Postbank Corporate Plan FY2024/25 – FY2026/27

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY

Postbank's legislative mandate entails "***promoting financial inclusion within society, particularly in rural and lower-income markets, including communities with limited access to retail banking services***". While the history of Postbank dates back to the year 1875, when it was established as South Africa's first savings bank, the promulgation of the Postbank Limited Act in 2010, enabling Postbank to take deposits from the public, and the gazetting of Postbank as a standalone legal entity - as of 1 April 2019, set the bank on an important transformation journey.

Although key milestones have been achieved, especially under the new leadership, Postbank's journey to corporatisation has been characterised by several challenges in the recent past. In particular, these difficulties have both undermined the bank's efforts to deliver on its mandate, and adversely impacted the bank's overall performance. Thus, Postbank obtained disclaimer annual audit outcomes in the past three years.

The appointment of a permanent CEO and filling of the other critical Executive positions will provide the required strategic leadership that is critical to steering the bank in the right direction. With an understanding of its performance-impeding challenges - which the bank is committed to address - Postbank undertook a strategic review process, during which the bank was able to reimagine itself and re-envisioned its future. The bank's vision is "***to be a trusted banking partner, enabling every South African to realise their full potential and contribute to social prosperity***".

In pursuit of this vision and other fundamental aspirations, Postbank's strategy has been anchored on five strategic themes, which serve as the key pillars of the bank's strategic plan, and key drivers for the success of the bank. These strategic themes include (1.) ***Financial sustainability; (2.) Customer experience; (3.) Employee experience; (4) Automation and digital transformation; and (5.) Governance, risk, and compliance***. The aforementioned strategic themes are supported by various strategic outcomes, and the achievement thereof is expected to facilitate the envisaged impact on the bank's future performance.

While Postbank's overarching focus remains serving the unbanked and the underserved market sectors, the bank's targeted banking market segments consists of three categories, namely, (1) Personal banking, (2) Business banking and (3) Public sector banking. In line with its mission which is "***providing accessible, secured, digitally enabled, and fit-for-purpose financial solutions that enable wealth creation for our customers.",*** and as part of its execution plan, Postbank will, over the next three years, focus on establishing the requisite business capabilities and enablers to better serve its customers within these market segments.

The implementation of activities that will support the development of value propositions for customers in these market segments, will assume a phased approach. First, we will ***build and stabilise***; then, we will enter the ***growth*** phase; and later on, we will ***differentiate*** the bank.

In accordance with our legislative mandate, and as part of building a reputable registered and self-sustaining state-owned entity, the bank will continue its determined efforts to generate revenue and effectively manage costs. This will enable Postbank to invest in enhancing its operational efficiencies to help attain higher productivity levels; enhance value propositions for employees and customers; as well as improve governance, compliance, and risk management.

A detailed performance plan - outlining the bank's targeted performance objectives over the 3-year strategic cycle - has been developed and incorporated into this strategic document. Key strategic risks have also been identified, with the accompanying mitigation plans also reflected. Notwithstanding the presence of these risks, it is expected that the bank will manage to develop the requisite capabilities and enablers that will drive the implementation of activities critical to the execution of the bank's strategic plan, and consequently the realisation of our aspirations and vision.

Even though a detailed financial plan (budget) was also developed to support the execution of the strategy, it should be noted that the bank's balance sheet has been considerably weakened by the provisions made to cater for the "expected credit losses" on money owed to the bank, by the South African Post Office (SAPO) in particular. The allocation of the financial resources required for the implementation of the strategic plan will result in the bank making significant losses. Therefore, as SAPO continues to struggle to pay its debt, Postbank will require re-capitalisation from its shareholder, to enable it to implement its critical capital-intensive initiatives, including addressing the conditions of the Variation Notice and the activities related to building a bank.

2. OFFICIAL SIGN-OFF

It is hereby certified that this **Corporate Plan:**

- was developed by the management of the South African Postbank SOC Ltd, as per section 52(b) of the Public Finance Management Act (PFMA) and Treasury Regulation 29.1, under the guidance of the Postbank Board, which is the Accounting Authority;
- articulates Postbank's response to its mandate of promoting financial inclusion, through the provision of accessible and affordable financial services, including responsible lending, to the unbanked and under- served communities of South Africa;
- considers all the relevant policies, legislation, and other mandates for which the South African Postbank SOC Ltd is responsible; and
- accurately reflects the outcome-oriented goals and objectives that the South African Postbank SOC Ltd will endeavor to achieve over a three-year period ending in FY2026/27.

This Corporate Plan includes a related **Annual Performance Plan (APP)** which provides further detail on the bank's performance targets and measurements for the 2022/2023 financial year. Therefore, it is hereby certified that this **Annual Performance Plan:**

- was developed by the management of Postbank under the guidance of the Postbank Board, which is the Accounting Authority;
- considers the analysis of the current and forecasts of future economic and industry development; and
- accurately reflects the performance targets that the South African Postbank SOC Ltd will endeavor to achieve for the financial year FY2024/25.

Innocent Hlungwani Chief Financial Officer	Innocent Hlungwani Digitally signed by Innocent Hlungwani Date: 2024.01.31 17:31:59 +02'00' Date:
Nikki Mbengashe Chief Executive Officer	Nikki Mbengashe Digitally signed by Nikki Mbengashe Date: 2024.01.31 17:20:06 +02'00' Date:
Khayalethu Ngema Postbank Administrator	Date:

3. PURPOSE OF THIS DOCUMENT

This Corporate Plan is Postbank's blueprint for defining its intent on achieving its strategic objectives and mandated priorities for FY2024/25 through to FY2026/27, in alignment with Postbank's mission to provide accessible, secured, digitally enabled, and fit for purpose financial solutions that enable wealth creation for our customers. In so doing, Postbank shall become the 'bank of choice' for Government, business and individual customers within the markets and segments it serves.

This Corporate Plan further seeks to demonstrate Postbank's intent on addressing all the challenges that the bank has experienced since embarking on its corporatisation journey. The bank intends to build on the achievements of the 2023/24 financial year, the highlights of which include the appointment of the bank's first permanent Chief Executive Officer (CEO) and other key Executive staff.

It is within this context that Postbank is pleased to present its sixth official Corporate Plan to all its stakeholders. This Corporate Plan is structured in accordance with the National Treasury's Strategic Plans and Annual Performance Plans Framework.

NOTE:

This document contains forward-looking statements regarding the strategy and business performance targets of Postbank SOC Ltd. These statements are based on the information that was available when this document was produced, or the expectations we derived from projections, or the assumptions we made at the time of drafting this document.

These forward-looking statements are subject to a broad range of risks and uncertainties, including changes in the economic conditions or business trends and revisions to laws or regulations. As a result, the actual outcomes may vary from such statements. If significant unforeseen external factors arise, the initiatives contemplated in this strategy will be adjusted accordingly, and all stakeholders will be timeously informed in this regard.

Prepared by	Postbank Strategy
Contact	Strategy@postbank.co.za 012 407 7000

4. INTRODUCTION

4.1 Historical Context

The South African Postbank Company was established in April 2017 and was gazetted to take over the Postbank business from the South African Post Office (SAPO), with effect from 1 April 2019. This was after the promulgation of the Postbank Limited Act in 2010, which initiated the transitioning of the organisation into an independent, fully licensed retail bank.

Following this decision, Postbank received a Section 13 approval to establish a bank in 2016 and subsequently submitted its Section 16 banking license application in 2017. As part of the journey, Postbank was designated as a fully registered participant on the National Payment System in 2020.

To ensure a successful registration and overall corporatisation of Postbank, the South African Reserve Bank (SARB) initiated the process to amend the Banks Act 94 of 1990 with respect to enabling a state-owned entity to register as a bank, and this amendment was promulgated on 31 December 2020.

Similarly, Postbank's shareholder, the Department of Communications and Digital Technologies (DCDT) initiated a separate process to amend the Postbank Act to enable the establishment and incorporation of the South African Postbank Holding Company, a Bank Controlling Company in terms of the Banks Act, as amended. The Postbank Amendment Act has since been promulgated (27 September 2023) and we await the official gazette of the effective date.

While awaiting the official gazette of the effective date, Postbank will focus on addressing the dependency initiatives, finalise updating the Section 16 application file, and then resubmit the application to the SARB.

4.2 History and Corporatisation Journey of Postbank.

The below diagram depicts Postbank's history and journey towards becoming a standalone corporate entity:

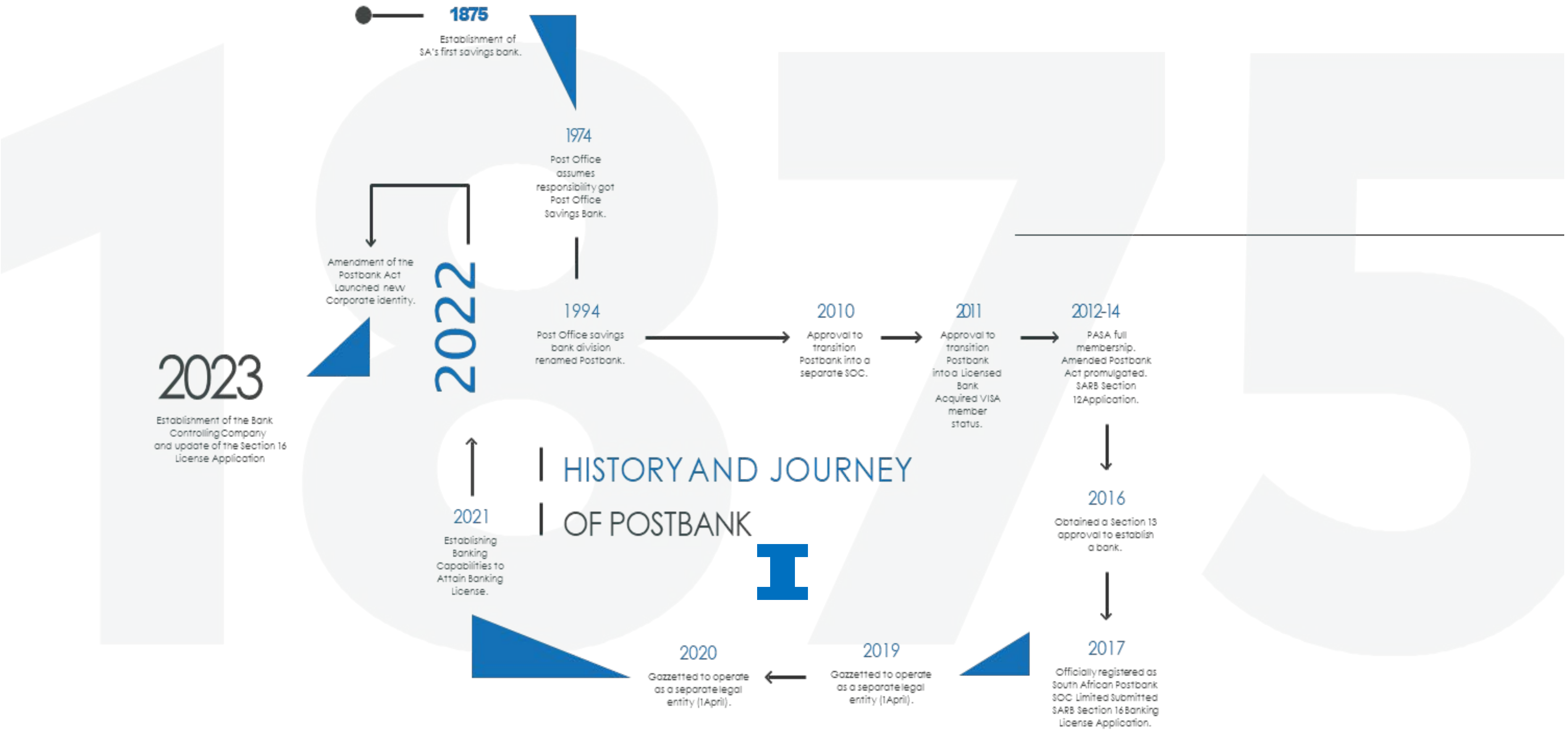


Figure 1: History of Postbank and its corporatisation journey

4.3 Historical Performance Overview

The performance of Postbank has declined since it became a standalone entity on 1 April 2019, based on one of the most critical governance metrics, the results of annual external audits. Postbank has received consecutive 'disclaimer' audit results over the past three years, and this is largely due to a combination of various external and internal factors, including but not limited to:

- The conditions of the SARB Variation Notice, which has been in effect for over 18 months, and has not only prohibited the bank from acquiring new customers and upselling to the existing customers but has also required a total renewal of all the bank's critical systems and absorbs the already strained resources to focus on the implementation of the requirements which have a tight deadline.
- **Delays in decoupling from and the impact of association with the SAPO.** This has not only compromised the Postbank brand, but it has also impacted the bank on systems and capabilities that Postbank continued to consume from SAPO, and customer and employee experiences alike.
- **Gaps in governance and weak internal controls**. The bank's inability to improve its internal control environment has resulted in adverse audit outcomes and the issuance of a variation order (Variation Notice) on its National Payment System designation;
- **Erosion of the bank's balance sheet due to historical advances made to SAPO for the payment of social grants.** This has hindered investment in initiatives intended to establish the requisite core banking infrastructure that underpins the operation of a bank;
- **Lack of compliant IT systems and digital banking capabilities.** The lack of adequate systems has delayed the bank's plans to develop and deploy requisite digital banking capabilities and to issue cards to customers and social grant beneficiaries –thereby exacerbating the bank's non-compliance issues and impacting the achievement of the bank's revenue generation objectives;
- **Lack of sufficient banking skills across the bank.** Postbank transitioned from being a division of a postal services company (SAPO), hence it lacks the requisite banking skills; and
- **Lack of sufficient capacity at Executive Management level, and within critical functional areas such as IT:** Postbank has had no permanent CEO nor full Exco for the past 9 years, the IT department - which is the core business of the bank - has the highest Postbank is committed to addressing all the pertinent challenges it is currently faced with, vacancy rate, and the bank is currently operating with a 43% vacancy rate.

Postbank is committed to addressing all the pertinent challenges it is currently faced with, to ensure improvement in the bank's performance against its strategic objectives. The bank's strategic plan outlines various strategic interventions that are intended to address all the challenges identified. Significant progress has also been made to address the performance-impeding factors, and the bank is well-positioned to turn the tide and begin to achieve the intended positive outcomes.

The bank's notable achievements over the last six (6) months of 2023 are listed below:

- Positive progress has been made in capacitating the bank. We have filled the critical executive vacancies (i.e. CEO, CFO, COO, CAE, CHRO, Company Secretariat), and will be prioritising the recruitment of a CIO, CCO, Compliance Officer, GM PMO, and GM Strategy in Q4 of the current financial year (2023/24).
- As part of ensuring compliance and through delivery in this regard (Out of the eleven (11) conditions, six (6) have completly being resolved with remaining in progress to be resolved before the set deadline). As such, we have managed to demonstrate enough progress in addressing the Variation Notice, which has allowed the SARB to further extend our deadline. This will afford the bank time to conclude the implementation of critical dependency initiatives to enable the full lifting of the variation conditions.

- Since de-risking and reducing reliance on SAPO is a critical part of the bank's corporatisation process, Postbank has taken the following steps in this regard:
    - initiated a project of identifying all services that it procures from SAPO, which are now at risk of not being provided fully and are also not compliant with various provisions of banking regulations.
    - signed a post-commencement agreement with the SAPO rescue team, which ensured that the risk to the SAPO rescue plan was minimized, although this does not guarantee that all funds owed to Postbank will be paid.
    - discontinued the advancement of funds to SAPO for the disbursement of social grants through their physical branch network.
    - To limit non-compliance and bad customer experience, the bank is discontinuing performance of some of the banking transactions through the SAPO branch infrastructure.
- To ensure customer retention, we are managing to mitigate the loss of customers through:
    - ensuring that bank cards are working post December 2023 – VISA waiver approved.
    - ensuring stability in our IT systems and diversifying our payment channels for better customer experience.
- In pursuit of positive external audit outcomes, we are closing the AGSA findings that led to 3 years of consecutive disclaimer audit outcomes.
- We have reduced fraud across the business, with the value of re-imbursement reduced by 84% as December 2023 as a result of the fraud controls implemented on the grant payments system and as well as setting up of withdrawal limits on both the grant payment system and core banking system.
- Appreciating and understanding the criticality of cost containment and overall management, we have taken the following steps in this regard:

- we are taking out the two (2) biggest costs to the business, namely CIT cost for CPPs and the over-the-counter disbursement of social grants through the SAPO branch network.
- We are closely managing loss-making contracts such as the social grant payment contract with SASSA.
- through concerted efforts, we have also saved millions from various contracts with suppliers who had claimed to be owed money by Postbank; and

- We have achieved the following outcomes from a consequence management perspective:
  - **KMPG related investigation**
    - Four (4) employees were dismissed.
    - One (1) employee issued with a warning.
  - **CCMA matters**
    - One (1) matter finalized in favor of Postbank.
    - Three (3) matters pending.
  - **Misconduct**
    - One (1) employee was dismissed.
    - Three (3) suspensions pending.
    - Three (3) pending hearings.

4.4 Strategic Approach

Following the onboarding of the critical Executive resources including a permanent Chief Executive Officer (CEO), Postbank Management, guided by an understanding of its internal and external environments, undertook a review of its strategic plan, culminating in the development of this Corporate Plan for the three-year strategic cycle, (i.e., FY2024/25 - FY2026/27). This strategic plan is intended to enable Postbank to facilitate the achievement of its mandated priority of sustainably promoting financial inclusion across the most marginalized and needy segments of society.

Postbank has, over the years, lagged in terms of critical capabilities required by a retail bank. As a result, the translation of this strategy to a strategy roadmap is being done in a structured and logical manner, ensuring that the bank addresses core banking capabilities and that there is a clear linkage of those differentiating capabilities outcomes back to the bank's strategic vision or intent.

Our roadmap creates a strategic line of sight between today's actions and tomorrow's aspirations by highlighting the critical phases and the critical capabilities within each and that which are essential for the realisation of our broader vision. The outcomes on the strategy roadmap are substantiated by a clear understanding of which of Postbank's capabilities, gaps and priorities must be addressed.

In keeping with our strategic roadmap, we have phased the implementation scope of our strategic choices over the Medium-Term Expenditure Framework (MTEF) period, starting with the most urgent, the stabilisation and build phase, in the first 18 months of the MTEF period. This will be followed by the growth phase in the following 24-month period of the MTEF period. Then we will enter a phase where the bank and the brand will be differentiated.

In defining our 'North Star,' the bank shall focus on building the requisite capabilities to ensure our success as a registered and financially sustainable state-owned bank. Postbank's business model is anchored on three segments, namely (1.) ***Personal*** *banking* ***(Retail)***; (2.) ***Business*** *banking*; and (3.) ***Public Sector*** banking.

In redefining its ambitious strategic plan, Postbank conducted an environmental scan to reassess the current internal and external environments, and to identify relevant strategic opportunities and risks. A detailed SWOT analysis was undertaken to provide a synopsis of Postbank's internal and external strategic positioning as shaped by the identified actions/accelerators and roadblocks/risks. This analysis represents an in-depth reassessment of the internal and external environments, which sought to understand factors that might intrude, positively or negatively, on the bank's ability to achieve its strategic goals. The bank also reviewed its vision and mission statements. However, further work will be done to review the current values and craft new ones that will underpin the organisational culture.

Apart from building the registered state-owned bank, the organisation will ensure that it timeously addresses the conditions of the Variation Notice as imposed by the SARB, continues to effectively manage its costs, attain higher productivity levels, improve on its risk management and enhance accountability by strengthening its corporate governance capabilities. Postbank recognises that banks are transitioning into technology organisations. To achieve market success and to better meet evolving customer expectations, Postbank must modernise its technological infrastructure and digitalise its service delivery model. This modernisation shall be anchored by a fit-for-purpose core banking platform to facilitate the optimisation of the bank's transactional banking capabilities (utilise technology to optimise banking options).

PART A
OUR MANDATE

5. MANDATE AND LEGISLATIVE FRAMEWORK

5.1 Legislative Mandate

The South African Postbank Limited Act, no 9 of 2010 (chapter 1, clause 2 – as amended), mandates Postbank to sustainably promote financial inclusion within society, particularly in rural and lower-income markets, including communities with limited access to retail banking services. The below depiction lists the subsections of the above-stated clause from which Postbank draws its mandate:

- **a** – Conducting the **business of a bank that will encourage and attract savings** amongst the people of the Republic
- **b** – **Rendering transactional services and lending facilities** through, amongst others, existing infrastructure of the Post Office*
- **c** – Expanding the range of banking services and developing into a bank of first choice, **in particular to the rural and lower-income markets as well as communities that have little or no access to commercial banking services or facilities**
- **d** – **Promoting universal and affordable access** to banking services.
- **e** – Ensuring that the rates and charges of the Company **take into consideration the needs of the people in the lower-income market; and**
- **f** – Ensuring lending to rural and lower income markets.

Figure 2: High-level mandate of Postbank

Source: South African Postbank Limited Act 9 of 2010

Postbank Your Bank

To effectively deliver on its mandate, Postbank's strategy is to build a sustainable financial services business. As such, Postbank will strategically and sustainably strive to solve for the following four financial services needs in line with its mandate and needs within South Africa:

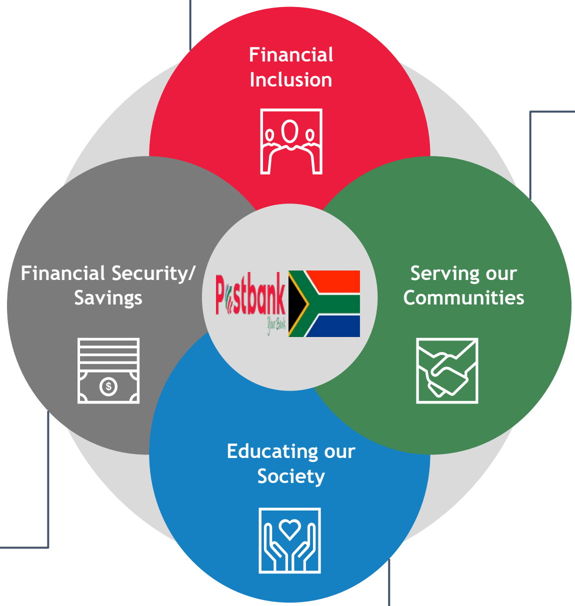
Financial inclusion

- Providing **fair and affordable products and services** specifically designed for the Postbank target markets (personal banking, business banking and public sector banking)
- Ensuring **accessibility** to financial services in urban and rural areas in a sustainable manner
- Definition as per the FSR Act is *"all persons have **timely** and **fair access** to appropriate, fair and affordable financial products and services"*

Financial Security

To improve South Africa's **low savings rate,** a key government's economic policy considers addressing:

- The **financial vulnerability of households,** especially those with low-to-moderate incomes.
- Reduce reliance on **excessive unregulated consumer debt** and build **a positive credit** history.
- The need to generate longer term **wealth and assets ownership.**



Serving our Communities (Urban and Rural)

- **Promoting communities' and SMMEs economic participation and development** through provision of banking and financial services.
- Empowering communities through **financial education** and upskilling.
- Improve access to **development financing, advice; and guidance/information and partnerships.**

Educating our Society

- Financial **education** that **instils prudent financial behaviours.**
- **Connecting sources** of finance, information, guidance and advisory **support provided by the state.**
- Partnering with the **private sector to** drive the financial and digital upliftment of our society.

8

Figure 3: Postbank's approach to delivering on its mandated priorities.

Source: Source: FCSA, National Treasury, Texas South University, Human Sciences Research Council of South Africa, Trading Economics, Stanlib.

5.2 Regulation and Legislative Framework

Postbank complies with protocols and legislation governing it, as well as legislation and a variety of regulations governing financial services institutions, imposed by numerous authorities, including the SARB, Financial Intelligence Centre (FIC), Financial Sector Conduct Authority (FSCA), and National Treasury. Postbank is currently exempted from the provisions of the Banks Act as it is regarded as a deposit-taking institution. Though exempted from the Banks Act, Postbank endeavours to comply with its prescripts.

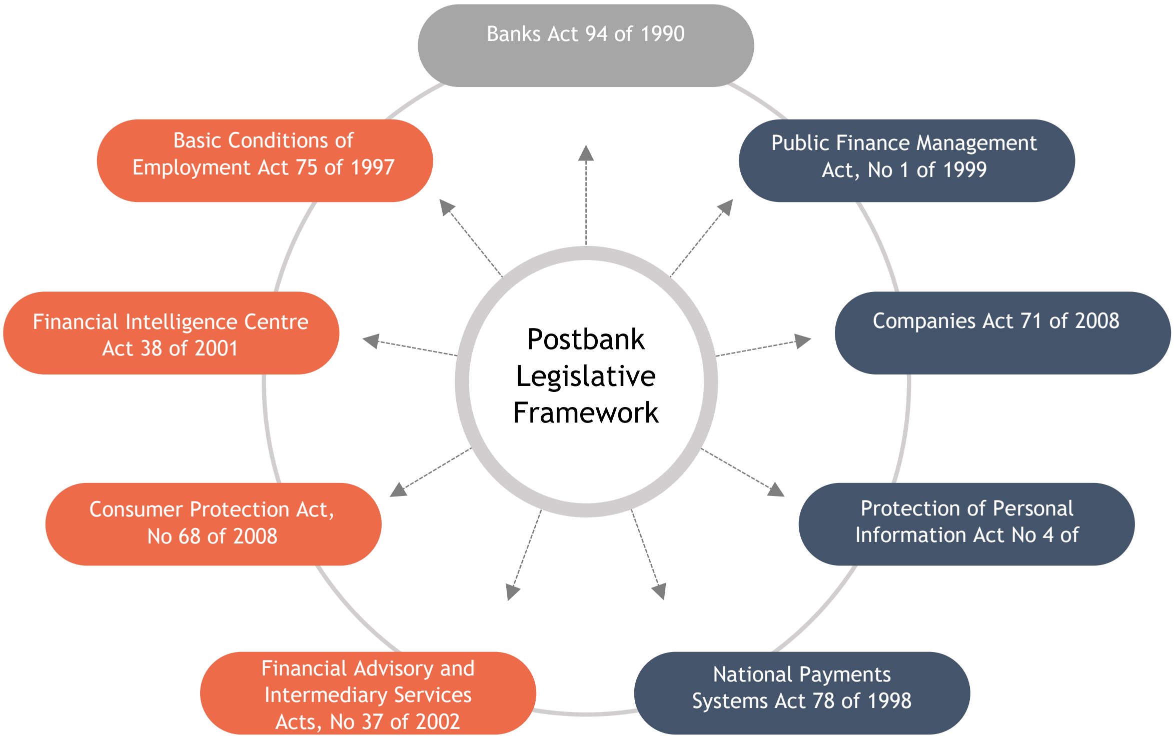


Figure 4: Postbank's regulatory framework

PART B
OUR STRATEGIC FOCUS

6. VISION, MISSION, AND VALUES

6.1 Our Vision and Mission Statements

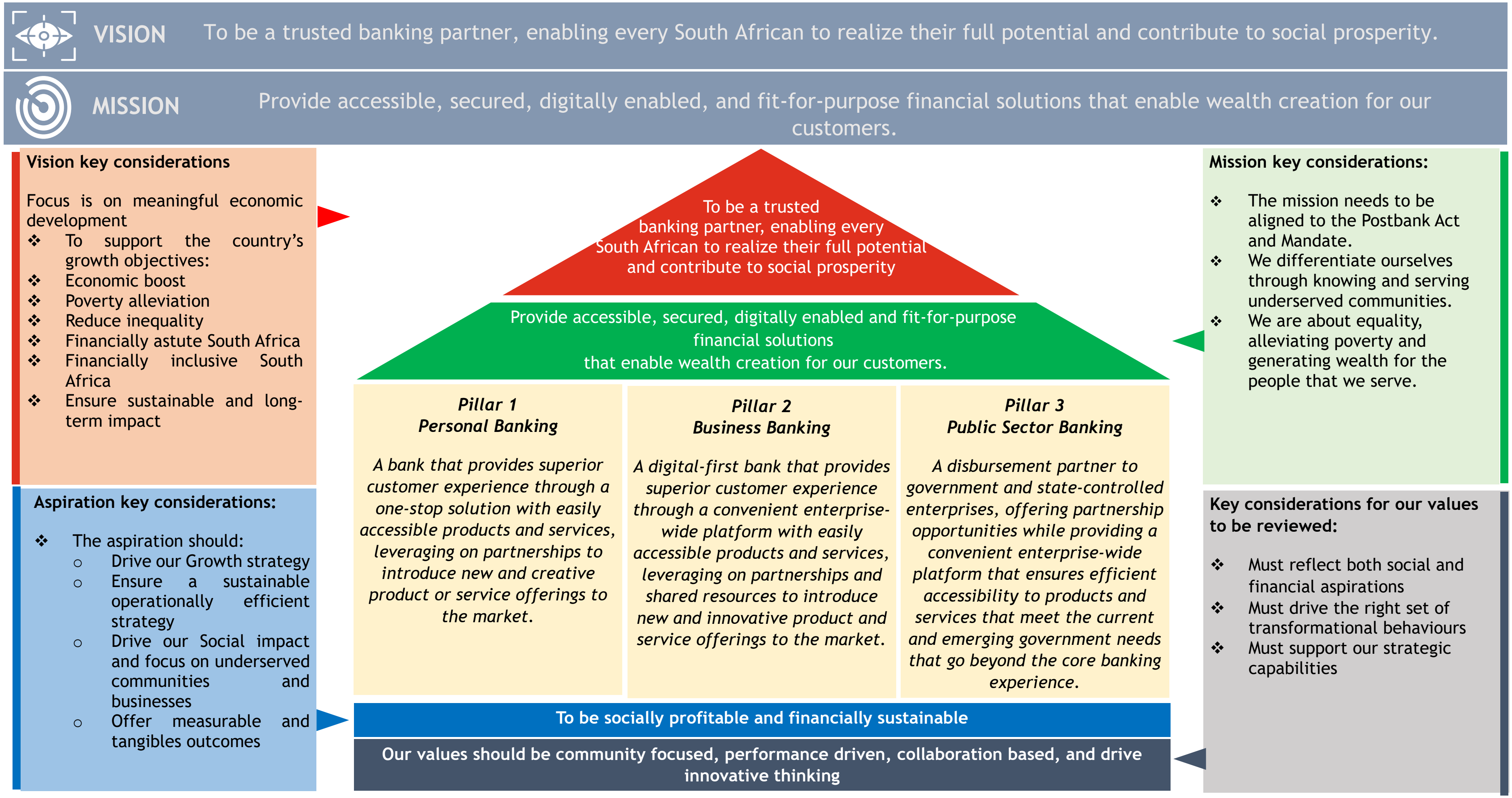


Figure 5: Postbank strategic pillars and key considerations for the bank's Vision, Mission, Values, and Aspirations.

6.2 Our Core Values

Depicted below are Postbank's current values which form the stepping stone for the establishment of the new values that will shape Postbank's culture moving forward.

Figure 6: Postbank's set of core values

7. SITUATIONAL ANALYSIS

7.1 Outside-In Perspective

7.1.1 PESTEL Analysis

A PESTEL analysis was conducted to provide a holistic view of the environment that Postbank will operate in as a registered state-owned bank. The acronym PESTEL stands for Political, Economic, Social, Technological, Environmental and Legal. Based on the trends identified and outlined above, a PESTEL analysis highlights key themes relevant to business.

Political	• Positioning of Postbank as a registered state-owned bank, and implementation of the resolution of the ruling party • Changes in political landscape can expose the bank to new uncertainties, (i.e., the upcoming 2024 General election) • Political contestation and discord is responsible for the general discontent and weakening economy (leading to sporadic unrests). • Potential misalignment between management and the political head leading to strategy differences
Economical	• There is increasing wealth disparity and erosion of the middle class. • Demand for alternative providers of capital has significantly risen. • High employment • SA Government's fiscal constraint • Increasing inflation and interest rates continues to wreak havoc. • Adoption of digital currencies in Africa is on the rise
Social	• Demographic pressure on business, social institutions, and economies exists. • There has been a breakdown in global consensus and a fracturing world, with growing nationalism and populism. • Increasing levels of intolerance for migrants as competition for the few and declining economic opportunities and public resources increase
Technological	• There is pressure to boost productivity and save costs through digitisation. • The shift to a platform and ecosystem-based financial services industry will usher in disruption and disintermediation. • Banks are increasingly using open banking systems. • Payments are becoming increasingly cashless
Environmental	• Acceleration of the current and planned sustainability and ESG measures in many countries and regions • Changing landscapes prompted banks to partner, offering differentiated value propositions
Legal	• Operating in a highly regulated environment and need to be fully compliant. • Increased focus on legislation that encourages consumerism, (POPI, Introduction of rules on fee transparency and irresponsible lending, debit order abuses) • New regulations on cyber-crime, anti-money laundering and counterterrorism. Possible grey listing of SA by Financial Action Task Force (FATF)

	• Legislation related to good business conduct (COFI) to force all banks and financial services to be good corporate citizens as well as focus on financial inclusion

Table 1: PESTEL analysis

7.1.2 The Banking Landscape

7.1.2.1 Banking Landscape and the Economic State of South Africa

1

"The banking sector remains highly concentrated, with the five largest banks holding **90 percent of total assets** of as 31 March 2022."

."

2

"more than **41 million (97 per cent)** adult South Africans used some form of formal financial product or service in 2021."

."

3

"South Africa's unemployment rate stands at over 34 percent, with youth unemployment estimated at 47 percent in the last quarter of 2022."

4

"Financial inclusion is an important tool for **inclusive economic growth** in a country, and a necessary component towards **reducing economic inequality** and **improving the financial well-being** of low-income earners, as well as **supporting growth and greater resilience of SMMEs.**"

5

"The NDP includes a target of 90 per cent of the population achieving banked status by 2030. However, **financial inclusion goes beyond being just banked, it also includes access to and use of all financial products and services by both individuals and SMMEs.**"

6

"The focus of this policy is therefore **to support interventions** that will meet the NDP's target whilst ensuring that the usage of quality financial products and services benefit the low-income households and create economic opportunities for SMMEs."

Figure 7: Analysis of the inclusivity of the South African financial sector

Source: National Treasury - An Inclusive Financial Sector for all (November 2023)

7.1.3 Evolution of the Banking Landscape

Currently, there is an emerging third wave of digital payments transformation taking place. Traditional incumbents in the payment's ecosystem can no longer rely on the tried and tested approaches of the past. They are being compelled to respond with new models to remain relevant to the market in the long term.

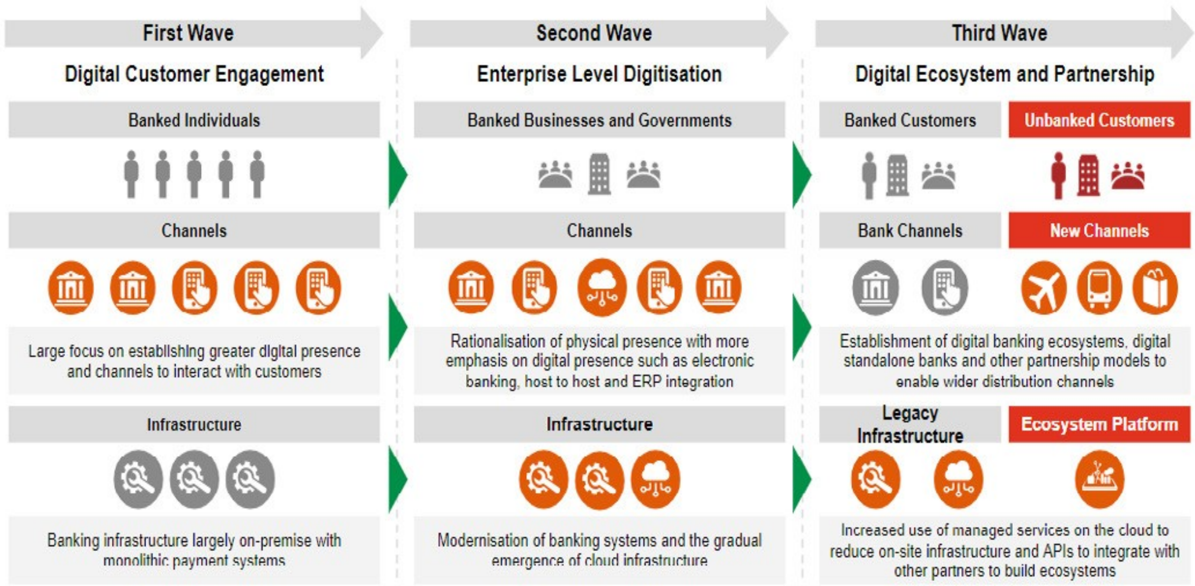


Figure 8: Evolution of the banking landscape

The changing landscape is forcing banks to look at different ways to enhance profitability through their service offerings. Banks are partnering with various industry players that offer differentiated value propositions.

Description of industry player	Detail of partnership
FinTechs	Banks partner with FinTechs to offer out-of-the-box financial and technological services to customers such as subscription management, identity verification, etc. (Examples include: IDnow and Commerzbank, Minna Technologies, ING, Walletdoc and Absa).
TeleCom, Retail, and Other industries	Partnerships between banks, telecos, retail chains and other industries can be used to extend financial services such as consumer credit, bill payments, etc., and gain additional customers via partner firms.

	(Examples include TIM and Santander, Casas Lotericas and CEF, Azbuka Vkusa (supermarket) and Sberbank).
Big Tech; E-Commerce	Banks have increasingly partnered with big tech companies to offer products such as credit cards and checking accounts. (Prominent examples include Amazon and JP Morgan Chase, Google and Citigroup).
TechFin and Card Networks	Banks have partnered with card networks and other technology companies to offer services such as contactless payments. (Some examples are VISA and HDFC Bank, Mastercard and RBLBank).

Table 2: Banks partnership approach

7.1.4 Competitor Landscape

Postbank's position in the banking industry landscape provides an opportunity to establish trust with the unbanked and underbanked. The table below provides an overview of how Postbank compares to leading players in the financial services ecosystem.

Postbank vs large banks (Absa, FNB, Standard Bank, Capitec, Nedbank)	Small overlap of target customers / segments - (low) medium to high income customers. However, if the perceptions of some unbanked and underbanked individuals could be changed, they could consider existing. products like: • Absa flexi account is a basic savings account, a pay-as-you-go account, with a minimum fee of R30 per month. Customers have unlimited mobile, telephone and internet banking, have access to loans, can top-up prepaid electricity and airtime and it includes a lump sum death benefit valued at R15 000. • Standard Bank offers digital products and services that are accessible without a bank account or a smartphone with solutions including instant money via MYMO. • FNB offers customers the Easy Account Zero option, targeting the unbanked with no monthly fee, no debit orders, and no paperwork. Customers can sign up using a USSD code, includes free deposits, free prepaid purchases, and reduced cash withdrawal fees. • Nedbank has a pay-as-you-use account with no monthly fees, free inter-account transfers and internal debit orders and stop orders, 24/7 balance queries, unlimited free card swipes and rewards and discounts.
Postbank vs smaller banks (TymeBank, African Bank, Bank	Overlap in target customers / segments - Low-income earners, SASSA social grant recipients and "Mailbox" Transmission accounts (e.g., TymeBank), Personal and SMME loans (African Bank).

Zero, Grindrod Bank, Ubank)	• Other players fulfilling SASSA payment enablers include commercial banks, large retail shops, and a 'second tier' of merchants such as village banks, general dealers, small retail outlets, and spaza shops. • TymeBank offers free accounts and while they have seen strong uptake, a significant number of these accounts are inactive or serve as a post-box account only. • Bank Zero launched in 2021, offering accounts with zero monthly management fees, and no fees attached to debit orders, statements, and various other services. • Other microfinance players in the market, serving underbanked segments.
Postbank vs mobile payment wallets from telcos and retailers (VodaPay, MTN MoMo, Shoprite, Checkers)	Overlap in target customers / segments - The vulnerable and underbanked segments of society, including citizens, micro and small businesses, and community organisations. This allows services such as payments (such as peer-to-peer transfers), finance (such an insurance products), and banking (such as account balance inquiries) • Retailers such as Pick n Pay, telcos such as MTN (MoMo) and Vodacom (M-PESA) - have competitive advantages because of their strong brands, have a large and loyal client base, extensive infrastructure, and more flexible trading hours. • Shoprite's money market account clients pay R5 for cash withdrawals and every other transaction is free and there are no monthly fees. Money Market gives almost 2milllion banked and unbanked customers access to basic transactional banking, customers can send money, buy airtime, data, electricity, send grocery vouchers, pay bills and groceries from their mobile phones. There are no debit orders or deductions, to the customer is in full control of their money. • Telco companies have many unbanked people on their networks and have access to unique data for lending. Customers can receive, send, and store money, deposit or withdraw cash at any authorised MoMo/M-PESA money agent, buy airtime, pay bills, buy, and pay insurance and pay employee salaries and school fees. • Vodacom Financial Services has introduced VodaPay, which is an app that customers can send money and pay utility bills. It also features micro-lending facilities for unbanked female entrepreneurs as it does not require a bank account or a formal credit history. • These services provide the unbanked and underbanked access to financial services at little or no cost, using their extensive infrastructure of stores or cellphone networks, and not required a formal documentation such as ID or proof of address.

Table 3: Competitor landscape analysis

7.1.5 Consumer Landscape

7.1.5.1 The Population Perspective

The below figure depicts the latest South African population statistics that are critical for consideration by Postbank from a customer segmentation and targeting perspective:

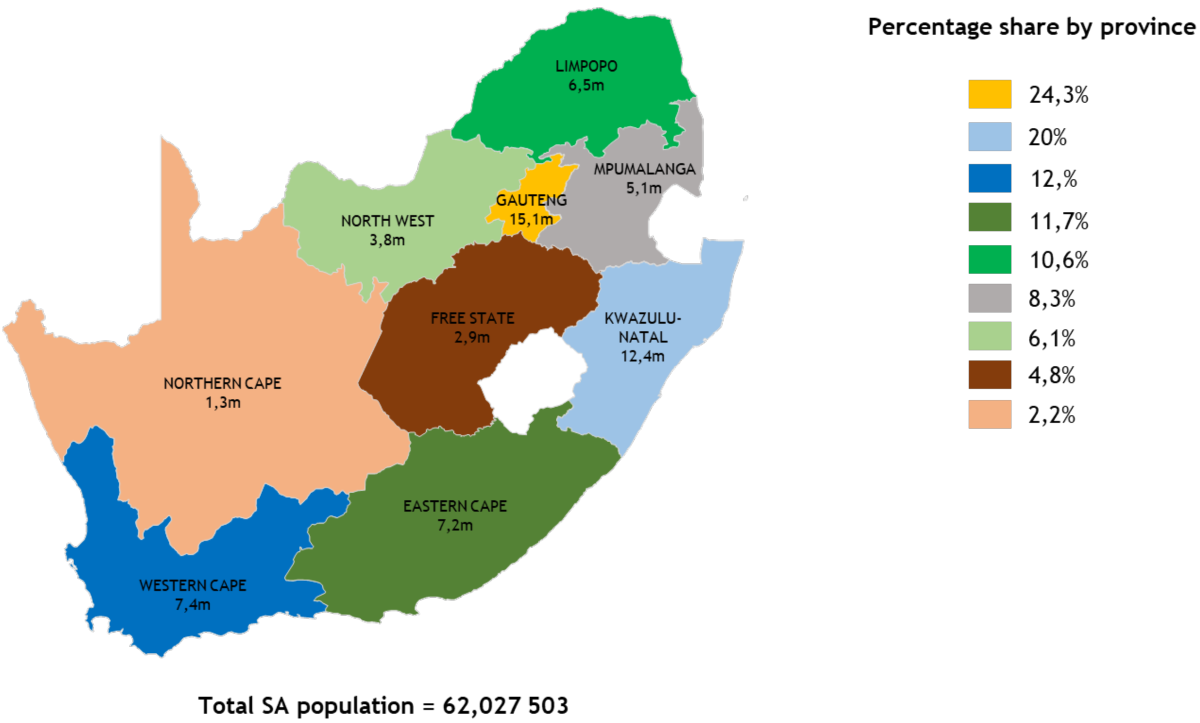


Figure 9: South African population by province, Stats SA, Census 2022 results.
Data Source: StatsSA - Census 2022

Additionally, the population statistics indicate the following:

- Of the total population, 51.5% are female while 48.5% are male;
- Females have a higher life expectancy than their male counterparts;
- South Africa has a relatively young population, with 69.6% under 40 years old; and
- It is important to also note that the South African population is urbanising rapidly, with 63% of people living in urban areas and this statistic is expected to rise to 71% by 2030;

The differences that occur in the geographical spread of the population are mainly driven by the economic activities and opportunities within each of the nine provinces that make up South Africa. It is for this reason that Gauteng has the highest share of the population (24%), while the Northen Cape is the least populated province, with just 2,2% share of the overall population.

The below figure depicts the distribution of the South African population by 5-year age groups and gender, as per 2022 Census data by Statistics South Africa (StatsSA):

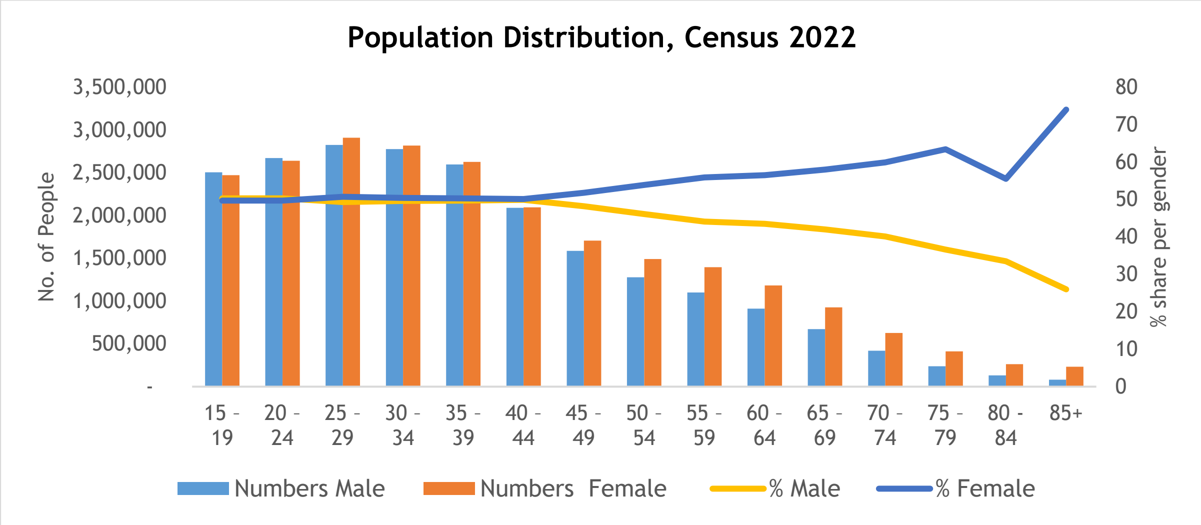


Figure 10: Distribution of the SA population by 5-year age groups and gender

Data Source: StatsSA - Census 2022

Postbank utilises the socio-economic measure (SEM) segmentation methodology to monitor trends within its customer segments. By understanding these trends, Postbank can continually update its product and marketing strategies. Figure 13 below provides a view of the distribution of the South African population across the 10 SEM groups.

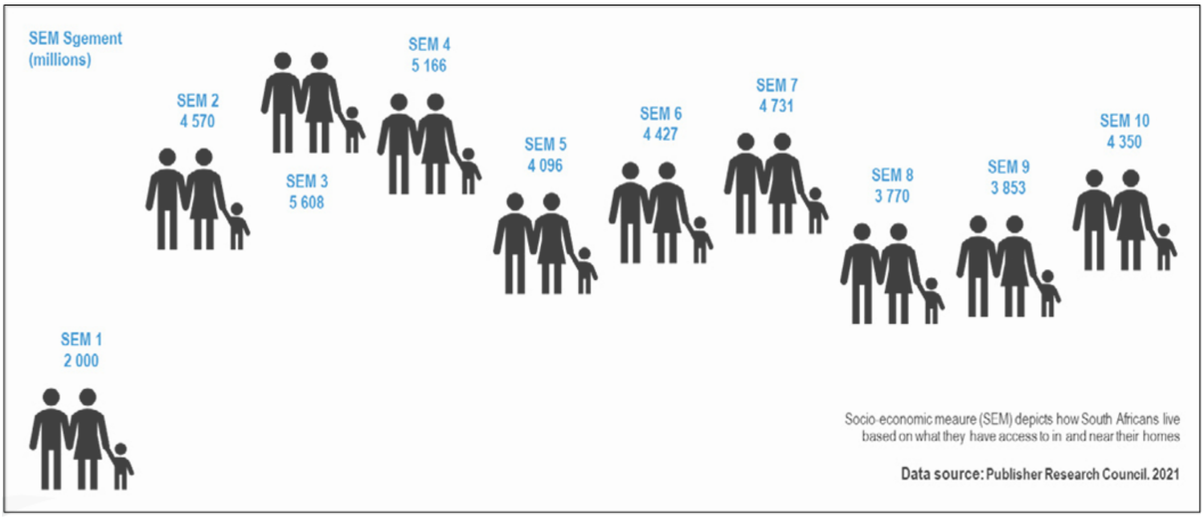


Figure 11: SA population by SEM segmentation

Postbank's target market is comprised of individual and group customers within the low and medium segments. Thus, from a product marketing and brand awareness perspective, the bank's programmes will consider many factors and will not necessarily be solely based on the order of provinces in terms of population because our target market is spread across the country.

7.1.5.2 The Socio-Economic Perspective

Postbank's mandate is to facilitate financial inclusion of all South Africans through the provision of affordable and accessible banking solutions, with a special focus on the underbanked and the unbanked segments. The following diagram depicts an analysis of the unbanked and the underbanked segments in South Africa:

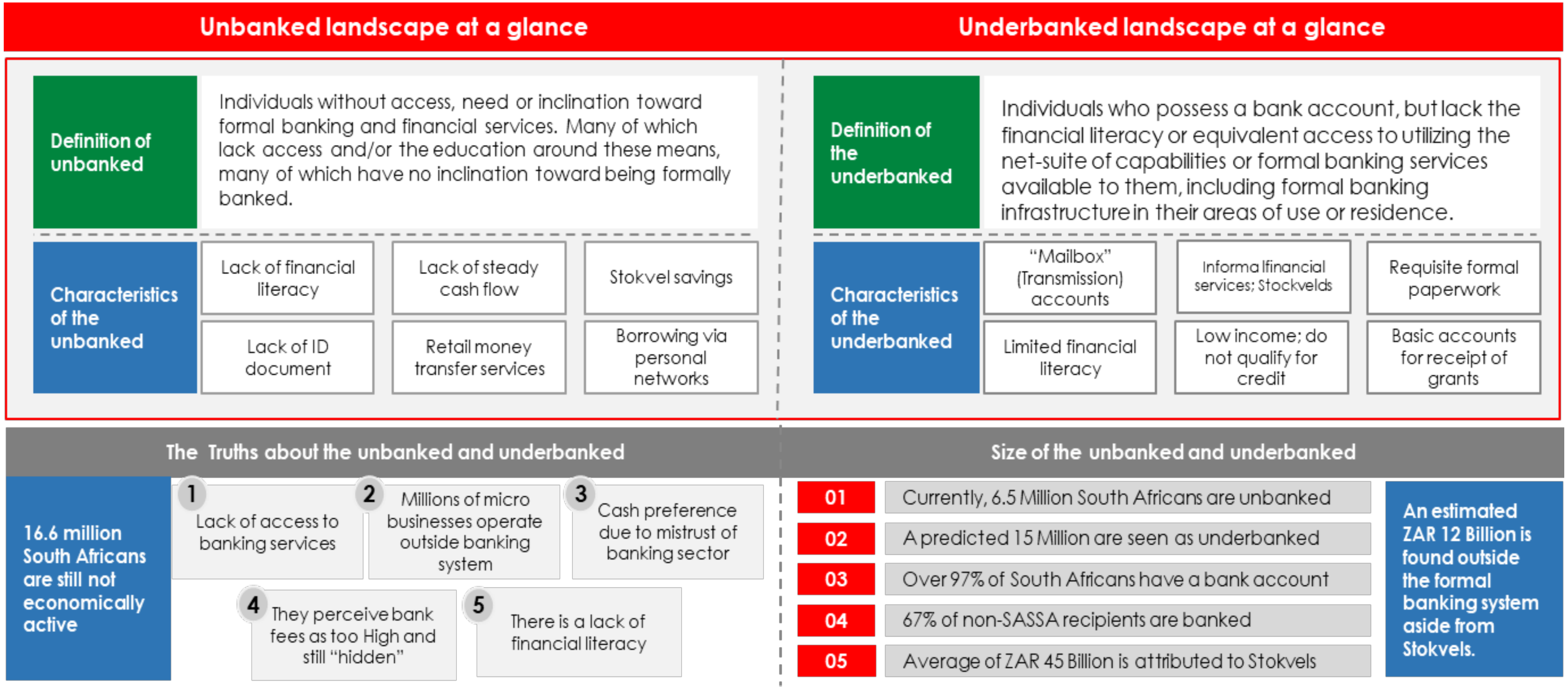


Figure 12: Unpacking the unbanked and the underbanked customer landscape.

Furthermore, the FinScope SA Consumer Survey (2022) provided the following statistical information on financial inclusion, which was critical to Postbank's consideration when it was formulating its strategic plans:

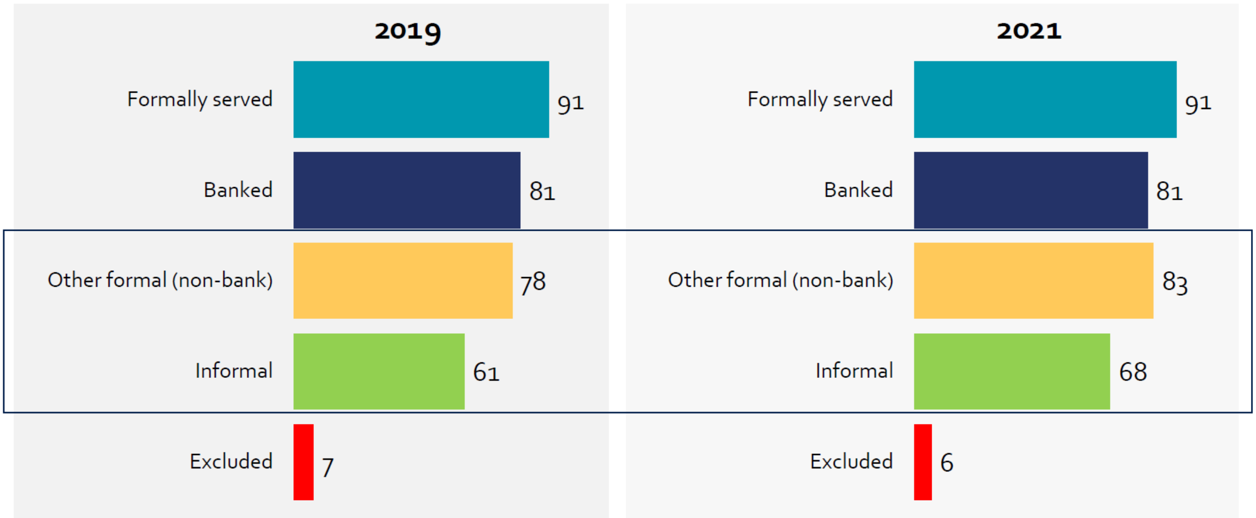


Figure 13: A view of levels of financial inclusion in South Africa
Source: FinScope SA Consumer Survey, 2022.

7.2 Inside-Out Perspective

7.2.1 SWOT Analysis

STRENGTH

- Communities' deep connection: long history serving the underserved communities (captive market segment sentimental to Postbank)
- Fees: Competitive fees on our products (analysis needed to ascertain this)
- Substantial customer base: especially as current National Social Grant Paymaster and having core banking deposit base.
- State bank: proximity to the government department and partnership with state and government, (accessing potential cheaper funding)

WEAKNESS

- Operational inefficiencies due to manual tasks and ageing infrastructure
- Misuse of beneficiaries' personal data, safety problems of beneficiaries' grant money, and skills
- Low employees' performance: limited frontline engagement, low innovative skills, silos mentality, reliance on post office staff, shortage of staff
- Shortage of banking, data analytics and product development skills
- Limited financial resources
- Market segment very price sensitive with high financial and technological illiteracy
- Inactive or unsatisfied customers: 8m recipients withdraw all their money as soon as possible
- SAPO reliance and limited distribution channels and partnerships
- Delays in awarding of the banking license
- SARB Variation Limitations
- Capacity gaps at Executive level
- Non-compliance on card issuance

SWOT

OPPORTUNITY

- Footprint: embedded presence in local communities
- Retention of the current customer base
- Acquisition of the new customers
- Customer data: covering the entire lifecycle of citizens
- Unique products and services: addressing specific community needs, convenient and affordable services (i.e.: stokvels)
- Market size: Underserved communities is a huge market, with high percentage of yet unbanked or underbanked customers who require universal financial solution
- High need for business enablement solutions: there is a strong need for financial solutions for businesses and SMMEs in underserved communities (micro-loan, micro insurance, ...)
- Opportunity of being seen as good partner to collaborate with given the Customer base and : providing an opportunity to improve on your value proposition to our customer (footprint, revenue and customer experience)
- Cross selling to the current customer base.
- New distribution channels : Mobile payment platforms, Pay Shap, Universal branches
- The SARB variation conditions provided the bank with opportunity to infrastructure fit for the bank

THREATS

- Mistrust of the banking industry
- Traditional competitors: highly competitive traditional banks and insurances are entering the low-income segments
- New competitors: highly disruptive players are also attracted by this growing market (IT, Tel-co, Fintech, ...)
- New distribution channels: technology is now allowing more players to offer a wider range of services via mobile platforms at very low cost
- Cybercrime increases as more customers transact digitally
- Microfinance inhibitors: Information asymmetry, capacity gaps, unsecured collateral (availability) and country/regional-specific risks could undermine microfinance opportunities
- Economic recession: slow economic growth will affect business growth
- Loss of customer
- Other banks prowling on our customers
- A loss-making SASSA MSA
- Cash Pay Points that are not customer-friendly

Figure 14: Postbank SWOT analysis

8. OUR STATEGY AT A GLANCE

Postbank will pursue differentiation in the market by deliberately focusing not only on financial inclusion, but also on serving our communities, and building financial literacy for generational impact and sustainable economic growth for South Africa. This will be enabled by innovative solutions and business model(s) found off the beaten track and achieved through:

- Immersion into communities considered potential and current customers and employees.
- Providing innovative solutions beyond the mainstream banked customer market.
- Driving cost efficiencies that will be leveraged to provide affordable services.
- Acquiring and retaining talent that aligns with Postbank's ethics and values.
- Using smart digitisation to achieve efficiencies and effectiveness.
- Seeking partnerships that complement and resonate with Postbank's capabilities and values; and
- Regaining trust and establishing credibility through real value delivery.

Subsequent to the onboarding of the new CEO and the new executive management of the bank, Postbank embarked on a process to review its strategy. The bank's strategic review process sought to ensure that the bank's strategy is as relevant, adaptive, and responsive to the identified challenges, developments and demands of the ever-evolving banking environment. During this review process, Postbank refocused its strategies, business, and operating models, to provide a full range of retail, business banking, and public sector banking services.

After considering the challenges experienced over the years and the newly crafted vision, the Postbank strategy identifies opportunities for improvement in the bank's overall performance. In particular, the Postbank strategy is capability-based and involves leveraging off enhanced IT infrastructure. The bank will embrace digital technology in a quest to digitalise its operational processes and service delivery offerings to drive value for both its internal and external customers.

Significantly, the objective is to finalise upgrade of the bank's IT infrastructure, such that it becomes fit-for-purpose and complies with the requirements of the SARB's Prudential Authority (PA). Achieving this will ensure that the bank is able to address all security and compliance concerns raised in the SARB Variation Notice in respect of the Designation that guides how Postbank should operate.

8.1 Strategic Themes

A total of five strategic themes have been identified as critical to Postbank's efforts to achieve its strategic aspirations and become a registered bank with retail, business, and public sector banking capabilities. The bank will be required to invest in activities and initiatives, that are linked to these strategic themes, to enable the realisation of our strategic aspirations and to address any shifts in the identified strategic themes.

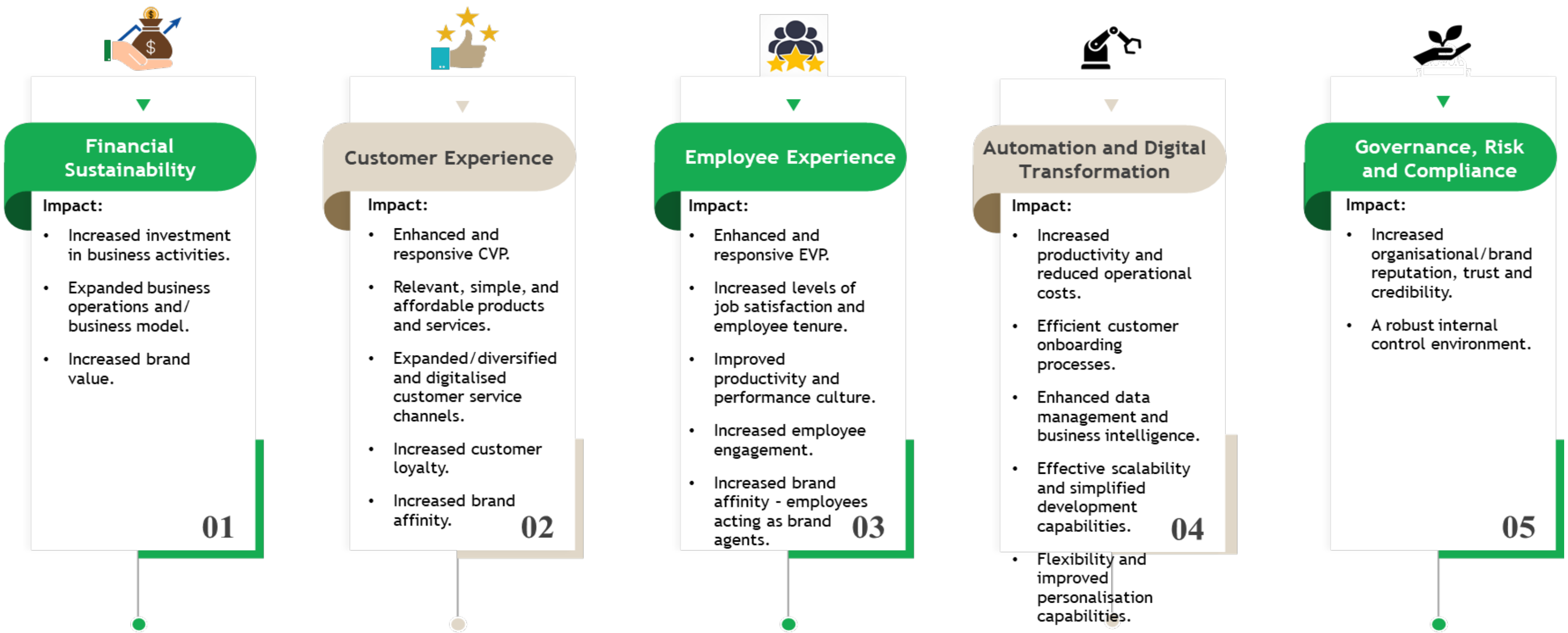


Figure 15: Postbank's strategic themes

Postbank Your Bank

8.2 Our Market Segments

Postbank's targeted banking market segments are made up of three categories, namely, *(1.) Personal banking, (2.) Business banking and (3.) Public sector banking*. These market segments also constitute Postbank's key strategic pillars and are underpinned by the bank's vision, mission, and values.

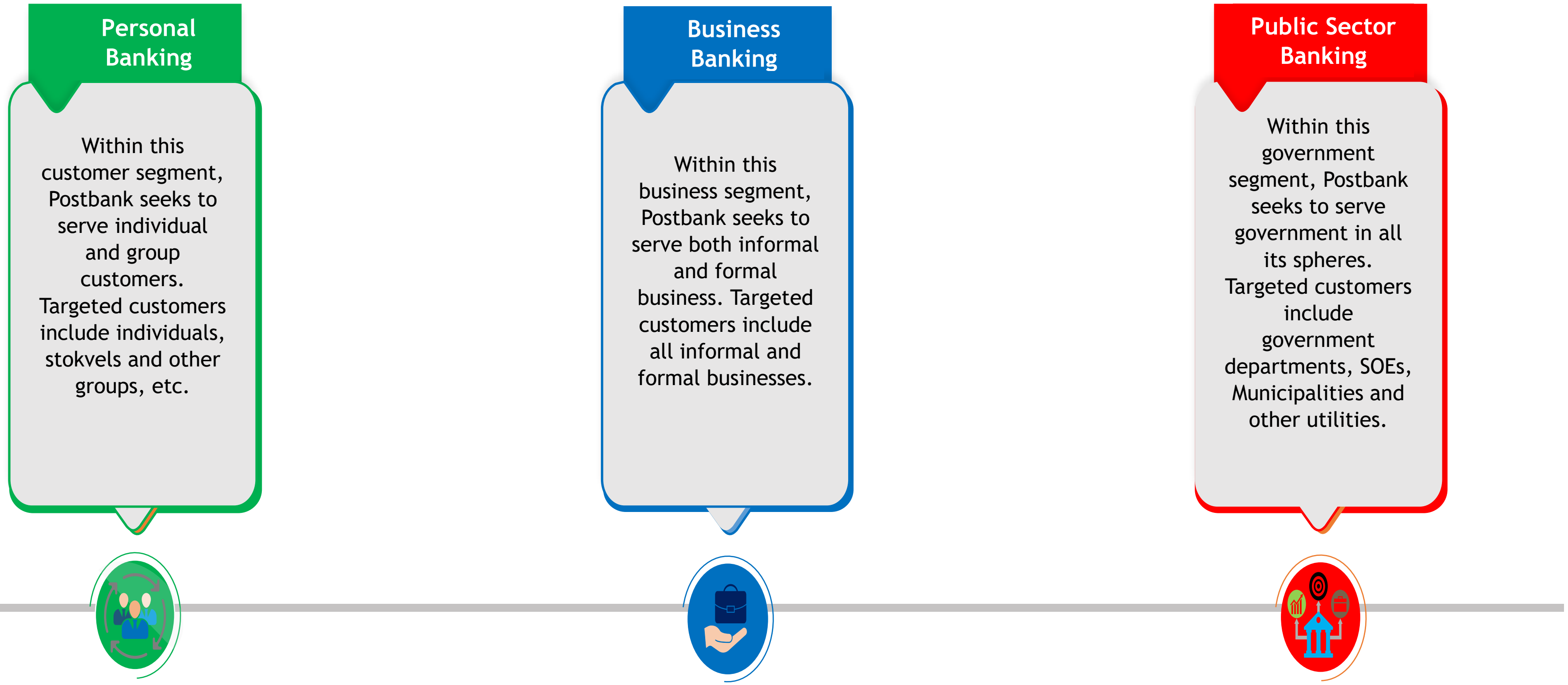


Figure 16: Postbank key customer segments

8.3 Value Propositions

Postbank has established value propositions that span across its future banking businesses. This is to ensure that customer needs are met by establishing a comprehensive view of the bank's customers' value proposition for each market segment.

1 Personal Banking

Build trust and value based relationships in underserved communities on the basis of financial literacy/educational services and innovative products

- Unique solutions for the underserved and unbanked communities
- Simple and easy to comprehend financial education
- Personal banking experience and solutions
- Trustworthy Financial services provider with over 100+ years of national footprint
- Accessible channels including Wallets, USSD channel, etc.
- Credit / Transaction / banking history

2 Business Banking

Provide entrepreneurial incubation and support services within and beyond the bank's ecosystem

- Business partner to SMMEs through unique business advisory and incubation
- Leverage insights and market intelligence to offer tailored solutions to SMMEs
- SMME directory /ecosystem for interoperability across SMMEs, corporates and public sector
- Business credit
- Business insurance
- Payroll facilities

3 Public Sector Banking

Providing Secure, Reliable Risk Assessed Banking Services at Speed and Scale

- Disbursement partner to government
- Municipal loans
- Payroll facilities to government
- Acceleration of financial development
- Credit facilities
- State and Agency employees
- Information Security / Risk Controls
- Payment platforms

Figure 17: Postbank value proposition in for the identified business segments

9. POSTBANK STRATEGY'S ALIGNMENT WITH GOVERNMENT PRIORITIES

9.1. Medium-Term Strategic Framework

The National Development Plan (NDP), which was adopted in 2012, is the South African government's blueprint for building a better and prosperous nation. The NDP aims to directly address the country's foremost triple challenges - poverty, inequality, and unemployment - by stimulating economic growth, creating more jobs, and enhancing service delivery. The Medium-Term Strategic Framework (MTSF) 2019 - 2024 outlines the South African government's implementation priorities which, collectively, contribute to achieving the vision set out in the NDP.

Three pillars underpin the MTSF framework: (1.) A strong and inclusive economy; (2.) Capable South Africans, and (3.) A capable developmental state. All public entities, including state-owned entities, are required to align their strategies with the MSTF and pool their resources towards the objectives of the MTSF.

NATIONAL DEVELOPMENT PLAN (NDP)

- Overarching objectives
- High level trade-offs
- Critical steps on the path to 2030

MTSF & DELIVERY AGREEMENTS

- Building blocks of NDP
- Priorities for electoral term
- Draws together key activities

SECTORAL & DEPARTMENTAL PLANS

- Priorities for electoral term
- Includes priorities in MTSF
- And additional departmental activities

CORPORATE PLAN

- Define strategic priorities (outcomes) in relation to the MTSF objectives
- Define outputs and output indicators

ANNUAL PERFORMANCE PLANS

- Detailed actions required to implement strategic plans
- Break output indicator into annual target and quarterly milestones

Figure 18: Postbank's strategy development -MTSF framework

Postbank's strategy contributes to the following three (3) of the seven (7) strategic priorities presented in the MTSF:

MTSF Priority	Postbank Strategic Objective
Priority 1. • Building a capable, ethical, and developmental state.	• Corporatise Postbank and establish a Retail, SMME/Business and Public sector bank that is trusted through financial inclusion and upliftment for all.
Priority 2. • Economic transformation and job creation.	• Promote financial inclusion in target customer segments.
Priority 3. • Education, skills, and health.	• Improve financial literacy levels of Postbank customers. • Develop staff for the digital economy and the fourth industrial revolution.

Table 4: Postbank's alignment and response to MTSF priorities

9.2. Economic Recovery and Reconstruction Plan (ERRP)

There are numerous opportunities linked to the priority areas of the ERRP (South African Economic Recovery and Reconstruction Plan). Postbank plays a vital role in achieving the community upliftment goals outlined in the ERRP.

1 Infrastructure investment	**5 Support for tourism, cultural and creative industries**
Modernisation of **fright and public transport**. Working with the **SETAs, industry and TVET colleges** to ensure infrastructure skills are in place.	**SMME funding** towards spatial tourism sub-sector product offerings in villages and small towns. **Tourism Equity Fund** to improve participation of black people.
2 Industrialisation through localisation	**6 Green economy interventions**
SMME development in construction, agro-processing, health care, basic consumer goods, capital goods used in infrastructure projects, and transport rolling stock focusing on automobile and rail assembly component production. **Import replacement**: medical equipment, health stocks/APIs and key food products.	Green bonds and sustainable finance options. Retrofitting private and public sector buildings for improved water and energy efficiency. **SMME development**, Retrofitting Mpumalanga power stations. Support for stakeholder management improvement via the **Traditional Authorities Demonstration Project.**
3 Energy security	**7 Mass public employment interventions**
Investment in grid expansion and improvement to connect new capacity, Green Hydrogen, gas to power programme, and partnerships for the LNG import architecture.	**Public employment programmes** to create local jobs, allow improved infrastructure maintenance, the care economy and the ecological services.
4 Gender equality and economic inclusion of women and youth	**8 Strengthening agriculture and food security**
Young women, youth and persons with disability supported to form cooperatives or SMMEs in key economic sectors such as retail, agriculture and agro-processing, financial services, manufacturing, and infrastructure development.	**Supporting farmers and cooperatives**: Cotton and Sugar cane; Poultry; Pork and Cattle; Goat and Sheep; Wool/Mohair; Maize and Soybean; Citrus; Deciduous sub-tropical; and Potato, Tomato, and Onion.

Table 5: ERRP upliftment goals

10. PRIORITIES AND STRATEGY EXECUTION ROADMAP

10.1. Strategic Transformation of Postbank over Three Horizons

The outcomes of the strategy roadmap are substantiated by a clear understanding of which of the Postbank's capabilities, gaps and priorities must be addressed. Postbank has, over the years, lagged in terms of the critical capabilities required by a retail bank. As a result, the translation of this strategy to a strategy roadmap is being done in a structured and logical manner, ensuring that the Bank addresses core banking capabilities, and that there is clear linkage of those differentiating capabilities outcomes back to the strategic vision or intent.

Our roadmap creates a strategic line of sight between today's actions and tomorrow's aspirations by highlighting the critical phases (i.e., stabilise and build, grow, and differentiate) and the critical capabilities within each phase that are essential for the realisation of our strategy. In keeping with our strategy roadmap, we have phased the implementation scope of our strategic choices over the MTEF period, starting with the most urgent, the stabilisation and build phase in the first 12 to 18 months of the MTEF period. This will be followed by the growth and differentiation phases in the remaining period of the MTEF.

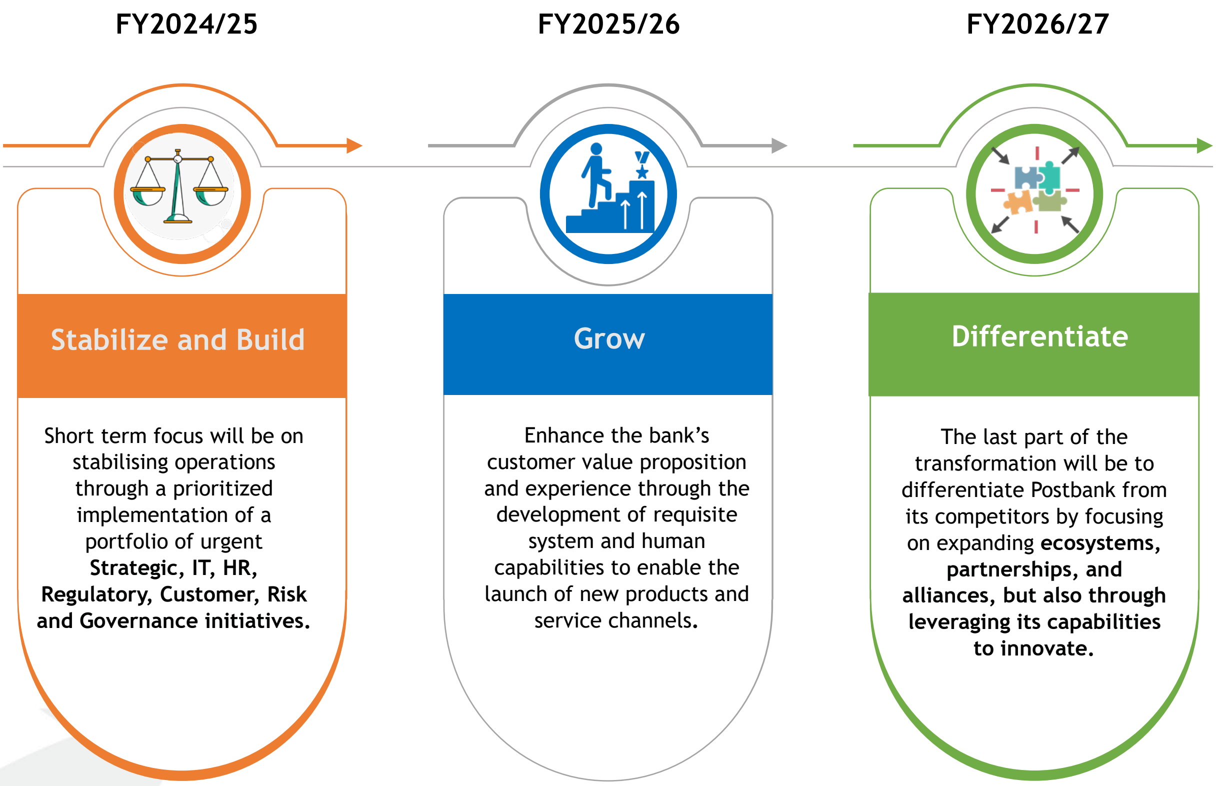


Figure 19: Postbank's strategy implementation roadmap

Short-term: Stabilise & Build and enable core banking.

- **Financially de-risk the business** to secure its licence and going concern status.
- Complete current **technology modernisation and build core banking IT capability.**
- Implement an ERP and Data Analytics solutions.
- **Comply with the requirements of the Variation Notice.**
- Deal with **risk and compliance gaps.**
- **Stabilise payment of SASSA** grant beneficiaries.
- **Resource the Bank** (capacity and capability) and ensure a culture, environment and **value** proposition that will retain and attract the right talent. Invest in banking skills.
- **Complete product and channel strategies.**
- **Attract and retain current core customers** (e.g. Stokvels, re-issue of SASSA cards).
- **Build and leverage relationships** and capabilities to bank government entities and business banking.
- **Establish strategic partnership capabilities (e.g.** fintech companies).
- **Drive customer trust thought roll-out of financial and business literacy and education for both personal and business banking segments.**

Medium-term: Grow key offerings

- Enhance revenue channels through offering of low-cost **insurance products (e.g. Funeral cover).**
- **Unsecured** lending for **personal and business banking segments.**
- **Attract new customers, upsell and cross-sell to current customers.**
- Complete **banking license compliance** requirements.
- Develop the **bank's operating model** ("outsource vs Outsource and Partner").
- Introduction of the Reward program.
- **Continue implementing Channel strategy:**
    - **Build the mobile branch and ATM network.**
    - **Build "Agency banking" channels**
    - **Build a hybrid service model - "Assisted self-service model".**
- **Build core banking capability** (transactional banking, lending, and insurance function) for:
    - **Unsecured** lending for **personal and business banking segments.**
    - **Secured** lending for **business banking segment; and**
    - **Collection capabilities.**

Long-term: Differentiate offerings to attract more customers

- Offering **managed services** (such as Travel, fleet, payroll).
- Business Services - **Business formalisation** and **information services** (service directory participating customers).
- **Drive value chain** financing.
- Channel provider offering transactional and educational platform to other entities.
- **Expand capabilities and products for SMME.**
- **Enhance Product offering** across the board.
- Enhance reach by **leveraging agency banking** for both personal and business banking segments.
- Expand lending offerings:
    - **Secured** lending for **personal banking.**
- Introducing a Cell Captive facility to expand on insurance products.

Figure 20: Key requirements for delivery on the strategy implementation roadmap.

Postbank Your Bank

10.2 Key Success Factors

Key success factors are integral in how organisations assess performance, progress and overall market and industry prevalence. Thus, Postbank will measure its performance over the next five-year period by delivering on the six outcomes detailed below, which are meant to address the plethora of financial services' needs.

1 A registered state-owned bank

- Addressing and complying with the SARB variation conditions
- A well-capitalised bank and the finalisation of the Section 16 banking license application
- Maintaining of the FSP license
- Completely de-risking from SAPO
- Full implementation of technology modernisation and core banking IT capability

2 Improve financial Inclusion

- Minimum of three (3) products per person
- Improved access through number of Agency agreements signed and implemented, mobile branches and ATMs rolled out.
- Improved usage through the uptake of our unique products and value proposition that are fit for purpose
- Introduction of the business banking (including lending and insurance)

3 Sustainable economic growth for South Africa

- Increase in total savings accounts (Savings book) improving South Africa's low savings rate
- Attracting the informal savings (informal stokvels and burial societies)
- Introduction of lending products to SMME (lending for productive purposes or wealth-accumulation, such as starting a business).
- Take up of the insurance products

4 Promotion of economic participation of our communities

- Usage of the Platform
- Total SMME Loans disbursed
- Build trust in cashless solution
- Facilitated interactions across many participants government to business, funding, information re any manner gov is helping with social and economic development

5 Building financial literacy for generational impact

- Number of literacy programs (improved knowledge, understanding, skills and confidence to make sound financial decisions)
- Introduced student loans
- Improved access to financial literacy programs (Digital and physical channels)
- Partnership with content providers to improve on accessibility

6 A financially sustainable entity

- Grow revenue by 8%
- Generate R500 million in profit before tax
- Achieve a 10% deposit growth to R18 billion
- Disburse R2 billion in loans and provide advances to the value of R1 billion
- Achieve a cost-to-income ratio of 40%
- Grow number of customers to 18 million
- Achieve a 5-year average employee tenure
- Generate R5 billion in savings entrusted to the bank

Figure 21: Key success factor matrix

PART B
MEASURING OUR PERFORMANCE

11. INSTITUTIONAL PERFORMANCE INFORMATION

11.1 Impact Statement

In support of the attainment of the Postbank's social mandate of promoting financial inclusion, the bank is focused on ensuring the provision of ***accessible, secured, digitally enabled, and fit-for-purpose financial solutions that enable wealth creation for our customers***.

11.2 Strategic Outcomes

Postbank will measure its performance over the next three-year MTEF period by delivering on the five strategic outcomes, the outputs of which are detailed below and in the Annual Performance Plan (APP):

Outcome 1	Revenue Growth
Outputs	1. Increased revenue to fund business operations, sustain the business and strengthen the bank's balance sheet, which is critical for the provision of loans in the future. 2. Optimised costs with an optimal cost-to-income ratio.
Outcome 2	**Positive Customer Experience**
Outputs	1. Understanding our target segments and having a tailored value proposition. 2. Growth in deposit base to drive revenue and market share. 3. Retention of existing and acquisition of new disbursement businesses 4. Development of a compelling value proposition for our internal customers (employees), and banking the employees 5. Establishment of secure channels, aligned with our target market. 6. Rationalisation of Postbank products. 7. Development of a customer experience framework and sourcing an automation tool. 8. Enhancement of the Postbank brand. 9. Development and mapping of the Postbank customer journey.
Outcome 3	**Positive Employee Experience**
Outputs	1. Filling of vacancies at Executive Management level. 2. Organisational culture change/transformation to drive performance improvement. 3. Enhancement of performance management knowledge, processes, and culture.
Outcome 4	**Enhance Operational Efficiency**
Outputs	1. A fit-for-purpose IT architecture. 2. An IT strategy that is aligned to the corporate strategy.

	3. Finalisation of the card replacement project. 4. Development and implementation of an operations 'operating plan'. 5. A fully outsourced call centre (Assisted self-service model) 6. Implementation of an ERP solution – prioritizing HR and Finance. 7. Implementation of a new data analytics capability. 8. A digitised/automated customer on-boarding process (omni-channel). 9. A robust core banking capability. 10. Platform business capability.
Outcome 5	**Good Governance and Effective Risk and Compliance Management**
Outputs	1. Strengthened internal control environment. 2. Submission of the Section 16 banking license application 3. An optimal business continuity plan. 4. A revised compliance universe and a fully embedded compliance culture. 5. Risk compliance monitoring plan to improve compliance culture. 6. An embedded efficient supply chain management culture. 7. Fraud risk programme and improvement of the fraud risk management culture.

Table 6: Strategic outcomes

11.3 Measuring our Performance: Outcomes, Outputs, Output Indicators and Targets (FY2024/25 - FY2026/27)

Postbank will measure its performance over the next three-year MTEF period by delivering on the following five strategic outcomes:

Outcomes	Output	KPI No.	Output Indicators	Baseline FY2023/24	MTEF Targets		
					FY2024/25	FY2025/26	FY2026/27
1. Revenue Growth	Growth in Net Interest Income (NII)	1.1	A targeted Net Interest Income (NII)	R589m	R606m	R634m	R663m
	Growth in Non-Interest Revenue (NIR)	1.2	A targeted Non-Interest Revenue (NIR)	R524m	R484m	R570m	R596m
	A targeted Cost-to-Income Ratio	1.3	A targeted cost-to-income ratio	101%	74,3%	62,7%	62,7%
2. Positive Customer Experience	Revised Customer Value Proposition	2.1	Approved report on the bank's market segments and market share	Strategy and Business model	Approved market research document outlining Postbank's market segments and market share	No target	No target
	Increased deposit base by 7% (Excl. social grant deposits)	2.2	Percentage increase deposit base by 7% (Excl. social grants deposits)		Cumulative growth of 7% in deposit	1. Cumulative growth of 10% in deposit 2. Acquire Wholesale Deposits	1.Cumulative 10% in deposit 2. Grow Wholesale Deposit Book by 5%
	Retained and grew disbursement business	2.3	Number of disbursement business contracts acquired	SASSA and the Eastern Cape Department of Transport contracts	Acquire one (1) disbursement business contract	Acquire disbursement business contracts	Grow disbursement business
	Developed an employee banking proposition and banking Postbank employees.	2.4	Number of Postbank Employees onboarded into the Customer Value Proposition (CVP)	New target	1.Approved CVP Framework targeting employees 2. Rolled out the	Implement CVP for to all Postbank Employees	No target

Outcomes	Output	KPI No.	Output Indicators	Baseline FY2023/24	MTEF Targets FY2024/25	FY2025/26	FY2026/27
					CVP to at least 50 employees		
	Established secure and convenient channels aligned with our target market	2.5	Approved new channel strategy	Approved Corporate strategy and current Channel Partners (i.e. Retailers, SAPO and NPS)	Approved new channel strategy	Pilot branch and ATM depending on the Channel strategy outcomes	Deploy Postbank Branded ATM's and Branches
		2.6	Optimized the current retail channels partnerships and established alternative channels.	Enabled core customer to deposit and withdraw at retailers	Onboard an OTC partner bank for bulk deposits	No target	No target
		2.7	Fully operational Call Center	Inbound and outbound call centers	Fully operational Contact Centre (Assisted self-service model) (Signed Agreement)	No target	No target
	Review current product suite, in line with the current strategy and targeted segments	2.8	Number of new products launched and/or number of products discontinued	13 products within the transactional, savings and investment product portfolios	Approved product rationalization strategy/framewor k	New Products roll out or existing products discontinued or merged.	No target
	Improved customer journey	2.9	Approved customer experience strategy and framework supported by proper automation tool	New target	Develop customer experience strategy and framework - supported by proper automation tool	Implementing of the automation tool	No target

Postbank Your Bank

Outcomes	Output	KPI No.	Output Indicators	Baseline FY2023/24	MTEF Targets FY2024/25	FY2025/26	FY2026/27
		2.10	Approved customer journey process		Approved customer journey process	No target	No target
	Enhanced Postbank brand	2.11	Reimagining the Postbank brand	The new CI and declining brand affinity	Postbank brand repositioned as a retail bank	No target	No target
3. Positive Employee Experience	Percentage of vacancies at Executive Management level	3.1	20% vacancy ratio at Executive Management level	89% vacancy ratio at Executive Management level	20% vacancy ratio at Executive Management level	20% vacancy ratio at Executive Management level	20% vacancy ratio at Executive Management level
	Envision desired future culture state and implementation of the Transformation Monitoring, Tracking and Reporting	3.2	Culture assessment report and Approved Culture Transformation Framework	Corporate strategy	Approved Culture Transformation framework and roadmap	Culture transformation and Engagement surveys	
	Embedded performance management culture and systems	3.3	Training and Capacitation of line managers, so they understand their roles and responsibilities in employee performance management	New target	Conduct two (2) Training and Capacitation of line managers, so they understand their roles and responsibilities in employee performance management	Procure the employee performance management tool/system and the development and design of the short-term incentive scheme	No target
4. Enhanced Operational Efficiency	Developed an IT Strategy aligned to	4.1	Approved IT Architecture	Corporate Strategy	Approved IT Architecture and Strategy	No target	No target

Postbank Your Bank

Outcomes	Output	KPI No.	Output Indicators	Baseline FY2023/24	MTEF Targets FY2024/25	FY2025/26	FY2026/27
	the corporate strategy.	4.2	Approved IT Strategy, Framework, and Governance	Corporate Strategy	Approved IT Strategy, Framework, and Governance	Implementation of the IT Strategy	No target
	Stabilized IT environment.	4.3	Percentage measure of system uptime	New target	Define criteria to measure performance of critical systems and a percentage measure of the systems uptime	Measure the system uptime	Measure the system uptime
	Finalize the card replacement project.	4.4	Complete issuance and replacement of the cards	Card replacement project plan	100% completion of the Card replacement project plan	No target	No target
	Developed and implemented Business Operating model (in-source vs outsource, automate vs does not automate, centralize vs decentralize, back vs middle office)	4.5	Approved Business Operating model	New target	Approved Business Operating model	No target	No target
	Implemented a new Enterprise Resource Planning Solution (Focus on HR and Finance)	4.6	Fully implemented Enterprise Resource Planning solution (focus on HR and Finance)	IT Modernization project	Enterprise Resource Planning tool procured.	Fully operational Enterprise Resource Planning	No target
	Implemented a new data analytics capability	4.7	Implemented new data analytics capability	IT Modernization project	Implementation of the Enterprise Data Management solution	No target	No target

Postbank Your Bank

Outcomes	Output	KPI No.	Output Indicators	Baseline FY2023/24	MTEF Targets FY2024/25	FY2025/26	FY2026/27
	Develop an automated and digitized Omni Channel process for onboarding of customers	4.8	Improved omni-channel for on boarding of customers.	New target	Improved omni-channel for on boarding of customers.	100% of the process automated	No target
	Build core banking capability	4.9	Approved business specification for core banking system	Draft business case	Approved business specification for core banking system	Implementation of the new core banking capabilities	No target
	Build platform business capability	4.10	Approved business case for a platform business	New target	Approved business case for a platform business	Build the API Partner and full integration.	No target
5. Good Governance and Efficient Risk and Compliance Management	Strengthened and embedded control environment	5.1	Percentage of material external audit findings resolved	New target	Resolve 100% of material audit issues from the previous financial year (FY2023/24).	Resolve 100% of material audit issues from the previous financial year (FY2024/25).	Resolve 100% of material audit issues from the previous financial year (FY2025/26).
	Submission of the Section 16 banking license application	5.2	Percentage implementation of the banking license project plan	The promulgation of the Postbank Amendment of Act.	Implement 50% of the banking license application project plan	Submission of the Section 16 banking license application	No target
	Resolution of the SARB Variation Notice conditions	5.3	All conditions of the Variation Notice resolved	New target	Resolve all 11 conditions of the SARB Variation Notice	No target	No target

Outcomes	Output	KPI No.	Output Indicators	Baseline FY2023/24	MTEF Targets FY2024/25	FY2025/26	FY2026/27
	Reviewed, documented compliance universe and an embedded compliance culture	5.4	Approved compliance universe and compliance management plans	New target	Approved compliance universe, compliance management plans and conduct two (2) mandatory training sessions on compliance for all business units	Implement the compliance management plans and conduct two (2) mandatory training sessions on compliance for all business units	Implement the compliance management plans and conduct two (2) mandatory training sessions on compliance for all business units
	Improvement in the risk management culture	5.5	Approved Enterprise Risk Management Plan and improvement in risk culture	New target	Approved Enterprise Risk Management Plan	Implementation of the Enterprise Risk Management Plan	Implementation of the Enterprise Risk Management Plan
	Embed supply chain and contract management culture	5.6	Approved SOP in line with the SCM policy	SCM policy	1. Approved Standard Operating Procedures (SOP) 2. Conduct two (2) training sessions on the SCM policy and/or Treasury Regulation for staff and/or SCM committee members	Conduct two (2) training sessions on the SCM policy and/or Treasury Regulation for staff and/or SCM committee members	Conduct two (2) training sessions on the SCM policy and/or Treasury Regulation for staff and/or SCM committee members
	Implemented the Fraud Risk Program and improved the fraud risk culture	5.7	Approved Fraud Risk Management Strategy	New target	Approved Fraud Assessment report, fraud risk management Strategy, Fraud training manual	Approved Fraud Assessment report, Fraud Risk Management Strategy, Fraud	Approved Fraud Assessment report, Fraud Risk Management

Postbank Your Bank

Outcomes	Output	KPI No.	Output Indicators	Baseline FY2023/24	MTEF Targets		
					FY2024/25	FY2025/26	FY2026/27
					and conducted three (3) Fraud awareness training sessions	training manual and conducted three (3) Fraud awareness training sessions	Strategy, Fraud training manual and conducted three (3) Fraud awareness training sessions

Table 7: Measuring our performance - MTEF outcomes and targets.

11.4 Explanation of the Planned Performance

Postbank's performance approach is premised on making an impact in the lives of its internal and external customers and the economy at large. In line with its mandate, the bank's strategic plan aims to transition Postbank into a credible state-owned bank, which can sustainably provide banking services that are affordable and accessible to the financially excluded and marginalised individuals, communities, and businesses (formal and informal).

Accordingly, the bank's strategy is optimally aligned with the Government's plans, and it is positioned such that it contributes to the achievement of the relevant governmental strategic priorities presented in the MTSF, the following, and as per the bank's aligning strategic objectives which demonstrate the bank's response to these priorities:

1. Building a capable, ethical, and developmental state |Corporatisation of Postbank.
2. Economic transformation and job creation |Promotion of financial inclusion in targeted customer segments; and
3. Education, skills, and health |Improvement of financial literacy levels of Postbank's customers and communities.

As detailed in the Annual Performance Plan, Postbank's planned performance is defined in terms of the output activities whose successful implementation and realization is expected to drive the achievement of the bank's five identified strategic outcomes:

1) Revenue Growth.
2) Positive Customer Experience.
3) Positive Employee Experience.
4) Enhanced Operational Efficiency.
5) Good Governance and Effective Risk and Compliance Management.

Postbank's planned strategic outcomes are designed to contribute to the enhancement of the bank's revenue generation capacity to enable it to be financially sustainable and independent. As a customer-centric organisation, the bank's strategic outcomes are geared to enhance the internal control environment and operational efficiencies for the creation of value for the bank's customers and employees.

Essentially, Postbank will invest in activities driving the corporatisation of the bank, improvements in the IT systems' infrastructure, and improvements in governance and risk and compliance management. Achieving these objectives will assist the bank in addressing the current compliance challenges that threaten the continued existence and relevance of

Postbank within the banking sector and as a part of government's arsenal of service delivery agents.

Postbank identified a set of key strategic enablers critical for the achievement of the bank's MTEF objectives. These include, among others, the following:

- Executive leadership – a fully resourced Executive Management structure, with the requisite leadership skills and competencies to ensure quality decision-making;
- Capacity and skills – an adequately capacitated organisation that has a skilled workforce, with the requisite banking knowledge and experience;
- IT systems - a modernise IT infrastructure with the requisite core banking capabilities to facilitate transactability, innovation and process efficiency;
- Governance, risk, and compliance – enhancement of internal controls and a speedy resolution of compliance challenges to help secure the future existence of Postbank; and
- Partnerships – de-risking from SAPO and diversifying our service delivery model to ensure positive customer experience and the financial sustainability of the bank.

Achieving the set objectives will enable Postbank to become a credible financial services entity whose brand will be entrenched in the market and communities it serves.

Postbank Your Bank

11.5 Annual and Quarterly Targets - FY2024/25

KPI No:	Output Indicator	Annual Target	FY2024/25 Q1	Q2	Q3	Q4
1.	**Revenue Growth**					
1.1	Achieve a targeted Net Interest Income (NII)	R606m	R152,1m	R154,3m	R152,1m	R147,5m
1.2	Achieve a targeted Non-Interest Revenue (NIR)	R484m	R118,2m	R120,4m	R124,1m	R121,3m
1.3	Achieve a targeted Cost-to-Income Ratio	74,3%	74,3%	74,3%	74,3%	74,3%
2.	**Positive Customer Experience**					
2.1	Approved report on the bank's market segments and market share	Approved market research document outlining Postbank's market segments and market share	No target	Approved market research document outlining Postbank's market segments and market share	Approved research document and understood our segments (prioritized segments)	No target
2.2	Increased deposit base, by 7% (Excl. social grant deposits)	Cumulative growth of 7% in deposits	No target	No target	No target	7%
2.3	Number of disbursement business acquired	Acquire one (1) disbursement business	No target	No target	No target	Acquire one (1) disbursement business

Postbank Your Bank

KPI No:	Output Indicator	Annual Target	FY2024/25			
			Q1	Q2	Q3	Q4
2.4	Number of Postbank Employees onboarded into the Customer Value Proposition (CVP)	1.Approved CVP Framework targeting employees 2. Rolled out the CVP to at least 50 employees	No target	Approved CVP Framework/Plan for our employees	No target	Rolled-out the CVP to at least 50 employees
2.5	Approved new Channel Strategy	Approved new Channel Strategy	No target	Approved new Channel Strategy	No target	No target
2.6	Optimized the current retail channels partnership and onboarded an OTC Partner bank for bulk deposits	Onboard an OTC Partner bank for bulk deposits	No target	Functional enablement of core customer withdrawals and deposits at retailers	Onboard the OTC Partner bank for bulk deposits	No target
2.7	Fully Operational Call Center	Fully Operational Contact Centre (Assisted self-service model) (Signed Agreement)	No target	Fully Outsourced call center (Assisted self-service model) (Signed agreement)	No target	No target
2.8	Number of new products launched and/or number of products discontinued	Approved Product Rationalization Strategy/Framework	No target	No target	Approved Product Rationalization	No target

Postbank Your Bank

KPI No:	Output Indicator	Annual Target	FY2024/25 Q1	Q2	Q3	Q4
					Strategy/Framework	
2.9	Approved Customer Experience Strategy and Framework supported by proper automation tool	Develop Customer Experience Strategy and Framework -supported by proper automation tool	No target	Approved Customer Experience Framework	Approved Business Case for the automation tool	Complete SCM Procurement processes, and obtain approvals
2.10	Approved Customer Journey process	Approved Customer Journey process	No target	Approved Customer Journey process	No target	No target
2.11	Reimagining the Postbank brand	Postbank brand repositioned as a retail bank	No target	Brand agency appointed to conduct Postbank discovery, strategy, and identity packaging	Approved Brand Strategy with new brand version	Brand implementation (go-to-market) plan

3. Positive Employee Experience

KPI No:	Output Indicator	Annual Target	Q1	Q2	Q3	Q4
3.1	20% vacancy ration at Executive Management level	20% vacancy ratio at Executive Management level	No target	20% vacancy ratio at Executive Management level	No target	20% vacancy ratio at Executive Management level

KPI No:	Output Indicator	Annual Target	FY2024/25 Q1	Q2	Q3	Q4
3.2	Culture Assessment Report and Approved Culture Transformation Framework	Approved Culture Transformation Framework and Roadmap	No target	No target	Approved 3-to-5-year roadmap outlining the organizational culture change.	Approved Culture Transformation Framework
3.3	Training and capacitation of line managers, so they understand their roles and responsibilities in employee performance management	Conduct two (2) training and capacitation sessions for line managers, so they understand their roles and responsibilities in employee performance management	Conduct one (1) training and capacitation session for line managers so they understand their roles and responsibilities in employee performance management	No target	No target	Conduct one (1) training and capacitation session for line managers so they understand their roles and responsibilities in employee performance management

4. Enhanced Operational Efficiency

4.1	Approved IT Architecture	Approved IT Architecture and Strategy	No target	No target	No target	Approved IT

KPI No:	Output Indicator	Annual Target	FY2024/25 Q1	Q2	Q3	Q4
						Architecture
4.2	Approved IT Strategy, Framework, and Governance	Approved IT Strategy, Framework, and Governance	No target	No target	Approved IT Strategy	No target
4.3	Stabilized IT environment	Define criteria to measure performance of critical systems and a percentage measure of the systems' uptime	Approved criteria to measure the performance of critical systems	No Target	Procure the tool	Achieve industry aligned percentage performance (i.e. industry SLA is 98% performance)
4.4	Complete issuance and replacement of the cards	100% completion of the Card Replacement project plan	No target	No target	No target	100% completion of the Card Replacement project plan
4.5	Approved Business Operating model	Approved Business Operating model	No target	Acquire the service provider for the development of a Business Operating model	Approved Business Operating model	No target

Postbank Your Bank

KPI No:	Output Indicator	Annual Target	FY2024/25 Q1	FY2024/25 Q2	FY2024/25 Q3	FY2024/25 Q4
4.6	Fully implemented Enterprise Resource Planning solution (focus on HR and Finance)	Enterprise Resource Planning tool procured.	No target	No target	Approved Business Specification	Finalization of the procurement process (Letter of award)
4.7	Implemented new data analytics capability	Implementation of the Enterprise Data Management solution	No target	Implement an Enterprise grade Oracle Data Warehouse and BI solution	Migrate all existing Reports and ETL packages from ODS to the new BI platform	No target
4.8	Improved omni-channel for on boarding of customers.	Improved omni-channel for on boarding of customers.	No target	Appointment of the Service Provider to assist with the process	First draft of the Process Flow documentation	50% of the process automated
4.9	Procured a new core banking capability.	Approved Business specification for core banking system	No target	No target	No target	Approved Business specification for core banking system
4.10	Approved Business case for a platform business	Approved Business case for a platform business	No target	Draft Business case for a	No target	Approved Business case for a

Postbank Your Bank

KPI No:	Output Indicator	Annual Target	FY2024/25 Q1	Q2	Q3	Q4
				platform business		platform business

5. Good Governance and Efficient Risk and Compliance Management

KPI No:	Output Indicator	Annual Target	Q1	Q2	Q3	Q4
5.1	Percentage of material external audit findings resolved	Resolve 100% of material audit issues from the previous financial year (FY2023/24).	20%	30%	50%	100%
5.2	Acknowledgement of receipt of Postbank's Section 16 banking license	Submission of the section 16 banking license application	Appointment of an implementation partner	Gap analysis	Approved project plan	50% of the project plan achieved
5.3	Resolution of the SARB Variation Notice conditions	All 11 conditions of the Variation Notice resolved	No Target	No Target	No Target	Resolve all 11 conditions of the SARB Variation Notice
5.4	Approved Compliance universe and Compliance Management Plans	Approved Compliance universe, Compliance Management Plans and Conduct two (2) mandatory training sessions on compliance for all business units	Approved Compliance Management Plan	20% of Compliance Management Plan implemented	50% of Compliance Management Plan implemented	100% of Compliance Management Plan implemented, and conduct two (2) mandator

Postbank Your Bank

KPI No:	Output Indicator	Annual Target	FY2024/25 Q1	Q2	Q3	Q4
						y training sessions on compliance for all business units
5.5	Approved Enterprise Risk Management Plans and improvement in risk culture	Approved Enterprise Risk Management Plans and improvement in risk culture	Approved Enterprise Risk Management Plans and policies	Develop a Risk Maturity Assessment	Implement remedial actions to improve risk culture and conduct employee training sessions	No target
5.6	Approved SOP in line with the SCM policy	1. Approved Standard Operating Procedures (SOP) 2. Conduct two (2) training sessions on the SCM policy and/or Treasury Regulation for staff and/or SCM committee members	Approved SOP in line with the SCM policy	No target	Conduct one (1) training session on the SCM policy and/or Treasury Regulation for staff and/or SCM committe	Conduct one (1) training session on the SCM policy and/or Treasury Regulation for staff and/or SCM committe

Postbank Your Bank

KPI No:	Output Indicator	Annual Target	FY2024/25 Q1	Q2	Q3	Q4
					e members	e members
5.7	Approved Fraud Risk Management Strategy	Approved Fraud Assessment Report, Fraud Risk Management Strategy, Fraud Training Manual and conducted three (3) Fraud awareness training sessions	Approved Gap analysis on fraud risk	Approved Fraud Risk Manageme nt Strategy with a defined fraud risk appetite	Approved Fraud Training Manual and Conduct Fraud trainings and Fraud awareness campaigns	Implemen t Fraud monitorin g system

Table 8: Annual Performance Plan (annual and quarterly targets)

12. FINANCIAL PLAN

12.1 Operating Environment

The South African economy finds itself in a rather precarious state, with weak spending, production, and fixed investment activity in an environment characterised by high inflation. As such, high interest rates, extremely high unemployment and increased poverty, social unrest, and operational constraints on various critical fronts underlie the very low confidence levels and major uncertainty prevailing in the economy.

The Financial plan of the South African Postbank SOC LTD for the Medium-Term Framework period of 2024/2025 until 2026/2027 has been prepared considering the economic conditions under which the entity operates. Both internal and external factors affecting the budget process for this period were duly considered.

In the third quarter of 2023, South Africa witnessed a 0.20 percent quarter on quarter and 0.7 percent year-on-year contraction in its gross domestic product (GDP), contrary to the median estimate of a 0.1 percent year-on-year contraction in a Bloomberg survey. This decline in output, compared to the previous quarter, has since raised concerns about a potential recession. Total GDP growth for the first nine months of 2023 equates to 0.30 percent, which means the economy is stagnant.

The medium-term economic growth outlook remains constrained by inadequate electricity supply and freight rail capacity and a weaker global outlook that is less supportive of South Africa's growth prospects. Despite a recent improvement, private investment growth has declined over the past decade (Figure 2.1). GDP growth is expected to average only 1.4 per cent between 2024 and 2026, but analysts may lower expectations during 2024.

South Africa's debt-to-GDP ratio continues to rise, and the sovereign risk premium has increased during 2023, reflecting concerns over materialising economic and fiscal risks. The resulting increase in government's borrowing costs has pushed up long-term lending rates in the economy - this in turn stifles demand and reduces economic growth.

South Africa's annual inflation rate rose for the third consecutive month to 5.9% in October 2023, the highest in five months and well above market estimates of 5.5%, verging on the upper limit of the South African Reserve Bank's inflation target range. The CPI for November 2023 printed lower at 5.5%, in line with analysts' expectations. This is of concern from a monetary policy perspective as it indicates that second round inflationary pressures remain elevated and will most likely force the Monetary Policy Committee to keep rates on hold until Q3 2024 when the first round of rate cuts are expected for South Africa. The Bank for International Settlements recently cautioned that restoring price stability and managing financial risks will remain key challenges for central banks going forward.

The South African Reserve Bank (SARB) decided unanimously to leave its key repo rate steady at 8.25% on 23 November 2023, in line with expectations. This decision aimed to firmly anchor inflation expectations around the target midpoint and enhance confidence in achieving the inflation goal. The SARB indicated that inflation risks remain elevated, while the risks for medium-term domestic growth appear balanced.

In its latest review of the economy, SARB emphasised the need for urgent reforms, particularly “improving the country’s energy and logistical constraints, reducing barriers to private sector investment, addressing structural rigidities in the labour market, and tackling crime and corruption”. Without such reforms the economy will not achieve much faster rates of growth on a sustained basis.

However, the central bank is still concerned with the upside risks to the inflation outlook and the need to anchor expectations. The SARB has communicated its determination to see CPI inflation anchored around the mid-point – 4.5% – of the inflation target range from 2025 onwards.

Period	GDP Growth	Repo Rate	Inflation Rate (CPI)
FY2023/24	0.3%	8.25%	5.50%
FY2024/25	1.10%	7.75%	5.00%
FY2025/26	1.4%	7.00%	4.50%
FY2026/27	1.5%	6.25%	4.50%

Table 9: Macro-economic ratios

12.2 Statement of Profit and Loss and Other Comprehensive Income

Below is the forecast and budgeted statement of profit and loss and other comprehensive income for the period 2024/2025 until 2026/2027.

						MTEF PERIOD		
	FY2022/23	NOV FY2023/24 YTD	FY2023/24	FY2023/24		FY2024/25	FY2025/26	FY2026/27
	Actual	Actual	Budget	Forecast	Variance (BY-FC)	Budget	Budget	Budget
	R'000s	R'000s	R'000s	R'000s		R'000s	R'000s	R'000s
Net interest income	**551,999**	**431,758**	**767,604**	**589,176**	**-23%**	**605,521**	**633,980**	**663,143**
Interest and similar income	663,476	530,727	825,354	760,684	-8%	758,827	794,492	831,039
Interest expense and similar charges	(111,477)	(98,969)	(57,750)	(171,508)	-197%	(153,307)	(160,512)	(167,895)
Net fee and commission income	**579,296**	**384,843**	**1,488,907**	**523,691**	**277%**	**483,821**	**569,500**	**595,698**
Transaction fee income	1,390,642	842,894	1,995,250	1,162,759	-72%	843,332	924,969	967,517
Service fee income	110,379	37,681	497,333	55,492	-796%	361,467	378,455	395,864
Fee and commission income	-	-	7,404	-	-100%	-	-	-
Transaction fee expense	(921,725)	(495,732)	(1,011,080)	(694,560)	23%	(720,978)	(733,924)	(767,684)
Government business Initiatives	**5,136**	**6,151**	**9,543**	**5,109**	**-87%**	**5,344**	**5,595**	**5,852**
Other income	**2,607**	**12,979**	**-**	**13,008**	**100%**	**-**	**-**	**-**
Operating income before operating expenditure	**1,139,039**	**835,732**	**2,266,054**	**1,130,984**	-131%	**1,094,685**	**1,209,075**	**1,264,693**
			-			-		
Operating expenditure	**(3,176,085)**	**(706,569)**	**(2,071,827)**	**(2,539,410)**	**79%**	**(1,309,228)**	**(1,158,758)**	**(1,212,060)**
Operating profit / (loss)	**(2,037,046)**	**129,162**	**194,227**	**(1,408,426)**		**(214,543)**	**50,318**	**52,632**
Profit/Loss before Tax	**(2,037,046)**	**129,162**	**194,227**	**(1,408,426)**	212%	**(214,543)**	**50,318**	**52,632**
Taxation	35,572	(22,040)	(52,441)	380,275	0%	57,927	(13,586)	(14,211)
Net profit / (loss)	**(2,001,474)**	**107,123**	**141,785**	**(1,028,151)**	**182%**	**(156,617)**	**36,732**	**38,422**
Less SAPO ECL	**2,219,642**	**-**	**-**	**1,412,626**				
Profit / (loss) Before Tax (Exc SAPO ECL)	**182,596**	**129,162**	**194,227**	**4,200**	**-4524%**	(156,617)	36,732	38,422

Figure 22: Statement of profit and loss and other comprehensive income

It is forecasted that the bank will report a loss of R1billion at the end of March 2024.This is mainly because of costs to stabilise and build the bank such as investment in human capital, card replacement costs, improvement in IT systems and operational capabilities as well as Customer Acquisition and Retention Strategy.

The bank generates its revenue mainly from two sources of income, namely the Net Interest Income (NII) as well as Non-Interest Revenue (NIR). The NII is derived mainly from the bank's investment activities through its Treasury Department. NIR is derived mainly from fee and commission income from the bank's transactional accounts and SASSA's disbursement of Government grants, including Social Relief Distress (SRD's) grants.

12.2.1 Net Interest Income (NII)

Margin Analysis

In line with Postbank's house-view, interest rate rates are forecasted to decrease by 100 bps in 2024, with the first-rate cut (50bps) anticipated at the end of July 2024 and 50 bps in November 2024. The high interest rate environment has resulted in a positive endowment impact for the bank and the declining interest rate cycle is expected to reverse this benefit, leading to tighter product margins. The interest margin is expected to decrease from 4.33% in 2024 FY to 4.05% in 2025. The bank will continue to manage the risk to NII through the following initiatives:

- Active management of investment portfolio to maximise interest yield (%) within approved investment policy; and
- Manage product margins through the monthly ALCO meetings and implement tactical margin management at product/customer level.

Customer Deposit Book

The deposit book has been under pressure due to a declining customer base and Variation Notice conditions that restrict the onboarding of new customers. Given the expected resolution of Variation Notice conditions in March 2024, the bank will be able to stabilise customer losses and begin rebuilding the deposit book. The deposit book is expected to grow by 7% in 2024/5 FY, which is a projected improvement from a marginal decline of 0,1% in the current FY. The projected growth in deposits is expected to be CPI + about 1,5%. The target segment for the mobilisation of additional deposits is the stokvel niche segment. The bank has a total of +- 139 000 stokvel groups that it currently banks and the objective in the short-term is to grow this number by expanding the channels with other vendors as well as to sell the high interest returns that the bank offers for this customer segment.

12.2.2 Non-Interest Revenue (NIR)

NIR is expected to decline in the 2024/2025 FY by 7,6% compared to the projected decline of 10% in the current FY. The decline is expected to be driven by the following factors:

- Lower average number of social grants account base given that the bank has lost about 1,4 million customers since April 2023. The account base is still expected to decline during the forecast period albeit at a slow rate as the benefits of IT system stability and improved customer communication activities are realised.

No growth in social grant accounts has been factored in 2024/25FY and the objective is to stabilise the customer base and rebuild the customer confidence in the bank's brand. It should be noted that there are plans to convert these accounts into Postbank Core accounts, which is the operating model adopted by other banks.

The bank is also undertaking a customer channel migration from the expensive and unstable Cash Pay-Points (CPPs) and SAPO branches. To minimise customer attrition during this migration process, the bank is embarking on an aggressive marketing and communication plan to direct customers to alternative cheaper Postbank channels (industry ATMs and retailers). Customers have access to 28540 ATMs and 4200 retail outlets across the country.

There is a risk of Covid-19 grants (SRDs) being discontinued in 2025/26 FY. However, the risk that the discontinuation may happen sooner in 2024/25 FY is unlikely as it is an election year.

12.2.3 Operating Expenditure

The bank intends to reduce the number of other expensive channels, such as CPPs and Over the Counter (OTC). This effectively means that the bank will deploy revised channel mix strategies pivoted around cheaper NPS channels. The bank is expected to realise some savings in the FY2024/25 because of the discontinuation of these costly channels. However, the bank is expected to invest in various activities to stabilise and build the bank.

Staff Costs _ the bank has a high vacancy rate in critical functional/ operational areas and will invest in human capital to capacitate the organisation with critical skills.

Card Replacement Project _ to satisfy the Variation Notice requirements, the card replacement project that is currently in progress is expected to increase operating expenditure as the bank will need to spend money on EMV compliant cards which are going to be issued to customers and increase transactability by the clients. In 2023 transactional fee income was constrained as most of the clients were unable to perform banking transactions due to the unavailability of cards.

IT systems and Operational capabilities _ these will not only deal with our audit findings but also start to build a bank and deal with the requirements of obtaining a fully-fledged license as follows:

- Build a proper Call Center for the bank;
- Implement an ERP system to manage HR, finance, and Supply Chain;
- Build a few mobile branches as a means of piloting our channel strategy – create an agency, digital banking, and banking platform;
- Build a marketplace platform;
- Introduce a Reward Program;
- Build a scalable agency model capability;
- Build a few ATMs to reduce the cost of using other bank's ATMs;
- Build data analytics capabilities that are critical in ensuring not only compliance, but also running a bank and planning for the future;
- Automation of our back and middle office systems to ensure proper controls, governance, and fraud prevention;
- Upgrade our core banking systems; and
- Ensure compliant data centers, with available Disaster Recovery sites.

The **Customer Acquisition and Retention Strategy** is critical to ensuring that the bank improves customer experience and builds customer loyalty. It includes:

- Research and development;
- Relationship management capability; and
- Outbound Call Center sales capability.

12.3 Statement of Financial Position

Below is the statement of budgeted financial position for the three-year strategic period ending in the 2026/2027 financial year:

					MTEF PERIOD		
	FY2022/23	NOV FY2023/24 YTD	FY2023/24	FY2023/24	FY2024/25	FY2025/26	FY2026/27
	Actual	Actual	Budget	Forecast	Budget	Budget	Budget
	R'000s	R'000s	R'000s	R'000s	R'000s	R'000s	R'000s
Assets							
Cash and cash equivalents	2 667 521	2 232 982	4 728 667	830 207	836 964	1 316 498	1 420 132
Investments	6 381 720	6 163 048	6 168 359	7 728 578	8 390 737	9 138 861	10 330 335
Trade and Other receivables	1 115 878	344 873	627 248	259 793	213 920	213 290	212 747
SAPO intercompany account	876 734	1 869 200	1 713 032	943 653	943 653	943 653	943 653
Inventory	-	87 846	145 000	171 233	43 804	39 423	35 481
Loan to customers	-	-	59 922	-	-	-	-
Current Tax receivable	130 129	130 129	-	138 317	65 065	32 532	16 266
Deferred tax	142 943	142 943	37 570	134 755	71 472	35 736	17 868
Right-of-use assets	23 424	17 232	11 829	22 359	129 369	113 180	96 885
Intangible assets	32 777	43 119	211 248	27 120	104 811	73 146	41 480
Property, plant and equipment	106 263	74 401	10 400	100 675	143 801	111 558	83 341
Total assets	**11 477 390**	**11 105 774**	**13 713 274**	**10 356 691**	**10 943 594**	**12 017 877**	**13 198 188**
Liabilities	**10 005 682**	**9 523 370**	**9 942 291**	**9 907 840**	**10 658 454**	**11 696 005**	**12 837 894**
Deposits due to customers	9 733 064	8 919 384	9 870 989	9 721 259	10 401 747	11 441 922	12 586 114
Trade and other payables	210 906	548 543	43 256	126 544	99 643	104 426	109 438
Lease liabilities	20 893	16 019	14 983	19 575	135 698	126 903	118 108
Provisions	40 819	39 424	13 063	40 461	21 366	22 755	24 234
Equity	**1 471 708**	**1 582 404**	**3 770 984**	**448 851**	**285 140**	**321 872**	**360 294**
Available for sale	2 812	1 012	(7 838)	8 128	1 012	1 012	1 012
Postbank Equity	3 555 171	3 555 171	3 555 209	3 555 148	3 555 171	3 555 171	3 555 171
Retained Earnings	-2 086 275	(1 973 779)	223 612	(3 114 426)	(3 271 042)	(3 234 311)	(3 195 889)
Total Equity and Liabilities	**11 477 390**	**11 105 774**	**13 713 274**	**10 356 690**	**10 943 595**	**12 017 878**	**13 198 188**

Figure 23: Statement of financial position

Total Assets

Total assets are budgeted to increase to R10.9 billion in FY2024/25 due to the planned investment in IT assets as well as an increase in the investment portfolio. Deposits due to customers are expected to increase given the expected growth in accounts. The expected growth in accounts is dependent on the satisfaction of all the SARB's Variation Notice requirements.

Equity

The equity position is expected to decline in the current FY due to the write-off of SAPO exposure following the dividend award of 12cents/R1, leading to an additional impairment charge of R1,3bn in the current financial year.

Capital Adequacy Ratio (CAR)

The CAR ratio is expected to decline to 3,85% in the current financial year resulting from SAPO exposure. The bank will not be in a position to resume internal capital accretion in 2024/5 due to “Build the Bank” investments expected to be incurred in 2024/5 FY. The bank is expected to resume profitability in 2025/6 FY.

12.4 Key Performance Ratios

Postbank Ratios	November 2023 YTD	Forecast March 2024	March Target 2025 YTD	March Target 2026 YTD	March Target 2027 YTD	Industry Benchmark (SARB)- 2023 October Data
Key Ratios						
Cost-to-income ratio (%)	84.5%	101%	74.3%	62,7%	62.7%	56.3%
Annualized Return on assets (%)	0.9%	-5.3%	-1.5%	0.3%	0.3%	1.1%
Return on equity (%)	4.1%	-29.8%	-42.7%	12.1%	11.3%	15.0%
Capital adequacy ratio %	25.13%	3.85%	3.85%	4.01%	4.19%	29.5%
NII % total assets	3.5%	4.8%	5.5%	5.3%	5.0%	4.1%
NIR % total assets	3.1%	4.3%	4.4%	4.7%	4.5%	2.0%

Table 10: Key industry and business performance ratios

13. POSTBANK FUNDING PLAN

13.1 Funding Sources and Capital Structure

Banks generally obtain funding from a variety of sources, internally or externally, such as deposits (retail deposits or wholesale deposits), capital markets (issuance of debt securities i.e. bonds and/or commercial paper), interbank (negotiable certificate of deposits) and equity-related funding (retained earnings or share capital injection). Postbank is still reliant on retail funding, which relates to the funding in the form of deposits from the public and own generated funds (retained earnings).

Figure 24 below provides an indication of Postbank's Assets, Liability and Capital to total assets as a percentage of total assets as at 30 November 2023. The figure provides the banks capital structure (Liabilities and Equities) indicating that 80% of the Postbank funding is from deposits, 14% from common equity (Tier1 equity) and the other 5% being other trade payables. The 14% of equity Postbank has is made up of initial share capital and the retained earnings accrued over the years.

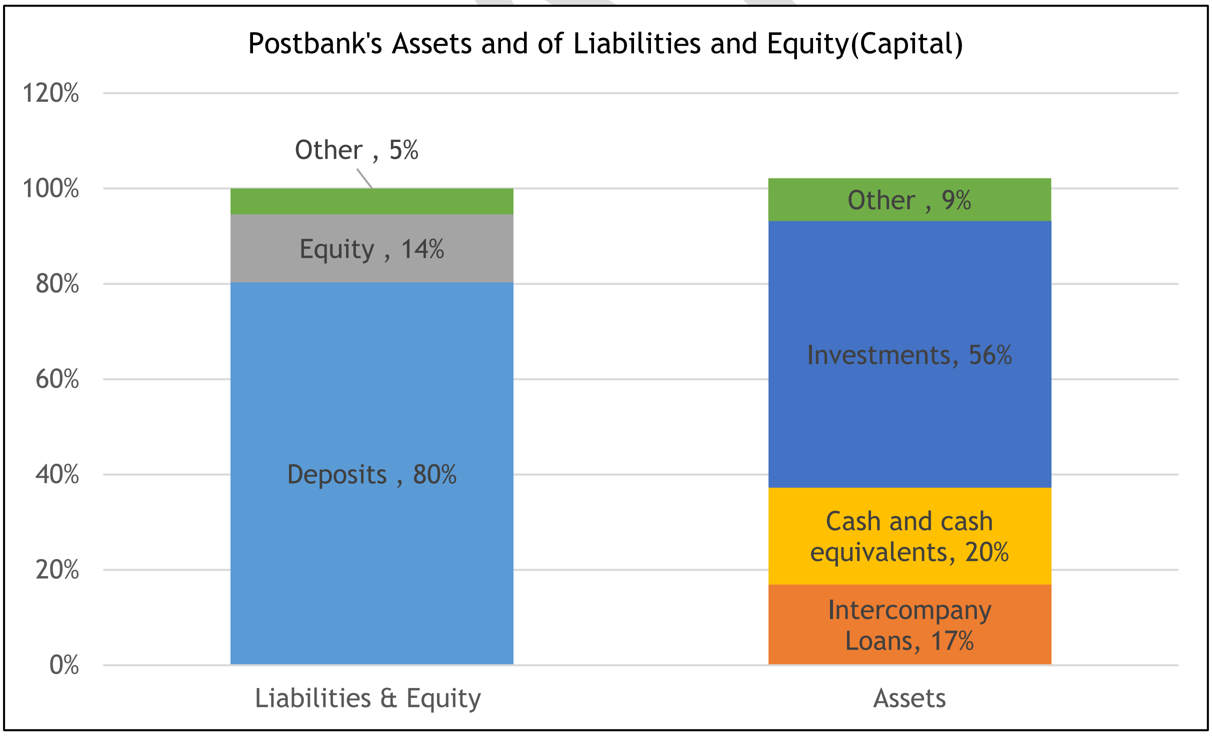


Figure 24: Postbank's assets, liabilities, and equity

Postbank's retail funding consists of deposit accounts such as transactional accounts, savings accounts, grants accounts and term deposits of the value of R8.9 billion as at 30 November 2023. Figure 25 below indicates that 34% is from savings accounts, 9% is from transactional accounts, 1% is from term deposits, and 56% of the funding is from grant accounts, which are transitional and do not constitute funding by their nature.

Ninety-eight percent (98%) of these deposits are classified as overnight deposits. Behavioural analysis shows that these deposits are "sticky" (this means they are stable and their draw down rates are low). However, their short-term maturity profiles are not ideal in terms of utilising the deposits for funding, as these types of deposits tend to carry liquidity risks, which could cause a potential liquidity crisis in the event of a run on a bank as they will be tied to the long-dated credit products.

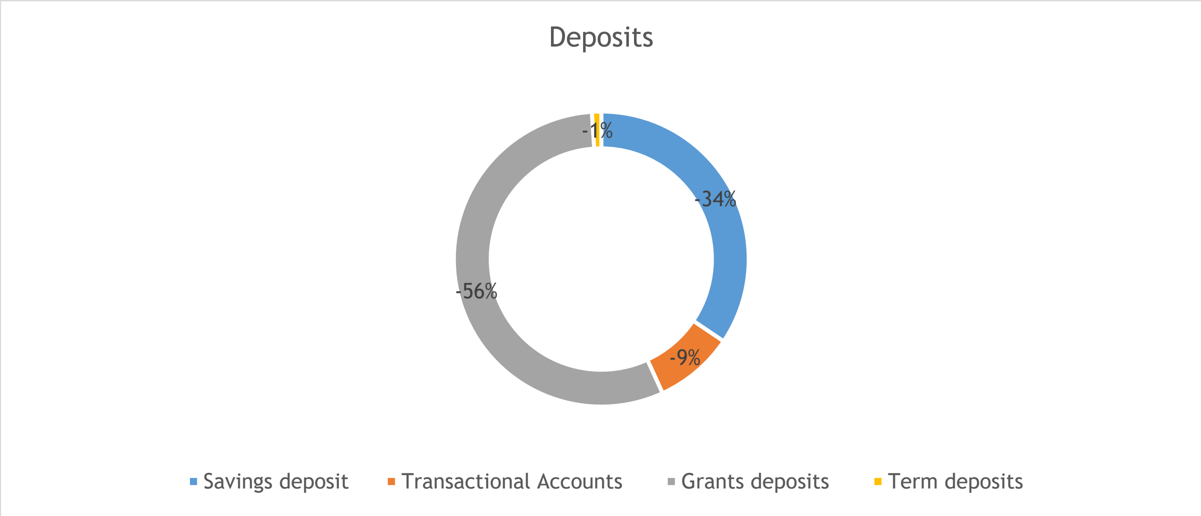


Figure 25: Make-up of Postbank's deposits

Postbank's equity-related funding consists largely of other reserves (which includes initial share capital) and retained earnings. As at 30 November 2023, Postbank's equity-related funding consisted of share capital, reserves and retained earnings of R1.5 billion less than the previous year (November 2022: R3.5 billion). The R1.5 billion is the capital base for the bank for the provision of self-insurance. It acts as a buffer against losses and gives assurance to the Prudential Authority that the bank will manage its risks prudently.

Postbank is required by the Prudential Authority to hold a capital reserve for every risk it assumes. Currently, the SARB requires a minimum capital adequacy ratio of 29.5%. Figure 26 and table 11 below indicates that the bank 's CAR (capital adequacy ratio) was 25.13% as at the end of 30 November 2023, which is below the minimum requirement of 29.5% and the total capital amount of R1.5 billion.

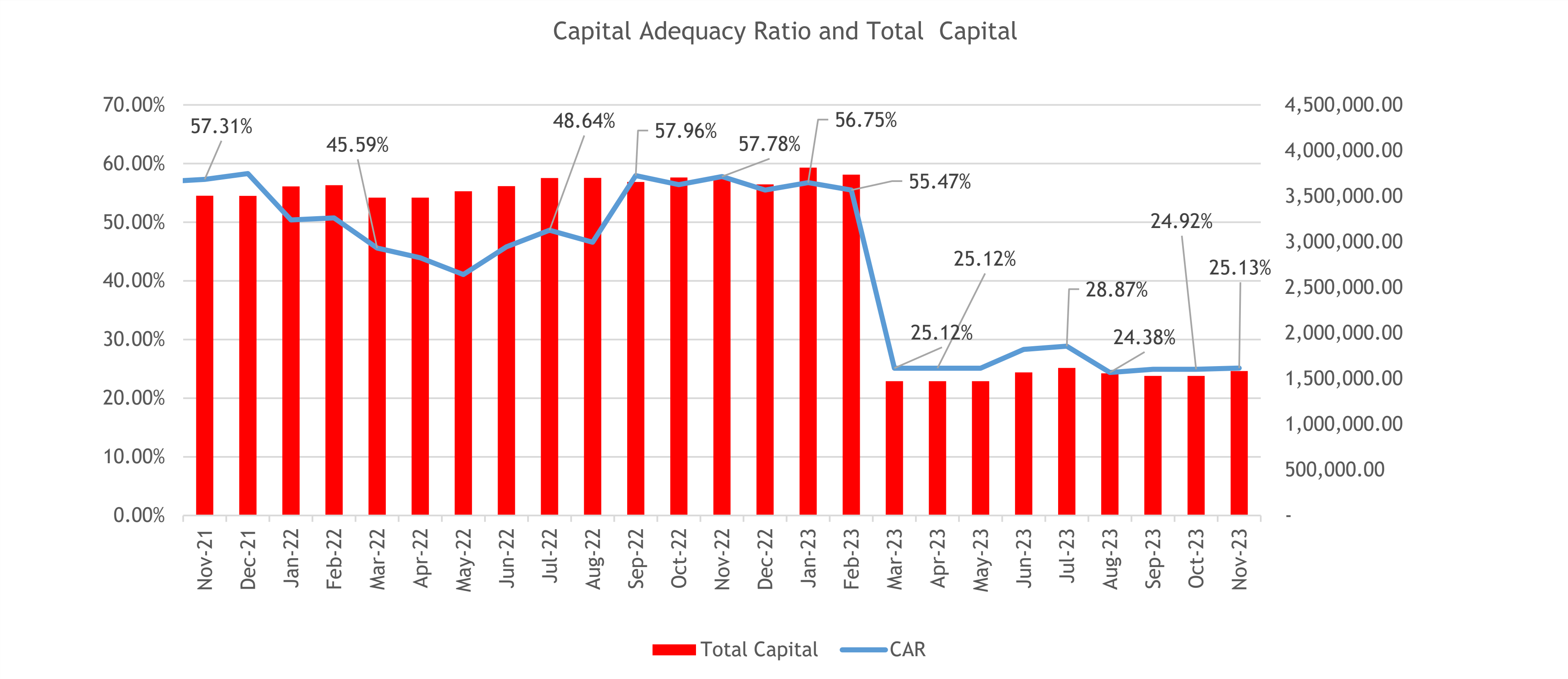


Figure 26: Postbank's CAR and total equity

The additional impairment charge resulted in a decrease of equity/Tier 1 capital from R1.5 billion to R285 million. The additional impairment of this exposure without a capital injection from National Treasury will weaken the Postbank's balance sheet and impact negatively on the bank's Capital Adequacy Ratio.

Qualifying Capital	2022	2023	2024*	2025	2026	2027
Common Equity Tier 1	3 483 513	1 471 703	1 582 404	283 128	319 859	358 281
Tier 1	3 483 513	1 471 703	1 582 404	283 128	319 859	358 281
Tier 2	-	-	-	-	-	-
Total	**3 483 513**	**1 471 703**	**1 582 404**	**283 128**	**319 859**	**358 281**

Table 11: Qualifying capital overview

- As at 30 November 2024

CAR	2022	2023	2024*	2025	2026	2027
CET 1	48,42%	27,35%	25,13%	3.82%	3.98%	4.17%
Tier 1	48,42%	27,35%	25,13%	3.82%	3.98%	4.17%
Total	48,42%	27,35%	25,13%	3.82%	3.98%	4.17%

Table 12: CAR requirements

- As at 30 November 2024

13.2 Postbank's Future Funding Model

Once it has built the capability around public sector banking, Postbank will explore new funding mechanisms such as wholesale deposits (which comprises a range of institutional products, like taking institutional deposits, for example). The idea is to avoid any unwanted reliance on short-term deposits and to promote a sound funding profile that complies with the defined risk appetite and a balanced liquidity profile, matching the shape of the new lending products. Moreover, the intention will be to diversify Postbank's funding profile in terms of funding types as sketched in Figure 27 below

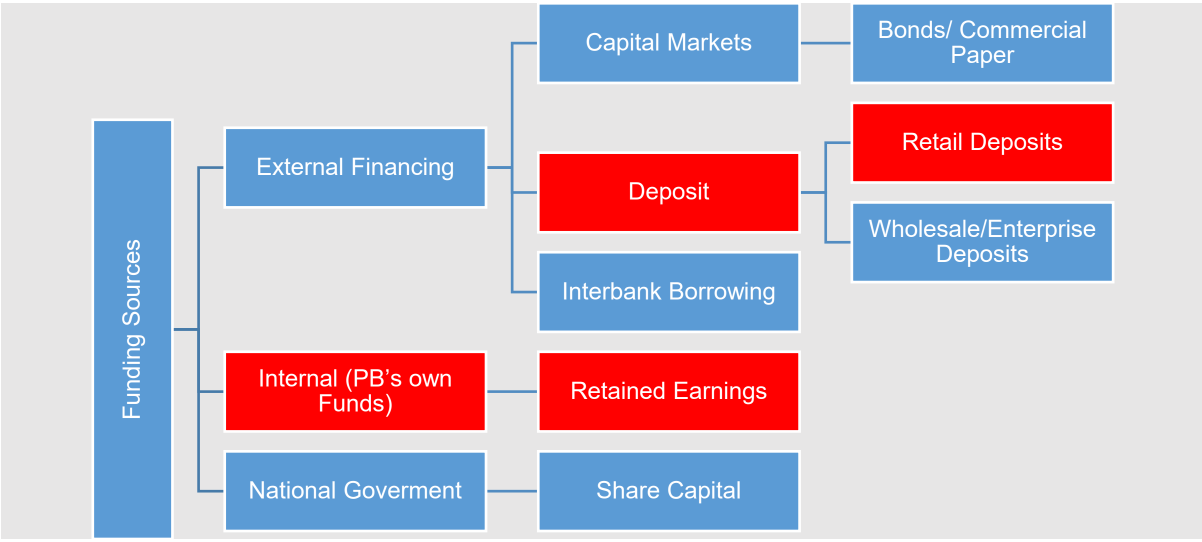


Figure 27: Postbank's future funding model

Legend:

1. *Red - Postbank's current funding sources*
2. *Blue - Potential funding sources*

The plan will also assist in determining the optimal mix of the bank's deposit and non-deposit funding and determine any further capital injection that may be required from the shareholders.

Potential Funding	Pros /Cons	Considerations	Risk Management
1. Capital Markets (Bond and Commercial Paper issuance). **Capital markets** will provide Postbank with an avenue to raise funds for their lending business through the issuance of long dated bonds or short-term commercial paper.	**Pros** • Access to deep, long-term liquidity and a cheaper source of financing. • Provides an opportunity to match the funding to the assets through assets and liability matching. • Tenure of 1 to 10 years. **Cons** • Stringent covenants attached to financing.	• Strong solid financials with no qualifications and disclaimer • Will require Postbank to have a credit rating from a credible credit rating agency, a solid rating to positively influence the cost of funding. • Postbank should be a Schedule 2 institution in terms of the PFMA to be able to access capital markets and another source of funding. • Approval by the National Treasury (NT) of the funding plan and the approval of NT of borrowing limits.	When sourcing new funding, Postbank should take into consideration the inherent interest rate and currency risk exposures. Postbank to manage these risks in line with the Board approved risk management policies. Where possible, this new funding should be structured so as to achieve the desired interest rate and currency and maturity profiles. Where not possible, hedging instruments are to be used to achieve the desired profiles. The use of hedging instruments is applied in line with the bank's hedging policies, which limit the use of such instruments to risk management purposes only. Key considerations when starting the credit rating process, include the financial sustainability of Postbank, adequacy of impairments, and provisioning and overall capitalisation, which cushions the bank in the event of severe financial distress.

Potential Funding	Pros /Cons	Considerations	Risk Management
2. Wholesale/Enterprise Deposits In addition to small-denomination deposits from retail customers, Postbank can attract funds in the money markets from large institutions either directly with trading partners or through brokers. Most of these funds are denominated in R1 million denominations/ multiples.	**Pros** • Cheaper source of funding compared to bond or commercial paper issuance. • Provides an opportunity to match the funding to the assets through assets and liability matching. **Cons** • Postbank may have to pay a small premium over the current quoted market rate to attract a significant portion of the deposits. • May be volatile resulting in maturity mismatches.	• May require Postbank to be a registered bank with SARB, if the plan is to attract these kinds of deposits from government, government agencies or state-owned agencies, as per section 15 (7) (2)a of the PFMA.	
3. Interbank borrowing Bank-to-bank transactions that take place in the money market, for maturities of one week or less, the majority being overnight.	**Pros** • Cheaper source of funding compared to bond or commercial paper issuance. **Cons** • Short term in nature and may be used as a bridge (stopgap) and to manage liquidity. • Not ideal for the funding of the lending business.	• Will require Postbank to be a registered bank with SARB. • Will require Postbank to have a credit rating from a credible credit rating agency, a solid rating to influence the cost of funding.	
• Government capital injection may be required from the	**Pros** • Strengthen the balance sheet.		Write-off of the exposure without Capital injection from the National Treasury will weaken the Postbank's

Potential Funding	Pros /Cons	Considerations	Risk Management
National Treasury if Postbank is to write off the SAPO exposure.	• Strengthen the capital adequacy ratios. • Capitalisation of Postbank will enable the objective of building a bank following the separation from SAPO. • Furthermore, capitalisation of Postbank will cushion the bank in the event of severe financial distress.		Balance sheet substantially and reduce the bank's capital adequacy ratios.

Table 13: Key considerations on potential funding sources

PART D
GOVERNANCE AND RELATED PLANS

14 GOVERNANCE PHILOSOPHY

Postbank is a State-Owned Company (SOC) and draws its mandate from the South African Postbank Act 2010, as amended. Its primary mandate is to promote financial inclusion, through the provision of accessible and affordable financial services, including responsible lending to the unbanked and under-served communities of South Africa.

Postbank's Code of Ethics sets out the values that drive ethical conduct. We are committed to enhancing Postbank's corporate governance processes continually, in line with best practice, in a manner that facilitates the development and management of an entity of our stature, whilst ensuring that operations are ethically conducted within the regulatory framework.

The Board has approved the Code of Ethics and adherence thereto is monitored by the Social and Ethics Committee, while the Audit and Risk and Capital Management Committees look after risk, legal and regulatory compliance. Our approach to corporate governance is based on the principles of accountability, transparency, responsibility, independence, ethical fairness and social development.

14.1 Governance Structure

The Board is responsible for the strategic direction of the bank. The Minister of Communications and Digital Technologies appoints non-executive directors.

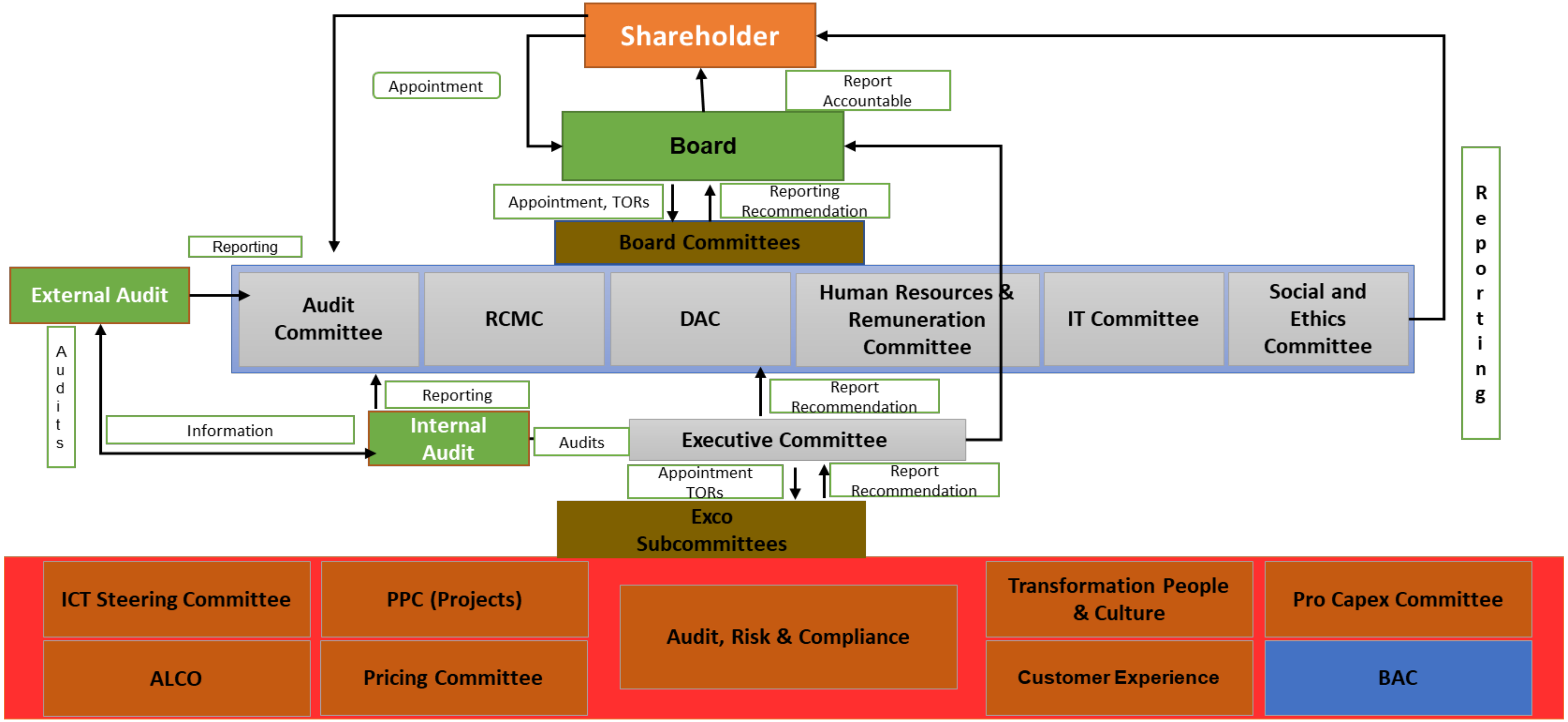


Figure 28: Postbank's current and future shareholding structures

14.2 The Board

The Postbank Board bears the overall responsibility for the bank. Its role entails providing responsible leadership to ensure that Postbank's performance fulfils the agreed strategy and business goals. The Board is also expected to ensure proper discharge of the mandate of the Postbank SOC Ltd and compliance with all applicable laws and regulations.

The Board's operational requirements include _ approving and overseeing management's implementation of the bank's strategic objectives, governance framework and corporate culture The Board has created sub-committees that are delegated to oversee specific tasks designated to them in alignment with the Banks Act, Companies Act and King IV. To effectively provide oversight and guidance of the bank, the Board remains acutely aware of the various legislations and relevant codes of best practice, including but not limited to:

- The South African Postbank Limited Act, 2010 as Amended;
- The King Report on Corporate Governance for South Africa, 2016 (King IV);
- The Protocol on Corporate Governance;
- The Public Finance Management Act, 1999 as amended;
- The Treasury Regulations;
- The Companies Act, 2008;
- The Income Tax Act, 1962;
- The Value Added Tax Act, 1991; and
- The Protection of Personal Information Act, 2013.

Board Membership: There is currently no board in place, following the resignation/and or removal of the previous board by the Minister, Mr Mondli Gungubele. To ensure continuity and stability, Mr Mondli Gungubele, appointed Mr Khayalethu Ngema as the Administrator of Postbank, pending the appointment of the new board of directors. As such the current board structure consists of the Administrator and the Chief Executive Officer (Ms. Nikki Mbengashe).

The Chief Financial Officer will become an Executive Director upon commencement of the Postbank Amendment Act, signed into law by the President of the Republic of South Africa ("the President") in September 2023. The President is expected to gazette the commencement date soon.

Name	Status	Date of Appointment	Date of Resignation
Mr. K Ngema	Administrator	15 September 2023	-
Ms. N Mbengashe	Chief Executive Officer	17 July 2023	-

Table 14: Postbank Board Members

14.3 Committees of the Board

The Board established the Audit Committee (AC); Social and Ethics Committee (SEC); Risk & Capital Management Committee (RCMC); Directors Affairs Committee (DAC); the Human Resources and Remuneration Committee (HR & RemCo); and the Information Technology Committee (ITC).

14.3.1 Audit Committee (AC)

The Postbank Audit Committee was established in terms of section 51(1) (a)(ii) of the Public Finance Management Act No 1 of 1999 (PFMA), section 64 of the Banks Act, section 94 of the Companies Act, Treasury Regulations, as well as Postbank's Memorandum of Incorporation (MOI). The Audit Committee assists the Board in ensuring the integrity of integrated reporting, internal financial controls, identification, and management of financial risks.

14.3.2 Risk and Capital Management Committee (RCMC)

The Risk and Capital Management Committee assists the Board with oversight of and setting of the risk appetite of the bank's risk governance and capital management. The Committee is established in terms of 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). The bank's capital adequacy and liquidity metrics are also evaluated by this committee.

14.3.3 Human Resources Committee (HR & REMCO)

The Board has delegated oversight over human resources and remuneration matters to the Human Resources and Remuneration Committee. The committee recommends to the board the approval of human resources and remuneration related policies.

14.3.4 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 responsible for monitoring the non-financial aspects of the bank's sustainability as it relates to its performance in terms of the social, ethical, and environmental indicators.

The Committee acts as the social conscience of the bank, ensuring that it conducts its business as a responsible corporate citizen, and creates value while contributing to economic health, people, communities, broad-based black economic empowerment (B-BBEE), health and safety practices and all matters connected thereto, namely:

- Ethics;
- Social and economic development;
- Good corporate citizenship;
- Stakeholder Relationships;
- Labour and Employment; and
- Environmental and Social Governance (ESG).

14.3.5 Information Technology Committee (ITC)

The Board has delegated the responsibility for overseeing the governance of IT to the ITC. The responsibilities of the committee include the monitoring and review of the IT strategy, policies, and practices, to ensure that the required IT support is provided, and IT is positioned as a key enabler for the business.

14.3.6 Directors' Affairs Committee (DAC)

The Director's Affairs Committee was established in terms of S64b of the Banks Act, and Postbank's MOI, to assist the Board to implement adequate and effective corporate governance, which is consistent with the nature, complexity, and risks inherent to Postbank's overall business.

14.3.7 Executive Management Committee (EXCO)

The Executive Management Committee deals with all the general management activities involved in steering the bank towards achieving its core outcomes whilst upholding all applicable legislation pertaining to the bank's operations. The Committee is chaired by the CEO and is supported by other executive-led operational management committees.

14.4 Ethics Management

King IV defines corporate governance as the exercise of ethical and effective leadership by the governing body towards the achievement of an ethical culture, good performance effective control and legitimacy. The Board is accountable for ensuring that management actively cultivates a culture of ethical conduct that is adhered to by all employees and associates of the bank. This is attained through the delegated oversight of ethics to the Social and Ethics Committee by the Board.

The Code of Ethics outlines standards expected from directors, managers, employees, service providers and trading partners.

14.4.1 Whistleblowing and Fraud Prevention Programme

The Whistleblowing Policy was approved by the Board and there is a dedicated 24/7 confidential hotline in place that provides employees with an avenue to report unethical conduct. Postbank is committed to investigating whistleblower reports in a fair and discreet manner and to implementing the recommended corrective actions.

14.5 Delegation of Authority

The Postbank Board as the accounting authority, has unfettered powers to direct and control the business of Postbank through a governance structure. Accordingly, the Board has delegated its authority in terms of the new Three Lines model. The model describes three layers of authority as:

- **Layer 1 -** the Board that is accountable to all stakeholders as well as oversight of the risk management activities.
- **Layer 2 -** various levels of management, which are responsible for the management of the risks in Postbank's operations. The management consists of two lines: line one is responsible for providing products and services to clients and directly managing the risks related thereto. Line two comprises experts that support, monitor, and provide challenge to Line one on risk matters. Line two is still part of management and thus also responsible for the management of risks.
- **Layer 3 -** this layer is independent from the management of the business and consists 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, as well as their impact on the achievement of Postbank's goals and objectives.

Accordingly, the Boards has designated the following functions:

- The CEO owns and manages Postbank's risks;
- The Chief Risk officer (CRO) – through the Risk and Capital Management Committee - independently oversee risks;
- The Chief Audit Executive (CAE) – through the Audit Committee - provides independent assurance; and
- The Executive Management Committee (EXCO) oversees day-to-day responsibilities, which are coordinated by the CEO

Consequently, the EXCO is accountable for the decisions and functions delegated to it by the Board, which may, in instances of crises within the bank, revoke any powers granted to management to stabilise the organisation.

The Board may also revoke any powers conferred to any official, in line with the role of the Board, as the Accounting Authority. The Board has developed a clear definition of the levels of materiality and significance to determine the scope of delegation of authority and to ensure that the Board reserves specific powers and authority to itself.

The delegated authority from the Board to its subsidiary boards and to management is confirmed in writing and is reviewed and regulated on a regular basis. The EXCO provides regular updates as well as quarterly and ad-hoc reports to the Board and its sub-committees and the main Board quarterly on business performance and provides regular updates, as and when required. The Remuneration Committee is responsible for the evaluation of the performance of Postbank and its Executive Management.

14.6 Materiality Framework

Treasury Regulation Section 28.3.1 – "For purposes of materiality (sections 55(2) of the Public Finance Management Act (PFMA)) and significant (section 54(2) of the PFMA), the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority". The Postbank Board has delegated its responsibility to the Postbank Executive Management through several policies and summarised it in its delegation of authority matrix. Control failures on actual and potential losses are recorded via the bank mandated operational risk system. The risk and classification matrix guides the escalation and reporting required for management and board purposes.

Materiality: Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity.

15 RISK MANAGEMENT PLAN

Risk management is an important process that empowers organisations with the necessary tools to adequately identify and mitigate potential risks. Risk management is fundamental to achieve Postbank's strategy, largely due to the pervasiveness of risk in financial services. The following information summarises the key risks identified by Postbank, and which the bank aims to manage and mitigate accordingly:

No	Risk Category	Risk Type	Risk Description	Mitigating Plan	Outcomes
1	Strategic Risks	Strategy Execution	Ability to achieve strategic outcomes is directly linked to key project execution. There have been significant delays in the delivery of key strategic projects, which have had an impact on the targets set out in the Corporate Plan. Significant underperformance was experienced in FY 2022/23, resulting in 21% of the Corporate Plan's goals achieved. This too was persistent in FY 2023/24, as 20% of the set targets was achieved.	Temporary Senior Project Managers are being recruited to manage strategic projects in accordance with established project management methodologies. Quarterly performance plans were reviewed to ensure clear targets and realistic timelines.	• Positive Customer Experience. • Enhanced Operational Efficiency. • Positive Employee Experience; and • Good Governance, Risk, and Compliance.
2		Reputational and Political	Relationships with key stakeholders, including regulators, the payment industry, and customers, require significant improvement due to prior judgements and fines imposed on Postbank. Although Postbank is a separate legal entity from the South African Post Office, the latter's brand and financial difficulties negatively affect Postbank, as the public still perceives both as one entity.	To better align and manage stakeholder's expectations, the bank will develop and implement an integrated stakeholder relationship management strategy and engagement plan.	• Positive Customer Experience. • Enhanced Operational Efficiency. • Positive Employee Experience; and • Good Governance, Risk, and Compliance.

No	Risk Category	Risk Type	Risk Description	Mitigating Plan	Outcomes
			Increased scrutiny from the Parliamentary Portfolio Committee and the Shareholder on Postbank's ability to build a credible financial institution and deliver financial inclusion to the unbanked and underbanked as a state-owned bank.		
3	Financial Risks	Financial Accounting and Liquidity	Inadequate internal financial controls resulting in material uncertainty which may cast significant doubt on the bank's ability to continue as a going concern. The capital adequacy ratio is below the minimum regulatory capital requirements. The bank may be unable to meet its obligations to its depositors due to an increase in risk weighted assets.	An internal control function has been established to strengthen the internal financial controls, improve contract management processes, and enforce consequence management for not adhering to established processes. The bank is motivating for recapitalisation by Government to enable it to meet the minimum regulatory capital requirements. There is a regular monitoring of prudential limits, regular cash flow forecasting, and regular monitoring of risk-weighted assets growth.	• Revenue Growth
4		Concentration	Postbank took over the SASSA contract from SAPO in October 2022, and this contract is a significant revenue and cost driver for Postbank. Postbank remains reliant on the SAPO branch network as the primary channel to service	Postbank is exploring various business opportunities that will diversify the current revenue streams and reduce the impact of SASSA on its ability to generate revenue. Postbank is developing new channels to service customers	• Revenue Growth

No	Risk Category	Risk Type	Risk Description	Mitigating Plan	Outcomes
			customers. SAPO has been closing various branches due to financial challenges and this has had a negative and ongoing impact on Postbank's customers.	including but not limited to ATMs, digital banking, and partnerships with retailers.	
5	Non-Financial Risks	Technology and Business Disruption	The bank utilizes old systems and infrastructure susceptible to breakdowns, which are shared with SAPO. The current technology architecture does not support the business to achieve its objectives, as detailed in the Corporate Plan, and renders Postbank uncompetitive. Absence of approved business impact assessments, business continuity plans, and crisis management. Lack of operational business continuity facility and disaster recovery site. Intermittent system outages which impact customers' ability to transact.	The bank is fast-tracking the implementation of the IT infrastructure modernisation project which will provide a critical base for digitisation and automation. Business impact assessments, Business Continuity Plans, and crisis management are under review. The bank is in the process of migrating to a compliant data centre and finalising simulation testing of the disaster recovery site.	• Positive Customer Experience. • Enhanced Operational Efficiency. • Positive Employee Experience. • Good Governance, Risk, and Compliance.
6		Cyber and Fraud	Malicious attacks on the bank's key production systems exacerbated by weak network security controls, no data encryption, no system monitoring, and deficiencies in user access management. Payment systems do not comply with Payment Card Industry Data Security Standards (PCI-DSS), resulting in customers being prone to fraudulent activities. Syndicates are targeting vulnerable customers to defraud them. There	Ongoing enhancement of the technology infrastructure and systems to improve resilience. against cyber-attacks. A Cyber security management plan is being developed. Consequence management on unethical and illegal behaviour is being enforced.	• Positive Customer Experience. • Enhanced Operational Efficiency; and • Good Governance, Risk, and Compliance.

No	Risk Category	Risk Type	Risk Description	Mitigating Plan	Outcomes
			is insufficient fraud awareness among employees as well as controls to prevent employee collusion. There is no fraud risk program, fraud risk assessments, fraud risk appetite, and a fraud remediation plan. Fraud incidents on IGPS have decreased. However, there is an increase in fraud transactions conducted at SAPO branches.		
7		People	Multiple key strategic projects are underway and being executed by the same people and thus have a negative impact on the ability of the bank to deliver on these projects and achieve the desired outcomes. The risk of not being able to attract and retain sufficient skills in the open market, especially critical, digital, and core banking skills as well as Executive Leadership roles. Decrease in staff morale, adversely impacting work productivity. Leadership instability across the bank due to capacity constraints and undefined organisational culture.	Postbank is developing an employee value proposition attractive to critical skills required. Postbank is engaging a strategic and prioritised capacitation of the bank at all levels but with focus on capacitating the executive and senior management structures.	• Positive Customer Experience. • Enhanced Operational Efficiency. • Positive Employee Experience.
8		Governance, Information and Data	Postbank faces risks related to data governance and management (i.e. data back-up, records management, data extraction and reporting, etc.).	Effective governance structures have been established.	• Positive Customer Experience. • Enhanced Operational Efficiency.

No	Risk Category	Risk Type	Risk Description	Mitigating Plan	Outcomes
			No up-to-date policies, processes, and controls. Lack of maturity within information management practices; unauthorised access and abuse of privileged access to data and information; malicious or accidental compromise of information; inability to maintain a records management system, policy, and process with clearly defined retention periods; and non-compliance with the Protection of Personal Information Act (POPIA).	Business units will prioritise developing policies and processes across the bank.	• Positive Employee Experience; and • Good Governance, Risk, and Compliance.
9		Regulatory Compliance	Postbank is non-compliant with key legislation resulting in penalties being imposed. There is no compliance risk management system/process and no monitoring of emerging risk.	The compliance business unit is prioritising compliance with high impact regulations and legislation that are most relevant for a license to operate.	• Positive Customer Experience. • Enhanced Operational Efficiency. • Good Governance, Risk, and Compliance.
10		Third-party and Partnerships	There is no strategy for outsourcing arrangements and partnerships, no defined third-party management policy and third-party risk assessments, and deficiencies in contract management processes.	Postbank will develop an outsourcing strategy, partnership strategy, and third-party risk management policy, to enable adequate management of third parties.	• Positive Customer Experience. • Enhanced Operational Efficiency. • Positive Employee Experience. • Good Governance, Risk, and Compliance.

Table 15: Postbank Organizational Risk Universe

16 FRAUD MANAGEMENT PLAN

Fraud, theft, corruption, acts of crime and dishonesty lead to direct losses. Additionally, they have a detrimental impact on the company's image, reputation, and brand. Individuals and syndicates continually vary their nefarious schemes and modus operandi in targeting specific products or assets and overcome operational and financial safeguards.

A lack of compliance with the SAPO instructions, procedures and systems that govern business operations has the most critical impact on security and subsequent financial losses. This is compounded by the failure of supervisory staff and operational management, to effectively apply the relevant control measures.

Postbank's ability to maintain a competitive advantage, service reliability and customer trust is positively influenced by the bank's ability to effectively detect and prevent incidents of criminality, financial misconduct, and dishonesty. Fraud remains an omni-present challenge amid weaknesses.

The management and employees have a responsibility to prevent criminality, financial misconduct, and dishonesty. To this end, the Fraud Business Unit monitors and investigates all instances of theft, and unethical conduct. Syndicates are targeting the fraud prevention staff to exploit the lack of controls.

Sustainable Prevention and Detection

The sustainable detection and prevention of incidents of criminality, financial misconduct and dishonesty can only be achieved through a multi-faceted approach that includes the following:

- Adopting a preventative style of investigating irregularities with an emphasis upon cause analysis;
- The development and deployment of strategic crime prevention strategies;
- Directing the integration of physical and electronic security into Business Unit planning;
- Overt and covert crime intelligence collection techniques;
- The implementation of an effective crime information management system; and
- The establishment of internal and external partnerships.

Spectrum

Postbank has complex operations. Apart from comprehensive anti-fraud measures, the bank requires a holistic approach towards the prevention and detection of acts of criminality, in which its assets, employees and clients are a targeted. In this regard, the investigation and prevention of acts of criminality within Postbank is focused on the following:

Commercial

- All forms of financial transactional fraud, whether committed internally or perpetrated by parties outside of Postbank;
- Corruption and collusive tendering for contracts;
- Theft of equipment and assets;
- Cyber-crime; and
- Money laundering and other forms of Financial Crime.

Alignment of Postbank's Fraud Prevention Plan to National Treasury

Postbank's National Fraud Prevention Plan (NFPP) is aligned with Par 14 of the National Treasury Practice Note 4 of 2009/2010, issued in terms of Section 52 of the Public Finance Management Act, as well that of King IV principles. The NFPP is not only limited to compliance with the Public Finance Management Act (PFMA) and the Treasury Regulation 29.1.1., but also encompasses all other legislation, common law as well as internal policies and procedures directed at the prevention and detection of fraud and dishonesty.

Postbank expects all its employees and organisations that are in any way associated with it to be honest and fair in their dealings with and on behalf of the bank, clients, and customers. The main objective of the NFPP is to create a culture which is intolerant of fraud and corruption, by regulating the ethical conduct of Postbank's personnel, clients, and customers. The Plan seeks to implement response mechanisms in all its businesses to deter any form of fraudulent or corrupt activities. It also places responsibility on Postbank personnel to conduct their business in a manner that is conscious of the values of the bank.

The effectiveness of Postbank's Fraud Prevention Plan is dependent upon an all-round approach to fraud and corruption, covering elements of fraud prevention, detection, response to fraud and raising personnel awareness on fraudulent and corrupt activities.

Zero Tolerance

There is an ongoing concerted drive to develop and foster a climate where all Postbank employees strive for the total eradication of fraud, corruption, and theft. This is being complemented with efforts to re-enforce existing regulations that aim to prevent and reduce fraud, corruption, theft, and misadministration where these dishonest acts subsist. The prevention and detection of acts of criminality and dishonesty is management's responsibility and supervisory personnel in that "control" forms an integral part of the overall process of managing operations. Therefore, managers and supervisory personnel at all levels of Postbank have to:

- Identify and evaluate the exposures to loss or failure which relate to their sphere of operations;
- Specify and establish policies, plans and operating standards, procedures, systems, and other disciplines to be used to minimise, mitigate and/ or limit the risks associated with the exposures identified;
- Design and establish practical controlling processes that require and encourage management, supervisors, and employees to carry out their duties in a responsible manner; and
- Maintain the effectiveness of the activities they have established.

The Security and Investigation Services Division of SAPO assists Postbank with security and crime prevention initiatives, as well investigations of matters of criminal and dishonest nature. Therefore, Postbank is expanding the internal investigation capabilities of the bank. The Fraud Business Unit of Postbank has a responsibility to assist the Security and Investigation Services Division by compiling data, performing analysis, and providing proactive trends and weaknesses to enable effective mitigation of fraud and other elements of Financial Crime.

Various structures exist to ensure that there is sufficient oversight with regards to the prevention, detection and reporting on matters of criminality and dishonesty and which inter alia include:

- **Board Sub-Committees:** Social and Ethics Committee, Audit Committee, Risk and Capital Management Committee, Human Resource and Transformation and Remuneration Committee, Information Technology Steering Committee; and
- **Postbank's Executive Management Committee (EXCO) and its governance structures**.

Postbank's Crime Prevention Strategy will continue to focus on products, systems and processes which are targeted by criminal and dishonest elements. The deployment of the Crime Prevention Strategy is business unit-specific to reinforce the current strategies relating to:

- The prevention of fraud, theft, and corruption across all Business Units; and

- The deployment of a dedicated project management focus, with an increased level of crime and cause analysis, project evaluation and impact.

17 COMMUNICATIONS AND MARKETING PLAN

As a state-owned company, Postbank's objectives are to develop state banking capability, become the preferred primary retail banker of choice for customers, and the provisioning of disbursements on behalf of the South African Government, thus making it the catalyst for economic growth and prosperity for all. This is in line with our strategy to create a bank for the future, where each customer matters, and provide accessible, secured, digitally-enabled, and fit-for-purpose financial solutions that enable wealth creation for our customers.

The Communications and Marketing plan is underpinned by the principle of cultivating value-creation relationships in the market for the purpose of creating a competitive brand advantage. Postbank's brand positioning journey is premised on supporting the business' 3-phase strategy execution roadmap that includes "Stabilizing and building the bank", "Growing the bank" and, finally, "Differentiating the bank".

The Communications and Marketing Plan supports the overall ability of the entity to deliver on its mandate and its vision through the realisation of the commercial value that is derived from consumer perceptions of the Postbank brand name, as well as the products and services that we offer in the market, with the ultimate objective of attaining affinity.

The reimagining Postbank's brand is at the centre of the Communications and Marketing plan, with a view to support the objectives aligned to increasing market share, customer experience and revenue growth, as well as foster healthy, profitable relationships with all of the entity's stakeholders and customers.

Key Functional Areas

Postbank's Communications and Marketing Plan relates to the following key functional areas:

- Brand Awareness Building;
- Corporate Relations;
- Media Relations;
- Public Relations; and
- Services and Product Sales Promotions.

The Marketing and Communications division has identified the activities that will contribute towards the achievement of the corporate objectives presented in this plan in relation to:

- Improving Brand Awareness;
- Supporting Revenue Growth;

- Supporting the cultivation of a High-Performance Culture; and
- Promoting relations with Stakeholder.

18 ENVIRONMENTAL, SUSTAINABILITY & GOVERNANCE (ESG) AND COPORATE SOCIAL INVESTMENT (CSI)

18.1 Environmental, Sustainability & Governance

Postbank acknowledges its corporate responsibility towards sustainability. Hence, the bank is committed to conducting all its business activities in a sustainable manner and contributing to the efforts of the global corporate community to reduce the impact of its commercial operations on the environment. This commitment is embedded in the bank's belief in a shared value proposition – the notion that we must continue to consider the environment and our society, while we do business.

Environmental Sustainability:

We recognize the importance of protecting the environment and will strive to minimize our impact on it. To achieve this, we will:

- Reduce our carbon footprint by implementing energy-efficient practices and investing in renewable energy sources;
- Reduce paper consumption by promoting the use of electronic communications and implementing paperless systems where feasible;
- Monitor and report on our greenhouse gas emissions and take steps to reduce them;
- Promote sustainable transportation by encouraging the use of public transport, carpooling, and other sustainable modes of transportation; and
- Promote the use of sustainable products and services by sourcing materials, products, and services that have minimal environmental impact.

Social Sustainability

We recognize the importance of social sustainability and will strive to promote social development in South Africa. To achieve this, we will:

- Promote social inclusion and diversity in our workforce by recruiting, retaining, and developing a diverse range of employees;
- Support the development of local communities by providing financial support to community projects and initiatives;
- Promote financial inclusion by providing access to affordable financial services to underserved and marginalized communities;
- Promote responsible lending practices by providing loans and credit only to those who can afford to repay them; and

- Promote ethical business practices by ensuring that our business partners and suppliers share our commitment to sustainability.

Governance Sustainability:

We recognize the importance of good governance and will strive to maintain high standards of corporate governance in our operations. To achieve this, we will:

- Establish a sustainability committee to oversee the implementation of this sustainability policy and monitor progress towards achieving our sustainability goals;
- Monitor and report on our sustainability performance, including our environmental, social, and governance performance;
- Embed sustainability considerations into our decision-making process and ensure that all business decisions consider their potential impact on sustainability;
- Encourage transparency and accountability by regularly engaging with stakeholders and reporting on our sustainability performance; and
- Promote responsible investment by investing in companies and assets that demonstrate strong environmental, social, and governance performance.

ESG Principles:

Integration: Postbank will integrate sustainability considerations into its strategic planning, decision-making processes, and day-to-day operations.

Compliance: Postbank will comply with relevant legislation, regulations, and industry standards related to environmental, social, and economic sustainability.

Stakeholder Engagement: Postbank will actively engage with stakeholders, including employees, communities, customers, and shareholders, to identify and address their concerns and expectations regarding sustainability.

Risk Management: Postbank will identify and manage sustainability-related risks and opportunities to ensure the long-term viability and resilience of its operations.

Performance Monitoring and Reporting: Postbank will establish mechanisms to monitor and report on its sustainability performance, including the setting of targets, regular assessment, and transparent disclosure of relevant information.

Continuous Improvement: Postbank will strive for continuous improvement by setting ambitious sustainability goals, fostering innovation, and implementing best practices.

18.2 Corporate Social Investment (CSI)

As a state-owned company, 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 it operates. Our strategy of banking the unbanked which is borne out of the mandate to promote financial inclusion, embodies our approach to CSI. This approach entails giving people the necessary financial education they require to independently make sensible financial decisions. To this end, Postbank is involved in multiple financial literacy programs across the country.

Though Postbank is currently focused 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 it conducts business activities. These interventions will be in the form of tailor-made programs that meet the social and economic needs of host communities.

Education/Financial Literacy Programmes

Because Postbank's core mandate is financial inclusion, the financial education of customers and the country's citizens is therefore a critical part of the bank's delivery methodology. The bank has contributed significantly to various efforts aimed at educating the marginalised communities on financial matters.

18.3 Combined ESG and CSI Initiatives

Supplier Development:

- Integrate green criteria into our supplier selection process, emphasizing partnerships with suppliers actively engaged in green initiatives; and
- Establish a reciprocal approach, collaborating closely with suppliers committed to sustainability goals. This ensures a shared commitment to environmental responsibility throughout our supply chain.

Financial Inclusion Initiatives:

- Strengthen our social responsibility efforts by leveraging the financial inclusion through the various product marketing and brand awareness activations campaigns; and

- Explore how the program can be aligned with green objectives (i.e. how we can contribute to the communities and their development as a CSI project)

Governance Enhancement:

- Empower our governance structures to enforce ethical decisions-making;
- Promote a culture of transparency, and accountability;
- Employee well-being, diversity and inclusion;
- Prioritize employee well-being by promoting a healthy work-life balance and mental health support programs like ICAS; and
- Foster diversity and inclusion to create a more equitable and supportive workplace.

19 ANNEXURES

Annexure A: Materiality Framework

Materiality		
Profit after tax	**5%-10%**	
As Postbank is a small entity company the 5% is applied	5%	*per best practice of the material*
Adjustment		
Nature of the business:		
Postbank is a financial institution which currently operates under an exemptions which allow the institution to accept deposits from customers. Postbank is not Government funded and generates income from two sources being : Non Interest Revenue which is transaction fees charged directly to the customer and Interest Income which is income recieved from investment of customer funds. Postbank is highly dependant on customer behaviour.	-0.5%	
Statutory requirements:		
Postbank is State owned entity governed in accordance to the Public Finance Management Act (Shedule 2) it was estalishment mainly to address financial inclusion specifically for the unbanked and underbanked. Even though Postbank has not been licenced as a full fledged bank there are numerous ACTS and regulation that its is expected to adhere too. We therefore accordingly decided to give preference to a lower level of materiality (i.e. closer to the lower level of the acceptable percentage range) due to it being so closely governed by various acts and the public accountability responsibility it has to stakeholders.	-1%	
The control and inherent risks associated with the Postbank:		
The inherent risks associated with the financial service were considered in relation to the current Postbank structure and controls with the entity. Postbank currently does not have fully capacitated Internal audit and compliance units which are vital in assessing the controls within the organisation. Postbank FIC and IT department is currently capacitated using temporary staff which creates a succession risk for the organisation. Postbank. Postbank has high vacancy with the executive level creating instability within the organisation. Postbank had one audit report matter in the previous financial year which related to compliance. Further the significant transaction of the transfer of assets creates additional risk in the next financial year.	-2.0%	
Adjusted materiality %	**1.50%**	
MATERIALITY		
Average of the profit before tax - using the Corporate plan forecast	454,677,254	
Applied the 1.5% Postbank materiality benchmark	6,820,159	

SIGNIFICANCE			
Classes	Rand	Materiality	Calculation
Assets	9,445,381,719.71	1.5%	**141,680,725.80**
Profit after tax	413,097,821.08	1.5%	**6,196,467.32**
Operating income before operating expenditure.	1,605,770,159.91	1.5%	**24,086,552.40**
Significant of influence			**57,321,248.50**

Table 16: Materiality framework

Annexure B: Delegation of Authority

THE SOUTH AFRICAN POSTBANK

A.	MATERIALITY FRAMEWORK	
1	**Section 55: Material Disclosure**	
1.1	Losses due to riminal conduct	R 6,000,000
1.2	Irregular expenditure	Disclose ALL
1.3	Fruitless and wastefull expenditure	Disclose ALL

LEGENDS	
(grey)	No Authority
(white)	Authority to recommend (REC) or approve (APP). No monetary value
(yellow)	Authority to approve, limited to the stipulated officials
(green)	No Authority to approve except for stipulated officials
(red)	Requisition Approval on SAP workflow

DELEGATION OF AUTHORITY FRAMEWORK

	SIGNIFICANCE FRAMEWORK	THRESHOLD	REFERENCE	POSTBANK BOARD APPROVAL THRESHOLD	EXCEPTIONS
	Section 54: Significant Transactions: Before any of the following transactions are concluded, National Treasury must be informed in writing and approval should be sought from the Minister of the Depaetment of Telecommuinication and Postal Services.				
	Quantitative: The quantitive significance value of the following "qualifying transaction" is per the prevailing significance threshold based on the PFMA guidelines and the as approved by the Minister. This may be ramended from time to time given changes in the natuire of the business and/or as determined by the Minister.	R57M			
	Qualitative: Consideration other than financial rand value that may requirecareful judgement (refer to **Annexure A** of this workbook for detailed guideline and definition of "Quality Transaction").		Annexure A		
a	Establishment or participation in the the establishment of a company		3.1	No Authority with exceptions	Approval if qualifying as per 3.1.3
b	Participation in a **significant** partnership, trust unicorporated joint venture or similar arrangement.		3.2	No Authority with exceptions	R57M for qualifying transactions per 3.2.2 and 3.2.3 (See Annexure A) for qualitative exceptions.
c	Acqusition or disposal of **significant** shareholding in company.		3.3	No Authority with exceptions	Approve if change in shareholding is < 20% or if the acquisition in a company is less than 20%.
d	Acquistion or disposal of **significant** asset.		3.4	R57M	Assets calssified as current assets according to Generally Accepted Accounting Practice need not be regarded as falling under this subsection.
e	Commencement or cession of a **significant** business activity, and		3.5	R57M	Business activity that falls within SA Postbank's core business is not deemed to be significant as defined (Refer to Annexure A, 3.5.1)
f	A significant change in the nature or extend of interest in a parternship, trust, unicorporated joint venture or similar arrangement. (The significance of a change in interest as envisgaed in this subsection should only be considered if the participation in the partnership, trust, unicorporated joint venture or similar arrangement was orginally regarded as significant as per 3.1		3.6	No Authority with exceptions	Approve if: - The rand value is within the R57M thereshold; - If the transaction results in a cumulative interest < 20%; - Any subsequent change that resukt in an increase of the cumulative inteest by < 10% in the vehicle.

Table 17: Delegation of Authority

Annexure C: Significance Framework - Guideline Principles

ANNEXURE A

3	SIGNIFICANCE FRAMEWORK – GUIDELINES PRINCIPLES

3.1	**Section 54(2((a) [Establishment or participation in the establishment of a company]:**
3.1.1	Any transaction of this nature that causes any interest (equity or loans) to be taken by the public entity in the company to be established, requires approval from the Executive Authority irrespective of its materiality or significance.
3.1.2	Concerning participation in the establishment of a company, where an interest (equity or loans) is to be taken by the public entity in the company to be established, any involvement by a particular public entity in the establishment process will necessitate an application for approval, regardless of the degree of involvement by that public entity.
3.1.3	Following from 3.1.1 ad 3.1.2 above, where no interest (equity or loans) is to be had by the public entity in the company to be established, for example the public entity is only facilitating the formation on behalf of or with other parties in pursuance of a social objective, such participation need not necessitate an application.
3.1.4	It must be noted that the establishment (or participant in the establishment) by a public entity of any company that is domiciled outside the Republic of South Africa also falls under this subsection.
3.1.5	For purposes of establishment of an entity as envisaged under section 51(1) (g), the above principles will also apply.

3.2	**Section 54(2)(b) [Participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement]:**
3.2.1	Any transaction involving the above that entails incorporation under the Companies Act (or similar foreign legislation) should be dealt with under 3.1 above.
3.2.2	For transactions not entailing incorporation, significance is determined by a rand amount derived from the parameters outlined in 3.7 below.
3.2.2.1	However, participation in any partnership, trust, unincorporated joint venture, or similar arrangement that is located outside the Republic of South Africa is to be regarded as significant, thus necessitating an application for approval, irrespective of the rand amount involved.
3.2.3	For purposes of establishment of an entity as envisaged under section 51(1) (g), transactions not regarded as significant in terms of 3.2.2 and 3.2.2.1 above need not require an application.

3.3	**Section 54(2)(c) [Acquisition or disposal of a significant shareholding in a company]:**
3.3.1	Where any of the following occurs, the transaction is to be regarded as significant:
3.3.1.1	*Where ownership control is affected; or*
3.3.1.2	*Where the public entity's right to pass or block a special resolution is affected; or*
3.3.1.3	*There is a change in shareholding of at least 20%; or*
3.3.1.4	*For an acquisition, any transaction that results in a shareholding of at least 20% in a company.*
Note: The Executive Authority is at liberty to specify lower percentage on a case-by-case basis where it deems necessary, e.g. where the company concerned is domiciled in a foreign country.	

ANNEXURE A

3	SIGNIFICANCE FRAMEWORK – GUIDELINES PRINCIPLES

3.4	**Section 54(2)(d) [Acquisition or disposal of a significant asset]:**
3.4.1	Although the acquisition or disposal of shares or of an interest in an unincorporated vehicle, as envisaged by sections 54(2) (b), (c) and (f), would also be an acquisition or disposal of an asset, such transactions are more appropriately dealt with under the guidelines for those subsections.
3.4.2	Assets classified as current assets according to generally accepted accounting practice need not be regarded as falling under this subsection.
3.4.3	The acquisition / disposal of all assets other than those referred to in 3.4.1 and 3.4.2 above should be regarded as significant if its rand value falls within the parameters outlined in 3.7 below. Please Note The calculated significance value is R57M
3.4.4	Regarding the acquisition of assets through a finance lease, the principles in both 3.4.2 and 3.4.3 will apply.

3.5	**Section 54(2)(e) [Commencement or cessation of a significant business activity]:**
3.5.1	A business activity that falls within a public entity's core business need not be regarded as falling under this subsection.
3.5.2	A business activity that falls outside of a public entity's core business should be regarded as significant if its rand value falls within the parameters outlined in 3.7 below.

3.6	**Section 54(2)(f) [A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture, or similar arrangement]:**
3.6.1	The significance of change in interest as envisaged in this subsection, and thus the guidance per 3.6.2 to 3.6.4 below, should only be considered if the participation in the partnership, trust, unincorporated joint venture, or similar arrangement was originally regarded as significant per 3.2 above.
3.6.2	Any change in interest the rand value of which exceeds the significance limits as determined per 3.7 below, should be regarded significant.
3.6.3	Where the nature changes between any of the vehicles (that is, between a partnership, trust, unincorporated joint venture, or similar arrangement), this should be regarded as significant.
3.6.4	Any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust, unincorporated joint venture, or similar arrangement) should be regarded as significant.
3.6.4.1	*Any subsequent transaction that results in an increase of the cumulative interest by at least 10% in the vehicle (partnership, trust, unincorporated joint venture, or similar arrangement) should be regarded as significant.*
Note: The Executive Authority is at liberty to specify a lower percentage on a case-by-case basis where it deems necessary, e.g. where the operations of the vehicle concerned is in a foreign country.	

Table 18:Significance framework - Guiding Principles

Annexure D: Organisational Structure

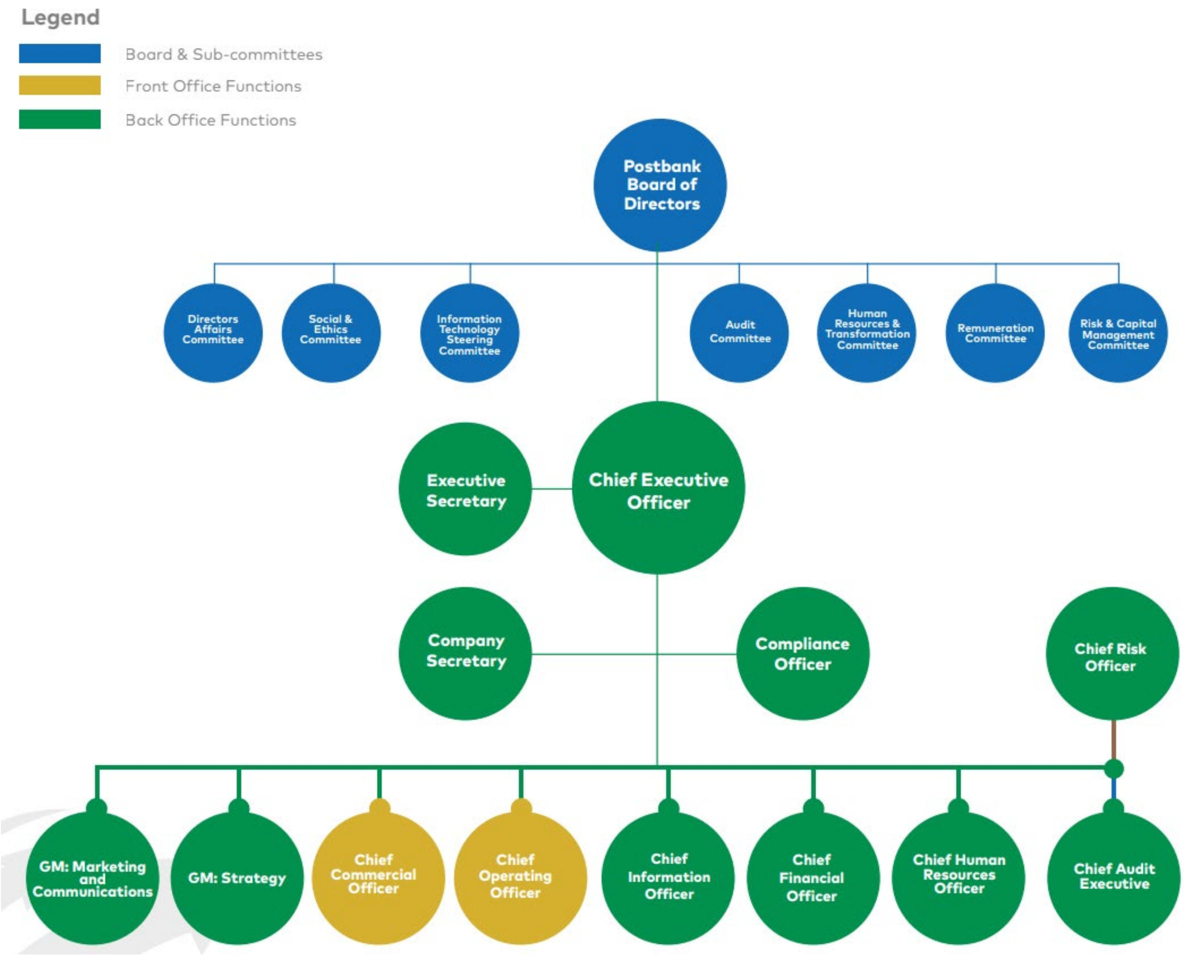


Figure 29: Approved Postbank organisational structure

20 LIST OF FIGURES

21 LIST OF TABLES

22 ABBREVIATIONS

AI	Artificial Intelligence
AC	Audit Committee
BCC	Bank Controlling Company
BI	Business Intelligence
AML	Anti-Money Laundering
API	Application Programming Interface
APP	Annual Performance Plan
ATM	Automated Teller Machine
B2B	Business to Business
B2C	Business to Customer
BTC	Bitcoin
CAE	Chief Audit Executive
CAR	Capital Adequacy Ratio
CAPEX	Capital Expenditure
CBDC	Central Bank Digital Currency
C2C	Customer to Customer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
COFI	Conduct of Financial Institution
COVID-19	Coronavirus
CRM	Customer Relationship Management
CRO	Chief Risk Officer
CTI	Cost to Income
DAC	Directors' Affairs Committee
DCDT	Department of Communications and Digital Technologies
DoT	Department of Transport
ERMF	Enterprise Risk Management Framework
ERRP	Economic Recovery and Reconstruction Plan
ESG	Environmental, Social and Governance
EVP	Employee Value Proposition
EXCO	Executive Management Committee
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
FSCA	Financial Sector Conduct Authority
FY	Financial Year
G2C	Government to Consumer
G2G	Government to Government
G2P	Government to People
GDP	Gross Domestic Product
HRTC	Human Resource and Transformation Committee
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IT	Information Technology
ITSC	Information Technology Steering Committee

KPI	Key Performance Indicators
MOI	Memorandum of Incorporation
mPOS	Mobile Point of Sale
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NCD	Negotiable Certificate of Deposits
NDP	National Development Plan
NFC	Near Field Communication
NFPP	National Fraud Prevention Plan
NII	Net Interest Income
NIR	Non-Interest Revenue
NPS	National Payment System
OPEX	Operational Expenditure
PA	Prudential Authority
PASA	Payment Association of South Africa
PCI DSS	Payment Card Industry Data Security Standard
PESTEL	Political, Economic, Social, Technological, Environmental, Legislative
PFMA	Public Finance Management Act
PMO	Project Management Office
POPI	Protection of Personal Information
POS	Point of Sale
RC	Remuneration Committee
RCMC	Risk and Capital Management Committee
SAPO	South African Post Office
SARB	South African Reserve Bank
SASSA	South African Social Security Agency
SEC	Social and Ethics Committee
SEM	Socio-Economic Measure
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
SOC	State-Owned Company
SOE	State-Owned Entity
SRD	Social Relieve of Distressed grant
STO	Strategic Transformation Office
SWOT	Strengths, Weaknesses, Opportunities and Threats
USSD	Unstructured Supplementary Service Data

23 GENERAL INFORMATION

23.1 Company Information

Registered Name	South African Postbank SOC Ltd
Registration Number	2017/177755/30
Registered Address	497 Sophie de Bruyn Street, Pretoria,0001
Postal Address	PO Box 10 000, Pretoria, 0001
Contact Telephone Number	012 407 7000
Website Address	www.postbank.co.za
External Auditors	Auditor General of South Africa
Company Secretary	Nobuhle Sibeko

National Postal Centre (NPC)
Cnr 497 Sophie de Bruyn &
Jeff Masemola Streets
Pretoria
0002

POSTAL ADDRESS
P.O Box 10 000
Pretoria | 0001

Tel: 012 407 6000
Customer Care: 0800 53 54 55
Email: postbank.enquiries@postbank.co.za