market awareness and participation through Postbank products, channels and other service offerings.	3.1.1	Develop a strong and unique corporate brand with an increased market awareness and participation.	Execute marketing strategy/plan and run campaigns on the brand to create brand awareness through the implementation of a redesigned Postbank website & tools to boost domain authority/ searchability on 'key words", and by creating, on a bank's platform, the Postbank social media & digital media accounts.	Finalise Postbank website redesign; and Launch internal marketing and branding campaign to create employee brand awareness and affinity.	Launch brand awareness campaigns (Nationwide campaign to create brand awareness, radio, TV, print & digital & other media).	Launch brand awareness assessment (launch a campaign to research & understand the public & customer's assessment of the Postbank brand to inform share of voice targets).	Launch external brand marketing campaign linked to a product/ service offering promotion (to associate the brand to a tangible promise delivery/ service/ product); and Launch a nationwide campaign to create brand awareness linked to a product/ service offering on radio, TV, print & other media.

ANNUAL PERFORMANCE PLAN _ POSTBANK SOC LTD					PERIOD : APRIL 2021 - MARCH 2022				
#	OUTCOME INDICATORS	OUTPUTS	#	OUTPUT INDICATORS/KPI DESCRIPTION	ANNUAL TARGET FY2021/22	QUARTERLY TARGETS FY2021/22			
						Q1	Q2	Q3	Q4
CSP 3: DEVELOP A RETAIL BANKING CAPABILITY									
3.2	Improve Governance, Risk & Compliance.	Address all audit findings affecting the auditor's report and reduce other important and administrative findings raised by AGSA and internal Audit Unit.	3.2.1	Address all audit findings affecting the auditor's report and reduce other important and administrative findings raised by AGSA and internal Audit Unit.	Develop and implement action plan to address audit findings affecting the auditor's report as well as other important and administrative findings raised by AGSA and internal Audit Unit.	None	Address 25% of AGSA's audit findings affecting the audit report.	Address 100% of AGSA's audit findings affecting the audit report.	70% reduction of AGSA's other important and administrative findings.
		Embed a robust compliance management culture.	3.2.2	Embed a robust compliance management culture.	Annual Compliance Plan implemented.	25% implemented	50% implemented	75% implemented	100% implemented
		Embed an ethical culture.	3.2.3	Embed an ethical culture	Ethics Management Programme implemented.	25% implemented	50% implemented	75% implemented	100% implemented
		Develop and implement a revised Enterprise Wide Risk Management Framework.	3.2.4	Develop and Implement a revised Enterprise Wide Risk Management Framework.	Enterprise Wide Risk Management Framework plan achieved.	25% implemented	50% implemented	75% implemented	100% implemented
		Ensure the continuity of Postbank's business in the event of disaster by constantly testing the credibility of established business continuity plans.	3.2.5	Ensure the continuity of Postbank's business in the event of disaster by constantly testing the credibility of established business continuity plans.	Develop and implement a credible and reliable Business Continuity Management Plan for Postbank.	Draft Business Continuity Management Plan for Review.	Draft Business Continuity Management Plan for Review.	Edit Business Continuity Management Plan based on review inputs.	Finalise Business Continuity Management Plan with key stakeholders.
CSP 4: DIGITILISATION OF THE BANK									
4.1	Consolidate and modernise IT systems and develop digital banking capability.	Implement IT systems modernisation initiative to improve capabilities for innovation and improve efficiencies.	4.1.1	Implement IT systems modernisation initiative to improve capabilities for innovation and improve efficiencies.	Implement IT modernisation initiative with requisite Disaster Recovery (DR) capabilities.	**Phase 1:** Implement all critical systems under IT modernisation	**Phase 2:** Finalise implementation of remaining systems under IT modernisation.	Finalise all closing activities and implement.	None
		Consolidate core banking platforms to optimise operational efficiencies.	4.1.2	Consolidate core banking platforms to optimise operational efficiencies.	Implement core banking system upgrade with a digital channel banking capability and migrate accounts hosting to one platform.	Finalise core banking system upgrade with a digital banking capability.	Finalise all preparatory plans to commence account migration process.	Commence hosting and migrate 10% of SASSA beneficiaries to one core banking platform.	Migrate 100% of SASSA beneficiaries to one core banking platform.

ANNUAL PERFORMANCE PLAN _ POSTBANK SOC LTD					PERIOD : APRIL 2021 - MARCH 2022				
#	OUTCOME INDICATORS	OUTPUTS	#	OUTPUT INDICATORS/KPI DESCRIPTION	ANNUAL TARGET FY2021/22	QUARTERLY TARGETS FY2021/22			
						Q1	Q2	Q3	Q4
CSP 4: DIGITALISATION OF THE BANK									
		Consolidate and implement universal financial switch to optimise operational efficiencies.	4.1.3	Consolidate and implement universal financial switch to optimise operational efficiencies.	Implement financial switch upgrade with a chip card issuing enablement.	Finalise interim financial switch.	Migrate cards to new switch.	None	None
		Implement digital channel offerings and new value-added services to improve convenience on usage of financial services.	4.1.4	Implement digital channel offerings and value added services to improve convenience on usage of financial services.	Implement new digital channel offerings and value-added services (Internet Banking, SMS Alert, etc.).	None	Implement SMS alert notification service.	Implement internet banking service with mobile APP	Appoint an Aggregator to cater for airtime, data and electricity payments.
4.2	Diversify channels and implement alternative channel offerings.	Certify Postbank as a Merchant POS Acquirer.	4.2.1	Certify Postbank as a Merchant POS Acquirer.	Certify Postbank as a POS Merchant Acquirer.	Award bid and contract a service provider.	Commence Industry Certification.	Finalise Industry Certification.	Launch and pilot POS Merchant devices.
		Commence implementation of Postbank proprietary ATMs.	4.2.2	Commence implementation of Postbank proprietary ATMs.	Commence implementation of Postbank proprietary ATMs.	Commence Industry Certification.	Finalise Industry Certification.	Implement ICMS.	Launch and pilot ATMs and SSDs.
		Diversify branch channel to expand current footprint through new partnerships.	4.2.3	Diversify branch channel to expand current footprint through new partnerships.	Partner with 1 retail store to increase channel footprint.	Conclude partnership agreement with one retail store.	Commence systems integration process.	Finalise systems integration process and implement.	None
4.3	Ensure IT Stability.	98% monthly average uptime on all NPS (ATM & POS) transactions.	4.3.1	98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.

ANNUAL PERFORMANCE PLAN _ POSTBANK SOC LTD					PERIOD : APRIL 2021 - MARCH 2022				
#	OUTCOME INDICATORS	OUTPUTS	#	OUTPUT INDICATORS/KPI DESCRIPTION	ANNUAL TARGET FY2021/22	QUARTERLY TARGETS FY2021/22			
						Q1	Q2	Q3	Q4
CSP 5: CREATE A FINANCIALLY SUSTAINABLE BANK									
5.1	Grow revenue.	Achieve positive Net Interest Income (NII).	5.1.1	Achieve positive Net Interest Income (NII).	Achieve positive Net Interest Income (NII) – R339.6m	R118.9m	R88.3m	R81.5m	R50.9m
		Achieve positive Non Interest Revenue (NIR).	5.1.2	Achieve positive Non-Interest Revenue (NIR).	Achieve a positive Non-Interest Revenue target of R1 184.4m	R177.8m	R284.3m	R307.9m	R414.5m
CSP 5: CREATE A FINANCIALLY SUSTAINABLE BANK									
		Sales and revenue growth: Launch marketing campaigns for product, service and channel campaigns for product, service and channel offerings. offerings.	5.1.3	Sales and revenue growth: Launch marketing campaigns for product, service and channel offerings.	Execute marketing strategy/ plan and run campaigns on Postbank products, channels and other service offerings (i.e., AVS, POS, ATMs, SASSA replacement card, Tax-free Savings Account, 32 Day notice account, Bakgotsi stokvel account, etc.).	Launch marketing campaign for AVS service.	Launch marketing campaigns for 32 Day Notice and Tax-free savings accounts.	Launch internal branding and marketing campaign for SASSA replacement card and a national Bakgotsi stokvel account campaign.	Launch marketing and brand-ing cam-paigns for ATMs and SSDs, POS merchant devices; Launch external marketing campaign for SASSA replace-ment card; National Bakgotsi stokvel account campaign; and Launch marketing campaign for Post-bank chip cards
5.2	Enhance operational efficiency.	Achieve a target Cost-to-Income Ratio.	5.2.1	Achieve a target Cost-to-Income Ratio (Industry Aligned)	Achieve a target cost-to-income ratio of 73%	73%	73%	73%	73%
CSP 6: PROMOTE FINANCIAL INCLUSION									
6.1	Grow deposits and savings.	Grow depositor balances from prior year – to support growth in investments and NII.	6.1.1	Grow depositor balances from prior year – to support growth in investments and NII.	6% year-on-year deposit growth.	1.5% deposit growth (year-on-year).	1.5% deposit growth (year-on-year).	1.5% deposit growth (year-on-year).	1.5% deposit growth (year-on-year).
		Grow number of new accounts with specific focus on rural communities.	6.1.2	Grow number of new accounts for rural communities.	Net account growth of 300,000 new accounts for people in the rural areas.	Net account growth of 75 000.	Net account growth of 75 000.	Net account growth of 50 000.	Net account growth of 100 000.
		Launch new and/ or update existing savings and investments products and services – to grow deposit base.	6.1.3	Launch new and/ or update existing savings and investments products and services – to grow deposit base.	Rationalise and launch new and/or update existing savings and investments products and services.	Launch Account Verifi-cation Service (AVS); and Finalise product rationalisation strategy	Launch a 32 Day notice and Tax-free savings accounts.	Launch new SASSA card; and Implement product strategy and launch one card account.	Implement a restart term deposit option.

CSP 6: PROMOTE FINANCIAL INCLUSION									
6.2	Launch lending and bancassurance products.	Launch new affordable lending products.	6.2.1	Launch new affordable lending products.	Ready Postbank to commence lending business.	Implement lending products governance system; Design 2 lending products and services; and Implement operational risk management framework.	Acquire Lending Management System (LMS) and Scorecards.	Obtain SARB approval for lending; and Apply and obtain NCR license for lending	Set up and operationalise physical channels; and Set up and operationalise the Lending Management System (LMS), Scorecards, and Training for Direct Sales Agents.
6.3	Improve financial literacy.	Conduct a target number of financial literacy events to actively promote financial literacy and product knowledge.	6.3.1	Conduct a target number of financial literacy events to actively promote financial literacy and product knowledge.	24 financial literacy campaigns completed.	Conduct 5 financial literacy events.	Conduct 7 financial literacy events.	Conduct 5 financial literacy events.	Conduct 7 financial literacy events.
CSP 7: BECOME GOVERNMENT'S PREFERRED PRIMARY BANKE OF CHOICE									
	Grow government business within the parameters of the inter-governmental relations framework.	Acquire Government business by increasing Government to Citizen revenue via the acquisition of new business.	7.1.1	Grow government business within the parameters of the inter-governmental framework.	Acquire Government business by increasing Government to Citizen revenue via the acquisition of new business – Sign a minimum of 4 Government deals.	None	Sign 2 government deals.	None	Sign 2 government deals.
7.2	Develop and maintain key stakeholder relationships with a focus on SAPO & SASSA.	Develop and implement Stakeholder analysis and Stakeholder Relations Management Plan.	7.2.1	Develop and implement Stakeholder analysis and Stakeholder Relations Management Plan.	4 Proactive engagements with SAPO and other key stakeholders (i.e., SASSA, SARB, PASA, customers, etc.).	Minimum of 1 Quarterly meeting with each stakeholder.	Minimum of 1 Quarterly meeting with each stakeholder.	Minimum of 1 Quarterly meeting with each stakeholder.	Minimum of 1 Quarterly meeting with each stakeholder.

Table 2: Postbank's scorecard (FY2021/22).

SUMMARY PERFORMANCE PER KEY STRATEGIC OBJECTIVE

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
1. CORPORATISE THE BANK								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	1	0	0%
1.1.1 Acquire Banking License for Postbank SOC Ltd.	Submit section 16 banking license application file and provide timely responses to the SARB (banking license application).	Update section 16 license application.	Ready with submission of the updated Section 16 license application, provided all dependencies have been addressed. (e.g., Postbank Amendment Act approved, IT Systems upgraded, and Executive structure capacitated.	None	None	1	**Not Achieved**	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
2. CAPACITATE THE ORGANISATION WITH CRITICAL SKILLS								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	1	0	0%
2.1.1 Capacitate the organisation by decreasing the vacancy rate on Executive, Senior Manager and Management levels to 21% by the end of Q4, 2021.	Capacitate the bank by decreasing the vacancy rate on Executive, Senior Manager and Management levels to 21%. (33 positions earmarked to be filled by the end of Q4, 2021).	Vacancy rate: 26%	Vacancy rate: 33%	Vacancy rate: 26%	Vacancy rate: 21%	1	Not Achieved	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
2. CAPACITATE THE ORGANISATION WITH CRITICAL SKILLS								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	6	2	67%
3.1.1 Develop a strong and unique corporate brand with an increased market awareness and participation.	Execute marketing strategy/plan and run campaigns on the brand to create brand awareness through the implementation of a redesigned Postbank website & tools to boost domain authority/ searchability on 'key words'', and by creating, on a bank's platform, the Postbank social media & digital media accounts.	Launch brand awareness assessment (launch a campaign to research & understand the public & customer's assessment of the Postbank brand to inform share of voice targets).	Launch brand awareness campaigns (Nationwide campaign to create brand awareness, radio, TV, print & digital & other media).	Launch brand awareness assessment (launch a campaign to research & understand the public & customer's assessment of the Postbank brand to inform share of voice targets).	Launch external brand marketing campaign linked to a product/ service offering promotion (to associate the brand to a tangible promise delivery/service/ product); and Launch a nationwide campaign to create brand awareness linked to a product/service offering on radio, TV, print & other media.	1	Not Achieved	
3.2.1 Address all audit findings affecting the auditor's report and reduce other important and administrative findings raised by AGSA and internal Audit Unit.	Develop and implement action plan to address audit findings affecting the auditor's report as well as other important and administrative findings raised by AGSA and internal Audit Unit.	Address 100% of AGSA's audit findings affecting the audit report.	Address 25% of AGSA's audit findings affecting the audit report.	Address 100% of AGSA's audit findings affecting the audit report.	70% reduction of AGSA's other important and administrative findings.	1	Not Achieved	
3.2.2 Embed a robust compliance management culture.	Annual Compliance Plan implemented.	75% implemented	50% implemented	75% implemented	100% implemented	1	Not Achieved	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
2. CAPACITATE THE ORGANISATION WITH CRITICAL SKILLS								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	**6**	**2**	**67%**
3.2.3 Embed an ethical culture	Ethics Management Programme implemented.	75% implemented	50% implemented	75% implemented	100% implemented	1	Not Achieved	
3.2.4 Develop and Implement a revised Enterprise Wide Risk Management Framework.	Enterprise Wide Risk Management Framework plan achieved.	75% implemented	50% implemented	75% implemented	100% implemented	1	Achieved	
3.2.5 Ensure the continuity of Postbank's business in the event of disaster by constantly testing the credibility of established business continuity plans.	Develop and implement a credible and reliable Business Continuity Management Plan for Postbank.	Edit Business Continuity Management Plan based on review inputs.	Draft Business Continuity Management Plan for Review.	Edit Business Continuity Management Plan based on review inputs.	Finalise Business Continuity Management Plan with key stakeholders.	1	Achieved	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
4. DIGITALISATION OF THE BANK								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	**8**	**7**	**88%**
4.1.1 Implement IT systems modernisation initiative to improve capabilities for innovation and improve efficiencies.	Implement IT modernisation initiative with requisite Disaster Recovery (DR) capabilities.	Finalise all closing activities and implement.	Phase 2: Finalise implementation of remaining systems under IT modernisation.	Finalise all closing activities and implement.	None	1	Not Achieved	
4.1.2 Consolidate core banking platforms to optimise operational efficiencies.	Implement core banking system upgrade with a digital channel banking capability and migrate accounts hosting to one platform.	Commence hosting and migrate 10% of SASSA beneficiaries to one core banking platform.	Finalise all preparatory plans to commence account migration process.	Commence hosting and migrate 10% of SASSA beneficiaries to one core banking platform.	Migrate 100% of SASSA beneficiaries to one core banking platform.	1	Not Achieved	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
4. DIGITALISATION OF THE BANK								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	**8**	**7**	**88%**
4.1.3 Consolidate and implement universal financial switch to optimise operational efficiencies.	Implement financial switch upgrade with a chip card issuing enablement.	None	Migrate cards to new switch.	None	None	1	Not Achieved	
4.1.4 Diversify branch channel to expand current footprint through new partnerships.	Implement new digital channel offerings and value-added services (Internet Banking, SMS Alert, etc.).	Implement internet banking service with mobile APP.	Implement SMS alert notification service.	Implement internet banking service with mobile APP.	Appoint an Aggregator to cater for airtime, data and electricity payments.	1	Not Achieved	
4.2.1 Certify Postbank as a Merchant POS Acquirer.	Certify Postbank as a POS Merchant Acquirer.	Finalise Industry Certification.	Commence Industry Certification.	Finalise Industry Certification.	Launch and pilot POS Merchant Devices.	1	Not Achieved	
4.2.2 Commence implementation of Postbank proprietary ATMs.	Partner with 1 retail store to increase channel footprint.	Finalise systems integration process and implement.	Commence systems integration process.	Finalise systems integration process and implement.	None	1	Not Achieved	
4.3.1 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	Match or better the industry SLA of a 98% monthly average uptime on all NPS (ATM & POS) transactions.	1	Achieved	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
5. CREATE A FINANCIALLY SUSTAINABLE BANK								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	**4**	**3**	**75%**
5.1.1 Achieve positive Net Interest Income (NII).	Achieve positive Net Interest Income (NII) – R339.6m	R81.5m	R88.3m	R81.5m	R50.9m	1	Not Achieved	
5.1.2 Achieve positive Non-Interest Revenue (NIR).	Achieve a positive Non-Interest Revenue target of R1 184.4m	R307.9m	R284.3m	R307.9m	R414.5m	1	Not Achieved	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
5. CREATE A FINANCIALLY SUSTAINABLE BANK								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	**8**	**7**	**88%**
5.1.3 Sales and revenue growth: Launch marketing campaigns for product, service and channel offerings.	Execute marketing strategy/ plan and run campaigns on Postbank products, channels and other service offerings (i.e., AVS, POS, ATMs, SASSA replacement card, Tax-free Savings Account, 32 Day notice account, Bakgotsi stokvel account, etc.).	Launch internal branding and marketing campaign for SASSA replacement card and a national Bakgotsi stokvel account campaign.	Launch marketing campaigns for 32 Day Notice and Tax-free savings accounts.	Launch internal branding and marketing campaign for SASSA replacement card and a national Bakgotsi stokvel account campaign.	Launch marketing and branding campaigns for ATMs and SSDs, POS merchant devices; Launch external marketing campaign for SASSA replacement card; National Bakgotsi stokvel account campaign; and Launch marketing campaign for Postbank chip cards	1	Not Achieved	
5.2.1 Achieve a target Cost-to-Income Ratio (Industry Aligned).	Achieve a target cost-to-income ratio of 73%	73%	73%	73%	73%	1	Achieved	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
6. PROMOTE FINANCIAL INCLUSION								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	**6**	**4**	**67%**
6.1.1 Grow depositor balances from prior year – to support growth in investments and NII.	6% year-on-year deposit growth.	1.5% deposit growth (year-on-year).	1.5% deposit growth (year-on-year).	1.5% deposit growth (year-on-year).	1.5% deposit growth (year-on-year).	1	Not Achieved	
6.1.2 Grow number of new accounts for rural communities.	Net account growth of 300,000 new accounts for people in the rural areas.	Net account growth of 50 000.	Net account growth of 75 000.	Net account growth of 50 000.	Net account growth of 100 000.	1	Not Achieved	
6.1.3 Launch new and/ or update existing savings and investments products and services – to grow deposit base.	Rationalise and launch new and/or update existing savings and investments products and services.	Launch new SASSA card; and Implement product strategy and launch one card account.	Launch a 32 Day notice and Tax-free savings accounts.	Launch new SASSA card; and Implement product strategy and launch one card account	Implement a restart term deposit option.	1	Not Achieved	

STRATEGIC PRIORITIES	ANNUAL AND QUARTERLY TARGETS					Total KPIs	Total Achieved KPIs	Performance Results
6. PROMOTE FINANCIAL INCLUSION								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	**8**	**7**	**88%**
6.2.1 Launch new affordable lending products.	Ready Postbank to commence lending business.	Obtain SARB approval for lending; and Apply and obtain NCR license for lending.	Acquire Lending Management System (LMS) and Scorecards.	Obtain SARB approval for lending; and Apply and obtain NCR license for lending.	Set up and operationalise physical channels; and Set up and operationalise the Lending Management System (LMS), Scorecards, and Training for Direct Sales Agents.	1	Not Achieved	
6.2.2 Build a bancassurance offering aimed at either inhouse or partnership model for insurance.	Develop a bancassurance business model (business model research and strategy development).	Research	Research	Research	Finalise strategy development and obtain approval.	1	Achieved	
6.3.1 Conduct a target number of financial literacy events to actively promote financial literacy and product knowledge.	24 financial literacy campaigns completed.	Conduct 5 financial literacy events.	Conduct 7 financial literacy events.	Conduct 5 financial literacy events.	Conduct 7 financial literacy events.	1	Achieved	
7. BECOME GOVERNMENT'S PREFERRED BANKER OF CHOICE								
KPI	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**	**2**	**2**	**100%**
7.1.1 Grow government business within the parameters of the inter-governmental framework.	Acquire Government business by increasing Government to Citizen revenue via the acquisition of new business – Sign a minimum of 4 Government deals.	None	Sign 2 government deals.	None	Sign 2 government deals.	1	Achieved	
7.2.1 Develop and implement Stakeholder analysis and Stakeholder Relations Management Plan.	4 Proactive engagements with SAPO and other key stakeholders (i.e., SASSA, SARB, PASA, customers, etc.).	Minimum of 1 quarterly meeting with each stakeholder.	Minimum of 1 quarterly meeting with each stakeholder.	Minimum of 1 quarterly meeting with each stakeholder.	Minimum of 1 quarterly meeting with each stakeholder.	1	Achieved	

PERFORMANCE SUMMARY			
Total KPIs	28	Postbank Overall Performance Rating (%)	73%
Number of KPIs Achieved	11		
Number of KPIs Not Achieved	4		
Number of KPIs with 'No Target'	13		

Table 3: Postbank's Overall Performance scorecard (FY2021/22).

KEY PERFORMANCE CHALLENGES AND RECOVERY PLANS

KEY CHALLENGES

The variation notice prevented Postbank from issuing new bank cards and launching products that integrate into the National Payment System (NPS) until the bank complies with the conditions outlined in the variation notice.

Challenges around Postbank entering into long-term contracts and the appointment of executives also impacted the activation of several strategic initiatives during FY2021/22.

The lack of permanent executives and stable leadership negatively impacts staff morale and the bank's culture.

In addition to the above, Postbank recognises that internal deficiencies is a key factor contributing to underperformance and low productivity levels across the organisation. For example, the following internal issues contributed to low performance achieved during the financial year under review:

1. Delayed approval of the strategy
2. Over reliance on the Post Office for back office functions such as HR, Finance, branches and IT.
3. The agility of our procurement policies and processes are not conducive for the highly competitive industry in which Postbank operates.
4. The under resourcing within the bank is contributing to lower productivity levels.
5. The Post Office financial constraints underpin branch and back office non-conformances to the Postbank Service Level Agreement (SLA).

All these challenges and the failure to fully implement on our strategic initiatives poses a significant risk to the bank finalizing its Section 13 application to the SARB and fully executing on its financial inclusion mandate.

RECOVERY PLANS

- Management has focused on enhancing its controls and corporate governance capability by implementing various governance policies in areas of Risk, HR and Compliance.

- To address the issues of compromised keys, new first level root cryptographic keys were re-generated for Postbank. This was followed by second level working master keys for the new hosted postilion switch and 3rd parties including BankServAfrica. Postbank is taking concrete steps towards complying with variation conditions to ensure the bank attains full compliance when final processes are performed in the new DR and DC.

- All master keys are stored in a Euro Mastercard Visa (EMV) compliant master storage unit. The old non-compliant storage of master keys at the SAPO's 7 Church Square Data Facility has been decommissioned.

- An occupational health and risk assessment was conducted to identify any exposure risks. The Department of Labour conducted a follow-up inspection at the Postbank Bloemfontein offices and found the building is now OHSA compliant.

- Postbank expanded its channels for the first time by enabling payments of SRD grants via retailers since September 2021.

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

- Beginning in quarter two with a baseline of 8 414 cases, management has reduced fraudulent instances by 74% to 2 155 in quarter three. During quarter four, a 37%

reduction was achieved with cases down to 1 368. These efforts have resulted in a 69% reduction in fraud losses from R29 million (Q2) to R9 million (Q3) and further reduced by 33% to R6m in Quarter 4.

- 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.

- A project was registered to activate remedial actions related to the FIC audit issues. A feedback session with FIC is scheduled for Quarter One_FY2022/23. However, it is understood that various project deliverables which will aid with the remedial actions of FIC findings are dependent on the moratorium.

- Postbank's new Corporate Identity (CI) is finalised. During Quarter 4, in collaboration with other business units, the marketing department completed the event planning of the bank's new CI. The bank plans to launch the new CI in the third quarter of the new financial year.

- In summary, management has progressed in several areas that are not dependent on the moratorium. However, improving business performance and deriving the benefits of the Corporate Plan remains dependent on the upliftment or revision of the moratorium and addressing the conditions of the SARB variation notice.

REVENUE PERFORMANCE

The South African economy began the year 2022 with a momentum as the first quarter GDP figure reflected an economy that returned to the pre Covid-19 pandemic levels. Further to that the SARB started to tighten the monetary policy in an effort to reign inflation. The increase in the interest rate helped improve banks net interest margins. These has somehow improved the Postbank financial performance though still constrained by low growth numbers and higher unemployment. Postbank have also demonstrated strong resilience evidenced by the year-on-year stability of the customer deposit book. In addition, Postbank's liquidity position and capital adequacy measure are well above the set minimum prescribed thresholds as at the reporting period.

Postbank's turnover remained flat at R2bn on a year-on-year basis mainly as a result of decline in interest rates as well as revenue generation initiatives which did not materialise. The bank's Net interest income (NII) declined by 17% to R335 million (31 March 2021: R405 million). The net interest revenue was impacted by low interest rate environment that prevailed post the Covid-19 pandemic. Non–interest revenue decreased by a 4% to 1.6 billion (31 March 2021: R1.7 billion) as a result of declining transaction volumes. However, Postbank reported a net profit after tax of R324 million (31 March 2021: (R443 million)). The cost to income ratio, excluding expected credit loss for the bank increased from 56% in March 2021 to 75% as at 31 March 2022 as a result of increased employee and operational costs.

Postbank's total assets increased by 16% to R13 billion (31 March 2021: R11 billion) mainly as a result of an increase in current assets. The improvement in the total assets is reflected in Postbank's liquidity position which remains well above the minimum required by the prudential authority. Total liabilities increased by 18% to R11 billion (31 March 2021: R8 billion) mainly as a result of increase in total deposits.

Postbank has maintained a strong capital position with a capital adequacy ratio of 46% (31 March 2021: 55%) well above the minimum required by the Prudential Authority.

PERFORMANCE INFORMATION BY KEY FUNCTIONAL AREA

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

FRONT OFFICE FUNCTIONS

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

Commercial division

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

Commercial division's departmental overview

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

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

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

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

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

Postbank is in a process of developing a **Bancassurance** department tasked with the establishment, development and growth of Postbank's bank insurance (Bancassurance) business. The Acting Head of Bancassurance has been appointed and it is expected that the Business Case will be finalized in due course. The department will be instrumental in enabling Postbank customers' access to a range of insurance products in both short and long term insurance. The department will in the main strive to commence with the introduction of insurance products such as funeral cover, short term insurance such as household cover and other products.

Business Banking department is also another department currently being established to introduce small business banking to these market segments. This department will focus on the micro and informal businesses to ensure that these customers obtain the necessary support from Postbank to assist them grow into becoming viable and commercial businesses.

Commercial division's performance overview

The overall performance was restrained during the 2021/22 financial year, owing to a combination of micro and macro factors. These factors include the expected effects of the Covid-19 pandemic which continued to reduce the bank's performance on revenue, new accounts acquisitions, depositors' funds growth, savings book growth and new customer acquisition.

Deposits growth

During the period under review, overall SDA grats accounts declined by 8,3% to 7 million and this was below the growth achieved in the prior year. The main contributors to decline in performance was as a resuilt of the shortage of cash in branches, system glitches and long queues resulting in delay or non-payment of funds.

Postbank total core deposit growth increased by 7% in FY2021/22 to R8.5 billion from R8 billion in prior financial year as a result of SRD grants. These deposits are not permanent as the recipients would withdraw them as soon as they are notified that the funds are credited into their accounts.

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

Financial Literacy Programmes

Despite the realities of Covid-19 pandemic and related lockdown restrictions preventing the facilitation of financial literacy programmes, there were a number of sessions conducted. Postbank collaborated with various industry stakeholders including the Banking Association South Africa (BASA) and participated in the various financial literacy events such as the Global Money Week under the umbrella of Money Smart Week South Africa (MSWSA). The bank also conducted a number of similar events and seminars in various targeted provinces that are predominantly rural and with an increased or wider reach to the bank's target market. Postbank also participated and exhibited in various ministerial events, during which, Postbank was able to also open bank accounts, thereby increasing the impact of these events.

COMMERCIAL DIVISION'S STRATEGIC OUTLOOK

In order to support revenue generation, depositors' funds and accounts growth prospects, Postbank will continue to find new ways of doing business as part of the adaptation strategy that has been fast-tracked by the emergence of the Covid-19 pandemic. The Commercial division is looking to ensure that sufficient revenue is generated in order to support the bank's growth ambitions, and will be implementing various initiatives during the 2021/22 financial year. These included launching digital and hybrid channel models which are meant to assist the bank's performance during and beyond the Covid-19 pandemic. Postbank will introduce accessible, affordable and responsible lending products for the unbanked and under-served communities and this is expected to not only support the bank's delivery on its mandated priority of financial inclusion, but to also boost its revenue growth prospects.

The bank was also directed by the SARB to replace all the compromised SASSA cards and Postbank will not only implement this directive but also issue new EMV chip cards in order to ensure total compliance with industry standards. Postbank aims to rival its competitor banks who are already offering zero fee products and related rewards programmes. Given our appreciation of the fact that low cost bank accounts must be coupled with value for money service offerings, Postbank plans to enhance its customer value proposition will play a vital role in retaining existing and attracting new customers.

OPERATIONS

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

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

- Improve the operational effeciency of the bank
- Business process optimisation and automation;
- Customer services and support; and
- Product sales promotion and cross-selling, revamping existing products and enablement of new products to support revenue generation.

Operations division's strategic objectives for the 3 year period ending FY2022/23 entailed doing the following:

- Digitalise Postbank's customer forms and FICA process.
- Implement and improve verification & compliance systems
- Implement an upgraded and efficient Call Centre system.
- Optimise the grant payment related processes
- Continuous business re-engineering and optimisation programme
- Expanding and supporting Retail cardless withdrawals in the absence of cards

Despite the effects of the pandemic and the moratorium on projects and appointments, Operations' performance was once again above standard considering the number of vacancies which attributed to a few new ways of supporting customers and several channels whilst maintaining systems and adhering to legislation

Growing Revenues

The Operations team continues to facilitate the account opening process, EFT uploads, Call Centre support, handling of Estate cases, customer administrations, reconciliations whilst supporting the retailers following the decision by SAPO not to pay any SRD withdrawals. Several contingencies were put in place to address the closing Branches and to ensure customers are not impacted.

Social Grants Payments

There is a steady decline in the number of grants received, which decreased from 8.5 milion in prior year to 7.2 million in year under review. Operations play an important role in the grants payments collection through the Branch network, including the provision of real time 24/7 customer call centre services, handling of Estate cases, distribution of cards, transferring of funds to other banks, reconciliation and handling fraud queries.

Key Operations Initiatives

One of Postbank's digitalisation projects will be to streamline all customer's documents and to eradicate the completion of withdrawal and deposits slips and in particular FICA compliance to verify customer and employee verification against the Department of Home Affairs which is an important initiative under Operations implementation during the period under review. Following a very tedious process to obtain all the necessary approvals the contract was finalized during 2021 but could unfortunately delayed due to the moratorium.

MIDDLE OFFICE FUNCTIONS

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

PAYMENTS AND INTERBANK

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

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

PAYMENTS AND INTERBANK DIVISION'S PERFORMANCE OVERVIEW

Payment and Interbank division will continuously engage SARB to address the issues raised in the variation notice issued on the 17 Dec 2021.

Reissuance of Postbank Branded SASSA cards condition was not achieved or realized due to the delay in the lifting of the moratorium or something to that effect.

KEY OPERATIONAL RISK AND COMPLIANCE INITIATIVES

Corporatisation of postbank

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

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

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

Sassa card replacement

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

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

BACK OFFICE FUNCTIONS

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

INFORMATION TECHNOLOGY

Postbank Information Technology (IT) function

Postbank Information Technology (IT) function has an inextricable responsibility to manage the bank's information technology and the attendant services to address business needs, to meet service delivery expectations, and ultimately, to demonstrate the expected value and return

Postbank Information Technology (IT) function has an inextricable responsibility to manage the bank's information technology and the attendant services to address business needs, to meet service delivery expectations, and ultimately, to demonstrate the expected value and return on investment (ROI). IT through intended deployment of future banking capabilities will need to demonstrate how IT deliver value to the business and most importantly under-banked and unbanked customer through provision of IT services that enables inclusivity through secure and trusted IT capabilities. The delivery of such value - and the decisions IT make, amongst other IT aspects - is informed by forces/factors in the banking industry and Postbank's own dynamics (economic factors, technology disruptions which challenges the status quo of the banking industry, etc.).

The following items are articulated to highlight the IT journey to digitise the bank:

- Current and future IT Environment - This section describes the current IT context and challenges faced and planned state
- IT Control – Provides the adopted IT framework and governance

Current and future IT Environment

IT department's objectives are to enable business to service the customer efficiently, grow the business through data driven approach and to boost employee effectiveness, enhance mobility, promote IT security and reduce operation 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 with the Integrated Grant Payment System (IGPS) have also negatively impacted the bank's beneficiaries resulting in the decision to decommission the application and consolidating the capabilities into the core banking system.

The IT modernization project has been approved and sits at the heart of building Postbank into a sustainable business that will innovate and compete. The project is also an important element in the corporatization of Postbank and our application for a full banking license process as well as addressing the many elements of the SARB variation notice that has hampered operations in various areas of the business.

The future banking business case is currently being developed to challenge the status quo of the bank through embracing the new digital economy and implementing innovative solutions that will appeal to our customers.

IT Controls and governance

Key to providing reliable, secure and stable IT environment is the implementation of IT governance practices that will enabled the bank to adequately manage the IT environment and is aligned to local and international best practice as depicted in Postbank IT Framework below while assurance is provided through diligent implementation and monitoring.

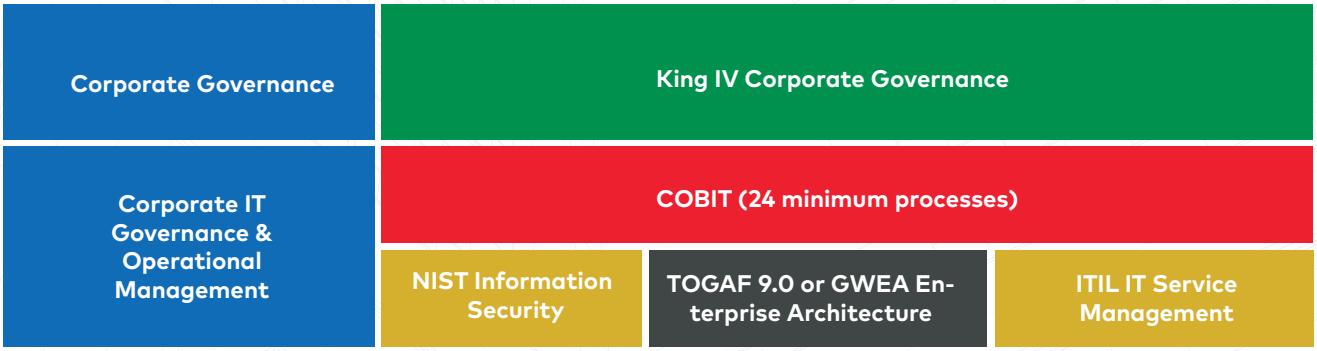


Figure 3: Postbank IT Framework

Postbank has approved the Bring Your Own Device Policy, IT Asset Management Policy, Acceptable Use Policy, IT Change Management Policy, Cloud Computing Policy, Key Management Policy, Cyber Security Policy, Network Security Policy and Data Governance Policy which will now have to be implemented and monitored. The Mobile Device is currently under review with expected implementation to commence in the next financial year.

PROJECT MANAGEMENT OFFICE

PMO's key role entails implementing project management best practices for the benefit of Postbank in a manner that encourages collaboration, standardization and improves overall project implementation results across the bank's functional areas in response to the approved corporate strategy. This division's key strategic objectives entailed undertaking the following over the 3 year strategic period ending FY2022/23:

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

PROJECT MANAGEMENT OFFICE'S PERFORMANCE OVERVIEW

As a business division, the Postbank Project Management Office (PMO) was not immune to the adverse impact of the Covid-19 lockdown restrictions, which resulted in several operational stoppages across industries and businesses alike. The connectivity challenges that were experienced when operations resumed, as a result

of immature remote connectivity capabilities, negatively affected the timelines of delivery of most initiatives. The Postbank project portfolio dashboard comprised of active projects (28%) in execution and pipeline projects (72%) that are still within the planning phase.

The capex allocation for the portfolio was adjusted downwards (20%) as a result of the impact of lockdowns on the entire organization. The budget was re-prioritized and this was a result of re-planning and staggered deployment of some of the initiatives. On the other side, 43% of the active projects were then re-baselined for delivery in quarter 2 of FY2021/22. The technological challenges experienced have enabled the organization to learn and plan better, in order to ensure controlled access all round for critical resources to ensure project delivery.

PROJECT MANAGEMENT OFFICE'S DEPARTMENTAL PERFORMANCE SUMMARY

- Portfolio Management – managed to solidify the methodologies and processes to ensure smooth and quick delivery through a mixture of agility and good governance regime.
- Business Analysis – managed to carry the weight by working closely with business on the pipeline initiatives to finalize and package their requirements and business case development, although there were issues of turnaround times due to connectivity issues and stakeholder responsiveness related to working from home. However, in excess of 70% of the initiatives have been concluded as planned.
- Projects Execution – significant progress was made although restricted movement of resources and technological access challenges meant that other alternative means had to be adopted in order to minimize the overall impact.
- Change Management – the focus was mainly on critical changes to ensure continuity and this function continues to be the backbone of operations, refining and streamlining the processes.
-

Active and future initiatives to be implemented include projects aimed at achieving the following:

- Separate financials.
- Improved financial crime solutions.
- Stabilization of core banking solutions.
- Improved regulatory reporting and compliance solutions.
- Improved card product delivery.
- Improved treasury solutions.

STRATEGY AND BUSINESS PERFORMANCE MANAGEMENT

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

- Develop and facilitate the implementation of a viable and economically sustainable strategy that not only supports the attainment of the bank's mandated priorities, but a strategy that is also aligned to Postbank's vision and mission – all in compliance with the applicable banking sector regulations and legislation.
- Support the development and alignment of various functional strategies and implementation plans to the bank's overall strategy.
- Develop a coherent Corporate Plan translated into an implementation plan to meet APP Key Performance Indicators annually.
- Manage organisational performance and comply with periodic organisational performance reporting requirements in accordance with the prescribed legislation and governance framework.
- Lead and oversee company-wide knowledge preservation and the creation of a knowledge sharing environment to protect company intellectual property.
- Ensure research methods, design, data collection and analysis to provide the required market understanding necessary to drive evidence-based strategic and tactical organisational decisions. Furthermore, Strategy seeks to suggest new innovative and disruptive concepts to support the principle of continuous improvement in Postbank.
- Enhancement and management of strategic relations with key stakeholders including the shareholder, key industry bodies, strategic partners, etc.

STRATEGY DIVISION'S PERFORMANCE OVERVIEW

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

- Strategic planning and development of a Corporate Plan and related APP;
- Organisational performance management and statutory performance reporting as prescribed by the PFMA;
- Key strategic initiatives including commencing effecting updates to the banking license application;
- Supported the development of functional strategies, ensuring alignment to the broader organisational strategy; and
- Ad-hoc reporting to various Ministerial and Portfolio Committee structures.

COMMUNICATIONS AND MARKETING DIVISION'S PERFORMANCE OVERVIEW

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

During the 2021/2022 FY, the communications and marketing business unit undertook the following key strategic initiatives.

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

Revenue Growth Product Marketing
During the 2021/2022, the marketing and communications business unit implemented the following broad revenue marketing initiatives:

Bakgotsi Stokvels Account Marketing

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

Marketing and Communications

Business Support

Production of the Postbank Corporate Plan On-going organisational marketing and communication support. Providing designs that ensures consistency of the brand application. Championing the production of Postbank's 2020 Annual Report.

SRD R350 Launch

Awareness on the Postbank partnership with Pick n Pay and Boxer.

Bakgotsi Stokvel Campaign

A national drive to create awareness through face-to-face engagements with communities across the country. This creates a more intimate relationship with customers and is instrumental in drawing in new customers as well as retaining existing ones. Of more important is the curbing of account closures and withdrawals especially during the third quarter of the year which coincides with the festive season. At such on-the-ground activations, the team capitalises on the opportunity and cross-sell other Postbank readily available products. Partnerships with various community radio stations provide added leverage.

Social Media Marketing and Communication

On an ongoing basis, the unit takes advantage of social media to promote its products, in particular the flagship book-based products such as Bakgotsi Stokvel Account, Smart Save, Smart Save Minor, Term Save, Term Save Plus and Bonus Save. In addition to this, the team drives a lot of financial literacy content to foster financial inclusion.

Furthermore, Postbank uses these platforms to push most content surrounding its other offerings such as SRD R350 which customers can access through the participating retailers.

In addition, thrives to keep conversations with customers alive through timeous responses to give customers true real-time experience and redirecting enquiries to the dedicated Customer Care team.

Postbank Radio Drama on Thobela FM

Postbank partnered with Thobela FM, one of the largest SABC Radio stations with a listenership of over 3,2 million on average. The strategically written drama series consisted 10 minute episodes. Each episode showcased the Postbank brand and its product offering and was flighted over a 6 week period during the prime times – 20h30. Before each episode, there was a preluding advert, and after every episode, listeners were encouraged to call in and engage further on their outtakes. This sparked the needed conversations and response from the audience. The Channels team reported an influx of feet in the SAPO branches as a direct response to the drama series.

On the radar projects

1. Hlangana Zion Church
The Marketing and Communication Team worked with business in developing the Smart Save Booklet and Card for the Hlangana Zion project which is anticipated to be sealed in the immediate future.

2. SASSA Replacement Card
As a directive from the South African Reserve Bank to replace the existing Gold Sassa Card, the unit supported business in developing the new look for the card.

3. SASSA Terms and Conditions
While this is a work-in-progress companywide project, the team worked with the championing department to produce the crucial Terms and Conditions booklet in preparation for the Sassa Card Replacement.

Brand Communication

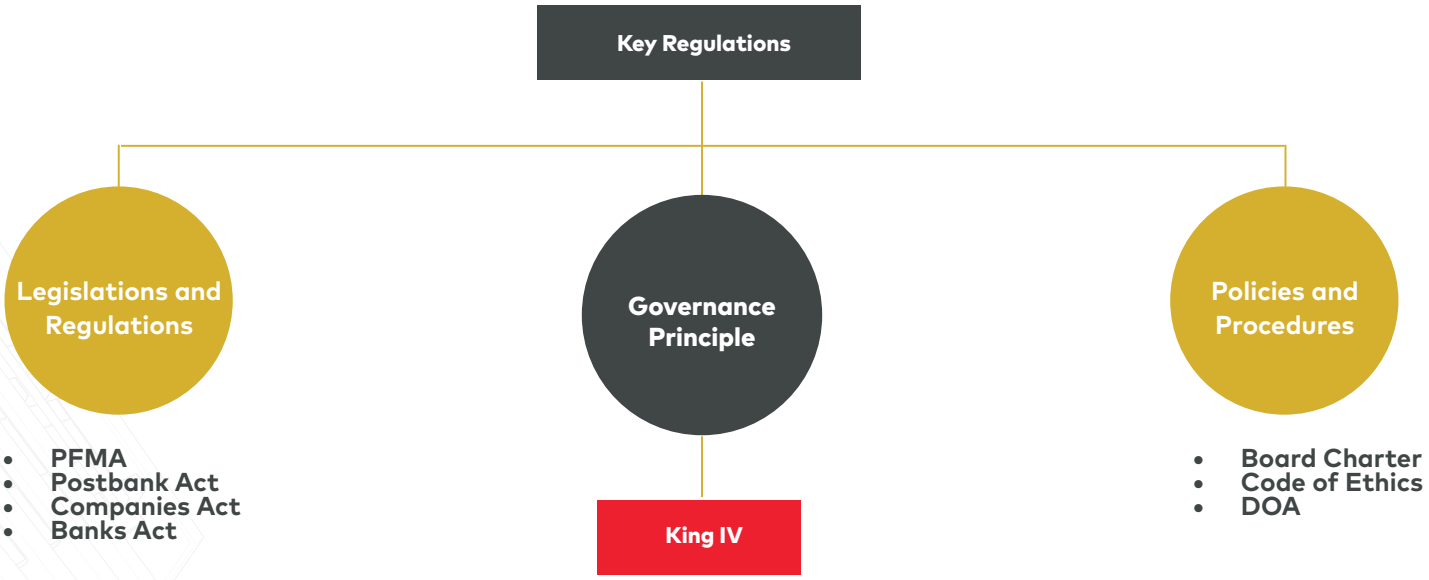
The unit ensures that all other business units are well supported. Brand visibility and positioning is at the heart of the Marketing and Communications team. The team ensures that there is optimal brand visibility through equipping client interfacing teams with adequate branded items and product information.

Postbank
Your Bank

PART C

Governance

KEY REGULATIONS



INTRODUCTION

The Postbank is a State Owned Company (SOC) and draws its mandate from the South African Postbank Limited Amendment Act 44 of 2013, which 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 of financial inclusion requires the provision of the following services nationally:

- Growing savings;
- Create a safe, stable and reliable transacting environment;
- Improve financial literacy;
- Provide affordable financial services through diverse and accessible channels; and,
- Improving Welfare.

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 operates in terms of the King Code of Governance Principles for South Africa (King IV™, 2016). The Postbank's vision is to be the trusted banking partner to Government on financial inclusion.

PORTFOLIO COMMITTES

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

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- Standing Committee on Public Accounts (SCOPA);
- Standing Committee on Appropriations (SCOA); and
- Select Committee on Public Enterprises and Communications (SCOPEC).

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

GOVERNANCE COMMITTEES

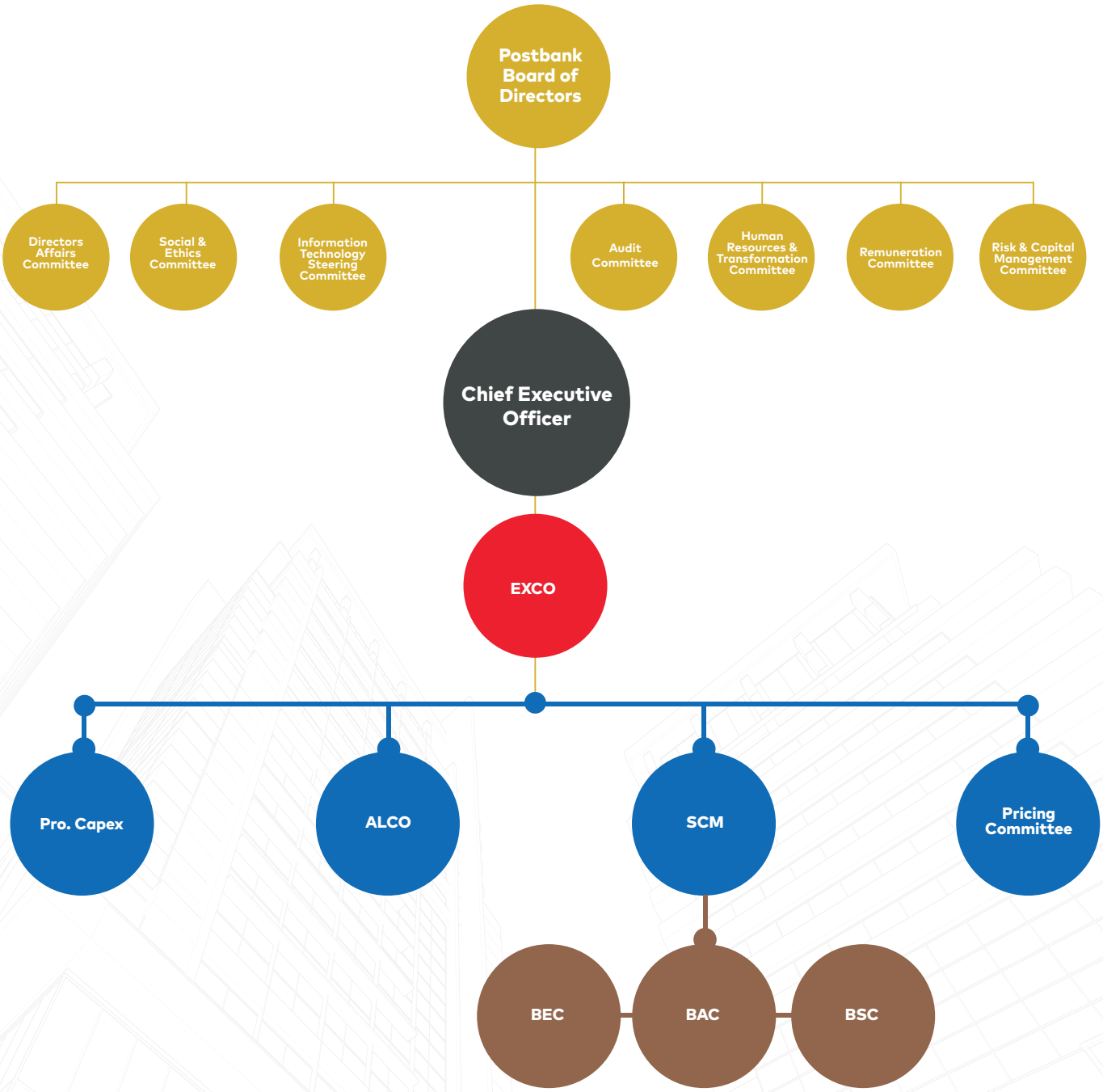

Figure 4: Governance Structures

THE ACCOUNTING AUTHORITY / THE BOARD

Board is the Accounting Authority of Postbank and has strategic leadership, as well as proprietorship of the Postbank Strategic Plan and Annual Performance Plans (APP). The board approved the Annual Financial Statements, Auditor-General Report as well as the Annual Report for Postbank for the 2021/22 financial year. The Annual General Meeting will be held in 20 October 2022 where the requisite statutory approvals in terms of the Public Finance Management Act and Companies Act will be made.

COMPOSITION OF THE BOARD

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

BOARD MEMBERS

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

Dr Adv. Hefer is an authority on the new Companies Act, Protection of Personal Information Act and the Consumer Protection Act, Corporate Governance Best Practices and Directors' Duties, including the New Companies Act and King IV™ applications.

She led the team that developed the OnlineMOI web-based tool. She is the author of Notes on South African Companies Act and Questions & Answers for Company Directors and Prescribed Officers, Questions & Answers on SA Companies Act, Questions & Answers on Business Rescue, Questions and Answers on POPI and PAIA, Questions & Answers for Auditors & Accountants, Vrae & Antwoorde oor die Suid-Afrikaanse Maatskappywet, Questions & Answers on Close Corporations (Genesis), and a joint co-author of the Corporate Governance Handbook (Juta & Co). She holds a B.Sc (Hons.); LL.B.; LL.M.; and a Ph.D.

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

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

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

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

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

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

Mr Molatlhegi Kgauwe – Executive Board Member, Interim CEO (from 6 April 2021 to 31 December 2022)

Mr Molatlhegi Kgauwe is a Chartered Accountant and holds a Diploma in Accounting (CTA equivalent) and a B.Com (Financial Accounting), both from the University of Cape Town, and he has experience serving in managerial as well as senior leadership roles with PriceWaterCoopers, Matlosana Municipality, South African Health Product Regulatory Authority and the Competition Commission of South Africa. He also serves as Chief Financial Officer for the State Information Technology Agency.

Mr Lucas Ndala
Non-Executive Director (11 April 2022– Present)

Mr Ndala is a qualified Chartered Accountant (SA) and holds a BCom (UWC) and BCom (Hons) in Accounting (UCT), Postgraduate Diploma in Management (Financial Accounting) (UCT) and holds several postgraduate leadership qualifications. He brings to Postbank a wealth of corporate experience gained over 20 years in executive leadership capacities with various entities as well as financial industry experience where he worked in structured finance for Mettle Limited and in corporate credit for Barclays Plc.

Adv. Ditebogo Khumalo - Company Secretary (from 1 May 2020 to 22 September 2021)
Adv. Ditebogo Khumalo was appointed as the Company Secretary after having previously held stints as the Company Secretary of Sedibeng Water and Senior Advisor, Secretariat at Eskom, amongst her other roles. Adv. Khumalo operated in both managerial, executive and specialist roles. She has a wide range of experiences which include the administration of deceased estates, trusts, companies in liquidation and insolvent estates.

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

Mr Kevin Maartens - Executive Board Member, Acting CEO (from 1 January 2022 to 10 April 2022

Mr Kevin Maartens is an executive with over 31 years of business experience. He has extensive business, risk management, internal audit, compliance and information technology knowledge and experience. He spent 25 years in the banking services holding several senior management and executive roles. Mr Maartens has completed a B Com Honours degree in Informatics: Cum Laude from UNISA, National Diploma in Management from Technikon SA. He holds the following professional certifications, Certified Internal Auditor (CIA) and Certified Information Systems Auditor (CISA) Mr Maartens completed senior management programmes by Wits Business School in conjunction with London School of Business and a Transition to General Management Programme at INSEAD Business School in France.

ATTENDANCE OF POSTBANK BOARD AND SUB-COMMITTEES' MEETINGS

Name	Designation	Date Appointed	Term ended	Board	Audit Committee (AC)	Social and Ethics Committee (SEC)	Remuneration Committee (RemCo)	Risk and Capital Management Committee (RCMC)	Human Resources and Transformation Committee (HRTC)	Information Technology Steering Committee (ITSC)	Directors' Affairs Committee (DAC)
Mr Thabile Wonci	Board Chair-person (Non-Ex-ecutive Director)	1 October 2020	Current	22/26	11/12	-	1/1	5/5	-	4/4	-
Mr Gcobani Mancotywa	Board Member (Non-Ex-ecutive Director); RCMC Chairper-son	1 October 2020	Current	26/26	12/12	6/7	-	5/5	7/7	-	-
Dr/Adv Leigh Hefer	Board Member (Non-Ex-ecutive Director); HRTC Chair-person; REMCO Chairper-son	1 October 2020	Current	26/26	12/12	6/7	1/1	-	7/7	4/4	-
Mr Molatlhegi Kgauwe	(Interim CEO)	6 April 2021	31 December 2021	19/26	-	3/7	-	4/5	-	3/4	-
Mr Kevin Maartens	(Acting CEO)	1 January 2022	10 April 2022	3/26	-	2/7	-	1/5	-	1/4	-
Mr Lucas Ndala	(Interim CEO)	11 April 2022	Current	-	-	-	-	-	-	-	-

Table 2: Board and Sub-Committees meeting attendance register (01 April 2020 – 31 March 2021)

REMUNERATION OF BOARD MEMBERS

Refer to note 30, page 148, on the annexed audited AFS

THE COMMITTEES OF THE BOARD

Audit committee (AC)

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

The Audit Committee is 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 (HRTC)

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

Remuneration Committee (REMCO)

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

Remuneration Committee (REMCO)

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

Information Technology Steering Committee (ITSC)

Board has delegated the accountability for overseeing the execution of all IT related decisions within Postbank to the ITSC.

The responsibilities of the committee would include IT governance, which includes the monitoring and reviewing of IT policies and practices to ensure that the required IT support is provided, and that IT is positioned as a key enabler for the business.

Social and Ethics Committee (SEC)

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

Directors' Affairs Committee (DAC)

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

RISK MANAGEMENT

This Risk function plays a critical role in any business entity, particularly if it is a banking or financial entity as risk management in such and any other normal organisation is one of the key building blocks of effective corporate governance. The success of any bank 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 the continuous management of risks. Postbank seeks to understand risks properly and manage it effectively and efficiently, in the context that these risks may generate opportunities and ultimately reward for the bank. The emphasis is on creating and protecting value for all our stakeholders through generating quality earnings that will ensure sustainability for Postbank and ultimately allow the bank to achieve its goals and objectives as per the mandate given to the bank by the Minister.
Risk management division's functional priority strategic objectives for the 2020/21 financial year entailed the following:

- Enhancing the risk management governance structures.
- Provide inputs in the development of the strategy and operational plans.
- Drive a processes and system that will pro-active identify and eliminate financial risk and fraud within the organisation.
- Review controls for adequacy, appropriateness and effectiveness.
- Perform risk control self-assessments throughout the bank and review them twice a year.
- Enhance the Enterprise Risk Management Framework and create an enterprise wide risk profile for Postbank.
- Raise risk and fraud awareness through continuous training.
- Enhance the Anti-Money-Laundering capabilities through automation of key processes.

Postbank updated the Enterprise Risk Management Framework (ERMF) and supporting policies, created new risk processes and aligned the risk philosophy to be more aligned to best practice and international standards. Postbank created new frameworks for key areas to support the ERMF including:

- New Operational Risk Framework
- Market Risk Framework

- Regulatory Risk Framework
- Fraud Risk Management Framework

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

Risk review

The top 10 risks for 2021/22 financial year were derived from our risk universe, operational risks as well as our strategic risks:

1. Regulatory and Compliance Risk	Postbank Response
Postbank operates in a highly regulated environment. Currently, monitoring of our compliance with financial services regulations and legislation is manual. Furthermore, the control environment is outsourced to SAPO and managed via an agreed service level agreement. SAPO manages the technology and resources and Postbank performs oversight for activities.	• The Postbank compliance division has taken a stand to prioritize compliance with high-impacting regulations & legislation that are most relevant for a license to operate. • Arising from the prioritization above, Postbank will initiate relevant processes and technology enhancements to mature the control environment.

2. Strategic and execution Risk	Postbank Response
Clear business plans considers the impact of various elements on the desired performance of the bank. The strategic objectives of Postbank is captured in our strategic plan and measured through KPI's in the Annual Performance plan. Covid-19 and the closure of a large portion of SAPO branches had a significant impact on the resilience of the plans and strategy set by the bank. It affected our clients, our business partners, our staff and our communities. It is expected that the impact will last well into the next financial year. Achievement of the strategy is impacted by the business environment that may have changed from what it was when the strategy was drafted. Achieving the strategy is also directly linked to the execution of key projects. The risk is that Postbank may fall behind on key projects and thus not achieve the strategy as planned	• Goals and Objectives were reviewed to ensure that they are more aligned to the current reality. • The external factors such as the Ukrainian war and the increase in inflation as well as the effect of load shedding has lowered business confidence and hence increased the risk of not achieving the strategy. • Various plans are in place to improve execution on plans and projects that may have been delayed. • Alternative channels, not dependant on SAPO branches are being put in place. • There are currently multiple key projects that are critical for Postbank to implement. The projects are being executed by the same people on most of the projects. The lack of staff will most certainly have a negative impact on the ability of the bank to execute on these projects and thus achieve the outcomes in the annual performance plan. This will get worse as the ongoing moratorium on staff appointments continues.

4. Financial Crime Risk	Postbank Response
The Financial Intelligence Centre conducted an off-site inspection in terms of Section 45B (1) of the Financial Intelligence Centre Act. The final Inspection report was issued on the 25th February 2022. Complying with AML and related aspects of the Financial Intelligence Centre Amendment Act (FICAA) is critical. Postbank relies on multiple manual processes within SA Post Office (our business partner) to comply with the Act. Postbank may be levied with fines or penalties given the outcome of the report. Financial crime is on the increase due to the current economic climate. Syndicates are targeting our vulnerable SASSA clients as well as our staff to defraud them.	• The AML structure was not appropriate to manage the AML requirements. The structure was reviewed and tabled for approval at HRTC. The team is not sufficiently resourced as many of the staff left the bank or moved into other positions. The designated AML officer is incapacitated for the last 11 months and could not implement or fulfil any of the key requirements of the new Act. • Postbank is implementing various technological solutions to automate some of the manual processes in branch and to improve our monitoring capabilities. • The use of Biometrics when on boarding our clients enhance our KYC processes and data quality of our customers. • A formal Remediation project is being launched to rectify the issues identified by the inspection report. • Several manual processes were automated during the year reducing the fraud in the SAPO branches. • Increased use of Biometrics to reduce identity theft. • Various system enhancements were implemented to reduce the fraud losses.

5. Technology Risk

Retail banking is a technology driven business. Postbank is a growing bank that plans to become a full service Retail Bank. Postbank needs to replace old technology with updated technological capabilities to meet our strategic objectives. The risk is that the current technology does not support the business to achieve the annual performance plan and it may render Postbank uncompetitive.

Postbank Response

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

6. Operational Risk

The exposure to Operational risk is elevated by the fact that Postbank relies on many manual processes to conduct our business. The risk was increased due to the effect of Covid-19. Manual processes can have a negative impact on execution of controls and lead to losses.

Postbank do have many vacancies that are currently not able to fill. The bank have old systems and infrastructure that can breakdown easily and that are not well maintained by SAPO. The risk of business disruption due to system failure is high.

The current NPC building is not compliant with the OHSA Act. Non-compliance can lead to penalties and fines but more importantly injuries on duty or unhappy employees.

The need for more digital and technological solutions also increase the stress on an old IT infrastructure that may lead to IT failures.

Postbank Response

- Postbank is driving the implementation of our IT modernisation project to create a more modern technology environment.
- Postbank did implement various plans to procure more laptops and other technology to enable staff to work from home.
- Various Business Continuity or Crisis management plans were implemented that allowed for combinations of solutions from staff working from home where possible or rotating into the office if need be. However the recent power outage incident showed that more work is required.
- A formal OHSA team was established in Bloemfontein and that building is now compliant. A new team is currently being established in the NPC building in Pretoria to deal with all the non-compliance issues.

7. Counterparty and Credit Risk

Postbank does not currently lend money to customers and have no credit risk from lending activities. Postbank does have exposure to Landbank in terms of counterparty risk. There is a risk that Landbank is unable to meet the obligations. The South African Post Office is not financially sound and Postbank does have a significant exposure with SAPO. It is possible that potential write-offs may occur that will could have a significant impact on the Postbank financial position.

Postbank Response

- Regular engagements with both Landbank and SAPO is held to try and find solutions and recover the outstanding monies.
- Landbank did pay back interest as well as some of the Capital. The exposure is monitored through the ALCO process
- Debt acknowledgement agreements with SAPO was signed and discussions were held with the DCDT and SAPO to address the pre-funding issue and to reduce the exposure to SAPO and recover some of the outstanding debt.

8. Concentration Risk

SASSA is a significant driver of the Postbank revenue. Postbank relies on The SA Post Office branch and channel infrastructure as our only channel to service our customers. The use of the retailers is possibly a mitigation of this risk but it is only used for SRD's at this point in time. SAPO have closed various branches recently and that may have a negative impact on Postbank and our revenue.

Postbank Response

- Postbank is exploring various business opportunities that will diversify the current revenue streams and reduce the impact of SASSA on our ability to generate revenue.
- Postbank is developing new channels to service our customers including but not limited to ATM's and digital banking to create alternatives for our current customer base.

9. Liquidity and Capital Risk

Strong liquidity positions supported by sufficient funding is key for the growth and sustainability of Postbank. Postbank has a strong liquidity position that exceeds all the regulatory liquidity requirements.

Postbank remains well capitalised with tier 1 capital ratios exceeding regulatory minimum capital requirements. Various new initiatives may increase the need for liquidity that requires close monitoring of the liquidity position of the Bank. Postbank, as a State Owned Company, does not rely on any state funding for our operations.

SAPO's financial position and the effect thereof and more especially the pre-funding must be monitored closely as it can increase the negative impact on liquidity if the SAPO position gets worse.

Postbank Response

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

10. Cyber risk

Cyber Risk remains inherently high. Some of the key Cyber risks include loss of data and downtime of our systems. Criminals abuse the vulnerability created by Covid-19 and use Covid-19 in Social Engineering attacks to exploit our business partners, our staff and our customers. Cyber risk increased as more people work from home and opportunities for cybercriminals increase. Cyber risk remains high and a key focus area.

Postbank Response

- Postbank is regularly running awareness campaigns to warn and educate our stakeholders about potential cybercrime risks and threats.
- Postbank is constantly working to enhance the IT security posture of the bank and with IT Modernisation now approved we expect a gradual increase in the level of control affecting this risk.
- Ongoing enhancement of our infrastructure and our systems to improve our resilience against cyber-attacks.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

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

RISK GOVERNANCE

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

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

Layer 1
Board

Assume accountability to stakeholders for oversight of Postbank.

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

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

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

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

Layer 2
Management

Line one is responsible for:

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

Line two activities include:

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

Layer 3
Assurance providers

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

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

Figure 5: Risk Governance Model

RISK STRATEGY AND IMPLEMENTATION MODEL

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

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

RISK MANAGEMENT PROCESS

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

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

Figure 6: Risk Governance Model

COMPLIANCE

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

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS AND INDUSTRY CODES

Postbank Compliance function maintains oversight of compliance risk management as an independent division as prescribed by the Banks Act. The compliance team reviews legislation and advises the business on impacting legislation to determine the risk impact and implement management controls to mitigate against the same. The function also ensures that ethics are managed and that the ethical tone is set at the top. We envisage a values-based culture that can add value to the enablement of our strategic intent. The compliance manual gives on how to implement the compliance framework. We align with the proposed Ethics Institute framework. Our ethics mandate is to promote integrity and accountability. Through policy and framework, we aspire to rebuild a reputation that is built on trust.

Legislative Mandate:

In March of 2022, 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	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.

Postbank Regulatory Universe

Legislation	Purpose
Financial Intelligence Centre Act 38 of 2001	To establish a Financial Intelligence Centre and a Money Laundering Advisory Council to combat money laundering activities
National Payment System Act, 1998	To provide for management, administration, operation, regulation and supervision of payment, clearing and settlement systems in the Republic of South Africa
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

Policy Mandate:

Our Compliance framework, policies, and manual enable the function to be able to assist management to fulfil 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;

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

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

3. Reputational
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.

4. 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 program 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:

In 2022 the function worked on developing a code of ethics to; address the audit finding, demonstrate leadership commitment to ethics, and to provides guidelines and set and expected 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.

We look to the lifting of the moratorium to be able to assess the culture of ethics within the bank through an independent assessment. This will provide scientific proof of the visible shift in staff morale and the drop in the reporting of unethical conduct.

Whistle-blower Policy:

The board has also approved the whistle-blower policy 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 endeavor to create an environment of transparency and accountability.

This is particularly significant to also address the "media leaks" in the last financial year and early in 2022. 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 Ethicsline shared with SAPO), to enable concerned employees in an organization to report their suspicions of fraud and other unethical behavior in a confidential manner. They serve as a cost-effective way for organizations to detect fraud and other unethical behavior before they become problematic.

Ethics Code of Conduct:

New Initiative Oversight and Guidance -: We provide oversight to new initiatives, and participate in business projects which enable early detection of non-compliance.

Communication and training -: We communicate, train, and raise awareness on compliance and ethics

Investigate reported misconduct -: We have managed to conduct preliminary investors on cases reported with no interference.

Conflict of interest declaration -: provided oversight in the annual declarations

Gifts Policy -: Provided guidance and registered declared gifts.

Investigation Report:

Nepotism/Cronyism (1) – Investigated and established that the appointment was above board.
Bullying (3) - Intervened and through engagements and counseling
Acting Role (1) – Recommended Management action
Unfair Discrimination (1) Recommended Management action
Misconduct (1) – Under Investigation
Dishonesty (1) – Under Investigation

NON-COMPLIANCE

Fica

The Financial Intelligence Centre conducted onsite inspections at SAPO branches to ascertain compliance with FICA regulations and the Anti-money Laundering AML program. Postbank was compliant with regards to the requirement to register with the centre and the duty to report suspicious transactions. Between February 2019 and August 2021 there were 53 suspicious transactions reported. However Postbank was noncompliant with the governance requirements which should have been provisioned for in the institutionalized Risk Compliance Management Plans (RCMP), and policy to circumvent for legacy issues. These include customer due diligence, record keeping, reporting on cash threshold and terrorist properties.

SARB Variation Notice

Failure to comply with SARB conditions in the Designation Notice of Postbank as a designated clearing system participant (DCSP) issued on 17 December 2021 in terms of the National Payments Systems Act and Payment Association of South Africa entry requirements and participation criteria.

Postbank/SAPO was unable to deliver on the SARB mandate to reissue Postbank branded SASSA cards by 31 March 2021. SARB then varied the conditions exclusively to Postbank on 17 December 2021 to be met in 12 months from the date of issue. (next report will then speak about how we faired on the directive e.g. we did meet the deadline, we were granted an extension

MINIMISING CONFLICT OF INTEREST

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

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

CODE OF CONDUCT

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

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

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

OPERATIONS OFFICE (BLOEMFONTEIN)

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

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

attend to all the key failed tested health hazard issues. The process of appointing fire marshals, first aid officials and OHSA representatives has since been done following the successful conduct of relevant training. There were 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 the Post Office's Head Office building and the following summarises the occupational health state of this building:

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

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

SOCIAL RESPONSIBILITY

As a responsible corporate citizen, Postbank appreciates its responsibilities to society at large and is committed to doing its part in improving the social, environmental and economic well-being of the communities in which the bank operates. Our strategy of banking the unbanked, which is borne out of our mandate of financial inclusion, embodies the bank's approach to CSI. This approach entails giving people the necessary financial education they require in order to independently make sensible financial decisions.
To this end, Postbank is involved in multiple financial literacy programs across the country. The bank has contributed significantly in various efforts aimed at educating the marginalised communities on financial matters. During the 2020/21 financial year, Postbank conducted a total of 37 financial literacy events, either through collaborations with other stakeholders including the Banking Association South Africa and other banks, or on its own during product activation campaigns.

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

INTERNAL AUDIT AND AUDIT COMMITTEE

INTERNAL AUDIT

The Postbank Internal Audit's mandate is to provide independent objective assurance and consulting services designed to add value and to continuously improve the operations of the Postbank SOC (Pty) Ltd. It seeks to assist Postbank SOC (Pty) Ltd 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 Postbank SOC (Pty) Ltd Internal Audit is established within the Postbank in line with the Public Finance Management Act 51(1)(a)(ii) and Treasury Regulations 27 as a key component of the Postbank SOC (Pty) Ltd.'s Corporate Governance. The Postbank SOC (Pty) Ltd Internal Audit reports functionally to the Accounting Authority via the Sub - Committee which is Audit Committee and administratively to the Chief Executive Officer. Its activities are governed by an Internal Audit Charter. Postbank SOC (Pty) Ltd Internal Audit must deliver the internal audit services in line with the Institute of Internal Auditors' International Professional Practice Framework (IPPF) as required by the Treasury Regulations 27.2.6.

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

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

Postbank SOC (Pty) Ltd Internal Audit has an approved structure with 5 positions (1 Chief Audit Executive; 1 Senior Manager Internal Audit; and 3 Internal Auditors). Postbank SOC (Pty) Ltd Internal Audit was only capacitated with an Interim Chief Audit Executive and Internal Auditor towards the end of the financial year 2021/2022. The interim Chief Audit Executive and Internal Auditor focused on ensuring that the foundational process (Internal Audit Charter and Internal Audit Methodology) are developed and presented to the relevant governance structures

and initiated the process of developing the Risk-based Annual Internal Audit Plan for the financial year 2022/2023.

South Africa Post Office Internal Audit (SAPO IA) was providing some internal audit services and also had limited capacity, as a result, was not able to fulfill the total internal audit requirements in line with the mandate and IPPF for Postbank SOC (Pty) Ltd.

SAPO IA conducted and completed audits that Postbank SOC (Pty) Ltd considered to be of critical nature and issued the following internal audit reports:

No.	Internal Audit Engagement	Date Issued	Comments
Two Risk Based Compliance Audits:			
1.	BASA (Banking Association of South Africa) data integrity compliance audit.	7 August 2021	Finalised
2.	Compliance audit – Deposit book, advances book and large exposures process audit.	6 October 2021	Finalised

Table 4: Internal audit exercises completed during the 2020/21 financial year

No.	Internal Audit Engagement	Date Issued	Comments
Three Supply Chain Management Probity Audits			
1.	Procurement – Postbank IT Modernisation Project	11 June 2021	Finalised
2.	Procurement – EMV Compliant Chip Cards	18 October 2021	Finalised
3.	Procurement – Leasing of Office Space with furniture for Postbank	21 September 2021	Finalised
One Investigation:			
1.	Ad – Hoc: Allegation regarding the purchase of three(3) ODA's from Oracle	19 August 2021	Finalised

Table 4: Internal audit exercises completed during the 2021/22 financial year

Postbank SOC (Pty) Ltd has commenced the process of capacitating the Postbank SOC (Pty) Ltd Internal Audit Function with the required resources. It is also considering a strategy for addressing all critical scarce skills required to provide the relevant required coverage of the high risks of the Postbank SOC (Pty) Ltd.

AUDIT COMMITTEE

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

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

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

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

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

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

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

In respect of the financial statements:

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

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

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

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

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

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

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

In respect of the Internal Audit:

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

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

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

d) Encourage cooperation between external and internal audits;

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

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

In respect of the External Audit:

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

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

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

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

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

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

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

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

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

j) Review the effectiveness of the audit process annually.

In respect of the planning and performance information and reporting:

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

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

In respect of Governance and Risk Management:

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

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

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

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

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

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

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

In respect of combined assurance:

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

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

In respect of Internal Controls and Compliance:

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

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

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

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

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

f) Meet as required with the regulators;

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

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

REPORT OF THE AUDIT COMMITTEE

Introduction

This report is provided by the Postbank SOC Limited Audit Committee, in respect of the 2021/2022 financial year of Postbank SOC (Pty) Limited. The committee is constituted as a statutory committee of the Postbank, in terms of Section 64 of the Banks Act, Section 94 of the Companies Act, and Section 77 of the PFMA.

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

Members of the Audit Committee

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

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

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

Name	Qualification	Experience	Appointment Date	Resignation Date
T Wonci	MBA, PGDip & PDBA (GIBS), PGDip Man Acc (Unisa), and BCom (NMMU).	Thabile Wonci is an executive with in-depth experience in investment banking and financial services and has gained mastery in designing and driving business strategy within the SSA region, assessing feasibility of strategic investments, structuring and analysing equity & debt transactions, corporate finance, P&L, Balance Sheet management and corporate restructurings.	2020/10/01	2022/02/24

Audit Committee membership and meeting attendance record

Name	Qualification	Internal / External	Position	Date Appointed	Date Resigned	Meetings Attended
Mr. Ashley Cavel Seymour	CA (SA); BCom (Accounting); BCompt Hons.	Non-Executive Director (external)	Chairperson	19 April 2017	30 September 2020	3/3
Mr. Thabile Wonci	MBA, PGDip & PDBA (GIBS), PGDip Man Acc (Unisa), and BCom (NMMU).	Non-Executive Director (external)	Chairperson	1 October 2020	Current	7/7
Ms. Selebaleng Primrose	BCom (Accounting & Auditing); BCom Hons (Investment); Certificate in Accountancy; MBL	Non-Executive Director (external)	Member	19 April 2017	30 September 2020	3/3
Mr. Gcobani Mancotywa	Institute Of Directors In Southern Africa (IODSA), Certified Director (Corporate Governance (GIBS University)) Banking Board Leadership Program (WITS), Master's in Management (M Mgt) (WITS), Post Graduate Diploma in Management (WSU), Bachelor of Commerce (B Com) (Economics & Commercial Law) (UJ) and a Certificate in Financial Management.	Non-Executive Director (external)	Member	1 October 2020	Current	7/7
Dr. Adv. Leigh Hefer	B.Sc (Hons); LLB; LL.M; Ph.D.	Non-Executive Director (external)	Invitee Member	1 October 2020	Current	7/7

Focus areas for the Audit Committee

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

Effectiveness of the System of Internal Control / Governance Environment

- Postbank's control environment has been found to be very weak by the external auditors. The bank will need to strengthen its internal control environment as maintaining the weak internal control environment will further weaken business;

- There also appears to be a lack of controls around Postbank's procurement policies and on contract management. This has further weakened the operating environment and unfortunately, the bank has reported significant fruitless and wasteful expenditures during the period under review. The supply chain management business unit needs to be strengthened and supported by all given the role it ought to play within the bank;

- Postbank needs to review its overreliance on SAPO given the challenges that SAPO is currently faced with. An urgent review of all the Service Level Agreements (SLAs) with SAPO needs to be performed and these be brought in-house as part of the corporatization process; and

- It will be prudent for Postbank to review all contracts that have been inherited from SAPO in order to determine if these are fit for purpose for Postbank. A contract review process is a standard business review process that can and will be carried out in the normal cause of business.

Effectiveness of the Internal Audit

- Internal Audit Services were provided by South Africa Post Office (SAPO) Internal Audit, it suffices to indicate that the services were not adequate since they entailed coverage of a few critical areas. The critical areas covered did not represent a reasonable percentage coverage of the high risks of the Postbank. SAPO Internal Audit issued six (6) internal reports for the financial year 2021/22.

- The Audit Committee consistently engaged the relevant stakeholders on the capacitation of the Internal Audit Function; one internal auditor was recruited in quarter three and the Interim Chief Audit Executive was seconded to the Postbank by the Shareholder towards the end of the financial year.

- Postbank should prioritize the permanent appointment of the Chief Audit Executive and recruitment of staff for all vacant positions. The adequate capacitation of the Internal Audit Function will enable its execution of its mandate such that Postbank realizes the value in relation to the improvement of the governance, risk management, and control process.

Financial Statements

- The Audit Committee has reviewed the Financial Statements and confirms that they were prepared in line with the required standards and accounting policies.

- The Audit Committee concurs and accepts the conclusions of the Auditor-General on the financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.

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

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

Independence of the External Auditors

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

Conclusion

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

On behalf of the Audit Committee

Mr Gcobani Mancotywa
Audit Committee Chairperson

Mr Gcobani Mancotywa assumed the role of Audit Committee Chairperson in March 2022.

PART D

Human Resources Management

INTRODUCTION

The Human Resources division mainly focused on the capacitation of the organisation by filling critical positions during the 2021/22 period under review. To ensure that critical skills are retained and scare skills attracted into the organisation, Postbank continuously developed our employee value proposition.

As part of our transformation journey Postbank is committed to delivering on our employment equity targets and employee development and in support thereof, Postbank has continued to provide bursaries for internal permanent staff to gain knowledge and skills pertaining to essential banking skills. As a member of the BankSeta, Postbank is benefiting by tapping into available programs relevant to the development of our staff. During the period under review, Postbank has also rolled our Graduate and Learnership programs.

Through-out the COVID -19 pandemic, Postbank supported staff in their needs through continuous awareness, adjusted working conditions and employee assistance services.

Since September 2021, Postbank's Trade Union representation only confined to one Trade Union instead of two due to SAPWU losing their recognition. Postbank and CWU have concluded their first Substantive Agreement in the same month.

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

HUMAN RESOURCES PERFORMANCE OVERVIEW

POSTBANK ORGANISATIONAL STRUCTURE

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

Initiatives to align the Postbank organisational structure with the banking industry, were concluded towards the end of the review period. All positions on the structure were re-evaluated and pay scales been adjusted. As per the Postbank Act, these initiatives will need Ministerial approval.

HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel Costs

Total Operating Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	% of Personnel expenditure to total cost	No. of employees	Average personnel cost per employee (R'000)
R1 706 923	R161 133	9.4%	290	R555.63

Staff expenses is the main cost driver which contributes to the 9.4% of total cost.

Personnel Costs

The staff establishment of the South African Postbank SOC Ltd was 241 on 1st April 2020, and 290 as at 31 March 2022. The 20.33% increase in staff during this period was due to the organisation's capacitation program to fill critical positions.

Salary Band	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top Management	2	0	0	2
Senior Management	25	3	2	26
Management/ Specialist	53	3	3	53
Skilled	168	19	18	169
Semi-Skilled	40	4	5	39
Unskilled	1	0	0	1
Total	**289**	**29**	**28**	**290**

Attrition rate

Postbank's attrition rate percentage during the 2021/2022 financial year period was 9.6%. This figure is 2,4% higher than the previous financial year. Attrition rates in the past were around 13% on average.

CAPACITATING POSTBANK WITH HUMAN RESOURCES

During the period under review the bank continued with its journey to capacity the Bank by filling critical vacancies. The majority of positions filled were in the Enterprise Risk Management, Information Technology, Finance, Human Resources, Operations and Commercial divisions. The filling of critical roles will contribute to effective banking solutions and systems, meeting banking regulatory and legislative requirements and the development of current and new revenue streams. The capacitation program however was impacted upon by the moratorium on the filling of positions and therefore not all targeted roles were filled.

Postbank did not meet is annual performance target on the filling of Executive positions for the same reason as indicated above. Instead the CEO position was filled through a secondment arrangement and internal senior staff acted on some of the remaining vacancies. The role of Chief Risk Officer is filled permanently and the CIO role was taken care of by a fixed-term contract employee.

LEARNING AND DEVELOPMENT

Talent management is a significant component of building sustainability in the skills make up of growing organizations. The talent management process addresses the development needs/ gaps identified. Employees are engaged in different accelerated development initiatives to prepare them for the future bank.

To deliver on the Banks strategic objectives, a training needs analysis was conducted to determine the skills and competencies required. The analysis identified the critical training and development programs to be focused on. In support of our training needs, Postbank participated in funded programs made available by Bankseta. For the period 2021/2022 Postbank has complied with legislation and submitted the mandatory report (Workforce Skills Plan & Annual Training Report) to Bankseta. The report was approved and Postbank received a refund as part of the skills levies paid. Postbank's learning and development interventions are implemented according to the Work Skills Program and Ad-hoc requests received from business units during the reporting period.

During the 2021/22 period, employees received the following training: Cyber Security, Financial Modelling, COBIT, ITIL, TOGAF, FAIS Regulatory Examinations, PASA regulatory training, Analysis of Data – Business Intelligence, Ethics, Sexual Harassment and Performance Management refresher training. Board members and Executives attended a Banking Board Leadership Program presented by GIBS.

Employee Bursaries

Postbank continued to provide bursary opportunities for the period under review. The Bursary Programme was advertised at the beginning of October 2021 and 50 applications were approved. In awarding the bursaries the following Banking Industry Scarce Skills were taken into account by the Bursary Committee:

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

Youth Development Programs

The Postbank Graduate Development program is aimed at bringing in new talent to establish a talent pool of capable individuals who will be equipped with the skills and competencies to fill in current and future scarce skills within the organisation. The Postbank graduate programme is aimed at unemployed graduate who wants to kick start their careers and gain meaningful workplace experience to complement their studies and to be part of the diverse that is shaping the future of financial inclusion.

Graduates through the Bankseta program was deployed across the organisation during July 2022.

The Postbank has reaped the benefits from the implemented graduate program in the previous year. This program proved to be very successful as many of the Graduates have since been appointed into permanent positions within Finance and Information Technology departments.

Postbank further participated in the Bankseta Letsema Learnership program. Ten learners were deployed within ERM and Operations.

EMPLOYMENT EQUITY

Employment equity targets are based on the economical active population as set out in the 19th Commission for Employment Equity's annual report. For the period 2021/22, Postbank's Employment Equity Plan was approved and submitted to the Department of Labour. The Banks employment equity targets are aligned to recruitment initiatives to focus on reaching the desired employment equity targets. However, challenges remain in attracting sought after candidates with the right skills from the banking/ financial services industry. The bank continued to develop its employee value proposition as a mean to compete for these skills since it cannot necessarily compete on price.

Oganisational Level	RACE					GENDER		Comment
	Total	White	African	Coloured	Indian	Male	Female	
Top Management	2	1	1	0	0	2	0	White males are over represented. Opportunity for the appointment of African, Indian and Coloured males as well as African, Indian, Coloured and White females exist. People with disability are also under represented at this level except for White males.
Senior Management	26	4	21	0	1	17	9	African & White males and African females are over represented. Opportunity for the appointment of Coloured males and females exist. People with disability are also under represented at this level except for White males.
Professionally qualified, mid management and specialists	53	5	45	1	2	26	27	There are some level of representation on African males and females, coloured males, Indian males and white males and females. More attention can be given to Indian and Coloured females as well as people with disability of all race and gender.
Skilled Technical and Academically Qualified workers; Junior management, Supervisors	169	28	133	7	1	64	105	African & White males and females are over represented. Opportunity for the appointment of Indian and Coloured males and females exist. More attention must also be given to people with disability on all race and gender
Discretionary/defined decision making	40	7	30	43	0	13	27	African females and White males and females and Coloured males are over represented. Opportunity for the appointment of African males and Coloured females as well as people with disability of all race and gender are under represented.
Total	**290**	**45**	**230**	**11**	**4**	**122**	**168**	

EMPLOYEE WELLNESS

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

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

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

The support to our employees is to be expanded to include the following counselling areas: Financial (DMC etc.), Relationship, Work Related, Psychosocial and Retirement counselling. Postbank will be outsourcing this function in the near future.

CAPACITATING POSTBANK WITH HUMAN RESOURCES

Postbank has held more than 4 Consultative forums with the unions on issues ranging from introduction of operational initiatives to strategic matters and an update on the financial position of the company during the reporting period. Employee Relations has furthermore developed and sought the approval of various policies aimed at and providing guidelines on Employee Relations initiatives such as Grievance and Disciplinary procedures; Retrenchment Policies and Redeployment procedures. The Operational Consultation Forums provides for the review of policies and consultation with Trade Union, with the cycle commencing in the month of October each year ending in the month of January 2022.

In the financial year of reporting, Postbank concluded its first and successful negotiations on substantive matter ending with an agreement with the recognised Trade Union, namely Communication Workers Union.

Management of labour related cases has been relatively stable during the period under review and was consistently applied. A total of 2 suspensions were resolved. These suspensions followed serious allegations of misconduct which range from violation of the contract of employment and leak of confidential information to the Media.. Suspensions are reserved for the most serious of allegations and a process is established to ensure that all suspensions are justified and carried out in accordance with a fair reason, following a fair process. This also minimise the cost associated with suspension to the organisation. A total of 2 grievances were resolved during the period under review. The nature of the grievances range from Abuse of power to the non payment of acting allowances. A total of 10 disciplinary cases were recorded during the period under review. The nature of misconducts range from Dishonesty to Poor performance. The sanctions handed down varied from Warning to Dismissal. All disciplinary matters were addressed expeditiously to discourage any behaviour that is at odds with unacceptable conduct within Postbank. Only 1 CCMA case was lodged at the CCMA during the period. The matter has not yet been finalised and is related to an unfair labour practice.

CONCLUSION

Human Resources endeavours to continue with its capacitation programs to ensure that all critical leadership and other roles are filled, staff are retained through the implementation of reward and recognition programs, trained and developed to optimise their banking skills and to deliver fit for purpose human resources support and services.

The alignment of Human Resources strategy will be critical to the strategic objectives of the organisation going forward.

Postbank
Your Bank

PART E

Financial Information

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

Report on the audit of the financial statements

Disclaimer opinion

1. I was engaged to audit the financial statements of the South African Postbank (SOC) Limited (Postbank) set out on pages 102 to 182, which comprise the statement of financial position as at 31 March 2022, 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) due to the limitations imposed by the information system that manages the related transactions. I was unable to confirm the other deposits (grants) by alternative means. Consequently, I was unable to determine whether any adjustment were necessary to the other deposits (grants) stated at R1 186 070 000 (2021: R904 820 000) in note 17, and the related amount included in financial instruments and risk management in note 36, to the financial statements.

Other reserves

4. 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 were necessary to other reserves stated at R3 555 171 000 (2021: R3 555 171 000) in note 14, to the financial statements.

Fee and transactional income

5. I was unable to obtain sufficient appropriate audit evidence for fee and transactional income, due to the inadequate status of accounting records and a lack of required reconciliations between the supporting information systems not being conducted. I was unable to confirm the fee and transactional income by alternative means. Consequently, I was unable to determine whether any adjustment were necessary to the fee and transactional income, stated at R1 592 743 000 (2021: R1 657 476 000) in note 21, to the financial statements. Since the trade receivables balance is determined based on fee and transactional income, I was unable to determine whether any adjustments were necessary to the trade receivables at amortised costs stated at R961 523 000 (2021: R753 796 000) in note 11, to the financial statements.

Material losses

6. I was unable to obtain sufficient appropriate audit evidence that material losses are complete due to the significance of internal control deficiencies identified on 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 R80 309 000 in note 38 to the financial statements and the related amounts in note 23, to the financial statements.

Intercompany receivable

7. I was unable to obtain sufficient appropriate audit evidence for the intercompany receivable and its related accounts due to the inadequate status of accounting records and a lack of sufficient and appropriate supporting information. I was unable to confirm the intercompany receivable and the impact on other related accounts by alternative means. Consequently, I was unable to determine whether any adjustment were necessary to intercompany receivable, stated at R2 100 766 000 (2021: R2 820 220 000) 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 35, to the financial statements. In addition, I was unable to determine whether any adjustment were necessary to the provision for expected credit loss on financial assets stated at R89 427 000 (2021: R465 496 000), as included in note 27, to the financial statements.

Emphasis of matters

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

Material uncertainty related to going concern

9. 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, describes the events or conditions, along with other matters as set forth in note 33 that may cast significant doubt on the public's ability to continue as a going concern and how the public entity is responding to them. My opinion is not modified in respect of this matter

Restatement of corresponding figures

10. As disclosed in note 32, to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2022.

Other matter

Media reported cyber security incidents

11. I identified numerous misstatements identified in the financial statements, which were indicative of significant fraud. Some of these matters, although known to the accounting authority and management for some time since they occurred, were not always brought to the attention of the auditors by the accounting authority and management. This also cast doubt on some of the representations made by management and the accounting authority. The majority of these fraud related losses were noted on the transactions of the South African Social Security Agency (SASSA) grant payments. These fraud instances were due to poor information systems governance, significant weaknesses identified in the internal control environment, poor information systems controls, and the poor state of information systems infrastructure, as described in paragraphs 38-45 of this report.

Responsibilities of the accounting authority for the financial statements

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

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

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

14. 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.

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

Report on the audit of the annual performance report

Introduction and scope

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

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

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the public entity's annual performance report for the year ended 31 March 2022.

Objectives	Pages in the annual performance report
Corporatise the bank and acquire a banking licence	**25-36**

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

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

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

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. Refer to the annual performance report on pages 19 to 50 for information on the achievement of planned targets for the year and management's explanations provided for the under achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements and annual report

25. 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.

26. 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

27. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R117 946 000 as disclosed in note 35 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by the entity approving an agreements without following proper SCM processes.

28. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R5 979 000, as disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by assets procured in vain and interest incurred due to late payment to creditors.

Procurement and contract management

29. Some of the contracts were not awarded in an economical manner and/or the prices of the goods or services were not reasonable as required by PFMA 57(b).

Consequence management

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

Revenue management

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

Other information

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

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

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

materially misstated.

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

Material irregularities

36. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities in progress

37. I identified 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 the next year's auditor's report.

Internal control deficiencies

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

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

40. Leadership and management did not implement oversight responsibilities to ensure that the internal control deficiencies on Integrated Grants Payment System (IGPS), such as reconciliations of data with other key systems are implemented. The entity did not implement key application controls on IGPS 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

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

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

43. Management did not timeously implement proper record keeping over information they were responsible for, to ensure that complete, relevant and accurate information was accessible and readily available to support credible financial reporting and compliance, resulting in limitations and exposure in the key business processes, transactions and balances.

44. The leadership did not ensure that adequate structures, processes and practices were implemented for the governance of IT. Principles and guidance of good corporate governance (King IV) and IT governance (COBIT) practices were not adequately implemented.

45. Leadership did not ensure a sound IT control environment that is supported by a sound IT infrastructure, the significant internal control weaknesses identified on the bank's key applications and databases contributed to material losses. The bank did not have adequate disaster recovery processes for the key banking systems and the IGPS database and backup was stored on the same server. The network security and architecture requires urgent intervention and this should include compliance with The Payment Card Industry Data Security Standard (PCI DSS)

Other reports

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

47. Cyber security forensic reports were issued by various internal and external parties on investigations conducted regarding the cyber security incidents at the Postbank during October 2021, which resulted in the entity suffering material losses. Some of the reports made recommendations for implementation by management.

Auditor-General

Pretoria
31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

DIRECTOR'S RESPONSIBILITIES AND APPROVAL

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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the audited annual 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 annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the 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 annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss. The directors have reviewed the bank's cash flow forecast for the year to 31 March 2023 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 annual financial statements. The audited annual financial statements have been examined by the bank's independent auditor.
The audited annual financial statements set out on page 16 to 82, which have been prepared on the going concern basis, were approved by the directors on 29 July 2022 and were signed on their behalf by:

Approval of financial statements

Dr Adv. L Hefer
Director

DIRECTOR'S REPORT

The directors have pleasure in submitting their report on the audited annual financial statements of South African Postbank (SOC) Ltd for the year ended 31 March 2022.

1. Incorporation

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

2. Nature of business

South African Postbank (SOC) Ltd was incorporated in South Africa with interest in the Banking industry. The company conducts the business of banking to encourage and attract savings amongst the people of the Republic of South Africa, in accordance with the Postbank Limited Amendment Act No.44 of 2013 and the relevant sections of the Postal Services Act No.124 of 1998. The Company operates principally in South Africa. Postbank ceased to be division of the South African Post Office and became a separate legal entity on 01 April 2019. On this date, assets and liabilities which were previously owned by Postbank as a division of SAPO were transferred to the South African Postbank SOC Ltd as required by Section 6 of the South African Postbank Limited Act No. 9 of 2010.

3. Review of financial results and activities

The audited annual 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 company reported net assets of R3,4 billion and a net profit of R324 million for the 2022 financial year.

4. Share capital

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

Directorate

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

Directors	Office	Nationality	Changes
Mr Lucas Ndala	Interim Chief Executive Officer	South African	Appointed Monday, 11 April 2022
Mr DZ Nkonki	Chairperson of the board	South African	Appointed Thursday, 01 October 2020 and resigned 19 April 2021
Mr Thabile Wonci	Chairperson of the board	South African	Appointed Thursday, 01 October 2020 as director and appointed as an Interim Chaiperson on 01 March 2022.
Mr Gcobani Mancotywa	Non-executive Independent	South African	Appointed Thursday, 01 October 2020
Adv Leigh Hefer		South African	Appointed Thursday, 01 October 2020
Mr Molatlhegi Kgauwe	Interim Chief Executive Officer	South African	Appointed Friday, 09 April 2021, Contract expired 31 December 2021

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

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

We draw attention to the fact that at 31 March 2022, the bank had accumulated losses of (R65 million) and that the bank's total assets exceed its liabilities by R 3.5 billion.

Certain conditions have given rise to a material uncertainty which may cast significant doubt about 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.

The South African Reserve Bank has issued a variation notice to Postbank. Failure to implement the variation conditions 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. 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 SARB is aware that Postbank operates under moratorium by the shareholder and this might lead to prolonged period to get exemptions on long-term or significant procurement.

The IT modernization 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.

During a meeting with SARB on 12 July 2022, Postbank requested to revise the project timelines following the approval of IT modernization as Postbank engages with the service provider and the revised timelines will be shared with SARB on the next meeting scheduled for 10 August 2022. Postbank has made significant progress on variation conditions that were not dependent on Postbank having a compliant DC or DR.

IT modernisation project will address the following conditions:

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

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.

In addition to that, Postbank has not offered new products or acquired new products to new clients related to its designation as a designated clearing system participant (DCSP) as required by the variation notice. Management also has regular engagements with the SARB to discuss progress to ensure that Postbank meets the requirements of the variation notice. Management is also working on getting the moratorium lifted to enable Postbank to fill all executive positions. Therefore, management is confident that Postbank will remain a going concern in the 2022/23 financial year and beyond.

9. Litigation statement

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

10. Auditors

The Shareholders have reappointed the Auditor General of South Africa as the auditor of the company for 2021/22.

11. Secretary

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

12. Date of authorisation for issue of financial statements

The audited annual financial statements have been authorised for issue by the directors on Friday, 29 July 2022. No authority was given to anyone to amend the audited annual financial statements after the date of issue.

13. Acknowledgements

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

The annual financial statements were approved by the directors on 29 July2022, and were signed on its behalf by:

Approval of audited annual financial statements

Dr Adv L. Hefer
Board Meeting Chairperson
Friday, 29 July 2022

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Note(s)	2022 R'000	Restated* 2021 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	3	17,179	31,646
Right-of-use assets	4	5,579	7,133
Intangible assets	5	40,171	52,891
Deferred tax	8	75,140	70,337
		138,069	**162,007**
Current Assets			
Trade and other receivables	11	621,038	446,996
Investments	7	5,060,911	4,518,833
Current tax receivable	26	110,099	128,009
Intercompany receivable	9	1,679,443	2,309,470
Cash and cash equivalents	12	5,290,116	3,577,160
		12,761,607	**10,980,468**
Total Assets		**12,899,676**	**11,142,475**
Equity and Liabilities			
Equity			
Reserve for Valuation of Investments		2,212	4,183
Other reserves	14	3,555,171	3,555,171
Accumulated losses		(65,144)	(389,339)
		3,492,239	**3,170,015**
Liabilities			
Non-Current Liabilities			
Provisions	15	682	682
Current Liabilities			
Trade and other payables	18	92,889	57,857
Lease liabilities	4	7,067	8,734
Provisions	15	11,808	8,787
Deposits due to customers	17	8,108,921	6,991,580
Other deposits	16	1,186,070	904,820
		9,406,755	**7,971,778**
Total Liabilities		**9,407,437**	**7,972,460**
Total Equity and Liabilities		**12,899,676**	**11,142,475**

The accounting policies on page 106 to 119 and the notes on page 119 to 182 form an integral part of the audited annual financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note(s)	2022 R'000	Restated* 2021 R'000
Interest and similar income	19	366,852	435,815
Interest expense and similar charges	20	(31,957)	(30,154)
Net Interest income		**334,895**	**405,661**
Transactional and service fee income	21	1,599,422	1,664,165
Other interest expens	4&15	(1,046)	(1,088)
Interest accrued from SARS	26	1,042	879
Employee costs	22	(161,133)	(133,505)
Other operating costs	23	(553,091)	(475,394)
Expected credit loss	27	157,499	(800,322)
Transactional expenses	24	(991,653)	(992,098)
Profit (loss) before taxation		**385,935**	**(331,702)**
Taxation	25	(61,742)	(111,299)
Profit (loss) for the year		**324,193**	**(443,001)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
(Losses) gains on valuation of investments in equity instruments		(2,340)	18,871
Income tax relating to items that will not be reclassified		369	(4,227)
Total items that will not be reclassified to profit or loss		**(1,971)**	**14,644**
Other comprehensive income for the year net of taxation		**(1,971)**	**14,644**
Total comprehensive income (loss) for the year		**322,222**	**(428,357)**

The accounting policies on page 106 to 119 and the notes on page 119 to 182 form an integral part of the audited annual financial statements.

STATEMENT OF CHANGES IN EQUITY

	Other reserves	Reserve for Valuation of Investments	Total reserves	Retained income	Total equity
	R'000	R'000	R'000	R'000	R'000
Transfer of net assets from Postbank division	3,555,171	1,126	3,556,297	-	3,556,297
Transfer between reserves					-
Profit/(loss) for the year	-	-	-	53,662	53,662
Movement in valuation of investments	-	17,464	17,464	-	17,464
Balance at 01 April 2020 as restated	**3,555,171**	**18,590**	**3,573,761**	**53,662**	**3,627,423**
Restated * Profit/(loss) for the year	-	-	-	(443,001)	(443,001)
Other comprehensive income	-	(14,407)	(14,407)	-	(14,407)
Total comprehensive Loss for the year	**-**	**(14,407)**	**(14,407)**	**(443,001)**	**(457,408)**
Transfer between reserves	-	-	-	-	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-	-
Balance at 01 April 2021	**3,555,171**	**4,183**	**3,559,354**	**(389,339)**	**3,170,015**
Profit for the year	-	-	-	324,193	324,193
Other comprehensive income	-	(1,971)	(1,971)	-	(1,971)
Total comprehensive income for the year	-	(1,971)	(1,971)	324,193	322,222
	-	-	-	-	-
Balance at 31 March 2022	**3,555,171**	**2,212**	**3,557,403**	**(65,144)**	**3,492,239**

Note(s)
The accounting policies on page 106 to 119 and the notes on page 119 to 182 form an integral part of the audited annual financial statements.

* The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

STATEMENT OF CASH FLOWS

	Note(s)	2022 R'000	2021 R'000
Cash flows from operating activities			
Profit before taxation		385,935	(331,702)
Adjustments for:			
Depreciation and amortisation		37,018	38,963
Inventory write-off expense		-	-
Expected credit loss		(157,499)	800,322
Losses on foreign exchange		-	-
Other interest expense (Site restoration and lease liability)		1,046	1,088
Impairment and fraud losses		(968)	68,273
Movements in provisions		3,021	3,834
Other non-cash items		(384)	(3,754)
Changes in funds for operating activities:			
Trade and other receivables		513,558	(1,041,447)
Trade and other payables		35,032	(26,750)
Movement in depositors funds		1,398,591	(2,525,079)
Cash generated from operations		**2,215,350**	**(3,016,252)**
Finance costs		-	-
Tax (paid)/refund	26	(47,223)	(190,669)
Net cash from operating activities		**2,168,127**	**(3,206,921)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(27)	(6,462)
Purchase of other intangible assets	5	(4,235)	(5,775)
Movement in Investments		(444,566)	2,285,641
Net cash from investing activities		**(448,828)**	**2,273,404**
Net cash from investing activities			
Payments on lease liabilities		(6,970)	(5,754)
Total cash movement for the year		**1,712,956**	**(939,510)**
Cash at the beginning of the year		3,577,160	4,516,670
Total cash at end of the year	12	**5,290,116**	**3,577,160**

The accounting policies on page 106 to 119 and the notes on page 119 to 182 form an integral part of the audited annual financial statements.

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 Banks Act.

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

1. Significant accounting policies

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

1.1 Basis of preparation

The audited 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 audited annual financial statements and the Companies Act of South Africa of South Africa, as amended.

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

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

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

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.

Allowance for slow moving, damaged and obsolete stock

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

Impairment of financial assets

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

Fair value estimation

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

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.

ACCOUNTING POLICIES

1.2 Significant judgements and sources of estimation uncertainty (continued)

Property, plant and equipment are depreciated over their useful lives taking into account the residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessment consider issues such as future market conditions, the remaining lives of the assets and the projected disposal values. Intangible assets are amortised on a straight line basis over their estimated 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, 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 these post-employment benefits, various assumptions in respect of various economic and demographic factors have been made. In order to have consistency between the benefits, the same assumptions for all benefits have been applied where relevant. In assessing the appropriateness of the assumptions used it is important to consider the assumptions as a whole rather than in isolation. In particular, the relationship between the assumptions for the discount rate and the rate of increase in benefits is important.

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.

ACCOUNTING POLICIES

1.3 Property, plant and equipment

Item	Depreciation method	Average useful life
Leasehold property	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
Office equipment	Straight line	3-12 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 company holds for its own use which are expected to be used for more than one year.
An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

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

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

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to

ACCOUNTING POLICIES

1.3 Property, plant and equipment (continued)

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

Recognition and Measurement
Initial measurement of the right-of-use asset

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

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

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

Subsequent measurement of the right-of-use asset

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

1.4 Intangible assets

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

Intangible assets are initially recognised at cost.

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

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits,
- there are available technical, financial and other resources to complete the development and to use or sell the asset and the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

ACCOUNTING POLICIES

1.4 Intangible assets (continued)

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

Item	Amortisation method	Average useful life
Licenses	Straight line	Over the term of the contract
Computer softwares	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 liabilities:

- Amortised cost

Note 34 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 purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the 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 note 11.

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

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

Recognition and measurement

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

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

Impairment

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

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

Measurement and recognition of expected credit losses

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

Details of the provision matrix is presented in note 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.

Credit risk

Details of credit risk are included in the trade and other receivables note 11 and the financial instruments and risk management note (note 34).

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 included customer deposits.

Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest rate method results in the recognition of interest expense, then it is included in profit or loss. Trade and other payables expose the bank to liquidity risk and possibly to interest rate risk. Refer to note 34 for details of risk exposure and management thereof.

ACCOUNTING POLICIES

1.5 Financial instruments (continued)

Financial libilities 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 are stated at carrying amount which is deemed to be at amortized cost.

Derecognition

Financial assets

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

Financial liabilities

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

1.6 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

ACCOUNTING POLICIES

1.6 Taxation (continued)

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 assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Separating components of a contract

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

Recognition of leases

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

Measurement

Initial measurement of the lease liability

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.

ACCOUNTING POLICIES

1.7 Leases (continued)

Subsequent measurement of the lease liability

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

increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Reassessment of the lease liability

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

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

1.8 Inventories

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

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

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

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

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

1.9 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 company 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. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.10 Other reserves

Measurement

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

Consideration paid

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

ACCOUNTING POLICIES

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

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

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

Provisions are not recognised for future operating losses.

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

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

ACCOUNTING POLICIES

1.13 Revenue from contracts with customers (continued)

- Determine the transaction price
- Allocate the transaction price to the separate performance obligations (PO)
- Recognise revenue when the entity satisfies a performance obligations (PO)

Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or services (i.e an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

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

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

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

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

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

Measurement

When (or as) a performance obligation is satisfied, 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 fee, 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 recognized at a point in time (transactional fees) when the customer makes use of the account and over time (normal provision of an account) when the bank account is kept active.

Other fees

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

Interest income and expenses

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

ACCOUNTING POLICIES

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 Constitutions will be disclosed as related parties.

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

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

1.15 Irregular expenditure

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

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

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

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

1.16 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.

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.

ACCOUNTING POLICIES

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 22. These expenses are recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

1.19 Material losses

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2. Standards and Interpretations 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 2022 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 audited 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 audited 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 audited 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 audited annual financial statements.

NOTES TO THE AUDITED 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 audited annual financial statements.

2.4 Property,plant and equipments : Proceeds before intended Use : Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the company is for years beginning on or after 01 January 2022.

The bank expects to adopt the amendment for the first time in the 2023 audited annual financial statements.

The effective date of the company is for years beginning on or after 01 January 2022.

The bank expects to adopt the amendment for the first time in the 2023 audited annual financial statement

2.5 Onerous Contracts – Cost of fulfilling a contract : Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the company is for years beginning on or after 01 January 2022.

The bank expects to adopt the amendment for the first time in the 2023 audited annual financial statement.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

3. Property, plant and equipment

Used within the company	2022 Cost or revaluation	2022 Accumulated depreciation	2022 Carrying value	2021 Cost or revaluation	2021 Accumulated depreciation	2021 Carrying value
Plant and machinery	2,296	(2,220)	76	2,298	(2,192)	106
Furniture and fixtures	1,268	(1,000)	268	1,308	(995)	313
IT equipment	78,938	(62,267)	16,671	79,151	(48,251)	30,900
Leasehold improvements	585	(421)	164	585	(258)	327
Total	**83,087**	**(65,908)**	**17,179**	**83,342**	**(51,696)**	**31,646**

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

Reconciliation of property, plant and equipment - 2021	Opening balance	Additions	Depreciation	Total
Plant and machinery	42	87	(23)	106
Furniture and fixtures	358	-	(45)	313
IT equipment	39,492	5,831	(14,423)	30,900
Leasehold improvements	3	544	(220)	327
Total	**39,895**	**6,462**	**(14,711)**	**31,646**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

3. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

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

Net carrying amounts of leased assets

Buildings	5,579	7,133
Leasehold improvements	327	3
	5,906	**7,136**

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. Leases (company as lessee)

The company leases 2 buildings located in Pretoria and Bloemfontein. The average lease term is 6 months to 1 year with an option to extend.

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

Net carrying amounts of right-of-use assets

Buildings	5,579	7,133

Additions to right-of-use assets

Buildings	-	2,766

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 23).

Buildings	5,579	6,212

Other disclosures

Interest expense on lease liabilities	941	964
Total cash outflow from leases	6,969	5,754

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
4. Leases (company as lessee) (continued)		
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	7,067	8,734
Current liabilities	**7,067**	**8,734**

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer softwares	127,533	(101,659)	25,874	119,329	(93,831)	25,498
Intangible assets under development	19,238	(4,941)	14,297	27,393	-	27,393
Total	**146,771**	**(106,600)**	**40,171**	**146,722**	**(93,831)**	**52,891**

Reconciliation of intangible assets - 2022	Opening balance	Additions	Transfers	Amortisation	Impairment loss	Total
Computer softwares	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
Total	**52,891**	**4,235**	**-**	**(11,979)**	**(4,976)**	**40,171**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

			2022 R'000	2021 R'000

5. Intangible assets (continued)

Reconciliation of intangible assets - 2021	Opening balance	Additions	Amortisa-tion	Total
Computer softwares	38,096	5,469	(18,067)	25,498
Intangible assets under development	27,087	306	-	27,393
Total	**65,183**	**5,775**	**(18,067)**	**52,891**

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 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 remaining amount of R 78 was paid to Postbank the division at the time. This capital amount and interest earned on this loan resulted in the loan balance of R 208 million, still priced at 3 months NCD rate as at 31 March 2022.

Exposure to credit risk

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

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

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

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

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

- The loan will have a Probability of Default (PD) of 100%
- A loss given default (LGD) of 100%.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

6. Loans to group companies (continued)

Reconciliation of loan receivable

The table below shows the reconciliation of the opening balance to the closing balance and the provision for expected credit losses.

SAPO Loan receivable	207,897	202,750
Provision for Expected Credit loss - at stage 3	(207,897)	(202,750)
	-	-

Reconciliation of loss allowance

The table below shows the reconciliation of the opening balance to the closing balance and the provision for expected credit losses.

Balance at the beginning of the year	202,750	197,323
Increase/(decrease) in provision for loss allowance	5,147	5,427
	207,897	**202,750**

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)
Total	-	-	-	-

2021	Stage 1	Stage 2	Stage 3	Total
SAPO Loan receivable	-	-	202,750	202,750
Less Provision for Expected Credit loss	-	-	(202,750)	(202,750)
Total	-	-	-	-

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
7. Investments		
Investments are categorised as follows:		
At fair value through other comprehensive income (OCI)	1,201,498	717,304
At Amortised cost	3,859,413	3,801,529
	5,060,911	**4,518,833**
1. Investments at fair value through other comprehensive income(OCI)		
Negotiable certificate of deposits	1,201,498	717,304

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:

2022	External credit rating (Moody' s)	Basis of loss allowance	Total
Negotiable certificate of deposits	Ba3	12m ECL	1,201,498

2021	External credit rating (Moody' s)	Basis of loss allowance	Total
Negotiable certificate of deposits	Ba2/Ba3	12m ECL	717,304

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
7. Investments (continued)		
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).		
Negotiable certificate of deposit :Loss allowance measured at 12 Month ECL		
Balance at the beginning of the year	4,162	3,925
Increase/(decrease) in provision for ECLs	(630)	237
	3,532	**4,162**
Promisory Notes :Loss allowance measured at 12 Month ECL		
Balance at the beginning of the year	-	5,211
Increase/(decrease) in provision for ECLs	-	(5,211)
	-	-
2. Investments at Amortised costs		
Fixed Deposit	975,848	928,720
Corporation for public deposits(CPD)	2,314,429	2,225,645
Land Bank Deferred	569,136	585,588
Promissory Notes	-	61,576
	3,859,413	**3,801,529**

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.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

7. Investments (continued)

Credit Loss allowance

2022	External credit rating(Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance	Carrying amount at Amortised cost
Fixed Deposit	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	Caa3	Lifetime	743,093	(173,957)	569,136
Total			**4,034,142**	**(174,730)**	**3,859,413**

2021	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	930,517	(1,797)	928,720
Corporation for public deposits(CPD)	Ba2	12m ECL	2,228,949	(3,304)	2,225,645
Land Bank Deferred	Caa1	Lifetime	822,307	(236,719)	585,588
Promissory Notes	Caa1	Lifetime	92,626	(31,050)	61,576
Total			**4,074,399**	**(272,870)**	**3,801,529**

Exposure to credit risk

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 Deposit:Loss allowance measured at 12 Month ECL

Balance at the beginning of the year	1,797	1,788
Increase/(decrease) in provision for ECLs	(1,171)	9
	626	**1,797**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
7. Investments (continued)		
CPD :Loss allowance measured at 12 Month ECL		
Balance at the beginning of the year	3,304	1,160
Increase/(decrease) in provision for ECLs	(3,158)	2,144
	146	**3,304**
Land Bank Deffered:Loss allowance measured at Lifetime		
Balance at the beginning of the year	236,719	-
Increase/(decrease) in provision for ECLs	(62,762)	236,719
	173,957	**236,719**
Promissory Notes:Loss allowance measured at Lifetime		
Balance at the beginning of the year	31,050	-
Increase/(decrease) in provision for ECLs	(31,050)	31,050
	-	**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.

8. Deferred tax		
Deferred tax Asset		
Originating and reversal of temporary differences	75,140	70,337
Reconciliation of deferred tax asset		
At beginning of year	70,337	50,606
Originating and revesal of temporary differences	4,803	19,731
	75,140	**70,337**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
The balance comprises:		
Provisions	20,600	21,427
Trade and other receivables	56,248	55,561
Fixed assets	(3,864)	(5,000)
Intangible assets	(1,248)	(3,886)
Available for sale financial assets adjustments	364	(6)
Employee benefits	3,040	2,241
	75,140	**70,337**

9. SAPO Intercompany receivable

Intercompany receivable		
SAPO receivable	2,100,766	2,820,220
Provision for expected credit loss	(421,323)	(510,750)
	1,679,443	**2,309,470**

Included in the intercompany receivable is prefunding by Postbank to SAPO for the purpose of paying SASSA beneficiaries. The amount also includes vat receivable of R23 million.

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

The table below shows the staging of intercompany debtor.

2022	Stage 1	Stage 2	Stage 3	Total
Intercompany debtor	2,100,766	-	-	2,100,766
Provision for expected credit loss	(421,323)	-	-	(421,323)
	1,679,443	**-**	**-**	**1,679,443**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

9. SAPO Intercompany receivable (continued)

2021	Stage 1	Stage 2	Stage 3	Total
Intercompany debtor	2,820,220	-	-	2,820,220
Provision for expected credit loss	(510,750)	-	-	(510,750)
	2,309,470	**-**	**-**	**2,309,470**

Reconciliation of loss allowance:

Balance at the beginning of the year	510,750	45,254
Increase/(decrease) in provision for loss allowance	(89,427)	465,496
	421,323	**510,750**

10. Inventories

SASSA Cards - Transfer from SAPO	68,760	68,760
Provision for inventory write-down - Transfer from SAPO	(68,760)	(68,760)
Inventories (write-downs)	-	-
	-	-

10.1 Non - Financial information

Included in the R68 million are Sassa cards that were bought for the grant project in 2018 financial year and they were subsequetly 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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
11. Trade and other receivables		
Financial instruments:		
Trade receivables	961,523	753,796
Less provision for ECL on trade receivables	(356,271)	(330,720)
Trade receivables at amortised cost	605,252	423,076
Miscellaneous - Parthold fees	663	17,398
Accrued interest	1,408	1,165
Other receivables	16,325	20,250
Provision for impairment	(21,649)	(20,250)
Non-financial instruments:		
VAT	13,603	5,357
Prepayments (if immaterial)	5,435	-
Total trade and other receivables	**621,038**	**446,996**
Split between non-current and current portions		
Current assets	621,038	446,996
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	602,000	441,639
Non-financial instruments	19,038	5,357
	621,038	**446,996**

Exposure to currency risk

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

Rand Amount		
Rand	621,038	446,996

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

11. Trade and other receivables (continued)

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).

2022	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)	(144)	(924)	(353,480)	(356,271)
Total	**54,432**	**54,022**	**8,953**	**55,208**	**432,636**	**605,252**

2021	Current	30 Days +	60 Days +	90 Days +	120 Days +	Total
Balances outstanding at reporting date	48,544	31,043	48,780	6,996	618,433	753,796
Provision for Expected credit loss	(1,082)	(696)	(1,107)	(164)	(327,671)	(330,720)
Total	**47,462**	**30,347**	**47,673**	**6,832**	**290,762**	**423,076**

Reconciliation of loss allowance

Balance at the beginning of the year	330,720	266,269
Increase/(decrease) in provision for allowance	25,551	64,451
	356,271	**330,720**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

12. Cash and cash equivalents

Accrued interest and trade receivables are held at amortised cost.

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 4.42%:

Bank balances	1,137,734	736,152
Short-term deposits	4,152,382	2,841,008
	5,290,116	**3,577,160**

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.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

13. Fair value of financial assets (continued)

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

2021	Level 1	Level 2	Stage 3	Total
Negotiable Certificates of Deposit (NCD)	-	717,304	-	717,304

Valuation techniques used to determine fair value

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

Transfers out of levels

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

15. Provisions

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)	-	418
Provision for long service leave cash	483	-	-	-	483
Provision for long service leave	291	-	-	-	291
	9,469	**7,610**	**(4,253)**	**(336)**	**12,490**

Reconciliation of provisions - 2021	Opening balance	Additions (Interest and service costs)	Utilised during the year	(Gains)/ Losses	Change in accounting estimates	Total
Provision for site restoration	1,357	123	-	-	(17)	1,463
Provision for leave pay	3,209	3,603	-	-	-	6,812
Provision for bonus	404	16	-	-	-	420
Provision for long service cash	414	82	(73)	60	-	483
Provision for long service leave	251	63	(26)	3	-	291
	5,635	**3,887**	**(99)**	**63**	**(17)**	**9,469**

Non-current liabilities	682	682
Current liabilities	11,808	8,787
	12,490	**9,469**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

15. Provisions (continued)

Leave obligation

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

Capped leave

In addition to their "normal" current accrued leave some staff members also have an amount of "capped" leave.

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

Long service leave awards

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

Long service cash awards

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

Provision for bonus

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

15. Provisions (continued)

Provisions for Environmental rehabilitation

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

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

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

Sensitivity analysis

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

Long Service Cash Awards - 2021

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

Retirement Age	Current Assumption Age 59	All members age 57	All members age 61
Postbank	483	379	526
Cost / (Saving)	-	(104)	43

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

15. Provisions (continued)

Long Service Leave Days

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

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

Actuarial assumptions	Current Valuation 31 March 2020
Discount rate	11.35 %
Salary inflation	7.11 %
A Long term price inflation	6.11 %

16. Deposits due to customers

Deposits from the public

Transactional, term deposits and savings accounts	8,108,921	6,991,580

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 amortized cost. Interest payable on both current accounts and term deposits is capitalised monthly. All account holders are individuals within the Republic of South Africa.

Interest paid on overnight deposit accounts is fixed and varies from 0.0% to 3.95% per annum depending on the account balance. Term deposits attract interest which varies from 4.95% to 5.41% per annum depending on the term and all rates are linked to prime rate.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

17. Other Deposits (Grants)

Other Deposits (Grants)		
SASSA grants	1,186,070	904,820

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 2022.Transactional and savings accounts are all overnight deposit which are all payable on demand. All amounts owed to the beneficiaries are classified as financial liabilities at cost. Interest payable on both transactional and savings accounts are capitalised monthly. All account holders are individuals within the Republic of South Africa.

18. Trade and other payables

Financial instruments:		
Trade payables	14,676	18,800
Acrued expenses	69,127	34,743
Other payables	9,086	4,314
	92,889	**57,857**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
19. Interest and similar income		
Other Deposits (Grants)		
interest and service income	366,852	435,815
20. Interest expense and similar charges		
Interest expense	31,957	30,154
21. Transactional and service fee income		
Commissions received	6,214	6,658
Fee and Transactional Income	1,592,743	1,657,476
Other Income	465	31
	1,599,422	**1,664,165**

The payment terms do not have a significant financing component.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

22. Employee costs

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

Employee costs

Basic	131,364	107,413
13th Cheque	1,297	1,299
Medical aid - company contributions	7,049	5,810
UIF	608	464
SDL	1,351	765
Leave pay provision charge	4,169	5,238
Home Owners allowances	68	92
Motor Scheme	151	157
Other short term costs	2,260	2,447
Pension contribution	12,816	9,820
	161,133	**133,505**

23. Other operating costs

Other operating costs consist of the following items:

Audit fees	8,454	6,362
Director's fees	1,651	2,834
Marketing expenses	3,566	15,430
Depreciation,amortisation and impairment loss	37,018	38,963
Professional and membership fees	33,563	12,891
Travel and subsistence	1,152	1,121
Material losses and other write-offs	79,341	68,273
Fines and penalties	1,929	17,684
Software expenses and license	151,426	62,143
Repairs and maintenance	5,486	8,355
Support costs	116,774	146,597
Legal costs	1,435	6,500
Assessment rates & municipal charges	3,470	2,070
Business Continuity	15,067	24,397
Bank charges	47,479	49,977
Insurance Premiums	18,403	53
Telephone Calls	1,022	1,778
Data Lines	8,883	998
Bursaries and Study Fees	1,712	759
Personnel Recruitment	1,020	2,647
Retail Transaction Payment	12,609	-
Other expenses	1,631	5,561
	553,091	**475,394**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
24. Transactional expenses		
Transactional expenses consist of the following items:		
Visa fees	39,486	42,310
EFT charges	8,982	10,220
Internet banking	-	24
Saswitch ATM terminal fees	934,381	931,271
Switching POS Expense	8,804	8,273
	991,653	**992,098**

25. Taxation

Major components of the tax expense

Current

Other Deposits (Grants)		
Local income tax - current period	66,174	126,802

Deferred

Transactional expenses consist of the following items:		
Originating and reversing temporary differences - current period	(6,944)	3,739
Originating and reversing temporary differences - prior periods	-	(19,242)
Effect of rate change	2,512	-
	(4,432)	**(15,503)**
	61,742	**111,299**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

25. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
Disallowable charges	(12.65)%	(67.35)%
Prior year under/overprovision for deferred tax	- %	5.80 %
	15.35 %	**(33.55)%**

The applicable normal income tax rate changed during the current year to 27% (2021 : 28%).

Accounting profit	385,935	331,702)
Tax at applicable tax rate 28%	**108,062**	**(92,876)**
Tax affect on adjustments on taxable income		
Non deductible expenses/(Exempt income)	(48,832)	223,417
Effect of decrease in tax rate	2,512	-
Prior year adjustments - Current year	-	(19,242)
	61,742	**111,299**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

26. Tax paid

Balance at beginning of the year	(128,009)	(63,263)
Current tax for the year recognised in profit or loss	66,175	126,802
Amount paid	(106,445)	(190,669)
Interest accrued from SARS	(1,042)	(879)
Amount received from SARS (refund)	59,222	-
	(110,099)	**(128,009)**

27. Expected Credit loss on financial assets

Expected credit loss		
Trade and other receivables	25,551	64,451
Investments	(98,770)	264,948
Loans to group companies	5,147	5,427
Intercompany receivable	(89,427)	465,496
	(157,499)	**800,322**

28. Commitments

Authorised capital expenditure		
Already contracted for but not provided for		
Intangible assets	597	7,135

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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

29. Related parties

Relationships	South African Government
Ultimate holding company	South African Post Office SOC Ltd.
Holding company	National Treasury and Department of (DCDT)
Shareholder with significant influence	Communications and Digital Technologies
Members of key management	Refer to Note 29

	2022 R'000	2021 R'000
Balances with related parties		
South African Revenue Services - Income tax receivable	110,099	128,009
South African Post Office SOC Limited - Support costs - Payable	10,426	13,657
Other entities - Payables	6,248	3,345
Expenditure from related parties		
Other entities	23,167	31,536
South African Post Office SOC Limited - Support costs	116,774	146,597
South African Revenue services - Income tax	61,742	111,299
Fees and other income from related parties		
South African Post Office -Sassa related revenue	654,692	486,704
Landbank - Interest	56,902	22,650
South African Revenue services - Interest accrued	1,042	879
Transactions with authorities and regulators		
Other entities	2,568	1,693
Funds collected on behalf of the employees		
Post Office Retirement Fund	12,816	9,820

Other balances with related parties

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
29. Related parties (continued)		
Land & Agricultural Bank		
Investment	743,093	914,933
Provision for expected credit loss	(173,957)	(267,769)
	569,136	**647,164**
South African Post Office		
SASSA and other commission revenue receivable	961,523	753,796
Provision for expected credit loss	(356,271)	(330,720)
	605,252	**423,076**
South African Post Office		
Loans to group companies	207,897	202,750
Provision for expected credit loss	(207,897)	(202,750)
	-	-
South African Post Office		
Lease liability - refer to lease liability for movement during the year	1,204	2,970
Right of use of Asset - refer to lease liability for movement during the year	480	1,844
	-	-
Compensation to directors and other key management		
Short-term employee benefits	13,941	17,517

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

30. Directors' emoluments

Executive 2022	Basic salary	Compensation for loss of office/ leave pay	Other material benefits	Total
Directors' emoluments				
Services as directors				
Mr. M Kgauwe 1	960	-	-	960
Ms. T Motsweni 2	1,221	-	128	1,349
Mr. F Nieman 3	91	-	131	222
Mr. K Maartens 4	3,110	-	99	3,209
Services as prescribed officers				
Mr. T Lengane 5	903	-	143	1,046
Mr. N Moja 6	1,238	-	270	1,508
Mr. P Jacobs 7	1,390	-	230	1,620
Mr. R Mashau 8	2,144	-	23	2,167
Mr. J Radebe 9	120	-	79	199
Ms. D Khumalo 10	943	163	11	1,117
Ms. T Majatladi 11	428	-	116	544
	12,548	**163**	**1,230**	**13,941**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

30. Directors' emoluments (continued)

*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 31 March 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. 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
    Retired implies resigned, retired or dismissed.

2021	Basic salary	Compensation for loss of office/ leave pay	Other material benefits	Total
Directors' emoluments				
Services as directors				
Mr S Adam 1	1,134	528	9	1,671
Mr I Van der Merwe 2	2,469	100	30	2,599
Ms IM Pule 3	819	57	8	884
Ms T Motsweni 4	920	-	23	943
Services as prescribed officer				
Mr A Kandeh 5	929	503	14	1,446
Mr N Moja 6	1,163	-	78	1,241
Mr B April 7	480	112	3	595
Mr P Jacobs 8	1,283	-	103	1,386
Mr R Mashau 9	2,027	-	12	2,039
Mr K Maartens 10	3,112	-	16	3,128
	14,336	**1,300**	**296**	**15,932**

*Other benefits include mainly telephone and acting allowance.

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

Retired implies resigned, retired or dismissed.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

30. Directors' emoluments (continued)

Non-executive

2022

Directors' emoluments

Services as director or prescribed officer	Fees for services as director	Other benefits	Total
Mr DZ Nkonki 1	93	6	99
DR Adv L Hefer 2	428	13	441
Mr G Mancotywa 3	554	13	567
Mr T Wonci 4	441	-	441
Mrs Noxaka 5	37	-	37
	1,553	**32**	**1,585**

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.

2021

Services as director or prescribed officer			
Ms N Noxaka 1	666	-	666
Mr A Seymour 2	264	29	293
Ms B Mothelesi 3	240	-	240
Mr E Netshivhulana 4	269	-	269
Mr DZ Nkonki 5	568	24	592
Mr TW Wonci 6	294	18	294
Adv Leigh Hefer 7	247	-	265
Mr G Mancotywa 8	285		285
	2,833	**71**	**2,904**

1. Ms LN Noxaka appointed on 01 April 2017 and resigned on 30th September 2020 as a Chairperson of the board.
2. Mr AC Seymour, appointed on 01 April 2017 and resigned on 30 September 2020.
3. Ms SP Mothelesi, appointed on 01 April 2017 and resigned on 30 September 2020.
4. Mr ME Netshivhulana, appointed on 01 April 2017 and resigned on 30 September 2020.
5. Mr DZ Nkonki was appointed as a Chairperson of the Board on 01 October 2020 and resigned on 19 April 2021.
6. Mr TW Wonci appointed on 01 October 2020.
7. DR Adv L Hefer appointed on 01 October 2020.
8. Mr G Mancotywa appointed on 01 October 2020.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

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.

The impact in 2023 financial year is as follows.

Asset categories	Amortisation/ Depreciationn for 2023 FY/ before changerevised in remaining useful life	Amortisation/ Depreciation fter the Useful life in 2023	Impact - Decrease/ (Increase) in Depreciation/ Amortisation
Leasehold improvements	163	164	(1)
Machinery and Equipment	28	26	2
Furniture and Fittings	38	39	(1)
Data Processing Equipment	12,353	9,868	2,486
Intangible assets	11,385	9,334	2,051
	23,967	**19,431**	**4,537**

Leases

During the 2022 financial year, the discount rates to calculate both the lease liability and site restoration provision were revised. The change in discount rates were applied prospectively. The lease term for one of the leased building was revised by 1 year at the beginning of the financial year.It is impractical to determine the effect on future periods. It is impractical to to estimate the amount of the effect in future periods due to uncertainty regarding the lease term. The effect of the changes in discount rates and lease term are as follows:

Statement of Financial Position

Reduction in Right of use Asset	(1,219)	-
Reduction in Lease liability	883	-
Reduction in Site restoration Provisions	336	-
	-	-

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

32. Prior period errors

Property, plant and equipment

Property, plant and equipment included furniture items that belonged to SAPO as at 1 April 2019. These are assets at the head office and it is confirmed that Postbank does not own any furniture items at SAPO head office. Another error was due to overstated accumulated depreciation for fingerprint readers on transfer date that also impacted on the depreciation for 2021 financial year. The impact of these errors resulted in an increase in Property, plant and equipment by R1,3 million; increase in other operating expenses and an increase in other reserves by R2,5 million.

Other reserves

Other reserves included furniture items that belonged to SAPO located at the head office. Postbank does not own any furniture items at SAPO head office. There were other IT equipments that were derecognised due to their non-existance on the transfer date. Intercompany receivable was understated due to split issues as at 1 April 2019. The error has resulted in an increase in both other reserves and intercompany receivables by R59,6 million. Furthermore, additional intangible assets worth R3 million were added due to ommission on transfer date and this was identified during asset verification and this resulted in an increase in other reserves by R3 million. An amount of R15 million was reversed in relation to switching costs that was recognised in the prior year due to a resolution that was taken after year end. This resulted in an increase in other reserves by R15 million. Refer to the table below for overall impact on prior year figures.

Deposits due to customers and other deposits

One account was remapped from trade and other payables to deposits due to customers because it was in relation to deposit liability. In addition to this, there were branch for 2021 that were incorrectly recorded in 2022 financial year amounting to R64 million. This has resulted in a decrease in deposits due to customers by R2 million, decrease in other deposits by R55 million and a decrease in trade and other payables by R7,9 million.

Leases (Right of use of asset and Lease liability)

The right of use of asset and lease liability did not include head office rentals. This is due to the fact that Postbank previously paid rentals as part of transfer and support costs. The rental invoice for 2021 was therefore only received and acknowledged during 2022 financial year. An amount of R86k in relation to March 2020 was also not taken into account in lease liability. This has resulted in an increase in the right of use of asset by R1,8 million and an increase in lease liability by R2,8 million. This amounts were also disclosed under related parties and SA Post Office is a related party to Postbank. Refer to related party section for the impact on the financial statements. This error also resulted in an increase in other interest expense by R208k.

Intercompany receivables

Intercompany receivable was understated on the transfer date from SAPO on 1 April 2019. The impact of this resulted in an increase in both intercompany receivable and other reserves by R59,6 million. Another error was as a result of un-cleared transactions in one of the General ledger account that was mapped under intercompany receivables. The account mentioned in resulted in a negative R13 million that represented an amount payable to SAPO as at 31st March 2021 and it was re-mapped to trade and other payables. Some of the un-cleared transactions were commission receivable and a separate general ledger was created to separate intercompany transactions. A separate general ledger account was created

	2022 R'000	2021 R'000

32. Prior period errors (continued)

for VAT receivable from SA Post office and it was mapped to intercompany receivables. This resulted in an increase in intercompany by R24 million. In addition to this, there were branch transactions that were recorded in 2022 instead of 2021 amounting to R64 million that were corrected and recorded in the correct financial year. These transactions affected the settlement between Postbank and SA Post Office. The net impact of these error was a decrease in intercompany receivable by R5 million.

Trade and other receivables

Trade and other receivables included SASSA penalty amount of R10 million that is irrecoverable and this was corrected. Postbank only accounted for R7 million instead of R17 million in the prior year due to disagreement with SASSA and SAPO. Commission receivable from SAPO was previously recognised under intercompany receivables and it was reclassified to trade and other receivables. It was also identified that commission revenue for 2 months was not captured. These errors resulted in a decrease in trade and other receivables by R6,3 million and an increase in expected credit loss by R1,8 million.

Trade and other payables

A general ledger account that that was previously mapped under intercompany was remapped to trade and other payables as it closed with a negative balance after corrections. The amount was R11 million and represented an amount owed to SAPO for support and transfer pricing. Another account was removed from other payables and re-mapped to deposits due to customers and it had a balance of R7,5 million. Other changes to the amount was as a result of clearing some of the un- cleared transactions on GL accounts mapped to trade and other payables. The total impact on this was a decrease in trade and other payables by R5,2 million.

Cash and Cash equivalents

Cash and cash equivalents was misstated due to incorrect mapping of general ledger account and missing bank statements. It was discovered that payroll bank statements for October 2020 were not uploaded. This was due to the fact that Postbank employees started being paid on a separate company code from SAPO. The statements were uploaded and corrections were then reflected in the accounting records. This has resulted in an increase in cash and cash equivalents by R19 000 and an decrease in trade and other payables by R1,7 million. This also resulted in an increase in bank charges by R7,9k.

Provisions

Provision for leave balance was incorrectly calculated. This error was corrected and resulted in a decrease in both provision for leave and employee costs by R239k. An amount of R93 million was reversed due to an adjusting event after year end. This resulted in a decrease in provision by R93 million.

Income tax receivable and Deferred tax

The above errors including errors in the statements of profit and loss has resulted in a decrease in deferred tax asset by R5,9 million and increase in income tax receivable by R3,5 million.

Retained earnings/(Accumulated losses)

The above errors including errors in the statements of profit and loss has resulted in a decrease in accumulated losses by R61,4 million.

Transactional and service fee income

Commission revenue amounting to R791k was not recorded and relates to 2 months for 2021 financial year. This has resulted in an increase in trade and

	2022 R'000	2021 R'000

32. Prior period errors (continued)

other receivables by R909k and increase in vat payable by R118k.

Other operating expenses

Other operating expenses was restated because of the following errors : R10 million penalty was recognised in 2021 due to error mentioned under trade and other receivables; depreciation amount was corrected due to errors mentioned under property, plant and equipments and additional bank charges were recognised in 2021 due to errors mentioned under cash and cash equivalents on this note. An amount of R49 million was adjusted due to a resolution that was taken after year end that impacted on the figure we reported in the prior year in relation to a provision for switching costs. The impact on corrections is stated in the table below.

Expected credit loss

Expected credit loss figure was adjusted due to errors mentioned under trade and other receivables, intercompany and transitional and service fee income. These errors resulted in an increase in expected credit loss by R1,8 million.

Other comprehensive income

The movement on other comprehensive income was incorrectly calculated and reported. This has resulted in a decrease in other comprehensive income.

Taxation

The errors mentioned above resulted in a increase in tax expense by R2,4 million.

Irregular expenditure

Irregular expenditure note was revised in order to ensure full compliance with the requirements of the Irregular Expenditure Framework issued by the National Treasury. The correction of the error resulted in an increase in irregular expenditure by R56 million.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure note was revised in order to ensure full compliance with the requirements of the Fruitless and Wasteful Expenditure Framework issued by the National Treasury. The correction resulted in an decrease in fruitless and wasteful expenditure by R53 million.

Material losses

One of the general ledger account was not taken into account when calculating the total amount of losses and data expenses were incorrectly recorded in the financial crime account. This has resulted in an decrease in material losses by R28k.

Related parties

Landbank interest income: Total interest income in relation to investments with Landbank of South Africa was incorrectly calculated and resulted in a decrease in interest income disclosed by R155k. There is no impact on the statement of profit and loss.

SAPO intercompany receivables: Refer to errors mentioned under Intercompany receivable in this note. The errors resulted in a decrease in the amount disclosed by R5 million.

SAPO payables: Refer to errors mentioned under Intercompany receivable and trade and other payables in this note. The errors resulted in an increase in the amount disclosed by R13 million.

Income tax expense: Refer to taxation section in this note.

Income tax receivable: Refer to income tax receivable and deferred tax section in this note

Other entities – balances: The amounts in relation to other entities were not disclosed in prior year. This resulted in an increase in balance in relation to other entities by R3,3 million.

32. Prior period errors (continued)

Lease liability: Lease liability increased by due R2,9 million to SAPO lease not being accounted for in the prior year.

Right of use of asset: Right of use of asset increased by due R1,8 million to SAPO lease not being accounted for in the prior year.

Sassa revenue and commission income: Commission revenue was not included as revenue with related parties and Sassa revenue was disclosed inclusive of vat. These two errors resulted in a decrease in the amount disclosed in related parties by R65,3 million.

Right of use of asset: Right of use of asset increased by due R1,8 million to SAPO lease not being accounted for in the prior year.

SASSA revenue and commission income: Commission revenue was not included as revenue with related parties and Sassa revenue was disclosed inclusive of vat. These two errors resulted in a decrease in the amount disclosed in related parties by R65,3 million.

SASSA and commission receivable: Refer to trade and other receivable section for errors that resulted in restatement of prior year figures. This resulted in a decrease in trade and other receivables by R6,3 million and a decrease in the amount disclosed under related parties.

Investments:

The carrying amount for NCD investment was overstated due to incorrect application of IFRS 9 requirements. Paragraph 5.5.2 of IFRS 9 states that ECL are recognised also for assets carried at fair value through OCI, but the loss allowance does not reduce the carrying amount of the asset below its fair value in the statement of financial position. Instead, recognition of ECL impacts Profit/loss and the change in fair value recognised through OCI is recognised after taking ECL into account. The provision for ECL reduced in carrying amount of the investment in NCD in the prior year and the correction resulted in an increase in both Investments and Reserves on valuation of Investments by R4,1 million. Refer to the table below.

Intangible assets

Intangible assets did not include some assets that were supposed to be transferred on 1 April 2019. This error was identifies during assets verifications and the correction resulted in an increase in both intangible assets and other reserves by R3 million.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

32. Prior period errors (continued)

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

Statement of Financial Position	2021 Restated figures 000'	2021 Audited figures 000'	Increase/(Decrease) 000'
Property,Plant and Equipments	31,646	30,310	1,336
Intangible assets	52,891	49,108	3,783
Intercompany receivables	2,309,470	2,314,498	(5,028)
Right of use of asset	7,134	5,290	1,844
Income tax receivable	128,009	124,415	3,594
Deferred tax	70,337	76,331	(5,994)
Investments	4,518,833	4,514,670	4,163
Trade and other receivables	446,996	453,382	(6,386)
Cash and cash equivalents	3,577,160	3,577,141	19
Trade and other payables	57,857	63,096	(5,239)
Lease liability	8,734	5,851	2,883
Provisions	9,469	102,847	(93,378)
Deposits due to customers	6,991,580	6,993,620	(2,040)
Other reserves	3,555,171	3,470,670	84,501
Other deposits	904,820	959,825	(55,005)
Accumulated losses	(389,339)	(450,783)	61,444
	-	-	-

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

32. Prior period errors (continued)

Statement of Financial Position	2021 Restated figures 000'	2021 Audited figures 000'	Increase/ (Decrease) 000'
Transactional and service fee income	1,664,165	1,663,374	791
Other operating expenses	475,394	513,025	(37,631)
Expected credit loss	800,322	798,481	1,841
Employee cost	133,505	133,744	(239)
Other comprehensive income	14,644	14,684	(40)
Taxation	111,299	108,899	2,400
Other interest expense	1,088	883	205
	-	-	-

Related parties	2021 Restated figures 000'	2021 Audited figures 000'	Increase/ (Decrease) 000'
Landbank interest income	22,650	22,805	(155)
SAPO intercompany receivables	2,309,470	2,314,498	(5,028)
SAPO payables	11,004	-	11,004
Income tax expense	111,299	108,899	2,400
Income tax receivable	128,009	124,415	3,594
Other entities - balances	3,345	-	3,345
Lease liability	2,970	-	2,970
Right of use of asset	1,844	-	1,844
Sassa revenue and commission income	486,704	552,064	(65,360)
Sassa and commission receivable	423,306	429,463	(6,157)
Compensation to directors and other key management	17,517	16,841	676
	-	-	-

	2021 Restated figures 000'	2021 Audited figures 000'	Increase/ (Decrease) 000'
Material losses	20,250	20,278	(28)

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

32. Prior period errors (continued)

	2021 Restated figures 000'	2021 Audited figures 000'	Increase/ (Decrease) 000'
Fruitless and Wasteful expenditure	78,049	131,050	(53,001)

	2021 Restated figures 000'	2021 Audited figures 000'	Increase/ (Decrease) 000'
Irregular expenditure	89,057	32,586	56,471

33. Going concern

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

We draw attention to the fact that at 31 March 2022, the company had accumulated losses of R (65,144,000) and that the company's total assets exceed its liabilities by R 3,492,239,000.

Certain conditions have given rise to a material uncertainty which may cast significant doubt about 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.

The South African Reserve Bank (SARB) has issued a variation notice to Postbank. Failure to implement the variation conditions 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. 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 SARB is aware that Postbank operates under moratorium by the shareholder and this might lead to prolonged period to get exemptions on long- term or significant procurement.

The IT modernization 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.

During a meeting with SARB on 12 July 2022, Postbank requested to revise the project timelines following the approval of IT modernization as Postbank engages with the service provider and the revised timelines will be shared with SARB on the next meeting scheduled for 10 August 2022.

Postbank has made significant progress on variation conditions that were not dependent on Postbank having a compliant DC or DR.

	2022 R'000	2021 R'000

33. Going concern (continued)

IT modernisation project will address the following conditions:

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

In addition to that, Postbank has not offered new products or acquired new products to new clients related to its designation as a designated clearing system participant (DCSP) as required by the variation notice. Management also has regular engagements with the SARB to discuss progress to ensure that Postbank meets the requirements of the variation notice. Management is also working on getting the moratorium lifted to enable Postbank to fill all executive positions and enter into other revenue generating initiatives. Therefore, the directors believe that the bank has adequate financial resources to continue in operation for the foreseeable future and accordingly the audited annual financial statements have been prepared on a going concern basis.

34. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure

Opening balance	78,049	36,592
Add : Fruitless and wasteful expenditure - Incurred in prior years but disclosed in current year	-	41,457
Add : Fruitless and wasteful expenditure - Incurred in current year	5,979	-
	84,028	**78,049**

Analysis of fruitless and wasteful expenditure under investigation per age classification

Prior year	78,049	36,592
Current year	5,979	41,457
	84,028	**78,049**

Fruitless and wasteful expenditure to the amount of R84 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.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

35. Irregular expenditure

Irregular expenditure

Opening balance	89,057	37,756
Add: Incurred in prior year but disclosed in the current year	-	-
Add: Current period irregular expenditure	117,946	51,301
	207,003	**89,057**

Analysis of awaiting condonation per age classification

Prior year	89,057	37,756
Current year	117,946	51,301
	207,003	**89,057**

All irregular expenditure incurred in the 2021/22 financial year was 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.

36. Financial Instruments and Risk Management

Postbank in its natural pursuit of its business activities exposes itself to the following financial risks.

Market Risk
Liquidity Risk
Capital Risk
Credit Risk

The South African Postbank SOC Ltd.'s ("Postbank") Risk and Capital Management Committee ("RCMC") is constituted as a Committee of the Board and reports directly to the Board. The primary objective and mandate of the RCMC is to assist the Postbank Board in discharging responsibilities in terms of the management of risk and capital across the Postbank. The RCMC is responsible for assisting the Board in its oversight of Postbank's risk by reviewing Postbank's risk appetite in relation to capital, market risk (comprising foreign exchange risk and interest rate risk), credit risk and liquidity risk 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.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

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.

34.1 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.

34.1.1 Interest rate risk

Interest rate risk is the risk that Postbank's earnings or economic value of financial assets will decline as a result of changes in interest rates.Postbank has interest rate risk arising from certain of its financial assets and liabilities. Assets giving rise to interest rate risk include cash and cash equivalents, negotiable certificates of deposits, and loans to parent company which earn interest at a variable rate. Liabilities giving rise to interest rate risk include some of our products that earn variable rate.

Postbank's exposure to interest rate risk arises primarily from the following:

- Re-pricing risk in the Postbank's portfolio as a result of the financial assets and financial liabilities (mismatch risk), being the timing difference in the maturity (for fixed) and re- pricing (for floating rate)of the Postbank's assets and liabilities

- Yield curve risk, which includes the changes in the shape and slope of the yield curve. The risk of falling interest rates at the time of the investment or re-investment of the Postbank's surplus cash or the risk of the cash reserves maturing being 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		
+100bps	421,478	335,787
-100bps	(309,991)	(262,994)
	111,487	**72,793**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

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 R111 million (March 2021 R73 million).

The table below summarises the re-pricing exposure to interest rate risk through grouping assets and liabilities into re- pricing categories, determined to be the earlier of the contractual re- pricing or maturity date. The figures have been compiled based on the face value of financial assets and financial liabilities.

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

Assets in thousands of rands

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Cash at Bank	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	-	-	-	-	-
					-	-
	5,498,000	**2,214,000**	**2,315,000**	**706,000**	**-**	**-**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
Assets in thousands of rands	**Non-financial instruments**	**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 receivables	978,000	978,000
SAPO Intercompany assets	2,100,000	2,100,000
Deferred tax	75,000	75,000
Intangible assets	6,000	6,000
Property, plant and equipment	40,000	40,000
Current tax receivable	17,000	17,000
	110,000	110,000
	3,326,000	**14,059,000**

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	Non-interest sensitive items
Savings deposit	(3,862,000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(4,118,000)
Term deposits	(1,000)	(17,000)	(88,000)	(11,000)	(12,000)	-
Grant accounts	-	-	-	-	-	(1,186,000)
	(3,863,000)	**(17,000)**	**(88,000)**	**(11,000)**	**(12,000)**	**(5, 304,000**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
Liabilities	Non-financial instruments	Total
Savings deposit	-	(3,862,000)
Transactional accounts	-	(4,118,000)
Term deposits	-	(129,000)
Grant accounts	-	(1,186,000)
Trade and other payables	(93,000)	(93,000)
Lease liability	(7,000)	(7,000)
Provisions	(12,000)	(12,000)
Equity	(3,492,000)	(3,492,000)
	(3,604,000)	**(12,899,000)**

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months
On balance sheet interest sensitivity	1,593,000	2,204,000	2,227,000	695,000	(12,000)
Cumulative Liquidity gap	1,593,000	3,797,000	6,023,000	6,718,000	6,706,000
	-	-	-	-	-

	Non-interest sensitive items	Non-financial instruments
On balance sheet interest sensitivity	(4,602,000)	(1,024,000)
Cumulative Liquidity gap	2,104,000	1,080,000
	-	-

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

Assets in thousands of rands

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-interest sensitive items
Cash at Bank	736,000	-	-	-	-	-
Call Deposit	2,841,000	-	-	-	-	-
Fixed Deposit	-	770,000	-	125,000	-	-
Landbank Deferred	-	818,000	-	-	-	-
Negotiable Certificate of Deposit	-	160,000		550,000		
				-	-	-
Promissory notes	-	93,000	-	-		
Postbank CPD	-	-	2,229,000	-	-	-
Inter company loan	203,000	-	-	-	-	-
					-	-
	3,780,000	**1,841,000**	**2,229,000**	**675,000**	**-**	**-**

Assets in thousands of rands

	Non-financial instruments	Total
Cash at Bank	-	736,000
Call Deposit	-	2,841,000
Fixed Deposit	-	895,000
Landbank Deferred Investments	-	818,000
Negotiable Certificate of Deposit	-	710,000
Promissory notes	-	93,000
Postbank CPD	2,229,0000	2,229,000
Trade and other receivables	778,000	778,000
Right of use of assets	7,000	7,000
SAPO Intercompany receivable	2,820,000	2,820,000
Deferred tax	70,000	70,000
Intangible assets	52,000	52,000
Property, plant and equipment	32,000	32,000
Current tax receivable	128,000	128,000
	3,887,000	**12,209,000**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

					2022 R'000	2021 R'000
Liabilities in thousands of rands						
	Demand and up to 1 month	**Greater than 1 month up to 3 months**	**Greater than 3 month up to 6 months**	**Greater than 6 month up to 12 months**	**Greater than 12 months**	**Non-interest sensitive items**
Savings deposit	(3,914,000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(1,153,000)
Term deposits	(2,000)	(49,000)	(12,000)	(8,000)	(36,000)	-
Grant accounts	-	-	-	-	-	(3,096,000)
	(3,916,000)	**(49,000)**	**(12,000)**	**(8,000)**	**(36,000)**	**(4,249,000)**

Liabilities in thousands of rands	**Non-financial instruments**	**Total**
Savings deposit	-	(3,914,000)
Transactional accounts	-	(1,153,000)
Term deposits	-	(107,000)
Grant accounts	-	(3,096,000)
Trade and other payables	(58,000)	(58,000)
Lease liability	(9,000)	(9,000)
Provisions	(9,000)	(9,000)
Equity	(3,170,000)	(3,170,000)
	(3,246,000)	**(11,516,000)**

Liabilities in thousands of rands

	Demand and up to 1 month	**Greater than 1 month up to 3 months**	**Greater than 3 month up to 6 months**	**Greater than 6 month up to 12 months**	**Greater than 12 months**	**Non-interest sensitive items**
On balance sheet interest sensitivity	154,000	1,792,000	2,217,000	667,000	(36,000)	(4,249,000)
Cumulative Liquidity gap	154,000	1,792,000	2,217,000	667,000	(36,000)	(4,249,000)
	-	-	-	-	-	-

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
		Non-financial instruments
On balance sheet interest sensitivity		(206,000)

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 R1,5 billion indicates that the bank is expected to re price R1,5 billion more of RSLs than RSAs during the next 30 day. The one-year cumulative GAP indicates that R6,7 billion more in assets than liabilities are expected to re-price over this longer period.

34.1.2 Foreign exchange risk

Foreign exchange risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates. Foreign exchange risk in the Postbank arises as a mainly from license obligations procured from foreign supplies. Postbank primary risk objective is to protect the net earnings against the impact of adverse exchange rate movements. ALCO is mandated to manage this risk by application of appropriate foreign currency derivatives or other appropriate strategy to ensure adherence to the Postbank's risk appetite. As at the 31st March 2022, Postbank had no open foreign currency position.

34.2 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 banks maintains an adequate buffer of High Quality Liquid Assets and ensures that cash flow positions are measured/ projected under various interest rate scenarios on regular basis. Furthermore, on a monthly basis the Treasury unit performs behavioural and stress analyses to identify business as usual as well as potential stress cash flow requirements. ALCO also monitors and controls adherence to the risk appetite and regulatory requirements, using liquidity risk 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 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.

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 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

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

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

Assets in thousands of rands

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non-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						
Inter company loan	-	-	2,315,000	-	-	-
Trade and other receivable	208,000	-	-	-	-	-
SAPO Intercompany assets		-	-	-	-	978,000
Deferred tax		-	-	-	-	2,100,000
Right of use of assets		-	-	-	-	75,000
Intangible assets		-	-	-	-	6,000
Property,plant and equipments		-	-	-	-	40,000
						17,000
Current tax receivable		-	-	-	-	110,000
	5,498,000	**2,214,000**	**2,315,000**	**706,000**	**-**	**3,326,000**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
Assets in thousands of rands		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		978,000
SAPO Intercompany assets		2,100,000
Deferred tax		75,000
Right of use of assets		6,000
Intangible assets		40,000
Property,plant and equipments		17,000
Current tax receivable		110,000
		14,059,000

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	Non-interest sensitive items
Savings deposit	(3,862,000)	-	-	-	-	-
Transactional accounts	-	-	-	-	-	(4,118,000)
Term deposits	(1,000)	(17,000)	(88,000)	(11,000)	(12,000)	-
Grant accounts	-	-	-	-	-	(1,186,000)
Trade and other payables	-	-	-	-	-	(93,000)
Lease liability	-	-	-	-	-	(7,000)
Provisions	-	-	-	-	-	(12,000)
Equity	-	-	-	-	-	(3,492,000)
	(3,863,000)	**(17,000)**	**(88,000)**	**(11,000)**	**(12,000)**	**(8,908,000)**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
		Total
Liabilities		
Savings deposit		(3,862,000)
Transactional accounts		(4,118,000)
Term deposits		(129,000)
Grant accounts		(1,186,000)
Trade and other payables		(93,000)
Lease liability		(7,000)
Provisions		(12,000)
Equity		(3,492,000)
		12,899,333

	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	1,593,000	2,204,000	2,227,000	695,000	(12,000)	(5,627,000)
Cumulative Liquidity gap	1,593,000	3,797,000	6,023,000	6,718,000	6,706,000	1,080,000
	-	-	-	-	-	-

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

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

Assets

	Demand and up to 1 month	Greater than 1 month up to 3 months	Greater than 3 month up to 6 months	Greater than 6 month up to 12 months	Greater than 12 months	Non financial-asset / liability
Cash at Bank	736,000	-	-	-	-	-
Call Deposit	2,841,000	-	-	-	-	-
Fixed Deposit	-	770,000	-	125,000	-	-
Landbank Deferred	-	818,000	-	-	-	-
Negotiable Certificate of Deposit	-	160,000	-	550,000	-	-
Promissory Notes	-	93,000	-	-	-	-
Postbank CPD	-	-	2,229,000	-	-	-
Inter company loan	203,000	-	-	-	-	-
Trade and other receivable	-	-	-	-	-	778,000
SAPO Intercompany assets	-	-	-	-	-	2,820,000
Deferred tax	-	-	-	-	-	70,000
Right of use of assets	-	-	-	-	-	7,000
Intangible assets	-	-	-	-	-	52,000
Property,plant and equipments	-	-	-	-	-	31,000
Current tax receivable	-	-	-	-	-	128,000
	3,780,000	**1,841,000**	**2,229,000**	**675,000**	**-**	**3,886,000**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
Assets		**Total**
Cash at Bank		736,000
Call Deposit		2,841,000
Fixed Deposit		895,000
Landbank Deferred Investments		818,000
Negotiable Certificate of Deposit		710,000
Postbank CPD		93,000
Inter company loan		2,229,000
Trade and other receivable		203,000
SAPO Intercompany assets		778,000
Deferred tax		2,820,000
Right of use of assets		70,000
Intangible assets		7,000
Property,plant and equipments		52,000
Current tax receivable		31,000
		128,000
		12,411,000

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	Non financial-asset / liability
Savings deposit	(3,914,000)	-	-	-	-	-
Transactional accounts	-	-	-	-	(1,153,000)	-
Term deposits	(2,000)	(49,000)	(12,000)	(8,000)	(36,000)	-
Grant accounts	-	-	-	-	-	(3,096,000)
Trade and other payables	-	-	-	-	-	(58,000)
Lease liability	-	-	-	-	-	(9,000)
Provisions	-	-	-	-	-	(9,000)
Equity	-	-	-	-	-	(3,170,000)
	(3,916,000)	**(49,000)**	**(12,000)**	**(8,000)**	**(1,189,000)**	**(6,342,000)**

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000
Liabilities		**Total**
Savings deposit		(3,914,000)
Transactional accounts		(1,153,000)
Term deposits		(107,000)
Grant accounts		(3,096,000)
Trade and other payables		(58,000)
Lease liability		(9,000)
Provisions		(9,000)
Equity		(3,170,000)
		-

	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	(194,000)	1,793,000	2,217,000	667,000	(36,000)	(330,000)
Cumulative Liquidity gap	(194,000)	(1,599,000)	3,816,000	4,482,000	4,446,000	4,776,000
	-	-	-	-	-	-

	2022 R'000	2021 R'000

34.3 Capital Risk

Capital adequacy risk is the risk that the Postbank will not have sufficient capital reserves to meet its assumed capital requirements in an adverse market conditions and unable to absorb losses, maintain public confidence and support the competitive growth of Postbank in its quest to finalise its licence application in terms of section 16 of the Banks Act, 94 of 1990 has started the process of measuring of its Regulatory capital requirements. Regulatory capital adequacy is measured by expressing available qualifying capital as a percentage of risk-weighted assets. The Banks Act, 94 of 1990 and supporting regulations, read together with specific requirements for the Bank and the Group, specify the minimum capital required to be held in relation to risk weighted assets. Ancillary regulatory requirements include the Basel III leverage ratio which is included in the scope of regulatory capital adequacy.

The bank's strategic focus is to maintain sufficient capital to meet Regulatory capital requirements while continuing to generate sufficient capital to support the growth of the Postbank's operations within the parameters of the risk appetite set by the RCMC. ALCO is mandated to monitor and manage capital, which includes:

• meeting minimum Basel III regulatory requirements and additional capital add-ons and floors as specified by the South African Reserve Bank ("SARB"); and

• Test the Postbank's strategy against risk appetite and required capital levels.

Postbank 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.

34.4 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 arises 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 Treasury activities is segmented into two types:

- Pre-settlement risk: the risk that the counterparty will not honour the terms of a contract and default before the contract's 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.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

2022: Credit exposure per class of financial instruments	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)	-
	13,795,942	**(1,163,754)**	**-**

2021: Credit exposure per class of financial instruments	Maximum exposure to credit risk	Provision for ECLs	Collateral held as security
Cash and cash equivalent	3,577,160	-	-
Financial Assets at amortised cost	4,074,399	(272,870)	-
Financial Assets at fair value through OCI	717,304	(4,162)	-
Trade and other receivable	3,574,016	(841,470)	-
Loan to shareholders	207,897	(207,897)	-
	12,150,776	**(1,326,399)**	**-**

Postbank does not hold any collateral for all our exposures.

Credit Quality

Postbank uses external credit risk ratings and forecast of future economic conditions to assess deterioration in the credit quality of a financial assets. The following table shows information about the credit quality of financial assets measured at amortised cost and Financial assets measured at fair value through profit and loss the amounts in the table represent gross carrying amounts.

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2022 R'000	2021 R'000

2022 - Financial assets at amortised cost- Stage 1: 12-month ECL	Stage 1	Stage 2	Stage 3	Total
Gross carying 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	Stage 1	Stage 2	Stage 3	Total
Gross carying 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	Stage 1	Stage 2	Stage 3	Total
Gross carying 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	Stage 1	Stage 2	Stage 3	Total
Gross carying amount	-	-	207,897	207,897
Provision for ECL	-	-	(207,897)	(207,897)
	-	**-**	**-**	**-**

2021 - Financial assets at amortised cost:	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount -12-month ECL	3,159,466	-	-	3,159,466
Provision for ECL - 12-month ECL	(5,101)	-	-	(5,101)
Gross carrying amount - lifetime ECL	-	-	914,933	914,933
Provision for ECL - lifetime ECL	-	-	(267,769)	(267,769)
	3,154,365	**-**	**647,164**	**3,801,529**

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			2022 R'000	2021 R'000
2021 - Financial assets at fair value through OCI - Stage 1: 12-month ECL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carying amount	717,304	-	-	717,304
Provision for ECL	(4,162)	-	-	(4,162)
	713,142	**-**	**-**	**713,142**

Loan to shareholders - Stage 3 : Lifetime ECL - Credit impaired	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carying amount	-	-	202,750	202,750
Provision for ECL	-	-	(202,750)	(202,750)
	-	**-**	**-**	**-**

Assets migrate through the three stages based on the change in credit quality since initial recognition Postbank applies a simplified approach for Trade and receivables.

Cash and cash equivalents

Postbank held cash and cash equivalents of R736 million (March 2021 R4.5 billion). The cash and cash equivalents are held with financial institution counterparties that are rated at least AA to AA+, based on a national scale credit rating.

Expected credit losses

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 contractual.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, Postbank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Postbank's historical experience and expert credit assessment and including forward looking information.

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Monitoring

When assessing whether the credit risk on an intercompany receivable / investment asset, that does not meet the definition of a trade receivable, has increased significantly since initial recognition (i.e. transfer to stage 2), Postbank uses the change in the risk of a default occurring over the expected life of the instrument, rather than the change in ECL (i.e. change in PD). To make the assessment, the entity compares the risk of default as at the reporting date with the risk of a default at the date of initial recognition of the financial asset.

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 22 received an amount of R74 million for default interest due from Land Bank for all the deferred investments. Furthermore, Land Bank had made an additional repayment of 32% (R297 million) of the nominal capital outstanding to financial creditors reducing Postbank exposure to Land Bank to R 738 million as at 31st March 2022. Land Bank has further indicated that they might make a further 19.83% capital reduction on the 10 May 2022, this will reduce the bank's exposure to R591 million.

Forward-looking information

Postbank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Macro-economic factors

IFRS 9 introduced the use of macroeconomic factors when calculating ECL. To the extent that is relevant and practical, Postbank has used macroeconomic factors in the ECL methodology. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL

An overlay adjustment has been revised downwards to take into accounts the resumptions of economic activity post numerous Covid-19 restrictions and lockdown. Two years since the onset of the COVID-19 pandemic, the global economy has staged robust recovery in 2021 and looked set to register strong growth. However the outlook has dimmed as the Russian war on Ukraine further disrupted global supply chains that are were already struggling to cope with demand increase across various sectors. The growth slowdown concerns have been compounded by the imposition of strict lockdowns in Chinese cities, bringing activity to a halt at major economic hubs. Locally, the dimmed outlook was further exacerbated by impact of KZN floods and electricity shortages. In calculating ECL we incorporate our expectation of growth averaging 1.5% in 2022 and 1.9% in 2023.

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 5)

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Definition of default and credit impaired assets Postbank considers financial asset to be in default:

— when the counterparty is unlikely to pay its obligations in full or are 90 days past due.

Evidence that a financial asset is credit-impaired include observable data about the following events:

— Significant financial difficulty of the issuer or the borrower;

— A breach of contract, such as default or past due event;

— The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider

— It is becoming probable that that the borrower will enter bankruptcy or other financial reorganization;

— The disappearance of an effective market for that financial asset because of financial difficulties; or

— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

ECL Measurement

The key inputs into the measurement of ECL are the term structure of the following variables:

— Probability of default (PD);

—Loss-given default (LGD);

—Exposure at default (EAD).

The ECL is calculated on an individual asset level, using the PD / LGD approach LGD Assumptions

The loss given default (LGD) measures the expected loss that the Postbank expects to incur where the counterparty defaults.

In the case of the Investment Assets portfolio very little data is available to model the LGD for high credit quality financial institutions. The LGD of 45% is based on a default approach that Banks may use to estimate their capital requirements for financial institutions.

Write off Assumptions

Any exposures greater than 360 days past due is provided for at 100%. It is assumed that after 360 days past due that the Postbank will not recover any of the outstanding exposure.

To classify financial instruments into the relevant IFRS 9 buckets, Postbank applied the rebuttable presumptions specified in the IFRS 9 requirements. A summary of the application of the rebuttable presumptions is provided below:

— Stage 1 Financial Instruments – Financial instruments that are 29 days or less delinquent.

— Stage 2 Financial Instruments – Financial instruments that are 30 days or more delinquent but not more than 89 days.

— Stage 3 Financial Instruments – Financial instruments that are 90 days or more delinquent. Probability of Default - Mapping External Agency ratings to PD.

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Probability of Default - Mapping External Agency ratings to PD.

The master rating scale (MRS) is created by using the long-run average default rate for each rating category. The resulting MRS is shown below:

Moody's	S&P	PD - (LRA 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 %
		-%

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37. Contingencies

Contingent liabilities

Various proceedings were instituted against the Postbank during the 2022 financial year and the previous financial years when Postbank was still a division of SA Post Office. The amounts being claimed from the bank total approximately R112,7 million. The bank also has contingent liabilities in relation to labour claims due to alleged unfair labour practice is R4,6 million. The company's legal advisors believe that the company has reasonable defences against the claims and that the probability of loss will be minimal. Accordingly, no provision has been made in the annual financial statements with regard to these cases.

Contingent liabilities		
Civil cases	108,073	7 333
Labour cases	4,661	-
	112,734	**7,333**

Contingent assets

The contingent assets include various cases were Postbank is a plaintiff. The nature of the cases include amongst others instances were money was fraudulently withdrawn from client bank accounts. These matters remain contingent as the probabilities of successfully defending the cases remain uncertain.

Contingent liabilities		
Civil cases	47	47
Labour cases	8	-
	55	**47**

38. Material losses

Material losses	80,309	20,250

Postbank incurred material losses due to fraudulent withdrawals.

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