Postbank
Your Bank

CORPORATE PLAN
FY2023/24 - 2025/26

LIST OF ABBREVIATIONS

AI	Artificial Intelligence
AML	Anti-Money Laundering
ATM	Automated Teller Machine
API	Application Programming Interface
B2B	Business to business
B2C	Business to consumer
BTC	Bitcoin
CBDC	Central bank digital currencies
C2C	Consumer to consume
CI	Corporate Identity
COVID-19	Coronavirus
CRM	Customer Relationship Management
CTI	Cost to income ratio
DCDT	Department of Communications and Digital Technologies
ESG	Environmental, Social, and Governance
EVP	Employee Value Proposition
FICA	Financial Intelligence Centre Act
G2P	Government to people
G2C	Government to consumer
G2G	Government to Government
GDP	Gross Domestic Product
IT	Information Technology
ICT	Information and Communications Technology
KPI	Key Performance Indicators
LSM	Living Standards Measure
MTEF	Medium-Term Strategic Framework
mPOS	Mobile Point of Sale
NFC	Near field Communication
NII	Net Interest Income
NIR	Non Interest Revenue
RFID	Radio Frequency Identification
PA	Prudential Authority
PASA	Payments Association of South Africa
PCI DSS	Payment Card Industry Data Security Standard
PMO	Project Management Office
POS	Point of Sale
SARB	South African Reserve Bank
SASSA	South African Social Security Agency
SAPO	South African Post Office
SMME	Small, Medium and Micro Enterprises
SRD	Social Relief of Distress grant
STO	Strategic Transformation Office
USSD	Unstructured Supplementary Service Data

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GENERAL INFORMATION

Registered Name	South African Postbank SOC Ltd
Registration Number	2017/177755/30
Registered Office Address	497 Sophie de Bruyn Street, Pretoria, 001
Postal Address	PO Box 10 000, Pretoria, 0001
Contact Telephone Number	(012) 407 7000
Website Address	www.postbank.co.za
External Auditor	Auditor General of South Africa
Company Secretary (Acting)	Tlamelo Majatladi

Throughout the text of the document, Postbank SOC Ltd is referred to as Postbank.

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

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 PFMA and Treasury Regulation 29.1, under the guidance of the Postbank Board, representing 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;
- takes into account 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 FY2025/26.

It is hereby certified that this **Annual Performance Plan:**

- was developed by the management of Postbank under the guidance of the Postbank Board, representing the Accounting Authority;
- takes into account the analysis of the current and forecasts of future economic and industry developments; and
- accurately reflects the performance targets which the South African Postbank SOC Ltd will endeavor to achieve for the financial year FY2023/24.

Postbank CFO: **Thokozile Motsweni** (Acting)	Signature: ______________________ Date: 31 March 2023
Postbank CEO: **Nokwanda Madondo** (Acting)	Signature: ______________________ Date: 31 March 2023
Chairperson Of Postbank Board: **Thabile Wonci**	Signature: ______________________ Date: 31 March 2023

Postbank
Your Bank

Executive Summary

1. EXECUTIVE SUMMARY

1.1. 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, effective on 1 April 2019. This was after 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.

As part to transition Postbank from a state owned savings bank to a registered state owned bank, the shareholder initiated a process to amend the Postbank Act to enable the establishment and incorporation of the South African Postbank Holding Company, a Bank Controlling company as per the Banks Act. Once promulgated, Postbank intends to start the process of resubmitting and finalizing its Section 16 application to become the registered state owned bank. The aforesaid presented a persuasive case for Postbank to refocus its strategies, business models, and operating models, in order to provide a full range of retail, small and medium-sized business, and public sector banking services. An intensive consultation process took place during the strategy strategic planning sessions that shaped the strategy and the subsequent Corporate plan for FY2023/24 - FY2025/26.

Postbank has experienced challenging time over the last few years on its journey towards a standalone legal entity. The understanding of these challenges has assisted Postbank in mapping out the journey that the bank is embarking on for its future success. The strategy identifies opportunities for the improvement of Postbank's IT environment based on current challenges and to improve internal operations, technological infrastructure and to embrace digital technology in its quest to foster financial inclusion and financial sustainability. Furthermore, to that the banking platform infrastructure complies with the South African Reserve Bank's (SARB) Prudential Authority (PA) regulations and addresses concerns raised in the SARB variation notice.

1.2. Strategic approach

Postbank has embarked on a journey to define its strategic plan that will enable and empower it to drive financial inclusion across the most marginalized and needy segments of society. In defining our 'North Star,' we focus on our capabilities that will ensure our success as the registered state owned bank.

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

Apart from building the registered state owned bank, the organisation will continue its efforts 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. Therefore, market success and to better serve evolving customer expectations requires Postbank to establish a modern core banking technology platform, optimise its transactional banking capabilities, and utilise technology to optimise banking options.

To support the strategy development, an in-depth assessment of the internal and external environment was conducted to understand factors that might intrude, positively or negatively, on the ability of the Bank to achieve its goals. The SWOT analysis was undertaken to provide a high-level synopsis of Postbank's internal and external strategic positioning as shaped by the actions/accelerators and roadblocks/risks.

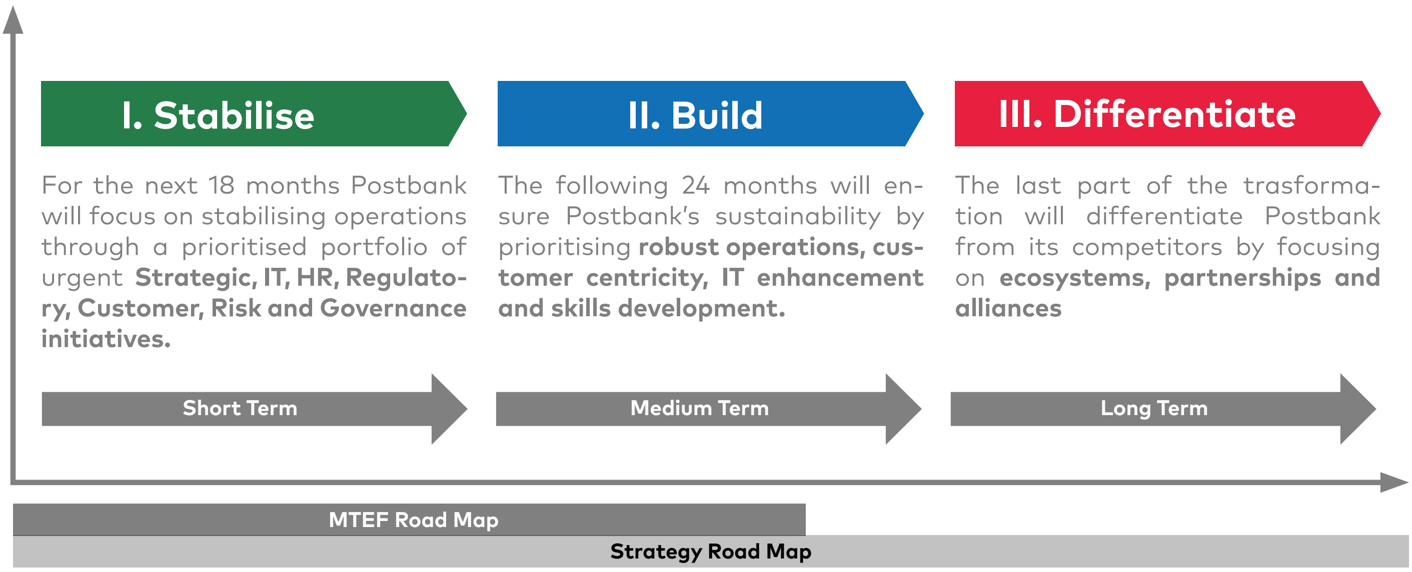
Moreover, a business capability assessment review was conducted to provide us with an overview of our capabilities maturity level. Digital experience, robust and high-performance core banking systems, cyber security management, talent management for employee value propositions, onboarding, acquisition and sales, and digital platforms were among the capabilities assessed.

Based on the business capabilities assessment, engagements, and consultations with management and the Executive Authority, six key themes were identified as focal points for Postbank's vision and strategic aspirations. These include community, core services enablement, partnerships, and alliances, platform play, digital transformation and safety, security, risk, and compliance. An investment into differentiating capabilities within these six themes will be required to enable the strategic aspirations and address a shift in the themes.

The outcomes on the strategy roadmap are substantiated by a clear understanding of which of Postbank's capabilities, gaps and priorities must be addressed. 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 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 *(Stabilise phase, Build phase and Differentiate phase)* and the critical capabilities within each that which are essential for the realisation of our 2030 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 phase in the first 12 to 18 months of the MTEF period and the building phase in the remaining period of the MTEF.



Mandate and Legislative Framework

2. MANDATE AND LEGISLATIVE FRAMEWORK

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

Financial inclusion, defined by the National Treasury (2020), is the delivery of financial services at the lowest cost to large numbers of previously excluded or underserved communities. In order to meet the basic financial needs of South Africans, National Treasury recommends five product categories;

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

The South African Postbank Company was established in 19 April 2017 and was gazetted to take over the Postbank business from the South African Post Office, effective on 1 April 2019. This was after promulgation of the Postbank Limited Act in 2010, which initiated the transitioning of the organisation into an independent, registered state owned bank. Following this decision, Postbank received a Section 13 approval to establish a bank in 2016 and subsequently applied for its Section 16 banking license application in 2017. As part of the journey, Postbank was in 2020 designated as a fully-registered participant on the National Payment System.

In order to transition the Postbank into a registered retail bank, the shareholder (Department of Communications and Digital Technologies/DCDT) initiated a process to amend the Postbank Act in order to allow the establishment and incorporation of the South African Postbank Holding Company. Postbank intends to begin the process of resubmitting and finalizing its Section 16 application to become the future State Bank once the Bill has been promulgated.

Postbank is currently exempted from the provisions of the Banks Act and is regarded as a deposit-taking institution. Though exempted from the Banks Act, Postbank endeavours to comply with its prescripts.

2.1. 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, including the SARB, Financial Intelligence Centre (FIC), Financial Sector Conduct Authority (FSCA), and National Treasury.

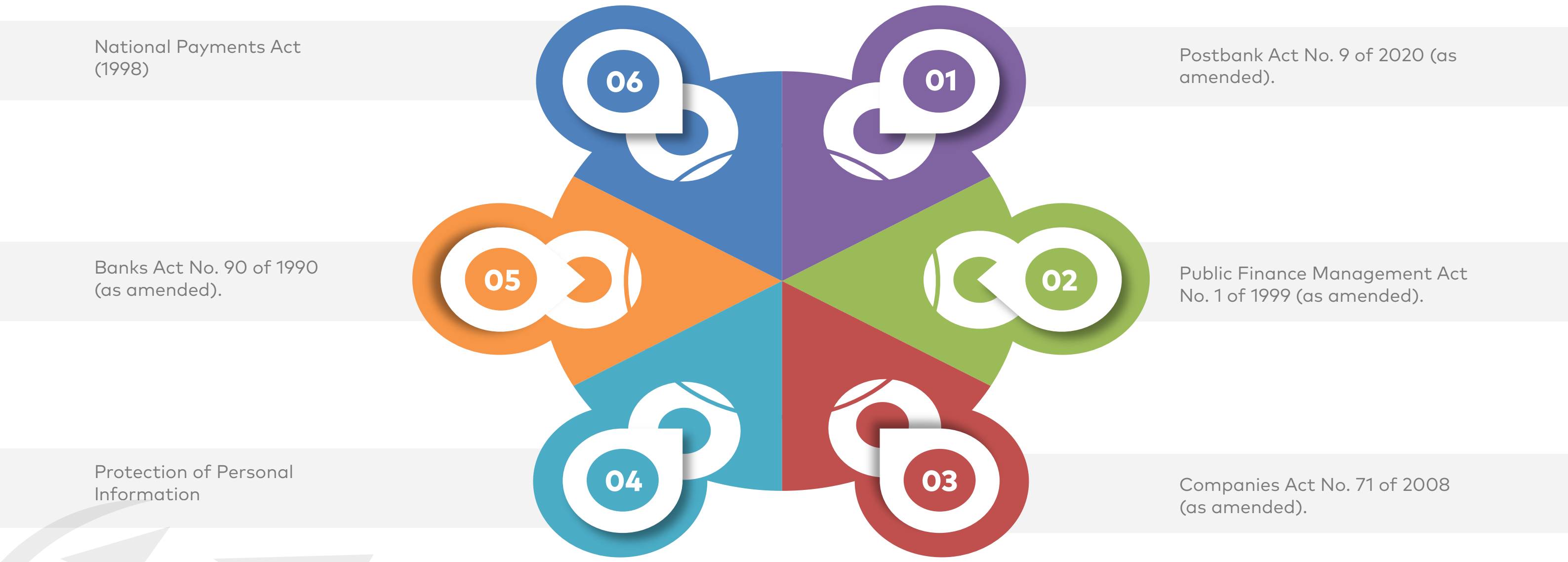


Figure 1: Postbank Regulatory Framework

Vision, Mission and Values

3. VISION, MISSION AND VALUES

The goal of promoting financial inclusion and the responsibility to address equity and opportunity gaps in society, particularly for the underserved communities informs Postbank's Vision, Mission and Values.

Postbank's mission is **to serve our communities through the provision of simple and affordable financial services.** Complementing this mission is its newly developed altruistic vision is **to be the trusted bank through financial inclusion and upliftment for all.**

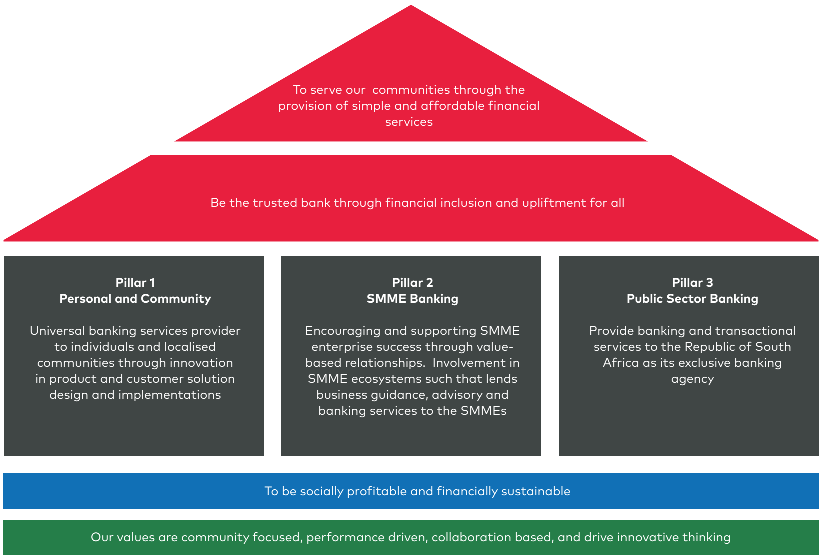
Mission key considerations:

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

Aspiration key considerations:

The aspiration should:

- Drive our growth strategy.
- Ensure a sustainable operationally efficient strategy.
- Drive our social impact and focus on underserved communities and businesses.
- Offer measurable and tangibles outcomes.



Vision key considerations

Focus is on meaningful economic development

To support the country growth objectives:

- Economic boost
- Poverty alleviation
- Reduce inequality
- Financially astute South Africa
- Financially inclusive South Africa
- Ensure sustainable and long-term impact

Vision key considerations:

The aspiration should:

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

A qualitative research study is set to be performed to capture employees' perspective on the current and future Postbank values across the business. This is essentially to ascertain a new set of values to which Postbank needs to align to. The current Postbank values which include passion, personal growth, accountability, community, collaboration and efficiency form the stepping stone for the establishment of the new values that will shape Postbank's culture moving forward.

State of Postbank's Mission, Vision and Values						
Mission	***"To serve our communities through the provision of simple and affordable financial services"***					
Vision	***"Be the trusted bank through financial inclusion and upliftment for all"***					
Values	***Passion***	***Personal Growth***	***Accountability***	***Community***	***Collaboration***	***Efficiency***

3.1. Market Segment

Postbank's banking market is divided into (1) Personal and Community (Retail) banking, (2) SMME/Business banking and (3) Public sector banking.

1. Personal and Community (Retail) banking - focuses on meeting the needs of individuals (as distinct from business enterprise). This includes segments from high-net-worth individuals, through to mass affluent to mass personal, and has the following characteristics:

- Supports the banking needs of individuals, rather than business enterprises
- Can be categorised into three broad groups aligned to the general needs of each sub-segment
- Traditionally, retail banking had revolved around obtaining low-cost funds via customer deposits and provided consumer credit for their customers to enable their lifestyles
- For high-net-worth individuals, retail banks provide more personalised services, serving as wealth partners.

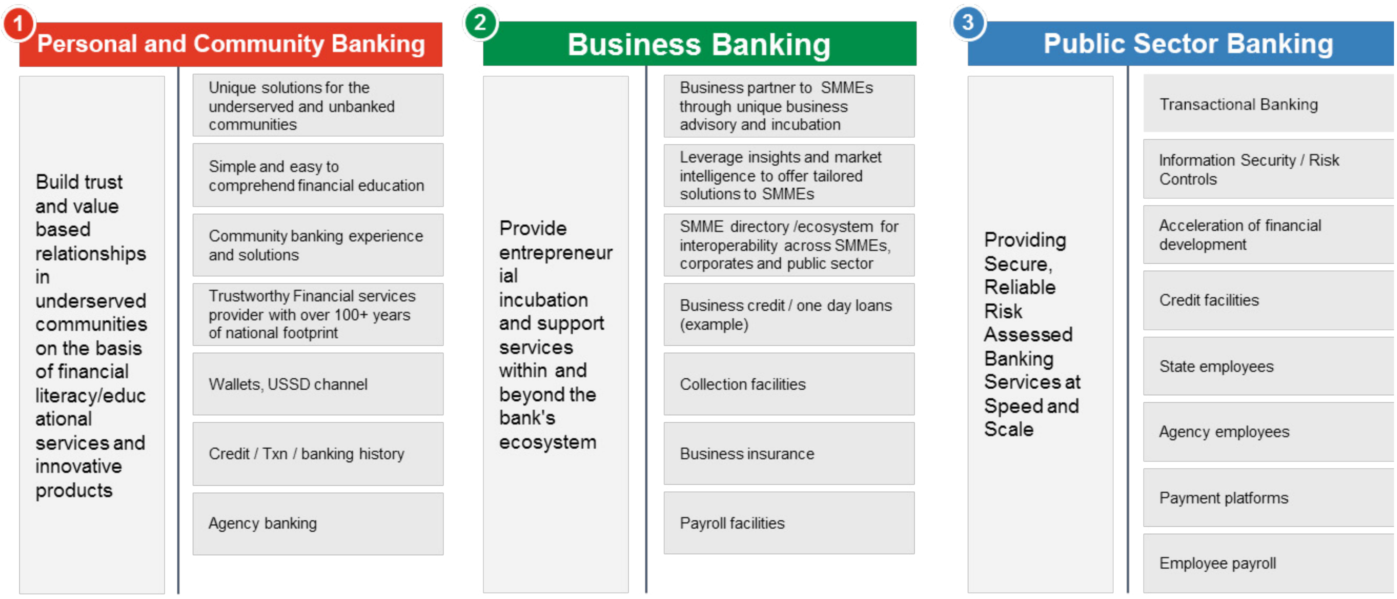
2. SMME/Business and Public Sector banking seeks to serve the State, SOEs, and SMME's and has the following characteristics:

- Supports the banking needs of business enterprises.
- Those business enterprises can be public or private companies, partnerships, or sole traders.
- Typically dealt with distinctly from the banking of individuals.
  - except where there are connections to providing banking services to the wealthy owners or senior managers of enterprises

Typically, SMME/Business banking is organised around the customer groups under the Business segment.

3.2. Value propositions

Postbank established value propositions that span across its future banking businesses in order to ensure that customer needs are met by establishing a comprehensive view of its customers value proposition for each market segment.



3.3. Business and Operating model

A concrete business model will be developed within this MTEF period to define market segments, offerings, and go-to-market strategies across our three pillars: Personal and Community, SMME/Business, and Public Sector banking. Moreover, to provide detailed costing (revenues, costs, or budgets) for each market segment. As a result, the bank's activities will also be more aligned with the revised strategy.

This business model and strategic plan will form the basis of the Bank's granular operating model. Postbank's optimal organizational design, a mix of physical and digital channels, products, and services, as well as the need for innovation and investment, will be clarified as a result.

History of Postbank

4. HISTORY OF POSTBANK

1822
Establishment of SA's first savings bank.

1875
State owned savings bank.

1974
Post Office assumes responsibility of savings bank.

1994
Post Office Savings bank division renamed Postbank.

2010
Approval to transition Postbank into a separate SOC.

2011
Acquired VISA member status.

2012
Full membership with PASA.

2013
Amended Postbank Act promulgated. Submit Section 13 application to the SARB.

2016
Obtained a section 13 approval to establish a bank.

2017
Officially registered as South African Postbank SOC Ltd Submitted Section 16 application to the SARB.

2019
Gazetted to operate as a separate legal entity and Transfer of Assets & Liabilities to Postbank SOC Ltd
Banks Act Amendments.

2020
Approval to transition Postbank into a separate SOC.

2021
Full migration of financial data from Company 1000 to Company 4000.

2022
Amendments the Postbank Act tabled.. Launched a new Corporate identity.

2023
Establishment of the Bank Controlling Company and update of the Section 16 licence application.

4.1. Consumer landscape

Currently, South Africa has a total population of 58 million, and it is expected to increase to 65-67 million by 2030. The country's adult population (16 years and older) is about 40.9 million people. Currently, South Africa is urbanising rapidly, with 63% of people living in urban areas; this statistic is expected to rise to 71% by 2030.

According to figure 2, South Africa has a relatively young population, with 71.6% under 40 years old.

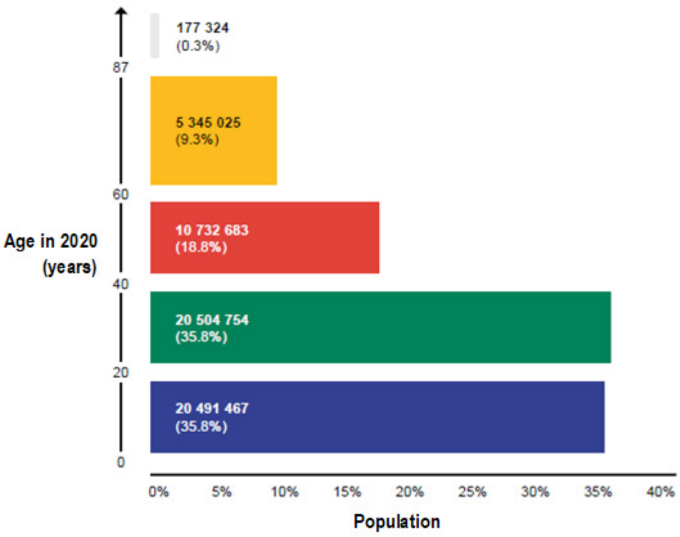


Figure 2: Population Segmentation by Age (Data source: Publisher Research Council, 2021)

Statistics South Africa (Stats SA) estimated the 2020 mid-year population at 59.2 million. South Africa is divided into nine provinces, and vast differences occur in their population composition and economic activities.

There is a fairly marked difference in population distribution across the nine provinces. For example, Gauteng Province accounts for 26.0% of the total population. Compared to the Northern Cape, which has the smallest population of 1.29 million people accounting for 2.2% of the total. From a marketing and revenue-generation perspective, the most important provinces are Gauteng, with the largest population of 15.5 million people (26.0%), Kwa-Zulu Natal with 11.5 million (19.3%), and the Western Cape with 7.0 million people (11.8%). Collectively, these three provinces account for 57.1% of the population.[ii]

Postbank utilises the socio-economic measure (SEM) segmentation methodology to monitor trends within its customer segments. These trends enable Postbank to continually update its product and marketing strategies. Figure 3 below provides a view of the distribution of the South African population across the 10 SEM groups.

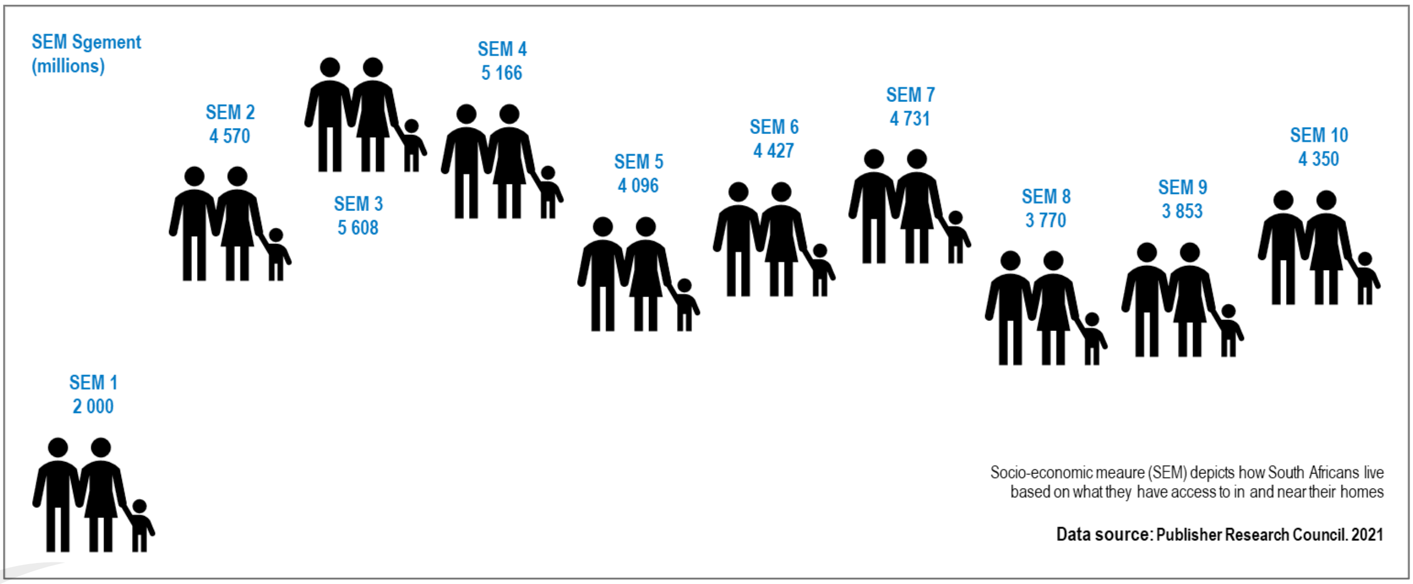
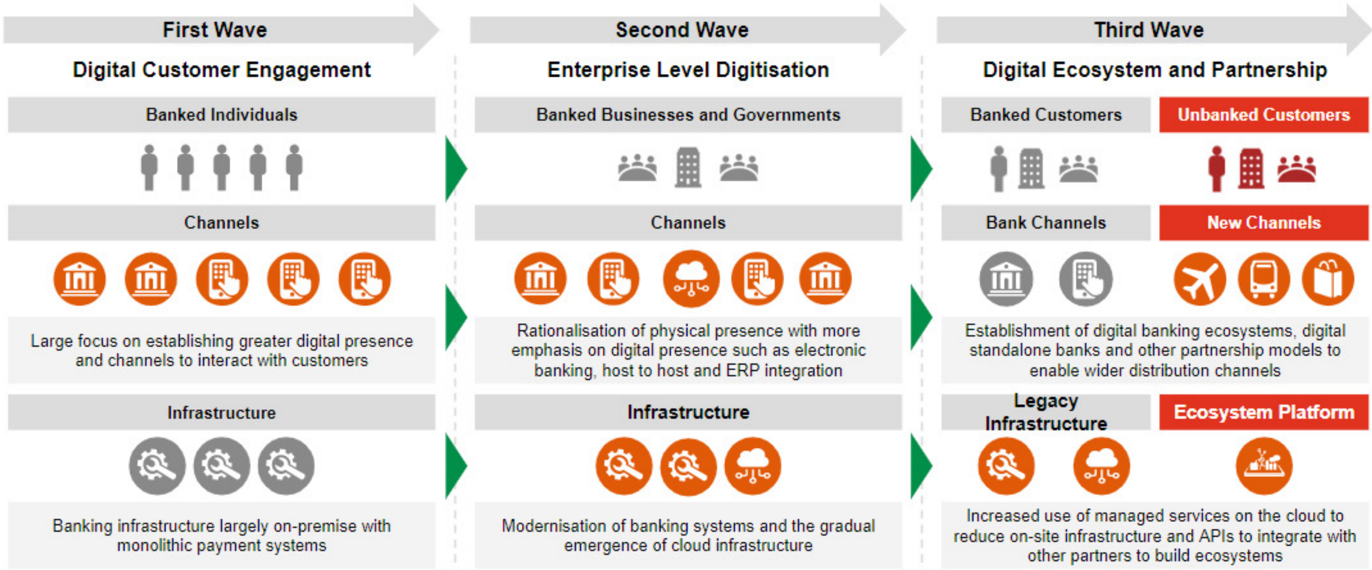


Figure 3: SA Population SEM Segmentation

4.2. Evolving 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 tried and tested approaches of the past. They are having to respond with new models in order to remain relevant to the market in the long term.



The changing landscape is forcing banks to look at different ways to enhance profitability through the service offerings that have subsequently resulted in banks partnering with various industry players that offer differentiated value propositions.

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 and telecom, retail 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.

[i] https://pmg.org.za/page/Urbanisation

[ii] Understanding the Living Standards Measure Segmentation in South Africa. Global Agricultural Information Network. November, 2020.

Strategy Alignment with Government Priorities

5. STRATEGY ALIGNMENT WITH GOVERNMENT PRIORITIES

5.1. Economic Recovery and Reconstruction Plan (ERRP)

There are numerous opportunities linked to 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 and delivery

Modernisation of **freight and public transport**. Working with the **SETAs, industry and TVET colleges** to ensure infrastructure maintenance skills are in place

2. Industrialisation through localisation

SMME development in construction; agro-processing; healthcare; 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

3. Energy security

Investment in grid expansion and improvement to connect new capacity, Green Hydrogen, gas to power programme, and partnerships for the LNG import architecture

4. Gender equality and economic inclusion of women and youth

Young people, women 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

5. Support for tourism, cultural and creative industries

SMME funding towards spatial tourism sub-sector product offerings in villages and small towns. **Tourism Equity Fund to improve participation of black people**

6. Green economy interventions

Green bonds and sustainable finance options. Retrofitting public and private sector buildings for improved energy and water efficiency. **SMME development**. Retrofitting Mpumalanga power stations. Support for stakeholder management improvement via the **Traditional Authorities Demonstration Project**

7. Mass public employment interventions

Public employment programmes to create local jobs, allow improved infrastructure maintenance, the care economy and ecological services

8. Strengthening agriculture and food security

Supporting farmers and cooperatives:Cotton and Sugar cane; Poultry, Pork and Cattle; Goat and Sheep; Wool/Mohair; Maize; Wheat and Soybean; Citrus, Deciduous Subtropical; and Potato, Tomato, Onion

5.2. Medium-Term Strategic Framework

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

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

MTSF Priority	Postbank Strategic Outcome
Priority 1: Building a capable, ethical and developmental state	Establish a Retail, SMME/Business and Public sector bank that is a trusted bank through financial inclusion and upliftment for all
Priority 2: Economic transformation and job creation	Promote financial inclusion in target customer segments . Postbank plans to launch of secured and unsecured lending to SMME, as well as the low-cost Bancassurance products offering.
Priority 3: Education, skills and health	Improve the financial literacy of Postbank customers Develop staff for the digital economy and fourth industrial revolution

Outside-in and inside-out Perspectives

6. OUTSIDE-IN AND INSIDE-OUT PERSPECTIVES

6.1. Outside - In Perspective

6.1.1. Macro-environment analysis summary | PESTEL

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 b ank to new uncertainties , (for example upcoming 2024 General election) • Political contestation & discord is responsible for the general discontent & weakening economy (leading to sporadic unrest). • Potential misalignment between management and the political head leading to strategy differences
Economic	• There is increasing wealth disparity and erosion of the middle class • Demand for alternative providers of capital has significantly risen • 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
Technology	• 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
Environment	• 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 regulation on cyber-crime, anti-money laundering and counter-terrorism. 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

6.1.2. Microenvironment analysis | Competitors 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. SMME loans. However, if the perceptions of some unbanked & underbanked 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 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 Zero, Grindrod Bank, Ubank)	• Overlap in target customers / segments - Low-income earners, SASSA grant recipients and "Post box" accounts (e.g. TymeBank), Personal and SMME loans (African Bank). • 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 postbox 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 a 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 2mn 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 a large number of 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

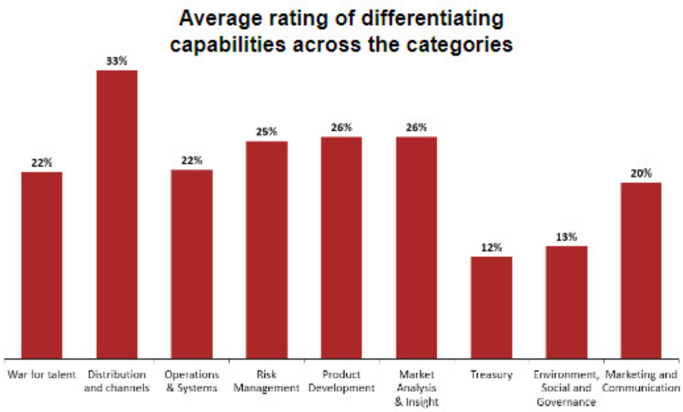
[1]MTN provides life cover, funeral cover and device insurance, underwritten by Sanlam

6.2. Inside - Out Perspective

6.2.1. Capabilities Assessment

Understanding and assessing our business capabilities will enable us to get an idea of our current maturity and provide us with a baseline. An analysis of respondents' perceptions of Postbank is shown in the following graphic. The capabilities that were assessed included digital experience, robust and high performance core banking system, cyber security management, talent and Employee Value Proposition management, customer onboarding, customer acquisition and sales, as well as digital platforms and solutions.

Percentage of respondents who rated this capability as differentiating	*Capability*	*Category*
58%	Digital experience	Distribution and channels
50%	Robust and high performance core banking system	Operations & Systems
47%	Cyber Security Management (Full management lifecycle - Design, Architecture, Implementation, Governance, Reporting and Monitoring)	Risk Management
43%	Talent and EVP Management	War for talent
42%	Customer onboarding	Distribution and channels
42%	Customer Acquisition and Sales	Distribution and channels
37%	Digital Platforms and Solutions	Operations & Systems



The outcome of this assessment demonstrates that fundamental building blocks within the Postbank capability landscape require urgent attention. The study shows that Postbank is not perceived to be greatly differentiated from other banks. Furthermore, customer experience, a critical enabler of success, has been shown to be lacking. These two elements, differentiation and customer experience, should continue to be at the heart of all future investment.

The assessment included an evaluation of importance versus proficiency for each category and capability (visualised in the graphic below).

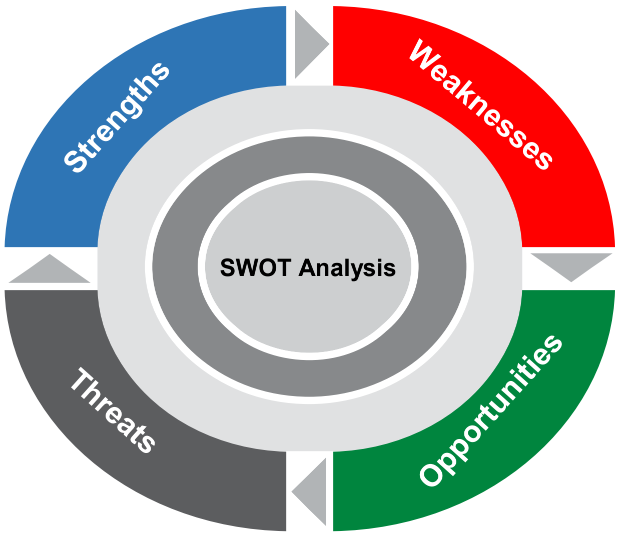
Categories that require additional focus and investment were identified as a result. These include market analysis and insight, product development, marketing and communication, Environmental, Social and Governance (ESG), distribution and channels, operations and systems, risk management, as well as talent. Results also showed that Postbank has a competitive advantage in treasury and should continue to build upon this strength.

6.3. ENVIRONMENT SCANNING SUMMARY | SWOT ANALYSIS

The SWOT analysis was undertaken to provide a high-level synopsis of the Postbank's internal and external strategic positioning as shaped by the actions/accelerators and roadblocks/risks.

- **Footprint:** embedded presence in local communities (through Post Office branches).
- Deep connection in Communities long history serving the underserved communities.
- **Large customer base:** especially as current National Social Grant Paymaster.
- **Customer data:** covering the entire lifecycle of citizens.
- **Unique products and services:** addressing specific community needs, convenient and affordable services (e.g: stockvels, individual savings book).
- **State bank:** strong support and partnership with State and Government, (accessing potential cheaper funding through deposits).

- Operational inefficiencies due to manual tasks and ageing infrastructure.
- Misuse of beneficiaries' personal data, fraud relating to beneficiaries' grant money, and lack of key skills.
- **Low employees performance:** limited frontline engagement, low innovative skills, silos mentality, reliance on demoralized 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:** 8 million recipients withdraw all their money as soon as possible.
- SAPO reliance and limited distribution channels and partnerships.
- Delays in awarding of the banking license.
- Risk of political interferences.
- Weak contract management capability.



- 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.
- SAPO financial difficulties might affect the main distribution channel.
- **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.
- The loss making SASSA contract.

- **Market size:** Underserved communities is a huge market, with high percentage of yet unbanked or under-banked customers.
- **High need for universal financial solution:** there is an obvious need for a universal and affordable financial solution (deposit, transact, save, borrow, invest).
- **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., ...).
- **Collaboration partners:** the appealing market size attract a lot of potential partners such as Tel-cos, IT, Retailers, Spaza shops, local businesses, offering options to develop new products and new distribution channels (and to create jobs within the communities).
- **Income diversification:** several options exist to leverage on Postbank assets and strengths: data monetisation, digital identity go-to-place.
- **Distribution and usage revolution:** new ways of using and thinking banking solutions and channels: mobile payment platforms, Payshap.

Our Strategy at a Glance

7. OUR STRATEGY AT A GLANCE

Postbank will pursue differentiation in the market by focusing with intent on the underserved segments. 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.
- regaining trust and establishing credibility through real value delivery.

7.1. Strategic themes

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

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

Customer and Employee Experience	Core Services Enablement	Partnerships	Platform Play	Digital Transformation	Governance, Risk and Compliance

The capabilities associated with each of the themes are outlined in the table below:

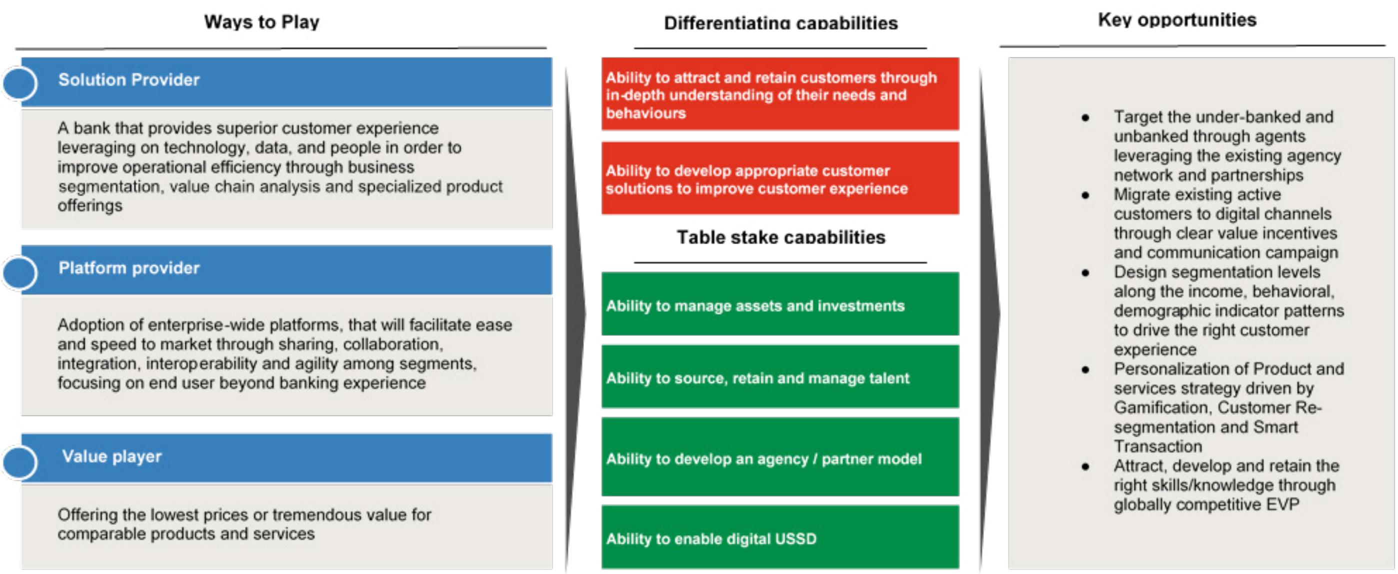
Theme	Description
Customer and employee experience	Experience (Customer and Employee) must be at the heart of all we pursue going forward. A differentiated experience is a critical ingredient to achieve our 'Right to Win' in the market. The right experience will demonstrate our values sincerity and integrity and assist us in re-establishing trust with our communities.
Core services enablement	A strong foundation of key differentiated capabilities system(s) supported by agile and resilient enabling capabilities are now crucial to build sustainable strategic success story. Given our mandate and intent, our success will be success for many of our customer and employees with limited financial options.
Partnerships	Addressing partnerships and alliances spurs a strategy toward expediting the implementation in an effective and robust manner. Thus, the overall leverage provided through strategic alliances and partnerships across spectrums is crucial to furthering the endeavours of any corporate.
Platform play	Platform play is a fundamental organisational and operational change to create an IT environment that runs as a set of platforms throughout any organisation.
Digital transformation	Digital transformation is essential for enabling efficient processes, and improving solution quality, products and assets to enhance customer value, manage risks and to navigate through innovative opportunities.
Governance, risk and compliance	Governance is fundamental for the effective execution and attainment of the strategic outcomes. Postbank will ensure that governance principles are clearly articulated and forms the basis of executing the strategy. During the rebuilding and stabilising phases will ensure the creation of a good control environment focusing on the following: 1. Definition of the ethical culture and ensure it's embedded in execution of all business activities and processes 2. Establishment and effective functioning governance structures; 3. Identification and articulation of risks and its management to acceptable well defined risk appetite; 4. Development of the critical business processes and policies giving effect to implementation of controls that are adequate and effectively responding to risks; 5. Driving legislative compliance through an effective compliance monitoring process; 6. Pursuit of the clean audit outcomes by promptly developing and implementing integrated audit actions; and 7. Building of competency and implementation of a cyber-risk management plan has been elevated cognisant of the current incidents.

7.2. Personal and Community (Retail) banking

Currently, Postbank conducts retail banking (savings bank) activities targeting mainly poor and rural customers with a particular focus on the under-banked and unbanked. The bank offers transactional, savings, and term deposits as well as the disbursement solution, distributed through the following partner channels, the SAPO branch network, retailers, and other banks' ATMs and POS. Furthermore, Postbank is able to switch interbank transactions through the NPS as a designated clearing participant.
During FY2023/24, the bank plans to develop a new business model for Personal and Community (Retail) banking that will provide;

- detailed strategy (business level strategy) for the Retail banking business;
- critical capabilities and opportunities for Retail banking;
- an understanding of the current customers and those to be targeted and the segmentation (sub-segmentation);
- details around the products and services to be offered;
- possible retail channel mix or partners; and
- detailed costing (revenue, cost, or budgets) for the Retail banking business;

Achieving this status enables Postbank to realise its true market potential, expand its product portfolio and effectively fulfil its mandate of promoting financial inclusion.
In addition, Postbank's new business model will crystallize its unique value proposition (ways to play) as a solution provider, platform provider, and value provider in the Personal and Community (Retail) Banking sector. It intends to do that by building the core operating capabilities (table stakes) and differentiating capabilities listed below to take advantage of key opportunities in the retail market.



7.2.1 Customer Segment | Personal and Community banking

The mandate of Postbank is to provide affordable banking solutions and to facilitate the financial inclusion of all South Africans, with a special focus on underbanked and unbanked segments. There are significant opportunities and possibilities for both of these customer segments, as shown below.

Unbanked landscape at a glance

Definition of unbanked	Individuals without access, need or inclination toward formal banking and financial services. Many of which lack access and/or the education around these means, many of which have no inclination toward being formally banked.		
Characteristics of the unbanked	Lack of financial literacy	Lack of steady cash flow	Stokvel savings
	Lack of ID document	Retail money transfer services	Borrowing via personal networks

Underbanked landscape at a glance

Definition of the underbanked	Individuals who possess a bank account, but lack the financial literacy or equivalent access to utilizing the net-suite of capabilities or formal banking services available to them, including formal banking infrastructure in their areas of use or residence.		
Characteristics of the underbanked	Postbox accounts	Informal financial services; Stockvelds	Requisite formal paperwork
	Limited financial literacy	Low income; do not qualify for credit	Basic accounts for receipt of grants

Overarching drivers and perceptions of both the unbanked and underbanked

Market drivers and perceptions

1. 16.6 million not economically active
2. Millions of micro businesses operate outside banking system
3. Cash preference due to mistrust of banking sector
4. Lack of access to banking services
5. Easier to transact using mobile phone
6. High hidden fees and bank charge fees

Size of the unbanked and underbanked

01	Currently, 6.5 Million South Africans are unbanked
02	A predicted 15 Million are seen as underbanked
03	Over 80% of South Africans have a bank account
04	67% of non-SASSA recipients are banked
05	Average of ZAR 45 Billion is attributed to Stokvels

An estimated ZAR 12 Billion is found outside the formal banking system aside from Stokvels.

As part of the business model study, a detailed strategy will also be developed (the business level strategy) and critical capabilities and opportunities will be defined for both the SMME business and Public sector banks.

7.3. SMME/Business banking

For Postbank to drive larger societal benefits and job creation through intentional SMME/Business banking services and Postbank's value proposition (ways to play) in the SMME/Business banking services is to be an innovator and platform provider. It intends to do that by building the core operating capabilities (table stakes) and differentiating capabilities listed below.

Ways to Play

Innovator

A driver of solution and business model innovation through close collaboration and partnerships with our customers; internally (Business, Digital, R&D, Tech and Data) and externally with market players, catalysts and advisors.

Platform provider

Adoption of enterprise-wide platforms, that will facilitate ease and speed to market through sharing, collaboration, integration, interoperability and agility among segments, focusing on end user beyond banking experience

Differentiating capabilities

- Ability to provide business support services

Table stake capabilities

- Ability to obtain, store, analyze and interpret large amounts of data effectively and efficiently
- Ability to foster and manage stakeholder relationships
- Ability to establish and leverage SMME ecosystems
- Ability to develop and maintain a credit engine / platform
- Ability to develop and maintain partnerships / alliances

Key opportunities

- Target the under-banked and unbanked through agents leveraging the existing agency network and partnerships
- Establish risk-sharing lending platforms (to encourage the Lending/Credit business including ways to diversify/distribute risk)
- Establishing and leveraging SMME ecosystem to drive sales and customer experience
- Establish a fully digital end-to-end process for onboarding SMEs via a platform that provides insights/analytics
- Attract, develop and retain the right skills/knowledge through globally competitive EVP

7.4. Public sector banking

The corporate bank undertaking brings with it new and unique challenges and opportunities Postbank's value proposition (ways to play) in the Public sector banking is to be an aggregator and platform provider. It intends to do that by building the core operating capabilities (table stakes) and differentiating capabilities listed below.

Ways to Play

Aggregator

State services aggregator, providing the convenience of a one-stop solution for our community

Platform provider

Adoption of enterprise-wide platforms, that will facilitate ease and speed to market through sharing, collaboration, integration, interoperability and agility among segments, focusing on end user beyond banking experience

Differentiating Capabilities

- Ability to conduct payments - G2P, G2C, G2G
- Ability to enable smart contracting
- Ability to establish and maintain the right partnerships

Table stakes

- Ability to conducting transactions correctly within an adequate turnaround time
- Ability to provide seamless customer onboarding - risk, speed and frictionless
- Ability to design innovative products based on market insights, competition insights and customer insights
- Ability to ensure a reliable and secure IT environment - Cyber and information security
- Ability to foster and manage stakeholder relationships

Key opportunities

- Providing tailored solutions that aid and improve customer experience
- Understanding the customer ecosystem through paying special attention to existing customer base to further drive sales and customer experience
- CRM Ecosystem to enable better customer engagement (CRM could thus be perceived as the glue that brings everything together around customer interaction, collaboration and accountability)
- Establishing and maintaining digital channels services to promote an efficient and effective solution
- Attract, develop and retain the right skills/knowledge through globally competitive EVP

7.5. Information Technology Strategy

Postbank has identified and prioritized the need to finalize its IT infrastructure modernization project to ensure that its IT systems and processes meet industry and SARB requirements, especially in the area of risk, business continuity and disaster recovery. For the FY2023/24, Postbank's IT will concentrate on the initiatives outlined below in order to address the SARB variation issues raised as well as stabilise the IT environment. The bank will further work on its Information Technology/Digital Transformation Strategy that enables and build capabilities required for a State bank.

Base Technology Platform	• Postbank will refresh its complete infrastructure (Data Centre, Network and security service, Hardware and server services, financial switching services, IT Service Management software and End-user productivity tools like Office 365, Teams or Zoom) through the adoption of private cloud technologies as the foundational capability for its digital business • This will ensure Postbank IT systems and processes meet industry and SARB requirements for a bank, especially in the areas of risk, business continuity and disaster recovery.
Core Banking Platform	• Postbank will reposition and re-purpose its core banking capability to ensure modularity, scalable and compatibility with modern switching and acquiring technologies for open banking. • Postbank will ensure its software licensing capabilities for core banking is flexible to facilitate product and customer growth.
Customer Platform	• Postbank having achieved a sound base of its core base technology infrastructure and core banking will ensure a consistent customer experience using Omni-channel principles for its digital and physical channels. • Postbank will start by ensuring basic digital channel capability for Internet Banking, Mobile App and Basic e-Wallet capability as part of its Core Banking Platform. • This will be followed by channel diversification enablement to support ATMs, POS and Physical channels in alignment with the Postbank business.
Data Management Platform	• Having achieved basic channels, Postbank will now focus on putting basic data management infrastructure to enable analytics led business in-line with the fourth industrial revolution (4IR) principles. • This will lead to self Business Intelligence (BI), analytics and virtualisation. • Postbank will use this artificial intelligence (AI) to enhance and simplify customer experience going forward and enable capability to cross sell to current customers
Ecosystems Integration Platform	• To ensure quick time to market and scalability Postbank will leverage best practices and FinTech by allowing leading organisations to extend their value chain and the value delivered to customers. • Postbank will achieve this by adopting APIs as the main drive for integration with 3rd Parties and channel aggregators.
Security Platform	• Postbank will ensure Cyber Security enablement for confidentiality, integrity, reliability, and availability of information across the entire value chain. • This will start at Infrastructure level and move up the value chain to digital channels, physical channels and employees.

7.6. Key success factors for Postbank

Key success factors are integral in how organisations assess performance, progress and overall market and industry prevalence. Thus, eight key success factors have been identified in order to track the progress and achievement of key goal.

1	Focused Local Strategy	Understanding the **on-the-ground needs** of our target segments and having a **tailored value proposition** will be crucial.
2	Strong Partnerships	Having **strong partnerships and alliances** would enable us to and **expedite the realisation** of our objectives.
3	Channel and Target Customer Fit	**Approaching the right customer through the right channels** would increase customer acquisition, retention and satisfaction rates.
4	Product Innovation	**Unique products and a value proposition** that are fit for purpose/need of our **highly discerning unbanked segments** would be one of our differentiators.
5	CRM and Data Analytics Capabilities	Providing **a seamless customer experience through all channels,** supported with strong **CRM and data analytics capabilities,** would increase customer acquisition and satisfaction.
6	Risk Management	In order to have **well established and strong financial structure** managing risk in a better way than the competition would be decisive.
7	Top Management	**Combining local banking experts with international experience** would be key to success.
8	Talent Acquisition and Retention	Creating value to customers with **quality human capital** would be crucial. A Talent Acquisition and Retention program would be of great benefit.

7.7.Strategic Outcomes

Postbank will measure its performance over the next three year MTEF period by delivering on the five outcomes detailed below and in the Annual Performance Plan:

Outcome	A Registered State Owned Bank
01	• Acquiring a banking license allows Postbank to (1) strengthen its market competitiveness, (2) expand its financial service offering and (3) better serve the financial needs of its customer segments. • Establish Community and Personal (Retail), SMME/Business and Public sector Banking capabilities. This objective focuses on developing a business and operating model for Retail, SMME/Business and Public sector banking. • Brand Management. • Developing channel Strategy: allows Postbank to approach the right customer through right channel mix. Developing strong partnerships which will allow us to leapfrog and expedite the realisation of our objectives.
Outcome	**Strong Financial Performance**
02	• Maintain an optimal cost-to-income ratio and grow the revenue.
Outcome	**Digital Transformation**
03	• IT Strategy (that will enable digital customer acquisition, digitisation of key client touch points and/or migration to digital channels). • Core banking stabilisation. • **Data analytics capabilities.**
Outcome	**Positive Customer and employee Experience**
04	• Understanding our target segments and having a tailored value proposition. • Implementation of CRM. • Talent Acquisition and Retention. • Organizational culture change/Transformation. • Make a social impact through targeted financial education/literacy events nationally/ Education about digital payment solution.
Outcome	**Good Governance, Risk and Compliance**
05	• Address 100% of material external audit findings and achieve unqualified annual audit outcomes by 2024.

7.8.Strategic Map

Mission	*"To serve our communities through the provision of simple and affordable financial services"*
Vision	*"Be the trusted bank through financial inclusion and upliftment for all"*

1. A Registered State Owned Bank

Core services enablement

ID	KPI	Timelines
1,1	Acquire the Banking License for Postbank SOC Ltd	FY2024
1,2	Implement a new business and operating model for Postbank	FY2024
1,3	Position brand in the marketplace	FY2025

Platform Play

ID	KPI	Timelines
1,4	Commence Bancassurance business	FY2025
1,5	Commence Business and Public Sector/Corporate banking	FY2025
1,6	Development of channel strategy	FY2024

Partnerships

ID	KPI	Timelines
3,1	Establishment of partnerships with local Spaza shops	FY2025
3,2	Establishment of Partnership with Fintechs	FY2025

2. Strong Financial Performance

Grow revenue

ID	KPI	Timelines
2,1	Growth in Net Interest Income(NII)	FY2024
2,2	Growth in Non Interest Revenue (NIR)	FY2024
2,3	Grow depositor balances by an annual rate of 8%	FY2024
2,4	Achieve an 8% net growth in total core accounts base. (Excl. SRDs and SASSA).	FY2024

Maintain Cost

ID	KPI	Timelines
2,5	Achieve a targeted cost-to-income ratio	FY2024

4. Positive Customer and employee experience

Customer and employee experience

ID	KPI	Timelines
5,1	Enhance customer value proposition through a diversified products offering	FY2024
5,2	Acquire Government business	FY2024
5,3	Improve customer experience	FY2024

Customer and employee experience

ID	KPI	Timelines
5,4	Building internal human resource to assist in the execution of the strategy.	FY2025

Customer and employee experience

ID	KPI	Timelines
5,5	Conduct a target number of financial education/literacy events nationally/ Education about digital payment solution	FY2025

3. Digital Transformation

Digital transformation

ID	KPI	Timelines
4,1	Implementation of the new IT infrastructure services that is PCI compliant and secure	FY2024
4,2	Implementation Enterprise Resource Planning solution (focus on HR and Finance)	FY2025
43	Adopt innovation and digitalisation to achieve high service delivery standards and enhance organisational productivity	FY2024

Digital transformation

ID	KPI	Timelines
4,3	Implementation of the Enterprise data management	FY2024
0	Market Insights and Analytics	FY2024

Digital transformation

ID	KPI	Timelines
0	IT Strategy	FY2024
0	Digital Banking	FY2025

5. Good governance, Risk And Compliance

Governance, Risk And Compliance

ID	KPI	Timelines
6,1	Address material external audit findings and achieve unqualified annual audit outcomes	FY2024
6,2	Develop a Cyber risk management plan	FY2024

Legends	Timelines		Strategic Themes	Strategic Outcomes
		Stabilise		
		Build		
		Differentiate		

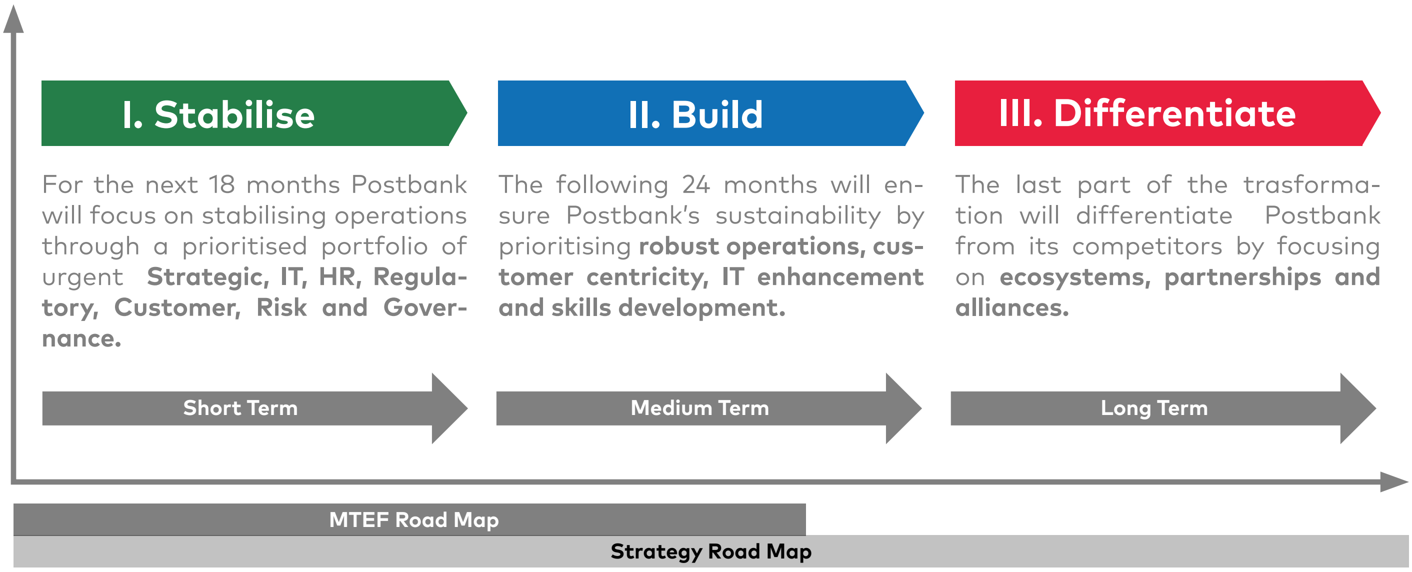
Priorities and Suggested Execution Roadmap

8. PRIORITIES AND EXECUTION ROADMAP

8.1. 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 behind in terms of the critical capabilities required by a retail bank. As a result, the translation of this strategy to a strategy roadmap is 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 (Stabilise phase, Build phase and Differentiate phase) 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 phase in the first 12 to 18 months of the MTEF period and the building phase in the remaining period of the MTEF.



Stabilise Phase: Postbank will in the next 18 months focus its efforts in to addressing its current operational challenges by establishing the core operational capabilities that Postbank needs to be a stable business. Postbank faces challenges that have impacted its ability to run the business efficiently and drive a good customer experience. This phase will enable Postbank to lay the foundation for future success.

Build Phase: The gains of the first phase will enable Postbank to start focusing on building capabilities that aims to establish Postbank as a robust and sustainable business. Enabling Postbank to operate as a State bank with focus in the following market segments, Retail and Communities, Business & Small and Medium Businesses, and Public Sector.

Differentiate Phase: The differentiate phase focuses on the key capabilities that will strategically differentiate Postbank from its competitors.

Financial Plan

9. FINANCIAL PLAN

MACRO-LEVEL BUDGET CONSIDERATIONS AND ASSUMPTIONS

The budget for Postbank was prepared taking cognisance of the economic conditions as analysed by the Monetary Committee Policy of the South African Reserve Bank which was held in November 2022. In this meeting, the members of the MPC advised that the South African GDP rose by 1.6% on quarter in the three months to September of 2022, well above market forecasts of a 0.6% increase, following a 0.7% contraction in the prior quarter, partly because of a low base in the second quarter, when floods disrupted operations at a key export port in Durban.

South Africa's annual inflation rate was 7.2% in December of 2022, down from 7.4% in the prior month, as expected, but still above the upper limit of the South African Reserve Bank's target range of 3%-6%. It was the softest reading since May 2022, as prices continued to slow down primarily for transportation (13.9% vs 15.3% in November) and fuels (22.8% vs 25.3% in November).

The South African Reserve Bank raised its benchmark repo rate by another 75 bps to 7% at its November 2022 meeting, as widely expected. This is the 7th consecutive rate hike since policy normalization started in November 2021, to anchor inflation expectations more firmly around the mid-point of the target band and achieve the inflation target in 2024. The level of the repurchase rate is now above the level prevailing before the start of the pandemic. The revised repurchase rate remains supportive of credit demand in the near term, while raising rates to levels more consistent with the current view of inflation and risks to it.

Economic and financial conditions are expected to remain more volatile for the foreseeable future. In this uncertain environment, monetary policy decisions will continue to be data dependent and sensitive to the balance of risks to the outlook. The MPC will seek to look through temporary price shocks and focus on potential second round effects and the risks of de-anchoring inflation expectations. The Bank will continue to closely monitor funding markets for stress.

It has to be noted that Postbank has lost customers and revenue due to customers losing their jobs especially during the Covid 19 lockdown periods. Recovery in this aspect will ensure that the bank recovers the much needed revenue.

INTERNAL FACTORS, BUDGET CONSIDERATIONS, AND ASSUMPTIONS

Some of the internal factors such as the availability of bank cards and enhanced IT system capabilities were also considered to have significant influence on the budget figures for the Medium Term Framework period of 2023/2024 until 2025/2026.

BUDGET CONSIDERATIONS AND ASSUMPTIONS PER KEY FINANCIAL METRIC:

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 2023/2024 until 2025/2026 and the forecasting methodology.

	FY2021/22 Actual R'000s	DEC FY2022/23 YTD Actual R'000s	FY2022/23 Budget R'000s	FY2022/23 Forecast R'000s	Variance (BY-FC)	FY2023/24 Budget R'000s	FY2024/25 Budget R'000s	FY2025/26 Budget R'000s
Net interest income	**334 895**	**416 069**	**448 524**	**554 758**	**19%**	**767 604**	**802 146**	**838 243**
Interest and similar income	366 852	478 884	510 080	638 512	20%	825 354	862 495	901 307
Interest expense and similar charges	-31 957	-62 815	-61 556	-83 753	-27%	-57 750	-60 349	-63 064
Net fee and commission income	**601 090**	**344 931**	**1 405 870**	**459 908**	**206%**	**1 590 200**	**1 661 759**	**1 736 538**
Transaction fee income	1 431 288	915 534	2 182 610	1 220 711	-79%	1 995 250	2 085 037	2 178 863
Service fee income	161 455	92 971	446 656	123 962	-260%	497 333	519 713	543 100
Fee and commission income	-	-	9 836	-	-100%	7 404	7 737	8 085
Transaction fee expense	-991 653	-663 574	-1 233 232	-884 765	39%	-909 787	-950 728	-993 510
Government business Initiatives	**6 214**	**3 843**	**12**	**5 124**	**100%**	**9 543**	**10 087**	**10 541**
Other income	**1 507**	**471**	**-**	**628**	**100%**	**-**	**-**	**-**
Operating income before operating expenditure	**943 706**	**765 314**	**1 854 406**	**1 020 418**	-82%	**2 367 347**	**2 473 992**	**2 585 322**
						-		
Operating expenditure	**-557 771**	**-552 536**	**-1 115 561**	**-736 715**	**51%**	**-2 173 120**	**-2 275 426**	**-2 382 607**
Staff related expenses	-161 133	-125 267	-230 605	-167 023	38%	-301 042	-319 104	-338 251
External service providers	-47 607	-80 182	-101 887	-106 910	-5%	-240 000	-250 800	-262 086
Property and equipment related	-40 488	-36 528	-90 748	-48 705	86%	-99 730	-104 218	-108 908
Other operating expenses	-191 769	-214 091	-559 778	-285 454	96%	-1 294 022	-1 352 253	-1 413 104
Transfer pricing costs	-89 715	-75 115	-113 115	-100 154	13%	-69 000	-72 105	-75 350
Support costs	-27 059	-21 352	-19 428	-28 470	-32%	-169 326	-176 946	-184 908
						-		
Operating profit / (loss)	**385 935**	**171 069**	**9 367**	**283 703**		**194 227**	198 566	202 714
Post retirement benefits	-	-		-		-	-	-
Profit/Loss before Tax	**385 935**	**212 777**	**738 845**	**283 703**	-160%	**194 227**	**198 566**	**202 714**
Taxation	-61 742	-71 760	-206 877	-76 600	170%	-52 441	-53 613	-54 733
Net profit / (loss)	**324 193**	**141 017**	**531 969**	**207 103**	**-157%**	**141 785**	**144 953**	**147 982**

NET INTEREST INCOME (NII)

The banks' investment yields fluctuate depending on the size and stickiness of the cash base, the prevailing interest rates, and other market conditions. Throughout the year, Postbank generated higher interest yields on the investments as a results of higher call deposit balances and the increase in the rate repo by 350 basis points since November 2021. The bank expects rates to increase by 25 basis points in Q4 of FY2022/23 and by 50 basis points in FY2023/24.

The modernised IT infrastructure is expected to enable the bank to automate critical processes and expand its product & services offering to customers and thereby ensuring an increase in funds available for investments which will in turn increase income earned on the related financial instruments. While the current annual growth rate is around 2%, the Postbank deposit base is expected to grow by 8% for FY2023/2024 and beyond. This ambitious growth is expected to be driven mostly by deposit growth in the Bank's savings and investment deposit products such as Smart Save and Bakgotsi, while more term deposit products such as a tax-free savings account and a notice deposit account products are expected to be launched.

While a sizeable growth in the bank's deposit book will make available funds to invest and drive interest yields on investments, increases in the repo rate are expected to not only aid the performance of the bank's investments but it will also result in an increase in the liability of the bank in terms of funds paid out on interest bearing products offered by the bank and thereby increase the interest expense component of the NII metric. Rising repo rate is expected to increase the pricing of our savings and investment products and this will mean that these products will remain competitive which would have the knock on effect of increasing interest expense. Postbank current interest rate pricing strategy is such that the bank passes onto its customers the full benefits/costs of any repo rate adjustment and this then keeps the bank's net interest margin constant.

NON-INTEREST REVENUE (NIR)

NIR is expected to grow in FY2023/24. Factors expected to drive growth in this transaction linked revenue stream include the following among others:

- Postbank will commence card issuance and the launch of pipeline and new revenue initiatives as soon as the critical system dependency initiative of IT modernisation is fully implemented. It has to be noted that issuing of cards will drive product usage by enabling customers to transact more and conveniently and this will in turn drive transactional income generation.
- Postbank is now the main and sole contracting party in the SASSA MSA and the bank will thus receive the full commission revenue from SASSA as opposed to the small portion/share the bank used to receive from SAPO previously the SASSA contract is currently run at a loss and Postbank is engaging the Department of Social Development on areas of concern including provision of non banking services cited in the existing contract.
- The migration of account and card data from IGPS to UBS and Postilion switch will ensure that there's no continued erosion of transactional revenue as a result of the unnecessary switching costs that the bank paid while the SASSA transactions are not the Off-us but rather On-us transactions.
- Priority initiatives such as ATM Acquiring & SSD and POS Acquiring businesses are expected to help the bank to drive further down the bank's cost-to-serve, thereby attracting customers and increased account usage, all of which directly supports revenue generation efforts.

There however remains downside risks and the critical ones being the following:

- possible delayed implementation of the planned Postbank IT infrastructure refresh initiative which will negatively impact the following:

1. the planned launch of pipeline and new products, services and channels,
2. the automation of critical processes to improve efficiencies and customer service/experience.
3. delays in addressing compliance matters such as the variation notice/order and thereby resulting in the failure to timeously obtain the banking license which will itself directly impact the bank's planned commencement of the Lending business

For card issuance and reissuance/replacement, the finalisation of both the implementation of the IT modernisation initiative to make available a secure environment from which to issue cards and the appointment of a card scheme service provider to enable the issuance of EMV cards in line with industry standards and practices remain key priorities.

- Continuation of the SASSA business on terms inherited from SAPO where SASSA pays a commission revenue of R164 (Exc VAT) for the provision of CPP services has huge cost implications as this component of the SASSA business attracts high costs from services such as security, insurance, transport and dignity services, etc. Engagements with SASSA on the upward revision of this commission rate to levels around R430 or more will be critical for Postbank to ensure they're held and successfully so – otherwise the bank runs the risk of collapsing in the same manner the South African Post Office (SAPO) has.

OPERATING EXPENDITURE

The bank took over the Master Service Agreement (MSA) from the 1st of October 2022 from the SAPO. In terms of this agreement, the South African Postbank SOC Ltd is required to provide a safe and secure Cash Pay Points (CPP) and pay out beneficiaries eligible for the grant. Provision of these services is expected to increase other operating expenses such as security costs which is budgeted at R464 million in 2024 financial year. The SASSA project is expected to increase the bank's other operating costs to R1.2b in 2024 financial year, and in its current form, the SASSA business poses a serious financial sustainability risk to Postbank.

The budget includes provision of other social services which fall outside the mandate of the bank and which were not budgeted for upon cession of the contract. Postbank currently generates its revenue from investment and banking products and is not receiving an allocation to fund additional social expenses arising from the cession of the MSA. The budget was calculated taking into account the terms and conditions of the existing MSA which are unfavourable to the bank.

As part of its continued Corporatisation, and since the Moratorium has been lifted, the bank has embarked on a journey to fill all executive positions as well as other vacant positions. As a result, staff costs expenditure is expected to increase significantly during the planning period. The bank intends to fill 101 critical positions in alignment with business strategy over 247 total vacancies. The current vacancy rate at 48% and the bank is targeting a rate below 35%. Filling of Executive positions will be done through Executive search processes with independent service providers. Fees in relation to these placements are usually based on % of placement package. Salary increases of 6% was assumed based on previous year increases and similar increases of other State Owned Companies.

In addition to new headcount and normal annual increases, new employee value proposition initiatives that are being introduced such as bursary fund as well as short term incentives are expected to increase the staff costs. These new initiatives will allow the bank to be competitive in attracting and retaining talent from the talent pool within the financial services space. Training and Development Programmes and Bursaries with a specific focus on upskilling of staff, management and Board/leadership development. Cost are based on actual cost plus a 6% annual increases by various institutions. Postbank participate in BankSeta Programs and 20% of skills levy paid and which are mandatory are refunded by BankSeta.

Consultation required to enhance current performance management system and process, benchmarks, recognition and reward programs as well as Employee Assistance Program (EAP). As a result, it is anticipated that there will be an increase in consulting or service provider fees as this is required to prepare the organisation towards a high performance culture.

As part of its continued corporatisation, and now with the moratorium having been lifted, the bank has embarked on a journey to fill all executive positions as well as other vacant positions. As a result, staff costs expenditure is expected to increase significantly during the planning period. In addition to new headcount and normal annual increases, new employee value proposition initiatives that are being introduced such as bursary fund as well as short term incentives are expected to increase the staff costs. These new initiatives will however allow the bank to be competitive in attracting and retaining talent from the talent pool within the financial services space.

As the bank rolls out new digitisation initiatives and expand its product offerings, it is anticipated that both operating as well as capital expenses (and as a result depreciation charges) will increase to uncomfortable levels. There is also a drive to acquire and issue new Postbank cards. Other expenditure expected to be incurred amongst others consists of Postbank cards and books (R177m), SAPO support cost (R169m), marketing (R145m), payment to service providers including retailers to facilitate payment of Social Relief of Distress grants (R240m).

STATEMENT OF FINANCIAL POSITION

Below is the statement of budgeted financial position for the three year strategic period ending in FY2026.

	FY2022/23	FY2022/23	FY2022/23		FY2023/24	FY2024/25	FY2025/26
	2022/12/31 YTD	Budget	Forecast	Variance (BY-FC)	Budget	Budget	Budget
	R'000s	R'000s	R'000s		R'000s	R'000s	R'000s
Assets							
Non-current	**148 056**	**215 644**	**140 640**	-53%	**271 045**	**235 470**	**209 830**
Deferred tax	75 140	79 766	79 766	0%	37 570	18 785	9 392
Right-of-use assets	5 579	5 713	5 713	0%	11 829	12 538	13 291
Intangible assets	58 407	105 846	47 846	-121%	211 248	196 248	181 248
Property, plant and equipment	8 930	24 319	7 315	-232%	10 400	7 900	5 900
Investments	-	-	-	0%	-	-	-
Current	**12 699 482**	**12 367 200**	**12 772 646**	3%	**13 442 229**	**14 400 124**	**15 437 509**
Cash and cash equivalents	3 190 835	2 960 093	2 304 485	-28%	4 728 667	5 462 644	6 202 953
Investments	5 902 736	6 230 376	5 902 736	-6%	6 168 359	6 445 935	6 736 002
Trade and Other receivables	1 875 056	466 983	1 875 056	75%	627 248	633 521	639 856
SAPO intercompany account	1 679 736	2 639 251	2 639 251	0%	1 713 032	1 747 292	1 782 238
Loan to customers	-	70 497	-	-100%	59 922	52 732	47 459
Current Tax receivable	51 119	-	51 119	100%	-	-	-
Inventory	-	-	-	0%	145 000	58 000	29 000
Total assets	**12 847 538**	**12 582 844**	**12 913 286**	3%	**13 713 274**	**14 635 595**	**15 647 339**
Liabilities	**9 218 002**	**8 766 024**	**9 218 002**	5%	**9 942 290,64**	**10 720 010,74**	**11 584 141,96**
Deposits due to customers	9 139 805	8 589 721	9 139 805	6%	9 870 989	10 660 669	11 513 522
Trade and other payables	59 255	161 678	59 255	173%	43 256	31 577	23 051
Lease Liabilities	7 067	6 319	7 067	-11%	14 983	13 396	31 763
Provisions	11 875	8 306	11 875	-30%	13 063	14 369	15 806
Equity	**3 629 536**	**3 816 821**	**3 695 284**	-3%	**3 770 983,51**	**3 915 583,70**	**4 063 196,71**
Available for sale	(7 500)	-	-7 838	-100%	-7 838	-8 190	-8 559
Postbank Equity	3 555 209	3 470 689	3 555 209	2%	3 555 209	3 555 209	3 555 209
Retained Earnings	81 827	346 132	147 913	134%	223 612	368 565	516 547
Total Equity and Liabilities	**12 847 538**	**12 582 844**	**12 913 286**	3%	**13 713 274,16**	**14 635 594,45**	**15 647 338,67**

TOTAL ASSETS

ASSETS

Total assets are budgeted to increase to R12.9 billion in FY2023/24. Postbank aims to optimise returns on invested funds as the interest rate continues to rise in the FY2023/24. The lending book will be introduced in a measured and prudent manner to ensure that the liquidity mismatch with the deposits as well as impairments and write offs are actively managed. First loan disbursement of R70 million is expected to kick start in FY2023/24. Expected are list of projects that are to take place in the FY2023/24 which include amongst others ATMs, and building relocation for both Head office as well as Bloemfontein.

LIABILITIES

Deposits Due to Customers: From the prior actuals, Postbank anticipates an increase from R8.5b to R9.8b in depositor's balances for the FY2023/24.

Notwithstanding the low projected economic growth, Postbank aims to grow the liability book by an average of 8% per annum given the expected finalisation of critical enabling IT projects and the introduction of new products and channels.

EQUITY

Capital requirements: Postbank aims to start advancing loans in FY2024 and this will result in an increase in Tier 1 Capital requirements due to the increased risk arising from the loans. It is forecasted that the current and future capital base will be sufficient for this additional capital requirement.

CAPITAL EXPENDITURE

A key part of Postbank's path to becoming a fully licensed bank is investing in reliable, state-of-the-art infrastructure and equipping itself with state-of-the-art systems and applications. Postbank has allocated R279 million for CAPEX for FY2023/24, as indicated in the table below.

Description	Capex (R'm)
IT infrastructure and applications/systems	191 128 590
Card replacement	52 704 486
EMV & Magstripe Cards (Chip & Tap cards production)	20 000 000
Postbank Head Office relocation	2 600 000
Channels	12 338 000
Total	**278 771 076**

In FY2023 /24, the bank plans to develop the business model and operational model for our new strategy, and the CAPEX requirements for this strategy will be refined to greater detail.

CASH FLOW STATEMENT

Below is the statement of budgeted financial position for the three year strategic period ending in FY2026.

	Actual YTD December 2022 R'000s	FY2022/23 Budget	FY2023/24 Budget R'000s	FY2024/25 Budget R'000s	FY2025/26 Budget R'000s
Cash flows from operating activities	**-1 226 047**	**1 146 249**	**2 067 968**	**1 027 216**	**1 046 979**
Cash generated from operating activities	**-1 213 267**	**1 356 541**	**2 069 290**	**1 080 829**	**1 101 712**
Profit before tax	141 017	751 043	194 227	198 566	202 714
Adjustment for non-cash income and expenses:	85 422	-300 345	-54 341	296 807	175 479
Depreciation	22 950	53 645	42 587	17 500	17 000
Movement in provisions		51 688	1 188	1 306	1 437
Other non-cash items	62 472	-405 678	-98 115	278 001	157 043
Changes in working capital:	-1 439 706	905 843	1 929 404	585 456	723 518
Trade and other receivable	-1 276 651	99 739	1 247 808	-6 272	-6 335
Deposits due to public	-155 187	-349 681	731 184	789 679	852 853
Trade and other payables	-9 479	592 087	-15 999	-130 101	-20 205
SAPO intercompany account	1 611	563 697	-33 589	-67 849	-102 795
Taxation paid	-12 780	-210 292	**-1 323**	**-53 613**	**-54 733**
Cash flows used in investing activities	**-872 306**	**-1 613 552**	**-515 360**	**-277 576**	**-290 067**
Net sale / (purchase) of intangible assets	-24 263	-55 147	-227 737	-	-
Net sale /(purchase) of PPE	-2 684	-	-22 000	-	-
Movement in Investments	-845 359	-1 558 406	-265 623	-277 576	-290 067
Cash flows from financing activities	**-**	**-6 610**	**-14 776**	**-15 663**	**-16 603**
Payments on lease liabilities	-	-6 610	-14 776	-15 663	-16 603
Total cash movement for the year	**-2 098 353**	**-473 914**	**1 537 832**	**733 977**	**740 309**
Cash at the beginning of the year	5 289 188	3 434 007	3 190 835	4 728 667	5 462 644
Total cash at the end of the year	**3 190 835**	**2 960 093**	**4 728 667**	**5 462 644**	**6 202 953**

Cash generated from operating activities is expected to decline in 2025 arising from high costs of funding the SASSA project from banking operations. Planned acquisition of assets and investment in new financial instruments is also expected to result in outflow of cash.

Annual Performance Plan

10. ANNUAL PERFORMANCE PLAN

MTEF ANNUAL PERFORMANCE TARGETS

No	Outputs	Output Indicator	Baseline	Quarterly Targets				Annual target 2023/24	Annual target 2024/25	Annual target 2025/26
				Q1	Q2	Q3	Q4			
OUTCOME 1: A REGISTERED STATE OWNED BANK										
1.1	Banking License for Postbank SOC Ltd	Acquired the Banking License for Postbank SOC Ltd	Section 13 approval in 2016 and promulgation of the Postbank Act in Q2 of FY2022/23	No Target	No Target	Submission of the SARB Section 16 license application.	No Target	Submission of the SARB Section 16 license application.	The SARB grants a banking license to Postbank	No Target
1,2	Approved business and Operating model	New business and operating model for Postbank	Postbank corporate strategy approved in FY2022/23.	No Target	Approved business model	No Target	Approved operating model	Approval of the new business and operating model for Postbank	Implementation of the business and operating model	No Target
1,3	Enhanced Postbank brand	Number of media (TV, Radio and Digital Media) brand promotional activies	Soft launch of the new Corporate Brand identity in FY2022/23	Launch Postbank new Corporate Brand Identity	No Target	Implement a brand enhancing TV channel partnership commensurate with Postbank's brand	No Target	Implemented marketing communications initiatives articulating Postbank's State Bank strategy direction, benefits and milestones undertaken	Implemented the marketing communications initiatives articulating Postbank's State Bank strategy direction, benefits and milestones undertaken	Implement marketing communications activities articulating Postbank's State Bank strategy as well as its market differentiation (including in areas of Digital Transformation, Financial Impact, Social Impact)
1.4	Approved low-cost Bancassurance products offering	Commenced Bancassurance business	No Baseline	No Target	No Target	No Target	No Target		Approved Bancassurance model	Launch low-cost Bancassurance products offering (Funeral and/or Credit life)
1.5	Approved Business and Public Sector/ Corporate strategy	Commenced Business and Public Sector banking business strategy	No Baseline	No Target	No Target	No Target	No Target	No Target	Approved Business and Public Sector/Corporate strategy	No Target
1,6	1.6.1 Approved Channel Strategy for the model	Developed the channel strategy	Postbank corporate strategy approved in FY2022/23	No Target	Approved Channel Strategy	No Target	No Target	Approved channel strategy	Integrated channel mix expansion	Omni channel implementation
	1.6.2 Launch Point Of Sale ("POS")	Number of Point of Sale devices rolled out	Business case approved	Complete SCM Procurement processes, and obtain approvals	Award RFP/Appoint Switch Service provider	Complete Certificationt with PASA for merchant POS acquiring,	Test and pilot Postbank products/launch go-live	Complete SCM processes and Certification of Postbank as Merchant POS Acquiring bank in the industry	Launch POS (On-board 1000 merchant)	5000 merchants
	1.6.3 Launched Postbank branded branches	Number of Postbank branded branches rolled out	SAPO's physical branches- Business case to be developed for Postbank branded Branches	Approved Business Case Branch Network 1 UBS Branch Pilot	1 UBS Branch Pilot	1 UBS Branch Pilot	1 UBS Branch Pilot	Approved Branch Network Business Case. 3 Branch Pilot Network	30 Pilot Branch Network	Roll out Branch Network
	1.6.4 Launch Postbank ATM	Number of Postbank branded ATM's rolled out	Business Case developed pending approval	Board Approval	Complete Certification with PASA for ATM	Finalize contracts/ agreements (Service Provider) identified /Retailers for footprints deployment purposes	Pilot 50 ATM Channel as outlined in the Business Case	Complete Certification with PASA and pilot 50 ATMs	Maximise footprint potential (presence and availability 300 ATM Channel including Bank On Wheels (Mobile Units)	Deploy 1084 ATM/Mobile Units Chanel including 200 SSD's
1,7	Established partnerships with local Spaza shops	Number of Spaza shop agreements	Partnership agreement signed with 1 Spaza group	No Target	Sign partnership agreements with 1 Spaza groups	No Target	Sign partnership agreements with 1 Spaza groups	Sign and implement partnership agreements with 2 Spaza groups	Sign and implement partnership agreements with 2 Spaza groups	Sign and implement partnership agreements with 2 Spaza groups
1,8	Established partnerships with local Fintech companies	Number of partnership agreements with a Fintech companies	No Baseline	No Target	Approved partnership framework for Fintech	No Target	Sign and implement 1 Partnership agreement with a Fintech company	Develop a partnership framework. Sign and implement 1 Partnership agreement with a Fintech company	Sign and implement 1 Partnership agreement with a Fintech company	Sign and implement 1 Partnership agreement with a Fintech company

No	Outputs	Output Indicator	Baseline	Quarterly Targets Q1	Q2	Q3	Q4	Annual target 2023/24	Annual target 2024/25	Annual target 2025/26
OUTCOME 2: STRONG FINANCIAL PERFORMANCE										
2,1	Growth in Net Interest Income(NII)	A targeted Net Interest Income(NII)	NII of R554 m	R182m	R193m	R199.2m	R193.4m	Achieve target NII of R768m	Achieve target NII of R802m	Achieve target NII of R838m
2,2	Growth in Non Interest Revenue (NIR)	A targeted Net Interest Income(NII)	NIR R459 m	R242m	R335m	R394m	R322m	Achieved target NIR of R1 292m	Achieved target NIR of R1 350m	Achieve target NIR of R1 411m
2,3	Increased depositor balances	Percentage growth in depositor balances	2,04% year-on-year growth in deposits	No target	4% cumulative deposit growth	No target	4% cumulative deposit growth	Achieve an 8% year-on-year growth in deposits	Achieve an 12% year-on-year growth in deposits	Achieve an 15% year-on-year growth in deposits
2,4	Increased total core accounts base. (Excl. SRDs and SASSA).	Percentage growth in depositor balances in total core accounts base. (Excl. SRDs and SASSA).	2% year-on-year account growth	No target	4% cumulative deposit growth	No target	4% cumulative deposit growth	Achieved 8% net growth in total core accounts base	Achieve an 12% year-on-year growth in deposits	Achieve an 15% year-on-year growth in deposits
2,5	Improved cost to income ratio	A targeted cost-to-income ratio	Cost-to-income ratio of 72%	92%	92%	92%	92%	92%	92%	92%
OUTCOME 3: DIGITAL TRANSFORMATION										
3,1	PCI compliant IT infrastructure services	PCI DSS Certification	IT Modernisation business case approved	Migration of current workloads to the new environment	75% complete of the agreed SLA	Decommissioning old environment.	No target	100% Implementation of the new IT infrastructure services that is PCI compliance and secure.	90% Operations Level Agreement	95% Operations Level Agreement
3,2	New Enterprise Resource Planning solution	Fully implemented Enterprise Resource Planning solution (focus on HR and Finance)	No Baseline	Approved and Signed business specification		Finalisation of the procurement process (Letter of award)	Signed contract with the service provider.	Finalise procurement process.	Implementation of Enterprise Resource Planning.	No target
3,3	Enhanced data management and analytices capability	Fully implemented Enterprise data management solution	IT Modernisation business case approved	Implement an Enterprise grade Oracle Data warehouse and BI solution implementation	Migrate all existing reports and ETL packages from ODS to the new BI platform	Develop new reports and ETL solutions using the new platform within a week for every business request received	Develop a real-time AI driven fraud early warning system.	Implementation of the Enterprise Data Management solution and a real-time AI enabled Fraud Detection system	Implement AI enabled customer journey solution for product customisation	100% use of machine learning, use of AI, analytics and virtualisation by Finance and Commercial
3,4	Enhanced cyber security management solution	Percentage reduction in Critical vulnerabilities	No Baseline	Finalise procurement process. (Letter of award)		Implement eWallet	eWallet Projects Handover	Implementation of the eWallet solution	Integration with Mobile money platforms	Implement Cashless/Card less capability

No	Outputs	Output Indicator	Baseline	Quarterly Targets				Annual target 2023/24	Annual target 2024/25	Annual target 2025/26
				Q1	Q2	Q3	Q4			
OUTCOME 4: POSITIVE CUSTOMER AND EMPLOYEE EXPERIENCE										
4,1	Enhanced product offering	Number of new products launched and number of products discontinued	13 products within the transactional, savings and investment product portfolios	Conduct product rationalisation feasibility study	Approval of an updated business case	Implement feasibility study recommendations	Implement feasibility study recommendations	Rationalize existing product portfolio	Develop and launch updated transactional, savings and investment products	Develop and launch updated products with rewards program
4,2	Acquire Government business	Number of Government business deals	No Baseline	No target	Acquire 1 Government business deal	No target	Acquire 1 Government business deal	Signed 2 Government deals	Sign 2 Government deals	Sign 2 Government deals
4,3	Improve customer experience	Reduced turnaround time	No Baseline	Close customer queries and complaints within a 10 day turnaround time	Close customer queries and complaints within a 10 day turnaround time	Close customer queries and complaints within a 10 day turnaround time	Close customer queries and complaints within a 10 day turnaround time	Customer complaints closed within 10 days	Introduction of the Net Promoter Score metric	Net Promoter Score above industry average of 43%
4,4	Building internal human resource to assist in the execution of the strategy.	Percentage of vacancies at Executive Management level	89%vacany at Executive Management level	No Target	20% Vacany at Executive Management level	No Target	Completion of the organisational culture review	20% Vacany at Executive Management level	Finalise new Organisation structure and roll new culture change initiatives	Implement new Organisation structure and retention strategy
4,5	Conduct a target number of financial education/literacy events nationally/ Education about digital payment solution	Number of financial education/literacy events nationally/ Education about digital payment solution	Strategically localized targeted number of financial education programs (24 events conducted in selected provinces)	12	12	12	12	Conduct 48 high-impact financial literacy/education events	Conduct 52 high-impact financial literacy/education events	Conduct 60 high-impact financial literacy/education events
OUTCOME 5: GOOD GOVERNANCE, RISK AND COMPLIANCE										
5,1	Improved audit outcome	Percentage of material external audit findings a addressed	80% of deficiencies as per audit findings resolved by 31 March 2023	No target	Prepare an integrated audit action Plan to address material audit findings. IAAP must be approved by the board.	Address 100% of material audit findings affecting the audit opinion.	Address 50% of matters affecting Annexure A and of the Management report (MR)	Address 100% of the deficiencies as per the material audit findings and 50% of Other important findings.	Address 100% of the deficiencies as per the material and other important matter audit findings and achieve unqualified annual audit outcomes for 2023/2024	Address 100% of the deficiencies as per the material and other important matters audit findings and achieve unqualified annual audit outcomes for 20242025
5,2	Approved cyber risk management plan	Percentage achievement of the plan	No Baseline	Governance structures completed and implemented	Cyber risk management processes finalised and implement processes	Perform control assurance monitoring	100% achievement of the plan	100% achievement of the plan	No target	No target

Risk Management

11. RISK MANAGEMENT

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

Risk name	Risk description	Mitigation plan	Outcomes
People Risk	Risk of not being able to attract and retain sufficient skills in the open market, especially critical digital and core banking skills.	Postbank is developing an employee value proposition attractive to critical skills required. The bank is currently recruiting executive management who will also build capacity within various levels of employment within the bank.	Positive Customer and Employee Experience
Compliance Risk	Compliance relating to securing and maintaining the banking license. Ability to adapt the compliance infrastructure from that of a savings bank to that of a future licensed bank.	The bank is updating its IT infrastructure, adapting its business model and building its the compliance capability.	Good Governance, Risk and Compliance. Positive Customer and Employee Experience Digital Transformation
Partnership Risk	Postbank distribution model relies heavily on the fully outsourced model and thus exposes Postbank to the risk of failure to deliver on its mandate.	Expansion and diversification of the bank's distribution channels.	A Registered State Owned Bank
Cybercrime risk	Banks will always be the target of criminals and the risk of loss of money, data and reputation through cyber-attacks is high.	Continuous strengthening of the bank's physical and IT security.	Good Governance, Risk and Compliance
Financial Risk	The current environment is depicted by higher interest rates and higher inflation rates. This may reduce the disposable income of our customers and reduce the amount of money available for households to save.	Postbank has to re-price products to be more competitive and to develop services that meet our customer's needs.	Strong Financial Performance Positive Customer and Employee Experience
Political Risk	Failure to deliver on the mandate agreed with the shareholder.	Develop and implement the integrated stake-holder relationship management strategy.	Good Governance, Risk and Customer Positive Customer and Employee Experience

Annexure

ANNEXURE A: GOVERNANCE

An integral part of establishing Postbank as an SOC Ltd is having a robust governance structure which drives the partnership between Postbank, SAPO, the Department of Communications and Digital Technologies (DCDT), and the relationship with other key stakeholders. Informed by applicable legislation and guidance, the approach will define how decisions are made regarding the scope, delivery and breadth of services provided by Postbank, and will be the mechanism through which the Bank's operating model is managed.

Following the above-mentioned governance elements, it is clear that for governance to work, it requires ownership and clear protocols for decision-making. This can be achieved through the establishment of committees with the appropriate level of authority that will be responsible for making decisions across the organisation at the right level. When the governance framework is tightly constructed — when "who does what" is clearly and concretely defined, and outcomes are measured — it clears the path for smooth operations.

Postbank SOC Ltd is wholly owned by the South African Post Office SOC Ltd at this stage. Processes are underway to transfer the ownership of Postbank SOC Ltd to a Postbank Bank Controlling Company SOC Ltd that will be owned by the Department of Communications and Digital Technologies (DCDT). This change aligns with the requirements of the Banks Act where a Bank Controlling Company (BCC) is interposed between a Bank and the ultimate shareholder. The current shareholding structure as well as the future structure is depicted below:

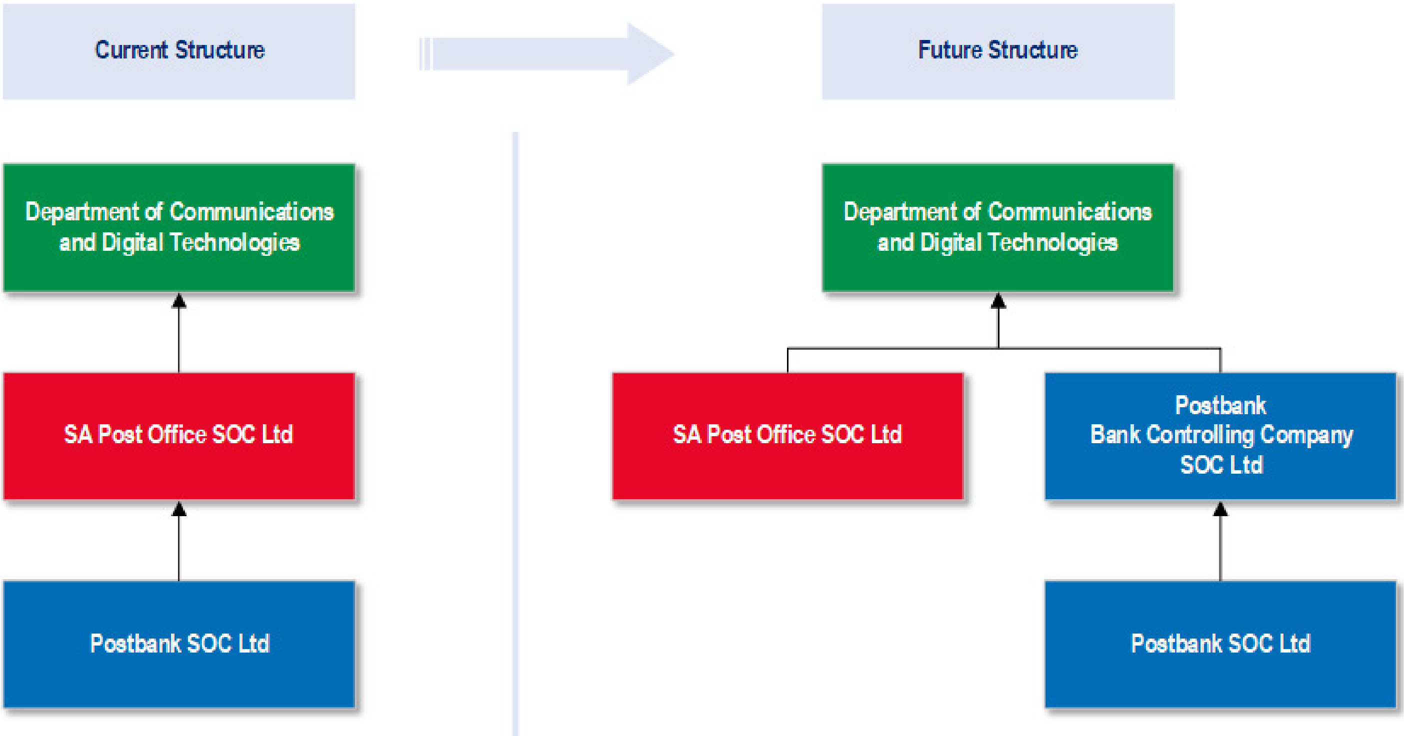


Figure 2: Future Shareholding Structures

Postbank Your Bank

In establishing Postbank's governance framework, the Department of Communications and Digital Technologies (DCDT) would have to influence the scope of services it is to provide. This will contribute towards broader alignment and help define the institutional relationship with the DCDT. The first step in defining the governance structure for this business is to select the Bank's leadership team. The leadership team will participate in defining the blueprint of the organisation, including the mission statement, scope, core competencies and guiding principles. Once the leadership team is in place and stabilised, the engagement between the Chief Executive Officer and the Chairperson of the Board will play a distinct and critical role in the impact made by Postbank on its target environment.

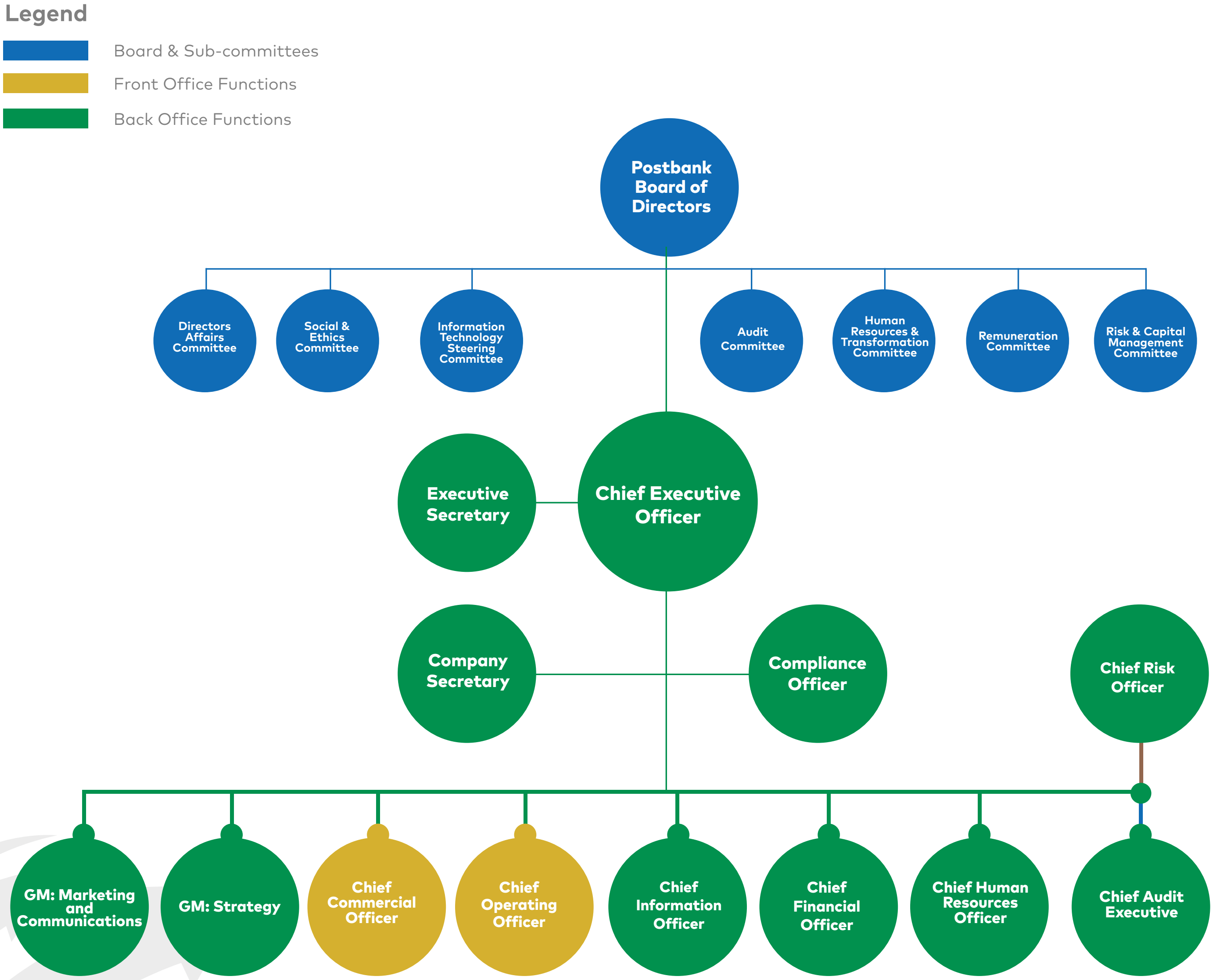
THE CHAIRPERSON

The roles and the responsibilities of the Chairperson are clearly articulated in the Postbank Board Charter. The chairperson runs the Directors Affairs Committee and Office and the delegation of board responsibilities to the specialised board sub-committees as per regulatory requirements and best practice.

THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is a member and Chairperson of the Postbank Executive Management Committee and an executive board director. The responsibility for realising and achieving Postbank strategic objectives, remains with the CEO and executive management.

THE CHIEF EXECUTIVE OFFICER



ANNEXURE B: 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, responsible for management of the risks in Postbank. Management consists of two lines. Line one is responsible to provide products and services to clients and manage the risk directly. Line two are basically experts that supports, monitor and provide challenge to Line one on risk matters. Line two is still part of management and thus also responsible for management of risk.
- 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 and impact on achievement of Postbank goals and objectives. Functions that own and manage risks.

Accordingly, the Postbank Board has delegated the function that own and manage the risks of Postbank to the Chief Executive Officer "CEO" to be within the board approved policies and as set out in the approved Corporate Delegation of Authority. Through the Risk and Capital Management Committee the Board has delegated the function to independently oversee risks to the Chief Risk officer (CRO). Through the Audit Committee the Board has delegated the function to provide independent assurance to the Chief Internal Auditor (CIA). The Postbank Board further delegated the overseeing of the management of the day-to-day functions to the Executive Management Committee (EXCO), for which the CEO coordinates. Consequently, the EXCO is accountable for the decisions and functions delegated to it by the Board, The Board may, in instances of crises within the bank, revoke any powers granted to management in order 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 Postbank Board has developed a clear definition of the levels of materiality and significance in order 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 in writing and is reviewed and regulated on a regular basis. The EXCO reports to the Board 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 the Postbank and its executive management.

ANNEXURE C: BOARD OF DIRECTORS

The Postbank Board has overall responsibility for the bank. Its role entails providing responsible leadership to ensure performance of the Postbank SOC Ltd with regard to 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 delegated to them and also in alignment with the Banks Act, Companies Act and King IV governance provisions.

Membership: The Postbank Board consists of the following members:

NAME OF MEMBER	STATUS	DATE OF APPOINTMENT
Mr. T Wonci	Chairperson	1 October 2020
Mr Lucas Ndala	Interim Chief Executive Officer	11 April 2022
Dr. Adv. L Hefer	Director	1 October 2020
Mr. G Mancotywa	Director	1 October 2020
Mr Martin Mahosi	Director	1 October 2022
Ms Vuyelwa Matsiliza	Director	1 October 2022
Mr Ashley Latchu	Director	1 October 2022
Ms Letlhogonolo Noge-Tungamirai	Director	1 October 2022

BOARD COMMITTEES

Audit committee

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

The Audit Committee is responsible for evaluating and advising on several elements including Postbank's financial statements which will be provided to Parliament and other stakeholders, the systems of internal control which management have established and approved by the Board, the audit processes, the risk management framework, as well as assessing the Bank's performance against its Corporate Plan. Representatives of both external and internal audit entities have direct access to the Chairperson of the Committee.

Risk and capital management committee

Risk management is fundamental to Postbank's strategy and the business of banking. The pervasiveness of risk in financial services means that the board considers risk management as an integral part of our strategy. The board has delegated the accountability for the setting of

the risk appetite and the management of the risks and compliance to the Risk and Capital Management Committee (Section 64 of the Banks Act). The board, through the Risk and Capital Management Committee, governs risks across the bank's Enterprise Risk Management Framework (ERMF), which includes the risk appetite, policies, procedures, limits and exposures, among others. This committee reviews the Postbank risk appetite and monitors, evaluates and advises the board on the adequacy of risk management processes and strategies within the Postbank, and then make recommendations to the board, including the approval of policies. The Risk and Capital Management Committee reviews and assesses significant risks facing the bank. The risk universe that the Postbank shall be exposed to include all the risks as defined by the Banks Act, Financial Sector.

Remuneration committee

The Board has delegated the accountability for the setting of the remuneration and performance of staff to the Board Sub-Committee the Remuneration and Performance Committee. This committee reviews all aspects relating to remuneration and performance within Postbank. The Remuneration and Performance Committee delegated the day-to-day management responsibility of the Remuneration and Performance activities to the Chief Human Resource Officer.

Human resources and transformation committee

The Board has delegated the accountability for compliance with relevant labour and employment legislative matters to the Board Sub-Committee the Human Resources and Transformation Committee. The committee and recommends to the Board the approval of human resources related policies. This committee's primary mandate is to drive transformation within the Bank. The HR Committee delegated the day-to-day management responsibility of the Postbank HR to the Chief Human Resource Officer.

Social and ethics committee

A Postbank Social and Ethics Committee is established to provide an advisory function on all governance matters. The Company Secretary and representatives from risk and governance business units shall attend the meetings of the committee.

Information technology steering committee

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

The IT Governance Committee delegated the day-to-day management responsibility of the Postbank IT to the Chief Information Officer. The Bank's Chief Executive Officer (CEO), Chief Information Officer (CIO) and other relevant representatives from management will attend meetings by the committee in accordance with the Terms of Reference defined for this Committee.

Directors affairs committee

In terms of Section 64b of the Banks Act, as well as Article 5.9.8.5 of the Memorandum of Incorporation (MOI), the Postbank Board established the Directors Affairs Committee in order to assist the Board of Directors in discharging its duty to ensure that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent to Postbank is established and maintained.

Consistent with the role of the other Board sub-committees, the Directors Affairs Committee has no power to make decisions, unless specifically delegated by the Board, and only makes recommendations for approval by the Board. The composition of the Directors Affairs Committee is made up only of non-executive directors appointed by the Board, amongst whom the Chairperson may be appointed and may be the Chairperson of the Postbank.

ANNEXURE D: 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 number of policies, and further summarised it in its delegation of authority matrix. Control failures on actual and potential losses are recorded via the bank regulatory required operational risk system. The risk and classification matrix guide 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 on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality	
Profit after tax	**5%-10%**
As Postbank is a small entity company the 5% is applied	5%
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**

**** per best practice of material***

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

- No Authority
- Authority to recommend (REC) or approve (APP). No monetary value
- Authority to approve, limited to the stipulated officials
- No Authority to approve except for stipulated officials
- 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 qualifiying 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.

ANNEXURE E: FRAUD PREVENTION PLAN

Apart from the direct losses stemming from fraud, theft and corruption, acts of crime and dishonesty; a secondary effect which is equally damaging, is the impact on the Company's image and brand. Individuals and syndicate elements continually vary their initiatives and modus operandi in targeting specific products/assets as well as reengineering their ways and means to overcome operational and financial processes, in fulfilling their criminal objectives.

The single key factor that most negatively impacts upon security and subsequent financial loss is the lack of compliance by employees of SAPO to the instructions, procedures and systems that govern business operations. This is compounded by the failure of supervisory staff and operational management, to effectively apply and ensure the relevant control measures.

The ability of Postbank to maintain a competitive advantage within an environment of direct competition, ensuring customer trust and service reliability is positively influenced by the bank's ability to effectively detect and prevent incidents of criminality, financial misconduct and dishonesty. It remains an ever-challenging objective to identify those areas where human behaviour in conjunction with system and product weaknesses create the opportunities and environment for irregularities to be committed, which contribute to financial loss.

Accountability and control which will enable the prevention of criminality, financial misconduct and dishonesty, is vested within management and all its employees, with the Financial Crime Department fulfilling an internal preventative and initial investigative responsibility. Syndicates are targeting these 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
- Establishment of internal and external partnerships

Spectrum

The complexity of the Postbank operations requires, apart from focusing on fraud, a holistic approach towards the prevention and detection of acts of criminality of which Postbank assets, its employees and clients are a target of. In this regard, the investigation and prevention of acts of criminality within Postbank and its subsidiaries are focused upon 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

Postbank fraud prevention plan alignment to national treasury

The Postbank's National Fraud Prevention Plan (NFPP) is aligned in accordance to 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 III and IV principles. The National Fraud Prevention Plan (NFPP) of the Postbank is not only limited to compliance to the Public Finance Management Act (PFMA) and the Treasury Regulation 29.1.1., but encompasses all other Legislation, Common Law as well as Internal Policies and Procedures directed at the prevention and detection of fraud and dishonesty.

In doing business, 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 organisation, its clients and customers. The main objective of the NFPP is to create a culture which is intolerant of fraud and corruption, by regulating an ethical conduct of its 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 the personnel of Postbank to conduct their business in a manner that is conscious of the values of the organisation.

The effectiveness of the Postbank Fraud Prevention Plan would be ensured by 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. A whistleblowing policy is also being developed and will be implemented to support the crime and fraud detection efforts.

Governance structures

There is an ongoing concerted drive to develop and foster a climate within Postbank where all employees strive for the ultimate eradication of fraud, corruption and theft as well as re-enforcing existing regulations aimed at preventing, reacting to and reducing the impact of fraud, corruption, theft, and misadministration where these dishonest acts subsist. The prevention and detection of acts of criminality and dishonesty is management 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 are to:

- Identify and evaluate the exposures to loss or failure which relate to their particular 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 & Investigation Services Division of the SAPO is responsible to assist Postbank Operations relating to security and crime prevention initiatives, as well as to investigate matters of criminal and dishonest nature. Postbank is expanding the internal investigating capabilities of the bank. The Financial Crime Department of Postbank is responsible to assist Operations and the Security & Investigation Services Department by compiling data, performing analysis and providing proactive trends and weakness identification 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;
- Postbank Executive Committee (EXCO);

Zero tolerance

There is an ongoing concerted drive to develop and foster a climate within Postbank where all employees strive for the ultimate eradication of fraud, corruption and theft as well as re-enforcing existing regulations aimed at preventing, reacting to and reducing the impact of fraud, corruption, theft, and misadministration where these dishonest acts subsist.

The Postbank Crime Prevention Strategy will continue to focus upon 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:

- Prevention of fraud, theft and corruption across all Business Units;
- The deployment of a dedicated project management focus with an increased level of crime and cause analysis, project evaluation and impact.

Its zero-tolerance approach towards crime is directly in support of the National Crime Prevention Strategy (1995) of the South African Government and is deployed in close co-operation and partnership with the South African Post Office Security & Investigation Services and other policing and intelligence agencies.

ANNEXURE F: COMMUNICATION AND MARKETING PLAN

As a State-Owned Company, Postbank's objective is to become the preferred primary banker of choice to the South African Government, making it the catalyst for new and exciting opportunities for the country. The Postbank brand is mainly premised on the principle of trust and the bank intends conducting its business in a responsible manner and with great openness. Postbank wishes to be accessible and have an open relationship with all its employees, stakeholders and customers in order to cultivate and maintain a high level of trust. This will allow the Bank to influence perceptions about the Postbank brand with respect to how it conducts its business and the role it plays within the banking industry and for the South African government.

The overall ability of Postbank to deliver on its mandate and its vision is dependent on the brand perception it discharges. The quality of engagements the Bank has with its internal and external stakeholders either directly through a transaction or indirectly through news information that they consume about the organisation will influence how they view it. The Postbank brand reflects its culture, mission and vision and the personification of the organisation, as contained in the various messages it communicates.

The competitive advantage of a positive brand position is secured and sustained revenues, as well as healthy profitable relationships with all the organisation's stakeholders and customers. Nothing is as more important as what Postbank stakeholders, both internal and external, think of the bank.

Key functional areas

The Postbank Communications Plan relates to the following key functional areas concerning the bank's engagements with its internal and external stakeholders:

- Brand positioning – (i.e., brand reputation, awareness, presence and brand equity development, etc.);
- Media Relations – (facilitation of relationships and engagement with the media through activities such as writing and distributing news releases and responding to media queries, media monitoring and analysis, etc.);
- Public Relations – (managing Postbank's official website, expanding and managing Postbank's social media presence, etc.);
- Internal corporate communications – (communications with employees which include email dissemination of company news, producing the employee newsletters as well as provide strategic counsel and support); and,
- Crisis communication – attending to all organisational crisis situations communication, serving the advisory role to the organisation's leadership in dealing with events threatening the organisation's reputation or public safety.

The Marketing and Communications division identifies its activities for this period to be contributing towards the achievement of the corporate objectives presented in this plan. The Marketing and Communication functional plan is geared towards building Postbank's brand and are on measures of trust, accessibility and relevance.

ANNEXURE I: FUNDING PLAN

Postbank's 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 4 below provides an indication of Postbank's Assets, Liability and Capital to total assets as a percentage of total assets as at 31 December 2022. The figure provides the banks capital structure (Liabilities and equities) indicating that 71% of the Postbank funding is from deposits, 28% from common equity (Tier1 equity) and the other 1% being other trade payables. The 28% of equity Postbank has is made up of intial share capital and the retained earnings accrued over the the years.

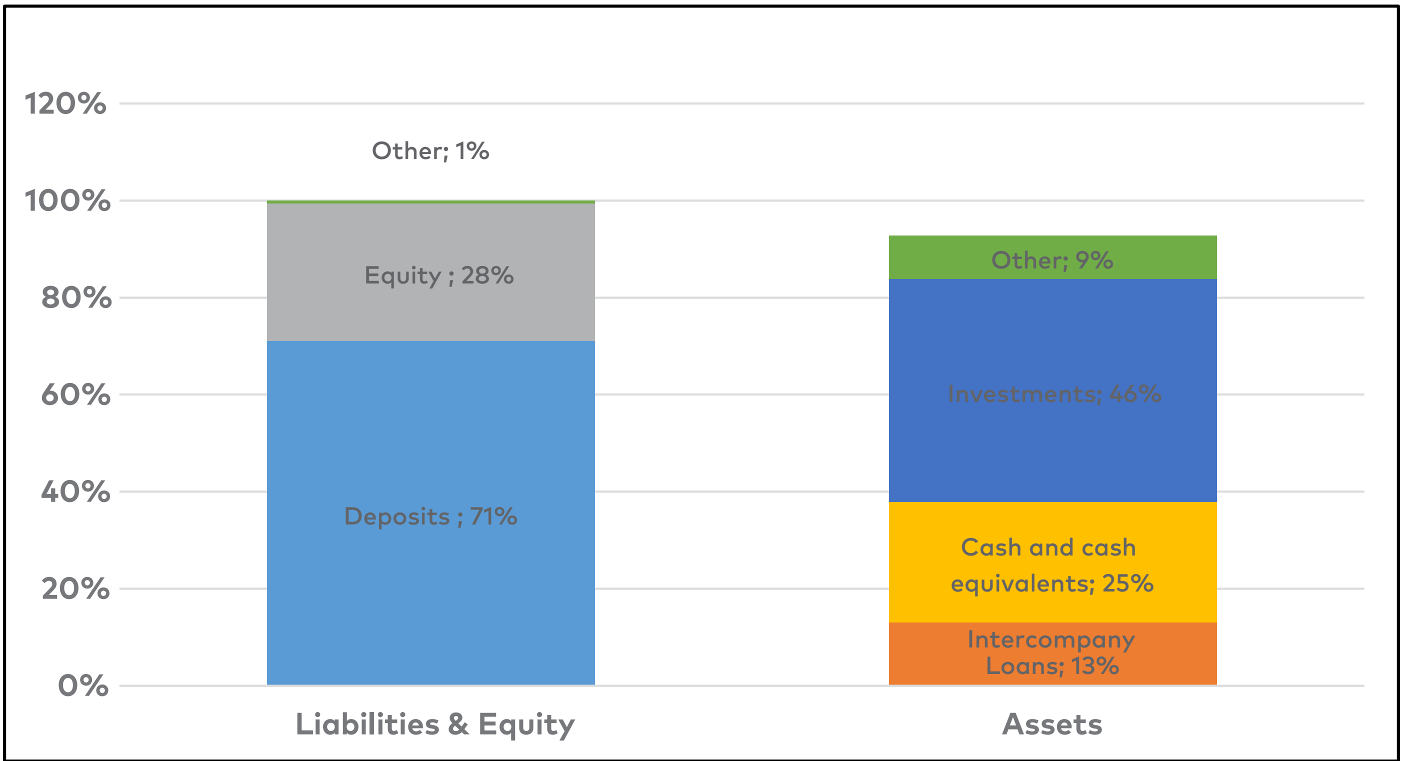


Figure 4: Postbank's Assets and of Liabilities and Equity(Capital)

Postbank retail funding consists of deposit accounts such as transactional accounts, savings accounts, grants accounts and term deposits of the value of R10.8 billion as at 31st December 2022. Figure 2 below indicates that 34% in savings accounts, 9% transactional accounts, 1% is from term deposits and 56% of the funding is from grant accounts which are transitional and do not contitute funding by their nature .

Ninety eight percent (98%) of these deposits are classified as overnight deposits. Behavoiural analysis shows that these deposits are "sticky" (this means they are stable and draw down rates are low), but their short term maturity profiles are not ideal in terms of utilising the deposits for funding these type of deposits tends to carry liquidity risks which could cause a potential liquidity crisis in an event of a run on a bank as these deposits will be tied to the long dated credit products. Ideally long term credit products should be funded by longer term deposits, effectively matching the credit maturity profiles.

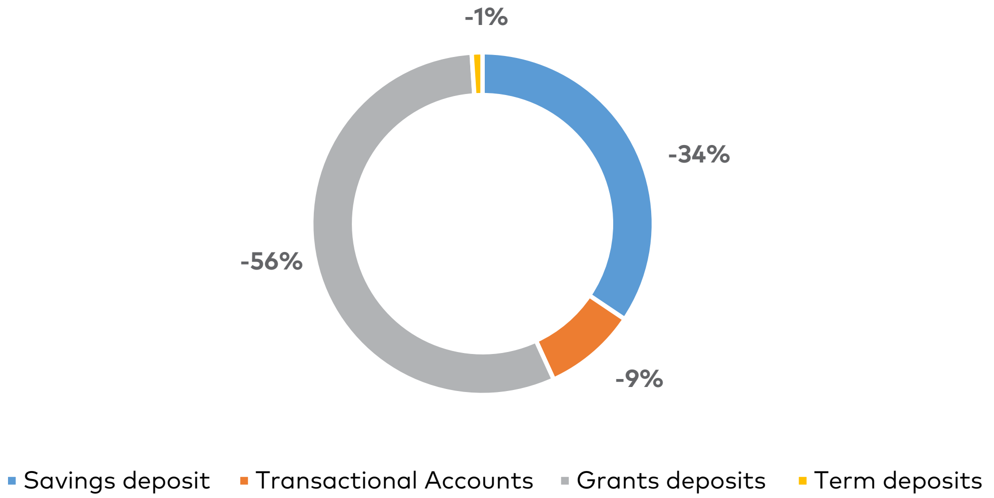


Figure 5: Deposits

Postbank equity-related funding consists largely of other reserves (which includes initial share capital) and retained earnings. As at 31 December 2022, Postbank equity-related funding consisted of share capital, reserves and retained earnings of R3.5 billion. The R3.5 billion is the capital base for the bank for provision of self-insurance, acts as a buffer against losses, and gives assurance to the Prudential Authority that the bank will manage its risk prudently. Postbank is required by the Prudential Authority to hold a capital reserve for every risk it assumes. Currently SARB requires a minimum capital adequacy ratio of 30.250%. Figure 3 and Table 1 below indicates that the bank is well capitalised with a CAR (capital adequacy ratio) of 55% as at the end of Dec 2022 which is above the minimum requirement of 30.250% and the free capital amount of R1.6 billion.

SAPO Exposure

Postbank has provided funding to SAPO for ordering cash for SAPO branches and depended on SAPO for invoicing and collection services fees from SASSA cycles since the inception of the SASSA project. However, SAPO has been unable to transfer any surplus funds not used for pre-funding and pay over the amount paid by SASSA for the services fees. This resulted in a total amount owing of R3.5 billion made up of outstanding advances (R1,3 billion), invoices (R1,0 billion), R908 million liability from the April 2019 assets and liability split, the historical loan (R213 million), and R113 millions of funds outstanding from Department of Transport (DOT). This exposure to SAPO (outstanding loan, advances, and services) has resulted in a total impairment provision of R923 million for FY2021/22. The impairment is a provision based on credit worthiness of the debtor in compliance to IFRS 9 reporting and all impaired amounts will be recovered from SAPO. The current exposure to SAPO of R3.5 billion represents 98% of the bank's total equity.

Full impairment of this exposure without capital injection from National Treasury will weaken the Postbank's balance sheet and impact on the bank's Capital Adequacy Ratio.

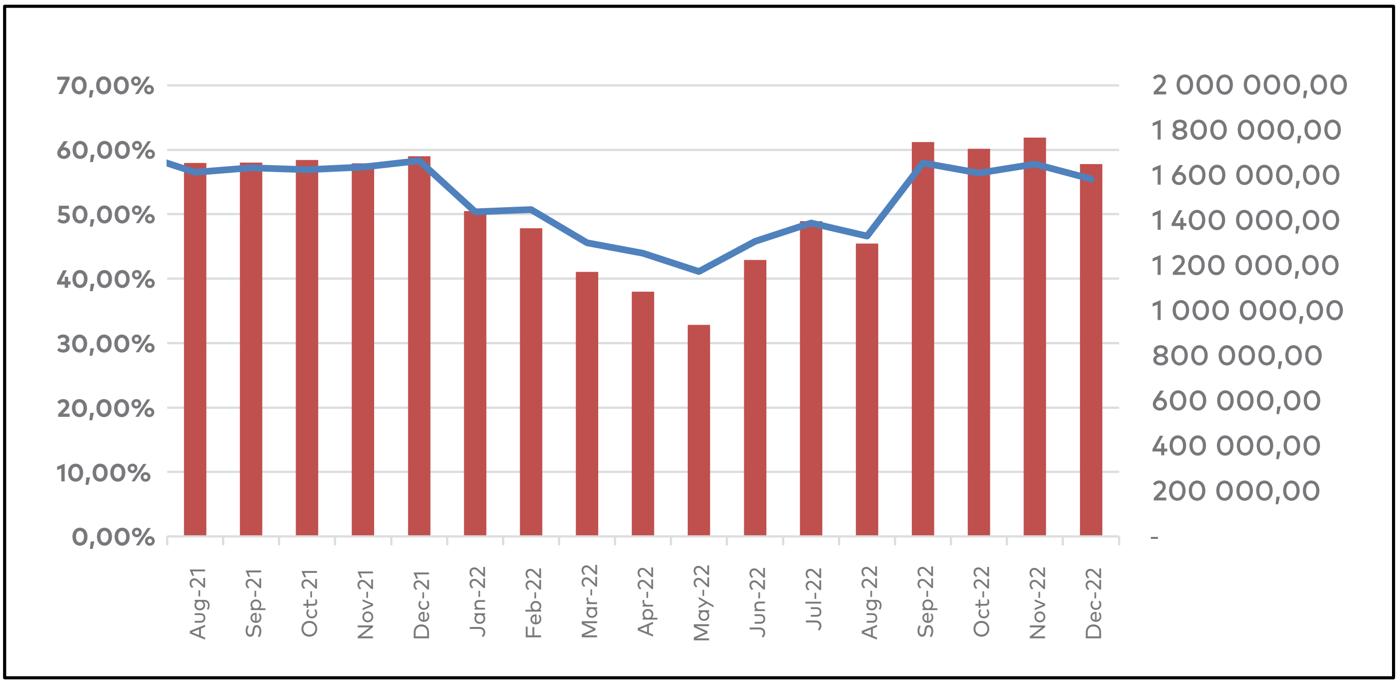


Figure 6: Capital Adequacy Ratio

	2 023	2 024	2 025	2 026
Common Equity Tier 1	3 629 536.85	3 770 983.51	3 915 583.70	4 063 196.71
Tier 1	3 629 536.85	3 770 983.51	3 915 583.70	4 063 196.71
Tier 2	-	-	-	-
Total	**3 629 536.85**	**3 770 983.51**	**3 915 583.70**	**4 063 196.71**

	2 023	2 024	2 025	2 026
CET 1	55.48%	51.13%	46.54%	42.15%
Tier 1	55.48%	51.13%	46.54%	42.15%
Total	55.48%	51.13%	46.54%	42.15%
Excess reserve	**1 650 587.62**	**1 540 151.98**	**1 370 563.85**	**1 146 834.38**

Table 3: Qualifying Capital and Capital adequacy ratio

Postbank future funding model

Postbank has embarked on a journey to define the strategic plan that will enable and empower it to drive financial inclusion across the most marginalized and needy segments of society. Postbank intends to build the core operating capabilities and differentiating capabilities to provide Personal and Community (Retail), Small, Medium, Micro Enterprises/ Business, and Public Sector banking. During FY2023/24, the bank plans to develop a new business model for Personal and Community (Retail), Small, Medium, and Micro Enterprises/ Business, and Public Sector banking that will provide; detailed strategy (business level strategy); critical capabilities and opportunities; an understanding of the current customers and those to be targeted and the segmentation (sub-segmentation). Moreover, it will provide detailed costing (revenues, costs, or budgets) for each market segment.

Once completed, Postbank will embark on a process of developing a funding plan, to determine the total funding requirements for investment in systems, infrastructure, and people capabilities (OPEX and CAPEX for this new strategy) as well as the incremental revenues from new products and channels. Further, determines the amount of capital injection required for the new strategy and/or the banking license application.

Moreover, the intention of the new funding plan will be to diversify the Postbank funding profile in terms of funding types as sketched in Figure 1 below. 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, such as taking institutional deposits). 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.

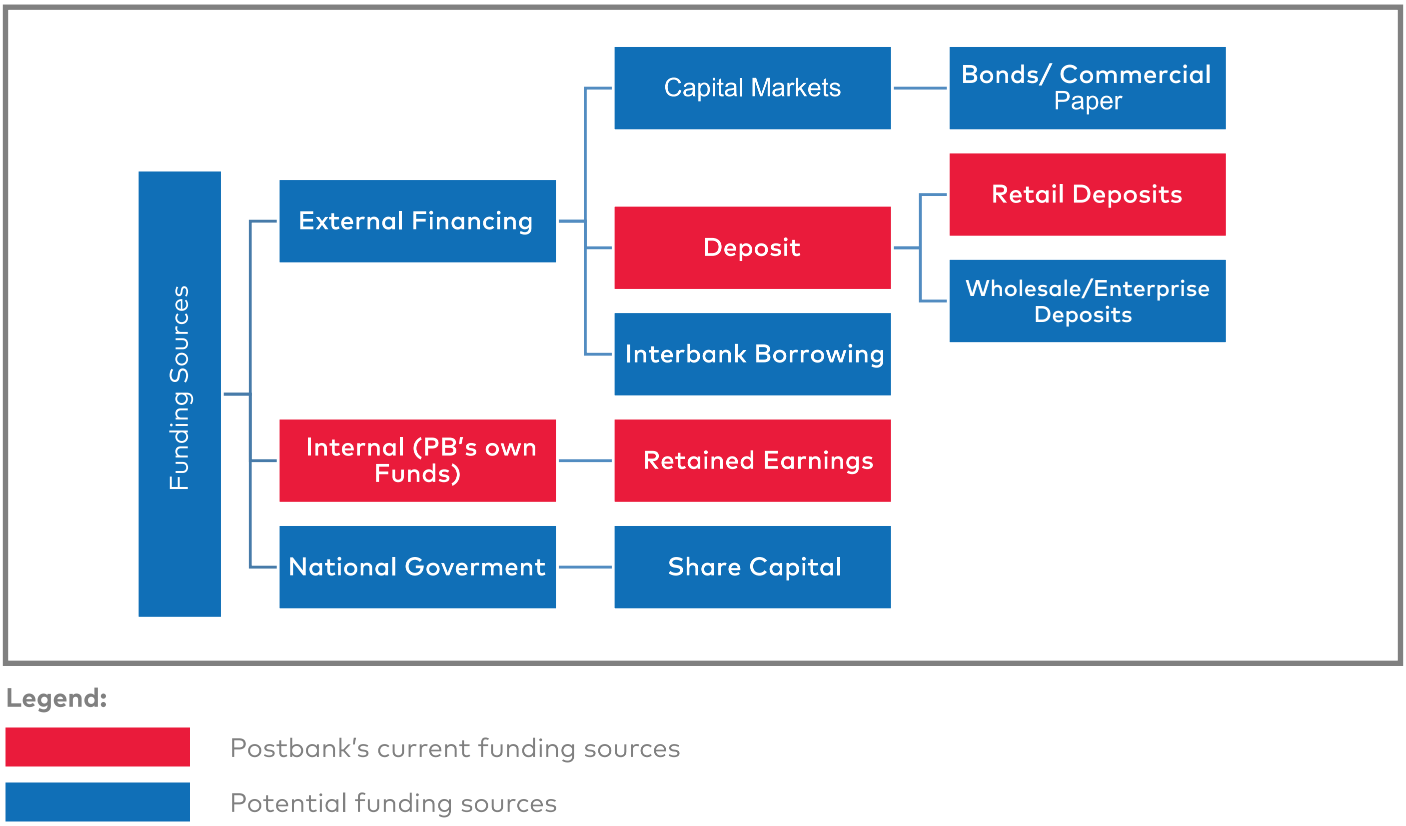


Figure 7: Potential Funding Sources

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.

Funding of the CAPEX for FY2023/24

The National Treasury allocated Postbank R379 million to fund projects related to its corporatization. A total of R141 million has been used to date, with the remaining funds being invested in Negotiable Certificates of Deposits (NCDs). A total of R361 million will be used by Postbank to fund its CAPEX requirement of R278 million in FY2023/24.

Shareholder support

As the business model and operating model are refined, the cost of this ambitious strategy will be firmed up with greater granularity. The amount of capital injection required for the new strategy and/or the banking license application will be finalised. According to preliminary work done, the bank will require an estimated amount of R5 billion in the next 5 to seven years for recapitalization and to invest over the next seven years in differentiating capabilities (such as IT systems, branch networks, and ATMs). Made up of R3.5 billion SAPO owes Postbank, as mentioned above, and R1.5 billion needed to invest in systems, infrastructure, and people capabilities (OPEX and CAPEX). Significant financial modeling is to be undertaken once the work around the business model and operating model has been completed to firm up these amounts and the funding plan.

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. • Tenor 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 in terms 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** • Potsbank 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.	
• National Government capital injection may be required from National Treasury if Postank is to write off the SAPO exposure.	**Pros** • Strenghthen the balance sheet. • Strenghthen the capital adequacy ratios • Capitalisation of Postbank will cushion the bank in the event of severe financial distress.		Write-off of the exposure without Capital injection from National Treasury will weaken the Postbank's balance sheet substantially and reduce the bank's capital adequacy ratios.