Postbank
Your Bank

SOUTH AFRICAN POSTBANK SOC LTD

ANNUAL REPORT

FY2024/25

1 April 2024 – 31 March 2025

CONTENTS

PART A

GENERAL INFORMATION

1. COMPANY INFORMATION

Registered Name	South African Postbank SOC Ltd
Registration Number	2017/177755/30
Registered Office Address	497 Sophie de Bruyn Street, Pretoria, 0001
Postal Address	PO Box 10 000, Pretoria, 0001
Contact Telephone Number	(012) 407 7000
Website Address	www.postbank.co.za
External Auditor	Auditor-General South Africa
Company Secretary	• Nobuhle Sibeko (resigned on 24 April 2025) • Dithuso Makhalanyane (Acting) – appointed effective 24 April 2025

Prepared by	Sabelo Zulu: Postbank Strategy
Contact	sabelo.zulu@postbank.co.za

2. LIST OF ABBREVIATIONS/ACRONYMS

AC	Audit Committee
AD	Active Directory
AFS	Annual Financial Statement
AGM	Annual General Meting
AGSA	Auditor General South Africa
ALCO	Asset and Liabilities Committee
AML	Anti-Money Laundering
AoPO	Audit of Pre-determined Objectives
APN	Access Point Name
APP	Annual Performance Plan
ATM	Automated Teller Machine
BASA	Banking Association of South Africa
CAE	Chief Audit Executive
CAR	Capital Adequacy Ratio
CCO	Chief Commercial Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFT	Combatting of Terrorist Financing
CHRO	Chief Human Resources Officer
CIO	Chief Information Officer
CIT	Cash in Transit
COO	Chief Operations Officer
CPD	Corporation for public deposits
CPF	Combating of Proliferation Financing
CPI	Consumer price inflation
CPP	Cash Pay-Point
CRMP	Compliance Risk Management Plan
CRO	Chief Risk Officer
CRP	Card Replacement Project
CSI	Corporate Social Investment
CVP	Customer Value Proposition
DCDT	Department of Communications and Digital Technologies

DPCI	Directorate for Priority Crime Investigation
EAD	Exposure at default
EAP	Employee Assistance Program
ECL	Expected Credit Loss
EFT	Eletronic Funds Transfer
EMV	Europay Mastercard Visa
EPWP	Expanded Public Works Programme
ERM	Enterprise Risk Management
ERMF	Enterprise Risk Management Framework
ERP	Enterprise Resource Plan
ESG Environmental, Social, and Governance	Environmental, Social, and Governance
EXCO	Executive Management Committee
FAIS	Financial Advisory and Intermediary Services
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
FSAPP	Framework for Strategic Plans and Annual Performance Plans
FSCA	Financial Sector Conduct Authority
FY	Financial Year
HQLA	High-Quality Liquid Assets
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFTR	International Funds Transfer Report
IGPS	Integrated Grant Payment System
IMBS	Integrated Modern Banking Solution
IMK	Issuer Master Key
IRRBB	Interest Rate Risk in the Banking Book
IT	Information Technology
KPI	Key Performance Indicators
L&D	Learning and Development
LBD	Limited Bidding Document
LCR	Liquidity Coverage Ratio
LGD	Loss-given Default

LEX	Large Exposures
MI	Material Irregularity
MOI	Memorandum of Incorporation
MRS	Master Rating Scale
MSA	Master Level Agreement
MSME	Micro, Small and Medium Enterprises
MTSF	Medium Term Strategic Framework
NCD	Negotiable Certificates of Deposit
NDP	National Development Plan
NFC	Near Field Communication
NII	Net Interest Income
NIR	Non-Interest Revenue
NPC	National Postal Centre
NPS	National Payment System
NSFR	Net Stable Funding Ratio
OTC	Over The Counter
PASA	Payment Association of South Africa
PCI DSS	Payment Card Industry Data Security Standard
PD	Probability of default
PFMA	Public Finance Management Act
PMRF	Performance Management and Reporting Framework
POS	Point-of-Sale
PP&E	Property, Plant and Equipment
RBA	Risk-Based Approach
RBAC	Role-Based Access Control
RCMC	Risk and Capital Management Committee
RCSA	Risk and Control Self-Assessment
RFP	Request For Proposals
RFQ	Request For Quotations
RMCP	Risk Management and Compliance Programme
SAICA	South African Institute of Chartered Accountants
SAP	Systems Applications and Products in Data Processing

SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Services
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SEC	Social and Ethics Committee
SOC	State-Owned Company
SOD	Segregation of Duties
SOP	Standard Operating Procedure
VN	Variation Notice
VUCA	Volatility, Uncertainty, Complexity and Ambiguity
YOY	Year-On-Year

3. LIST OF FIGURES

4. LIST OF TABLES

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements (AFS) audited by the Auditor-General South Africa (AGSA). The annual report is complete, accurate and is free from any omissions. The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the IFRS standards applicable to the public entity. The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements. In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2025.

Yours faithfully

Chief Executive Officer
Nikki Mbengashe
Date: 30 August 2025

Chairperson of the Board
Khayalethu Ngema
Date: 30 August 2025

6. FOREWORD BY THE BOARD CHAIRPERSON

It is my privilege to present this Annual Report for the year ended 31 March 2025, a period that has been both challenging and transformative for Postbank. The year under review was marked by significant governance transition, strategic realignment, and the renewal of our leadership structures.

In 2023, the Board of Directors was dissolved, and an Administrator was appointed by the Minister of Communications and Digital Technologies in accordance with Section 16A of the Postbank Act. This interim governance arrangement ensured continuity of oversight, compliance, and operational stability in an environment of regulatory and strategic importance. To strengthen independent assurance, the Administrator's Audit Committee was constituted, providing valuable oversight over financial reporting, risk management, and internal control systems during this period.

On 18 March 2025, the Minister appointed a new non-executive Board of Directors, marking the formal restoration of full governance authority. I am honoured to have been appointed as Chairperson, supported by a team of committed and highly skilled Board members who bring diverse expertise, industry knowledge, and a shared passion for advancing Postbank's mandate. The retention of members from the Administrator's Audit Committee as expert advisors for a one-year transition period has been an important measure in ensuring continuity, institutional knowledge, and stability.

While the timeframe between the appointment of the Board and the close of the financial year was brief, the Board prioritised the constitution of its key committees, the review of urgent compliance matters, and the initiation of strategic discussions to position Postbank for sustainable growth. The constitution of the Social and Ethics Committee (SEC) has been scheduled as a priority in the 2025/26 financial year, further strengthening our governance and ethical oversight framework.

Despite a year defined by governance transition and operational challenges, Postbank achieved several notable milestones that position the bank for future growth and regulatory compliance:

- Successfully transitioned from an Administrator-led governance model to a fully constituted Board on 18 March 2025, re-establishing full fiduciary oversight.
- Retained members of the Administrator's Audit Committee as expert advisors for a one-year handover period, ensuring continuity and institutional knowledge.
- Maintained full compliance with statutory obligations under the PFMA, Companies Act, and Postbank Act during the governance transition.

- Enhanced internal control frameworks and risk management processes, with regular monitoring by the Audit Committee.
- Initiated high-level engagements with the Prudential Authority, National Treasury, and other regulators to advance Postbank's Banks Act licensing roadmap.
- Continued uninterrupted service delivery to customers during the governance transition.
- Reaffirmed Postbank's commitment to ethical leadership, transformation, and social responsibility, with plans to constitute the Social and Ethics Committee in early 2025/26.

Looking ahead, our focus will be on:

- Advancing Postbank's roadmap toward full compliance with the banks Act licensing requirements;
- Strengthening risk management, internal controls, and governance systems;
- Enhancing operational efficiency and financial sustainability;
- Deepening our relationship with regulators, stakeholders, and customers; and
- Delivering on our developmental mandate to provide accessible, inclusive and affordable financial services to the people of South Africa.

The year ahead will require continued resilience, collaboration, and disciplined execution of our strategy. I am confident that with a committed Board, dedicated management, and the support of our shareholder and stakeholders, Postbank is well-positioned to meet its strategic and developmental objectives.

On behalf of the Board, I extend my gratitude to the Administrator for stewarding the institution through a period of transition, to management and staff for their commitment and professionalism, and to our regulators, customers and partners for their trust in Postbank.

Chairperson of the Board
Khayalethu Ngema
Date:30 August 2025

7. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

The 2024/25 financial year represents a turning point for Postbank. After two consecutive years of losses, we closed the year with a positive profit before tax. This achievement is not only a reflection of sound financial discipline, but also of the commitment across the organization to deliver on the objectives we set under the Stabilize and Build phase of our strategy.

Our journey has always been clear: we are not simply turning around a business – we are building a bank. Postbank's origins as part of the Post Office meant inheriting infrastructure never designed to run a modern retail bank. Over the past years, our work has been about creating the right systems, governance, leadership, and capacity to transform Postbank into South Africa's first fully-fledged state-owned retail bank. That perspective has guided our choices, our investments, and the determination with which we approach our mandate.

We achieved this progress against a challenging external environment. South African households continue to experience financial strain from rising inflation and sluggish growth, while state-owned entities face heightened scrutiny over sustainability and governance. For Postbank, this context is further compounded by our responsibility to balance commercial sustainability with our constitutional mandate: ensuring that millions of vulnerable South Africans have uninterrupted access to banking services. The past year again reminded us of the weight of this responsibility, but it also showcased the resilience and purpose of Postbank.

During the year we made deliberate progress on all fronts. While our customer numbers declined, a significant portion of this reduction was the result of SASSA's verification process to ensure that only eligible beneficiaries receive grants – an external factor outside of our control. At the same time, we recognize that we must do more on our side to improve retention and strengthen customer loyalty, and this remains a focus as we enter the next phase of our strategy. Importantly, we retained our critical grant disbursement business and did not miss a single payment, underscoring the reliability and consistency of our service. To support customers, we expanded our presence through more than 350 retail partner sites and invested in a capacitated contact center, improving the accessibility and responsiveness of our service offering.

On people, we closed the year with a fully constituted Executive Committee, bringing over 150 years of combined banking experience to Postbank. This was an intentional step to build the leadership depth needed for growth. Alongside this, we invested in employee wellness, training, and performance management to prepare our people for the future. Crucially, the appointment of our new Board of Directors during the year has further strengthened governance and direction, providing a steady hand as we move forward.

We also advanced our governance, compliance, and risk maturity. We identified and are acting on the top ten risks facing the institution, closed all Variation Notice conditions, and distributed new Postbank black cards to 65% of our customers as at 31 March 2025. Achieving 100% PCI DSS compliance – a first for Postbank – was a landmark step in securing our systems and customer data.

Operationally, we stabilized the bank and invested over R500m in IT infrastructure. This was a critical investment to both protect stability and build the foundation for a bank that can compete, innovate, and grow sustainably in the digital age.

It is worth acknowledging that our Annual Performance Plan does not fully capture the strength of this year's performance. This was largely due to delays in the card distribution program, which was initially scheduled to conclude early in the year. Uptake was slower than anticipated, and we chose to extend the process into the following year so that we could walk with our beneficiaries through the transition at their pace. While this was resource-intensive, it was the right decision to prioritize customer trust and dignity.

As I reflect on the year, I am proud that the Stabilize and Build phase has achieved what it set out to do: we have stabilized the institution, rebuilt trust, improved service delivery, strengthened leadership, and achieved financial sustainability. Postbank is no longer in survival mode. We are building a bank, with purpose and vision, from infrastructure that was never designed to carry this responsibility – and we are succeeding.

As we move into the Growth phase of our strategy, I want to extend my sincere gratitude to our shareholder, the Department of Communications and Digital Technologies, for their steadfast support; to our Board and Executive Committee for their guidance and leadership; to our employees whose dedication made these results possible; and to our customers and partners for the trust they continue to place in Postbank. Together, we are shaping South Africa's first fully-fledged state-owned retail bank – sustainable, inclusive, and unwavering in its mandate to provide essential financial services to those who need them most.

Chief Executive Officer

Nikki Mbengashe

Date: 30 August 2025

8. STATEMENT BY THE CHIEF FINANCIAL OFFICER

8.1 Review of Postbank's financial performance for the year ended 31 March 2025

The executive management of the bank is proud to report a profit after tax of R110m. This result was attributable to higher Net Interest Income (NII) and Non-Interest Revenues (NIR) together with favourable credit-related costs and tight cost management against the backdrop of a stable balance sheet and excellent liquidity position.

Gross interest income from_investments increased by R32m year-on-year (YoY) despite a decline of 0.3% p.a. in the weighted (time) average interbank repurchase (repo) rate. This was achieved as a result of the bank's Treasury function locking in higher interest rates prior to the commencement of the rate reduction cycle in the latter part of FY24 already. This ensured a sustained period of above-market earnings in the current fiscal year whilst gross investable balances remained stable YoY at R9.11bn (FY24: R9.14bn). Interest expense reduced by R47m YoY as a result of the reduction in market rates (the bank's interest-paying deposit base is primarily invested in overnight, variable rate products) combined with a reduction in deposits from R9.81bn in FY24 to R9.06bn in FY25. NII thus increased from R617m in FY24 to R691m in FY25 (+12% YoY).

Fee and commission income fell by R582m YoY, primarily attributable to a reduction in the SASSA-related customer base of the bank (SASSA rebase of grant recipients and impact of the Variation Notice resulted in a reduction of average customers from 5.5m in FY24 to 4.0m in FY25). This reduction in customer numbers similarly negatively impacted transaction fee income as volumes declined over the year. Fee income associated with the bank's disbursement contract with the Eastern Cape Department of Transport increased by R5m YoY as the bank enjoyed its first full financial year of this agreement. Fee and commission expenses fell by R662m YoY to R599m for FY25, resulting in a positive NIR performance YoY (+R79m). Significant drivers of this reduction were the discontinuation (effective 1 April 2024) of the costly client service channels of Cash Pay Point (CPP) and the South African Post Office (SAPO) Over the Counter (OTC) (R420m reduction YoY), combined with volume-driven reductions in ATM and Retailer channel costs (approximately R173m YoY reduction). The bank commenced the issuance of its new Black cards to SASSA customers, thus expensing R64m in respect of the issuance of thereof.

The bank did not experience a repeat of the significant credit losses recognised in prior periods but rather enjoyed a net reversal (R14.5m) in FY25. The reversal was primarily attributable to a reduction in the Expected Credit Loss provision for the bank's exposure to the Land Bank where

Land Bank's issued debt was restructured resulting in a partial settlement of R190m in FY25.

Operating expenses reduced by R327m YoY despite additional costs necessarily incurred due to Postbank's Card Replacement Project (Variation Notice) activities. Significant decreases in material losses (-R408m – no repeat of FY24 losses) and fines/penalties (-R52m – discontinuation of CPP/OTC disbursement channels which were operationally prone to resulting in penalties levied by SASSA on Postbank) contributed to the reduction in costs. Additionally, fiscal discipline led to reductions in support, transport and business continuity costs YoY. Staff costs (+R31m, of which R18m related to the additional staff required to support the Card Replacement Project) and IT-related costs (+R84m – "Build the bank" costs) were the more significant line items that increased YoY.

Liquidity

The bank continued to remain highly liquid with R2.5bn of immediately available (cash and call funds) liquidity. The bank calculated its Liquidity Coverage Ratio (LCR – a regulatory measure of a bank's short-term liquidity) at 160% as of 31 March 2025 (well above the minimum Basel requirement of 100%) and its Net Stable Funding Ratio (medium to long term liquidity metric) at 149% (minimum Basel requirement of 100%).

Capital Adequacy

As a direct result of the prior year losses recognised in connection with the bank's write-off of its exposures to SAPO and the Reconciliation Project, the bank finds itself in a capital-constrained position. Although net equity is positive (solvent), the Capital Adequacy Ratio (CAR) of the bank is well below that of fellow banks at 2.9% as of 31 March 2025. The bank has recognised the strategic importance of sourcing additional capital to fund both future regulatory demands and more immediate "Build the Bank" associated expenditure needed to advance its strategic plans and has initiated the process to recapitalise the bank.

Other key performance measures

In addition to the positive results discussed above, the bank measured itself positively against the following key performance metrics:

- Net Interest Margin – 7.6% p.a. [NII divided by average investment balances]
- Cost to Income Ratio – 67.5% [Operating costs divided by gross operating income, excluding non business-as-usual items)

- Return on Assets – 1.1% [Net Profit After Tax divided by average total assets]
- Return on Equity – 52.3% [Net Profit After Tax divided by average equity]

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Chief Financial Officer

Martin Dowie

Date: 30 August 2025

9. STRATEGIC OVERVIEW

9.1 Vision, Mission and Values

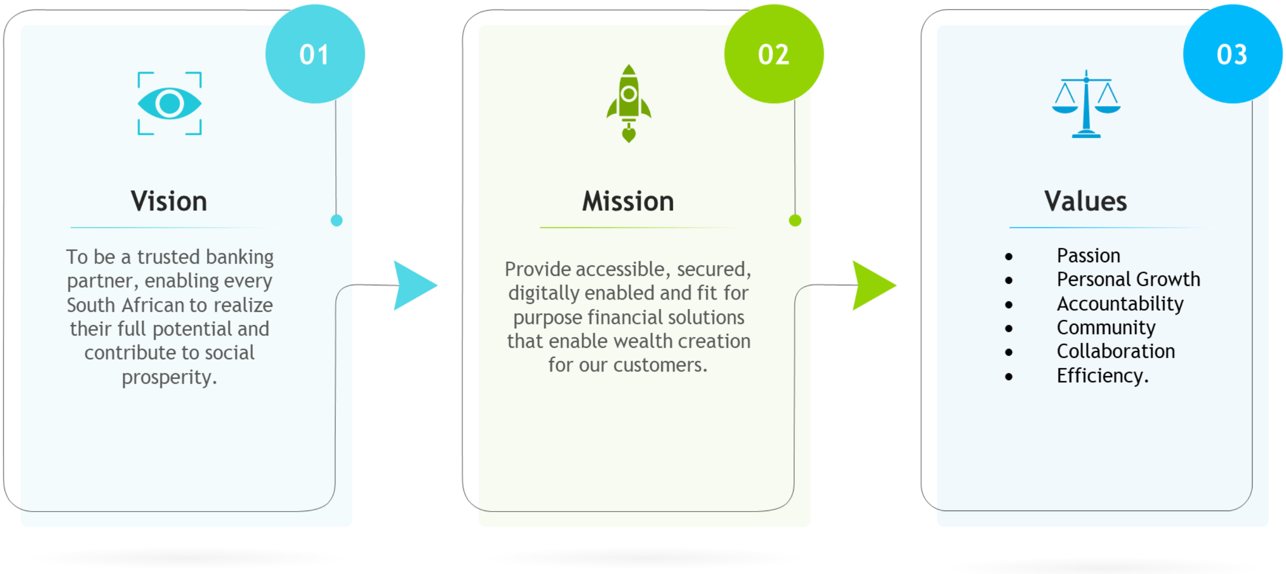


Figure 1: Postbank Vision, Mission and Values

9.2 History and Corporatisation Journey of Postbank

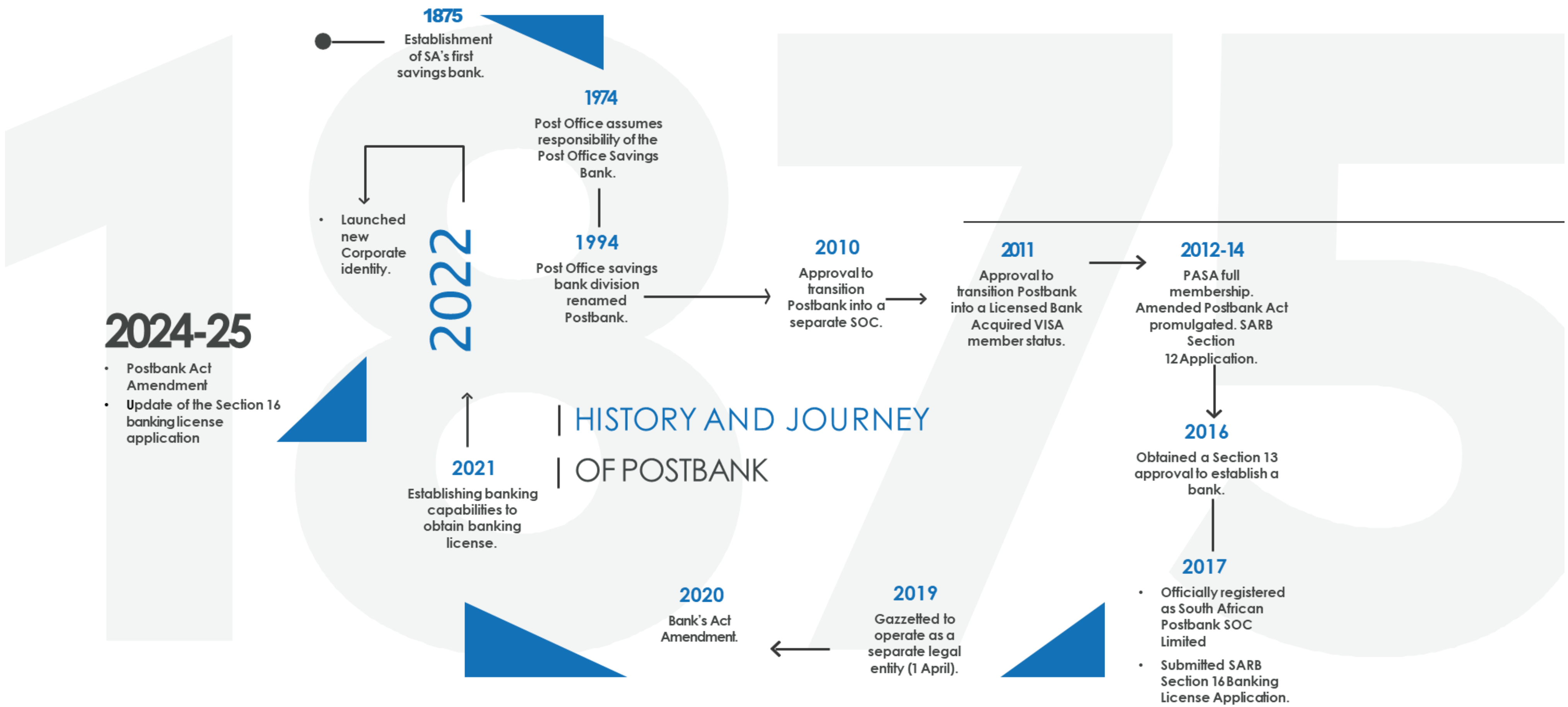


Figure 2: History of Postbank and its corporatisation journey

Postbank is not yet a registered bank in terms of the banks Act 94 of 1990 (as amended), but a designated deposit-taking entity with full participative membership within the National Payments System (NPS). In line with its founding mandate, Postbank is positioned to play a key role in the achievement of South Africa's socioeconomic developmental goals through facilitating a meaningful social welfare/social profitability, in a commercially sustainable manner. This includes supporting government in providing government-to-citizens financial services. Government is corporatising Postbank and, as part of the process, the bank was granted a Section 13 approval to establish a bank. Postbank is currently updating its banking license application (Section 16) and plans to resubmit it to the South African Reserve Bank (SARB) in the 2026/27 financial year.

9.3 Postbank's 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) founded off the beaten track and achieved through the following:

- 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 efficiency and effectiveness.
- Seeking partnerships that complement and resonate with Postbank's capabilities and values.
- Regaining trust and establishing credibility through real value delivery.

9.4 Strategic Themes

As part of Postbank's efforts to achieve its strategic aspirations and become a registered bank - with retail, business, and public sector capabilities - a total of six strategic themes were identified as bank's core pillars that underpin the bank's drive in achieving its strategic aspirations. These are (1.) Cutomer and employee experience, (2.) Core service enablement, (3.) Partnerships, (4.) Platform play, (5.) Digital transformation, and (6.) Governance, Risk and Compliance management. Investment in differentiating capabilities within these five strategic areas will be required to enable the attainment of the business aspirations.

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 service enablement	A strong foundation of key differentiated capabilities, supported by agile and resilient enabling systems, is now crucial to building a sustainable strategic success story. Given our mandate and intent, our achievements will translate into success for our customers and employees who have limited financial options.
Partnerships	Addressing partnerships and alliances drives a strategy focused on facilitating the prompt and robust implementation of projects. 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 to the effective execution and attainment of strategic outcomes. Postbank will ensure that governance principles are clearly articulated and form the basis of executing the strategy. During the rebuilding and stabilising phases, we will ensure the creation of a good control environment focusing on the following: 1. The definition of the ethical culture and ensuring it's embedded in the execution of all business activities and processes; 2. The establishment of governance structures that operate efficiently and effectively; 3. The identification and clear expression of risks, as well as their management, which

	correspond to an established and acceptable risk appetite; 4. The development of vital business processes and policies designed to implement controls that are appropriate and effectively mitigate risks; 5. Driving legislative compliance through an effective compliance monitoring process; 6. The pursuit of improved audit outcomes by promptly developing and implementing integrated audit actions; and 7. The development of competency and the execution of a cyber-risk management plan to better respond to current and avoid future cyber-attacks.

Table 1: Postbank strategic themes

9.5 Strategy Alignment to Government Priorities

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

All public entities, including state-owned entities, are required to align their strategies with the MTSF and pool their resources towards the attainment of the MTSF priorities as adopted by government. The Postbank strategy contributes to the attainment of three (3) of the seven (7) strategic priorities presented in the MTSF framework:

MTSF Priority	Postbank's Strategic Outcome
Priority 1: A capable, ethical and developmental state	• Establish a Retail, MSME/Business and Public Sector bank that is trusted through financial inclusion and upliftment for all
Priority 2: Economic transformation and job creation	• Promote financial inclusion in target customer segments. Postbank plans to launch secured and unsecured lending to MSMEs, as well as low-cost Bancassurance product offerings in the future.

Priority 3: Education, skills and health	• Improve financial literacy levels of Postbank customers. • Develop staff for the digital economy and fourth industrial revolution.

Table 2: Postbank strategy's alignment to government priorities

10. LEGISLATIVE AND OTHER MANDATES

10.1 Legislative Mandate

Postbank draws its mandate of fostering social welfare/profitability and commercial sustainability from the South African Postbank Limited Act, no 9 of 2010 (as amended), targeting mainly the unserved and underserved communities who have none or limited access to retail banking services. The depiction below lists the subsections of the above-stated clause that guides Postbank’s existence:

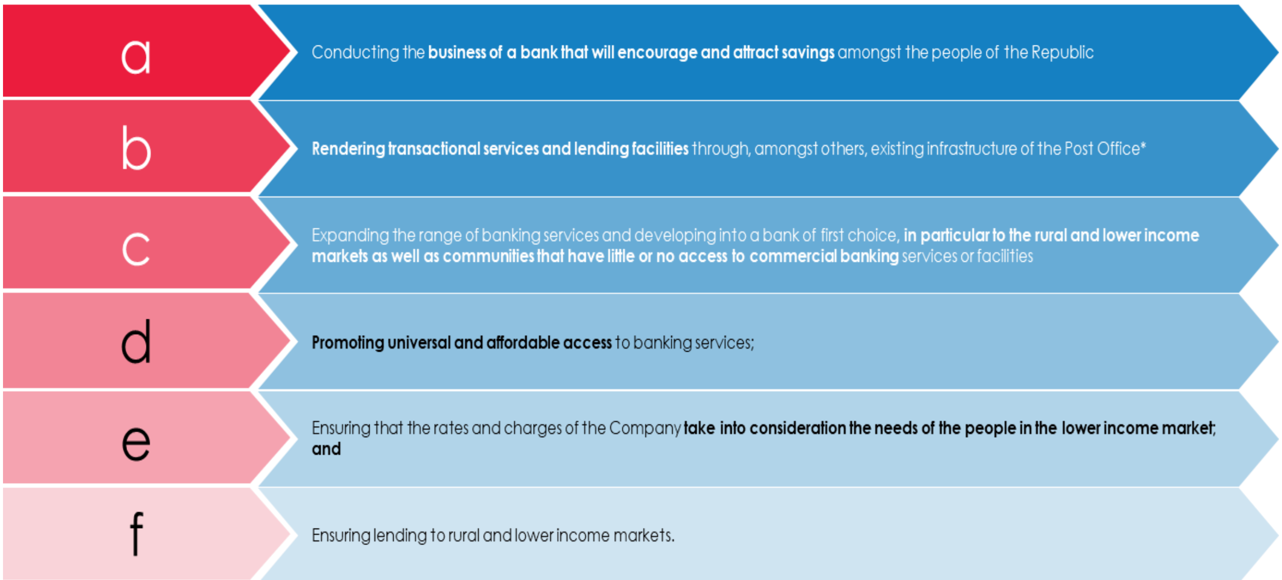


Figure 3: Mandate of Postbank

10.2 Regulation and Legislative Framework

Postbank complies with all applicable legislation and regulatory protocols governing its operations as a state-owned company and financial services provider. These include frameworks imposed by key supervisory and regulatory authorities such as the SARB, the Financial Intelligence Centre (FIC), the Financial Sector Conduct Authority (FSCA), and National Treasury.

As at the end of the 2024/2025 financial year, Postbank remained exempt from the provisions of the banks Act, 1990 (Act No. 94 of 1990), under an exemption notice issued in terms of section 1 of the Act. Despite this exemption, Postbank continues to voluntarily align with the prudential and market conduct standards contained in the banks Act and related regulatory instruments, as part of its transition towards becoming a fully licensed commercial bank.

Postbank's operations are also subject to other applicable legislation and standards, including but not limited to:

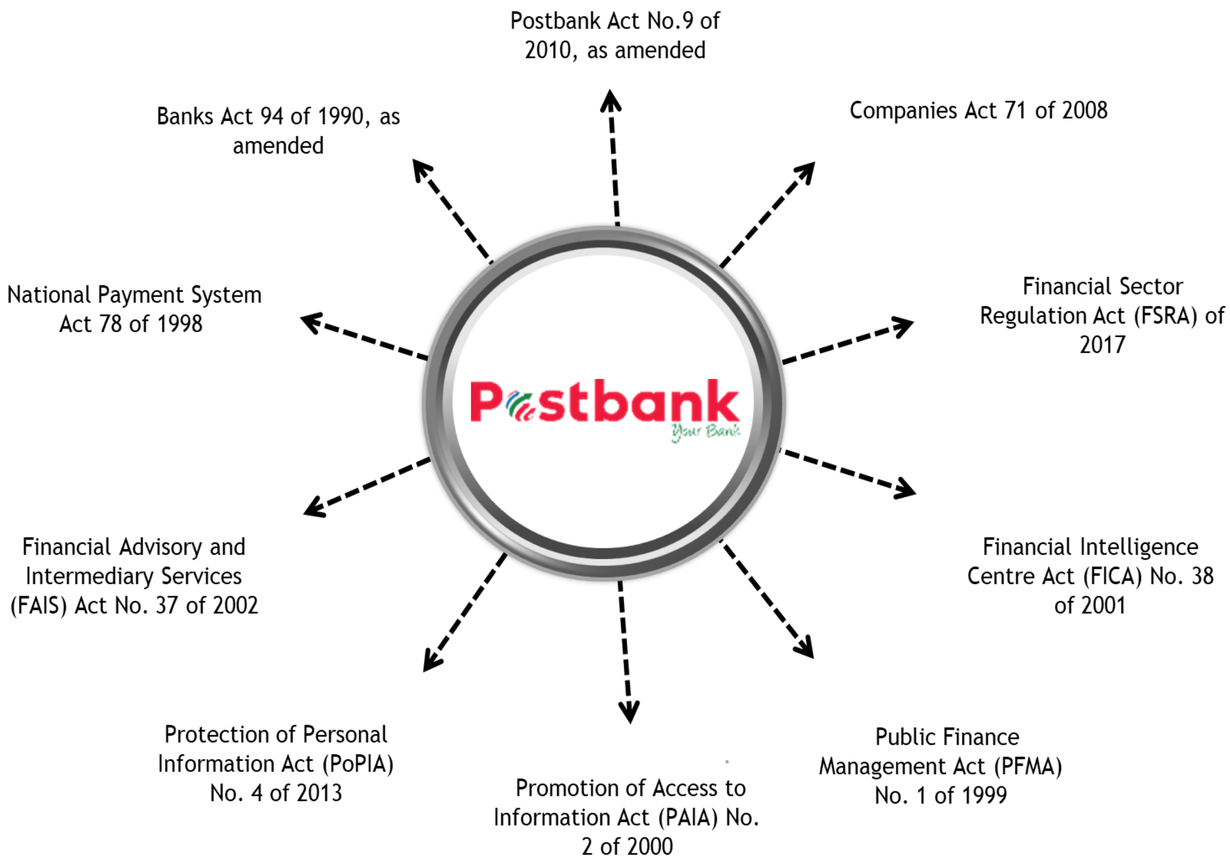


Figure 4: Postbank legislative framework

10.3 Legislative Amendments / New and Emerging Regulatory Requirements

There were no legislative amendments - that affected Postbank, which were made during the 2024/25 reporting period of 1 April 2024 to 31 March 2025.

In addition to legislative changes effected during FY2024/2025, Postbank is proactively aligning itself with recent regulatory instruments and industry codes that came into effect from 1 March 2025 onward. These developments are critical to enhancing Postbank's operational compliance, customer protection standards, and readiness for full banking licensure.

10.3.1. Financial Intelligence Centre Directive 3A and PCC 50A (Effective 31 March 2025)

On 31 March 2025, the Financial Intelligence Centre (FIC) issued Directive 3A and Public Compliance Communication 50A, introducing mandatory procedures for reporting failures or defects in International Funds Transfer Reports (IFTRs). These instruments require accountable institutions to:

- Immediately notify the FIC in writing upon identifying a defective or failed IFTR submission;
- Remediate the reporting failure without delay; and
- Engage the FIC formally regarding the identified non-compliance.

Non-compliance with these requirements may result in administrative sanctions under the Financial Intelligence Centre Act, 2001.

Postbank will ensure that these requirements are fully embedded into its updated Risk Management and Compliance Programme (RMCP), and reflected in related policies, procedures, training programmes, and system monitoring capabilities. This will strengthen Postbank's AML/CFT posture and ensure responsiveness to regulatory directives.

10.3.2. Revised Code of Banking Practice (Effective 1 July 2025)

The new Code of Banking Practice, issued by the banking Association South Africa (BASA), will come into effect on 1 July 2025, replacing the 2012 version. While voluntary, the Code aligns with the FSCA's Conduct Standard for Banks, 2020 and is a critical industry benchmark for customer treatment and ethical conduct.

Key enhancements in the revised Code include:

- Clear obligations when dealing with guarantors, including fair disclosure before signing;
- Improved identification and support of vulnerable or financially distressed customers, including those affected by illness, disability, or unemployment;
- Revised rules on deceased estate account handling;
- Greater emphasis on accessibility and inclusion, such as offering interpreters and accessible materials;
- Customer-centred communication standards for contract terms and pricing changes.

Postbank intends to adopt and implement the revised Code in line with its strategic transition to a fully licensed commercial bank. Policy enhancements, front-line staff training, and system updates will be initiated to support alignment with the Code's provisions.

These developments reflect a broader shift toward enhanced market conduct, customer-centricity, and regulatory accountability. Their inclusion in the 2025/2026 APP ensures Postbank remains responsive, forward-looking, and prepared to meet the obligations of a licensed deposit-taking institution.

11. ORGANISATIONAL STRUCTURE

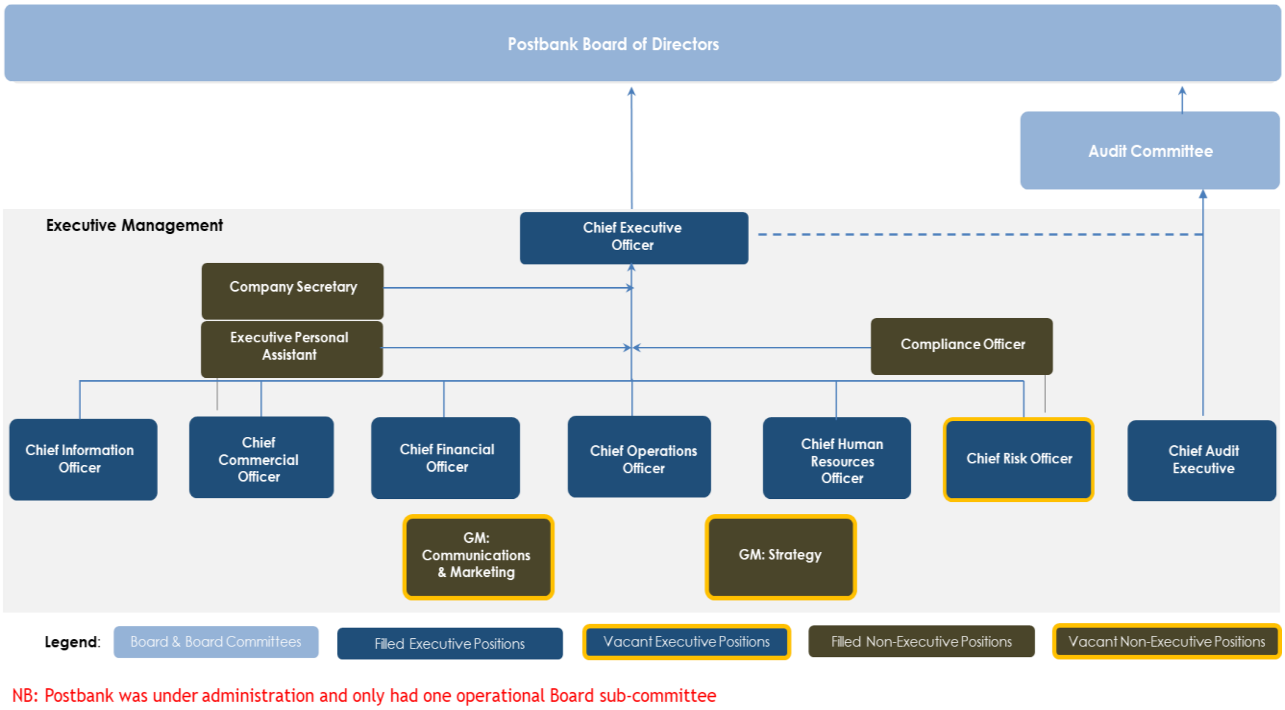


Figure 5: Postbank organisational structure

PART B

PERFORMANCE INFORMATION

12. AUDITOR GENERAL'S REPORT _ PERFORMANCE REPORT ON PREDETERMINED OBJECTIVES

AGSA has conducted audit procedures on some of the bank's predetermined objectives for usefulness and reliability, compliance with laws and regulations, and internal control. Refer to pages 143 - 156 of the Auditor-General's Report, included in Part F: Financial Information.

13. INSTITUTIONAL PERFORMANCE INFORMATION

13.1 Impact Statement

In support of the attainment of the Postbank mandate of social welfare/profitability and financial sustainability, the bank is focused on serving communities through the provision of simple and affordable financial services.

13.2 Strategic Outcomes

During the 2024/25 financial year, Postbank measured its performance through delivering against a set of five predetermined strategic outcomes and desired outputs as detailed in table 3 below:

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

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

Table 3: Postbank strategic outcomes

14. PERFORMANCE REPORT ON PREDETERMINED OBJECTIVES

14.1 Annual Executive Summary Performance

Postbank's Annual Performance Plan (APP), which is included in the bank's approved Corporate Plan, outlined the bank's performance targets and measurements for the 2024/25 financial year. This performance plan was underpinned by a set of thirty-four (34) Key Performance Indicators (KPIs) through which the bank's performance iss measured.

The following table summarises Postbank's overall performance against its set annual performance targets. As the below table depicts, from the set of thirty-four (**34**) annual KPIs measured for the year, a total of fifteen (**15**) KPIs were achieved while nineteen (**19**) were not. This equates to an overall performance achievement rating of forty-four (**44%**) for the 2024/25 financial year.

PERFORMANCE SUMMARY _ FY2024/25	
Total KPIs	34
Number of KPIs Achieved	15
Number of KPIs Not Achieved	19
Postbank Overall Performance Rating (%)	44%

Table 4: Postbank annual APP performance summary

14.2 Annual Performance per Strategic Outcome

Annual Report _ Summary Dashboard					
Strategic Outcomes	KPI Performance Summary				
	Total	Not Measured	Achieved	Not Achieved	% Results
1. Strong Financial Performance	3	0	1	2	33%
2. Positive Customer Experience	11	0	6	5	55%
3. Positive Employee Experience	3	0	3	0	100%
4. Enhanced Operational Efficiency	10	0	4	6	40%
5. Good Governance and Effective Risk and Compliance Management	7	0	1	6	14%
Total	**34**	**0**	**15**	**19**	**44%**
Postbank Overall Performance Rating (%)			**44%**		
Legend	Achieved	Not Achieved	No Target		

Table 5: Postbank annual APP performance dashboard

14.3 Annual Performance against Key Performance Indicators

The following table depicts the bank's detailed performance against each of the thirty-four (34) Key Performance Indicators, linked to the five (5) strategic outcomes, and as contained in the bank's approved Annual Performance Plan for the 2024/25 financial year.

14.3.1 Objective 1: Strong Financial Performance

Output Indicator	ID.	Annual Target FY2024/25	Performance Result FY2024/25	Performance Commentary
Achieved targeted Net Interest Income (NII)	**1.1**	R606m	**Achieved**	N/A - annual target achieved
Achieved targeted Non-Interest Revenue (NIR)	**1.2**	R484m	**Not Achieved**	The target was impacted by the Variation Notice which restricted the business from selling new accounts and creating new products - thus limiting our ability to attract new business. On the other hand, SASSA also conducted a rationalisation of qualifying social grant beneficiaries. The above factors resulted in a significant reduction in our social grant beneficiary base and the bank's ability to generate transactional revenue was therefore undermined.

Achieved targeted Cost-to-Income Ratio	**1.3**	74,3%	**Not Achieved**	The ‘stabilise and build’ phase of our strategy required investment in key areas such as IT as we prioritised stabilising the environment for improved operational efficiency and customer experience. Consequently, our operating expenses rose beyond what the business had budgeted. Without the compensating revenue growth, our performance on the Cost-to-Income ratio metric was therefore negatively impacted. The business has since adjusted the method of calculating the Cost-to-Income ratio to exclude project-related costs deemed to be of an extraordinary nature (e.g. CRP) but this adjustment was not considered when measuring performance against this APP target and was only applied to calculate the Cost-to-Income ratio for financial reporting purposes.

Table 6: Annual performance against APP output indicators linked to strategic outcome 1

14.3.2 Objective 2: Positive Customer Eperience

Output Indicator	ID.	Annual Target FY2024/25	Performance Result FY2024/25	Performance Commentary
Approved report on the bank's market segments and market share	**2.1**	Approved market research document outlining Postbank's market segments and market share	**Achieved**	N/A - annual target achieved
Increased deposit base, by 7% (Excl. social grant deposits)	**2.2**	Cumulative growth of 7% in deposits	**Not Achieved**	Target was largely impacted by the Variation Notice conditions which limited the bank's CVP enhancement opportunities. The bank also prioritised issuing cards to social grant beneficiaries, and this had an unintended consequence of the bank not being able to attract new deposits and grow our portfolio as planned.
Number of disbursement business acquired	**2.3**	Acquire one (1) disbursement business	**Not Achieved**	Significant efforts were made to achieve this target, but these did not yield the expected results. We pursued a number of opportunities and met with multiple entities to engage on the disbursement business proposition. Whilst these engagements were generally positive, they all proved difficult to close.

Number of Postbank Employees onboarded into the Customer Value Proposition (CVP)	**2.4**	1. Approved CVP Framework targeting employee; 2. Rolled out the CVP to at least 50 employees	**Not Achieved**	CVP framework targeting employees was approved but signing up employees on the identified products was not done due to a flawed understanding that the VN did not allow us to open new accounts. A correct view was only obtained very late in the process.
Approved new Channel Strategy	**2.5**	Approved new Channel Strategy	**Achieved**	N/A - annual target achieved
Optimized the current retail channels partnership and onboarded an OTC Partner bank for bulk deposits	**2.6**	Onboard an OTC Partner bank for bulk deposits	**Not Achieved**	We do have relationship with a number of retailers. These retailers and our sponsor bank were approached but our partnership proposal on enabling bulk deposits at their branches was not aligned with their respective business and channel strategies.
Fully Operational Call Centre	**2.7**	Fully Operational Call Centre (Assisted self-service model) (Signed Agreement)	**Achieved**	N/A - annual target achieved
Number of new products launched and/or number of products discontinued	**2.8**	Approved Product Rationalization Strategy/Framework	**Achieved**	N/A - annual target achieved

Approved Customer Experience Strategy and Framework supported by proper automation tool	**2.9**	Develop Customer Experience Strategy and Framework - supported by proper automation tool	**Achieved**	N/A - annual target achieved
Approved Customer Journey process	**2.10**	Approved Customer Journey process	**Achieved**	N/A - annual target achieved
Reimagining the Postbank brand	**2.11**	Postbank brand repositioned as a retail bank	**Not Achieved**	Focus was placed on the CRP project, and a strategic decision was made to delay the timng of the brand audit and refresh until the CRP project has been completed and the VN no longer poses a brand risk.

Table 7: Annual performance against APP output indicators linked to strategic outcome 2

14.3.3 Objective 3: Positive Employee Experience

Output Indicator	ID.	Annual Target FY2024/25	Performance Result FY2024/25	Performance Commentary
20% vacancy ration at Executive Management level	**3.1**	20% vacancy ratio at Executive Management level	**Achieved**	N/A - annual target achieved

Culture Assessment Report and Approved Culture Transformation Framework	**3.2**	Approved Culture Transformation Framework and Roadmap	**Achieved**	N/A - annual target achieved
Training and capacitation of line managers, so they understand their roles and responsibilities in employee performance management	**3.3**	Conduct two (2) training and capacitation sessions for line managers, so they understand their roles and responsibilities in employee performance management	**Achieved**	N/A - annual target achieved

Table 8: Annual performance against APP output indicators linked to strategic outcome 3

14.3.4 Objective 4: Enhanced Operational Efficiency

Output Indicator	ID.	Annual Target FY2024/25	Performance Result FY2024/25	Performance Commentary
Approved IT Architecture	**4.1**	Approved IT Architecture and Strategy	**Achieved**	N/A - annual target achieved
Approved IT Strategy, Framework, and Governance	**4.2**	Approved IT Strategy, Framework, and Governance	**Achieved**	N/A - annual target achieved

Stabilized IT environment	**4.3**	Define criteria to measure the performance of critical systems and a percentage measure of the systems' uptime	**Not Achieved**	We successfully migrated from the social grants payment system to a more stable core banking infrastructure and thus managed to stabilize the environment consistently to date. The non-achievement of the target stems from the incomplete procurement of the system performance management tool.
Complete issuance and replacement of the cards	**4.4**	100% completion of the Card Replacement project plan	**Not Achieved**	The business fulfilled its responsibility to produce and issue a more secure replacement bank card to social grant beneficiaries. In this regard the business managed to issue replacement cards to 65% of the targeted social grant population banking with Postbank by the deadline date (31 March 2025). While the bank allowed beneficiaries 6 months to come and collect their new cards, not all beneficiaries came forward before the deadline.
Approved Business Operating model	**4.5**	Approved Business Operating model	**Achieved**	N/A - annual target achieved

Fully implemented Enterprise Resource Planning solution (focus on HR and Finance)	**4.6**	Enterprise Resource Planning tool procured.	**Not Achieved**	IT strategy needed to be approved first as it was going to outline the approach to ERP. The IT strategy was only approved on 30 January 2025, by which time it was late to finalise the procurement process. Process was also impacted by increased and somewhat exclusive focus on the CRP process.
Implemented new data analytics capability	**4.7**	Implementation of the Enterprise Data Management solution	**Achieved**	N/A - annual target achieved
Fully automated and digitized Omni Channel process for onboarding customers	**4.8**	Fully automated and digitized Omni Channel process for onboarding customers	**Not Achieved**	Alternative channels have not yet been implemented, and a service provider was also appointed late into the financial year (March 2025). The service rovider is to provide a design for an omni-channel onboarding process to ensure the bank has access to the best design practice onboarding process as new channels are implemented in FY2026.
Procured a new core banking capability.	**4.9**	Approved Business specification for core banking system	**Not Achieved**	Requisite approval of the IT strategy that was developed (outlining the approach on Integrated modern banking) only happened on 30 January 2025. Process also hampered by increased and somewhat exclusive focus on the CRP that was prioritised by business to ensure timely compliance with the SARB Variation Notice deadline.

Approved business case for a platform business	**4.10**	Approved Business case for a platform business	**Not Achieved**	Business case for a platform business was developed and socialized with Exco, but only as a draft rather than the final document and is pending resubmission for final approval

Table 9: Annual performance against APP output indicators linked to strategic outcome 4

14.3.5 Objective 5: Good Governance and Effective Risk and Compliance Management

Output Indicator	ID.	Annual Target FY2024/25	Performance Result FY2024/25	Performance Commentary
Percentage of material external audit findings resolved	**5.1**	Resolve 100% of material audit issues from the previous financial year (FY2023/24).	**Not Achieved**	For the 2023/24 financial year, Postbank's external audit outcome improved from a disclaimer to a 'disqualified' audit outcome. The achievement of the annual target was impacted by the delay in the finalisation of the 2023/2024 audit process (only finalised in January 2025).
Acknowledgement of receipt of Postbank's Section 16 banking license	**5.2**	Section 16 banking license application file updated by 50% or more.	**Not Achieved**	A significant amount of progress was made in updating the application file. However, the business missed the targeted 50% progression of the activities due to project interdependencies as priority was given to the CRP process, to which the project resources were allocated.
Resolution of the SARB Variation Notice conditions	**5.3**	All 11 conditions of the Variation Notice resolved	**Achieved**	N/A - annual target achieved

Approved Compliance Universe and Compliance Management Plans	**5.4**	Approved Compliance universe, Compliance Management Plans and Conduct two (2) mandatory training sessions on compliance for all business units	**Not Achieved**	Compliance Risk Management Plan developed and approved, and the mandatory training sessions on compliance were also conducted. However, it is the implementation of the CRMP that impacted the achievement of the targets as it was not fully achieved due to the strategic shift of focus to addressing the VN compliance requirement.
Approved Enterprise Risk Management Plans and improvement in risk culture	**5.5**	Approved Enterprise Risk Management Plans and improvement in risk culture	**Not Achieved**	Enterprise Risk Management Plans approved but target was impacted by the delayed implementation critical for the improvement of the bank's overall risk management culture.
Approved SOP in line with the SCM policy	**5.6**	Approved Standard Operating Procedures (SOP) Conduct two (2) training sessions on the SCM policy and/or Treasury Regulation for staff and/or SCM committee members	**Not Achieved**	SOP approved but the training sessions and/or workshops were unfortunately not conducted during the reporting year period.
Approved Fraud Risk Management Strategy	**5.7**	Approved Fraud Assessment Report, Fraud Risk Management Strategy, Fraud Training Manual and conducted three (3) Fraud awareness training sessions	**Not Achieved**	Target impacted by the delay in the commencement of the card fraud 360 capability review project that is being implemented with Visa.

Table 10: Annual performance against APP output indicators linked to strategic outcome 5

15. KEY FUNCTIONAL PERFORMANCE OVERVIEW

15.1 Technology and Operational Stabilisation and Transformation

The 2024/25 financial year marked a defining period for Postbank's technology and operational transformation journey. The appointment of a permanent Chief Information Officer (CIO) in September 2024 brought focused leadership and a renewed mandate to modernise and stabilise the bank's core IT, card swap-outs and security environment.

The CIO inherited a deeply compromised technology environment. The organisation had no documented architecture, no owned or controlled systems, and an overreliance on third-party vendors for core functions. Our digital presence was practically nonexistent, and several legacy platforms posed operational and reputational risks. Critically, some systems still in production had been flagged in audit findings as enablers of fraud, while others suffered regular outages.

There was no IT strategy, no continuity in operational governance, and no institutional memory. Staff morale was low, accountability was diffused, and the culture was weighed down by fear, hostility, and operational fatigue. It was clear that turning Postbank into a credible and resilient institution would require not only technical reengineering but also deep cultural renewal.

Key Achievements

Despite the scale of these challenges, substantial progress was made over the reporting period:

Infrastructure Modernisation

- We decommissioned outdated systems such as IGPS and legacy SAPO compute and storage infrastructure.
- The bank's Active Directory (AD) was fully migrated, ending critical dependencies and strengthening access controls.
- We completed the cut-over to Postilion 5.6 Black switch, improving transaction processing and platform stability.

Security and Compliance

- Achieved full PCI-DSS compliance and aligned our Information Security Management System with ISO 27001.
- Closed over 22 audit findings raised by the AGSA.
- Implemented new workflows and tooling for risk tracking, internal control, and

continuous audit readiness.

Governance and Legal Stabilisation

- A formal Enterprise IT Strategy was drafted and legacy policies refreshed.
- Contract visibility and vendor performance improved through structured SLA reviews, renegotiated terms, and governance reinforcement.
- Legal oversight was enhanced over key disputes.

Platforms and Enablement

- We launched Postbank's card issuance infrastructure, finally enabling card issuance and card swap-out.
- Technical support was rolled out to over 1000 Customer Service Centres (CSCs) with a lean team of fewer than 10 dedicated field engineers.
- Our data lake was migrated to a secure, Postbank-controlled cloud zone and replatformed using open analytics tools.
- The adoption of low-code platform will allow us to accelerate front-end solution delivery and customer experience enhancements.

Looking Ahead

While much of the past year was spent stabilising and commencing efforts of rebuilding foundational capabilities, we are now preparing for a new era of modernisation and strategic growth. Postbank will soon initiate the procurement of an Integrated Modern Banking Solution (IMBS) to replace its legacy systems with a secure, modular, and cloud-enabled platform. This investment will enable us to offer improved services, unlock innovative partnerships, and better serve our diverse customer base.

We recognise that this transformation goes beyond systems as it is about building institutional resilience, renewing trust, and delivering on our public mandate with integrity and agility. The work continues, but we are firmly on the path toward a more modern, secure, and inclusive Postbank.

15.2 Operational Efficiency

Operational Efficiency Highlights

During the year, the company made significant progress in strengthening operational efficiency, with a focus on customer service and cash management. Key initiatives include:

- **Contact Centre Optimisation**: Capacity within the contact centre was expanded to meet growing customer volumes. A new system was successfully implemented to improve call handling, streamline workflows, and reduce abandonment rates, resulting in faster response times and enhanced customer satisfaction.

- **Cash Handling Enhancements**: Cash management processes were optimised to improve monitoring of cash drop-offs at branches and ensure timely re-banking. Reconciliation processes were strengthened, enhancing accuracy, transparency, and overall control of cash flows.

These initiatives form part of the company's broader efficiency drive, aimed at embedding process discipline, strengthening internal controls, and improving customer experience. The benefits of these measures are already evident in improved turnaround times, reduced operational risk, and better support for sustainable growth.

Channel Diversification

During the year under review, significant progress was made in strengthening the bank's channel capability to improve accessibility, efficiency, and customer experience.

- Leadership Appointment: A General Manager was appointed to lead the Channel team, providing strategic oversight, operational coordination, and sharper execution capability. This appointment ensures dedicated focus on driving growth and enhancing customer service across all delivery channels.

- Channel Strategy Finalised: A comprehensive Channel Strategy was developed and adopted. The strategy sets out a clear roadmap for expanding physical and digital access points, optimizing customer journeys, and integrating channels into a seamless, omni-channel experience.

- Organisational Alignment: The Channel team's organisational structure was revised to align with the new strategy. This included clarifying roles, building specialist capability in digital-first delivery, and strengthening operational support for frontline teams.

- Retail Access Expansion: A total of 369 retail kiosks were rolled out nationwide, significantly extending the bank's reach, particularly in underserved areas. The kiosks provide convenient access for card replacement and customer enquiries, bringing the bank closer to communities.
- Mobile Service Innovation: The process for home visits using mobile teams was revamped, enabling more efficient customer servicing for individuals who are unable to visit branches or kiosks. This initiative enhances financial inclusion by providing direct, flexible access to banking services.

The focus remains on balancing physical presence with digital innovation, ensuring customers have multiple, convenient, and secure ways to interact with the bank.

15.3 Customer, Products and Service Excellence

*Our **Strategic Goals** remain our purpose and mandate - for the bank to continue to contribute to Financial Inclusion in everything that we do and plan in the future*

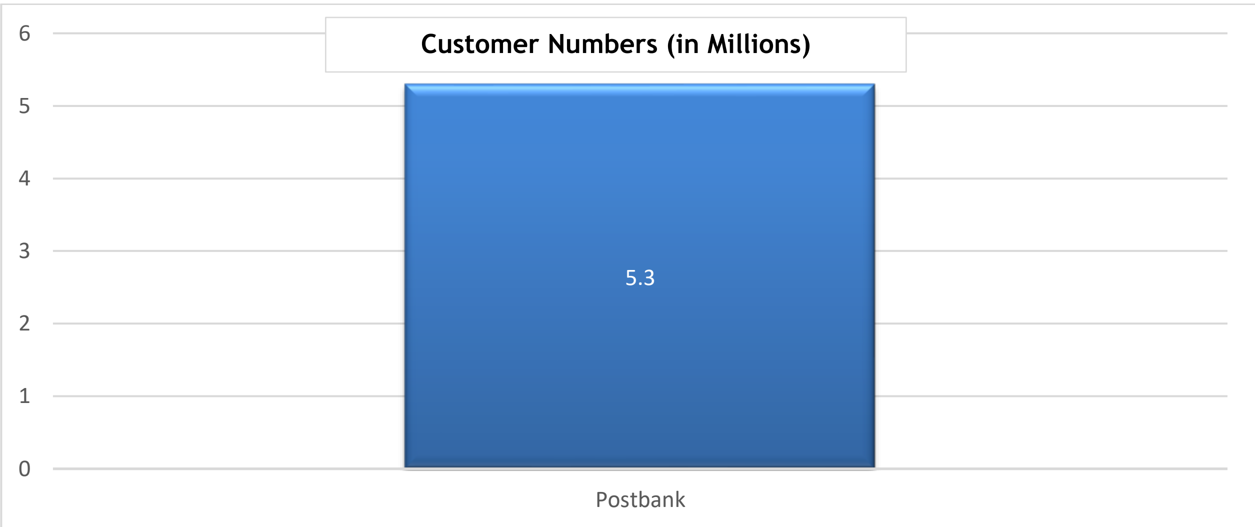


Figure 6: Postbank customer base

Our Customers and Clients

- Postbank serves millions of customers, which include Core Deposit Individuals and Stokvels
- We also serve millions of SASSA beneficiaries and participants from the Eastern Cape (EC) Department of Transport and the EC's EPWP's
- Our clients continue to be SASSA, the EC EPWP, EC Department of Transport. Postbank remains he only entity that can serve the interests of the government and State-owned Corporations, which impacts the end grant/stipend recipients

What we offer our customers and clients

- Products and services like;
    - Transactional: Aspire, Flexi, Mzansi, SASSA Accounts
    - Savings: Bakgotsi for Stokvels, SmartSave, incl for Minors
    - Investment accounts: Fixed Deposits like Term Save and term Save Plus

- Client Solutions for Government Business, mostly disbursements for
    - SASSA to millions of beneficiaries; and
    - Eastern Cape Department of Transport and EPWP

Our competitive advantage

- Our tailored solutions for Government business. We support SASSA and other Government departments in ensuring consumers get 100% of their grants and stipends. For example, SASSA pays fees to Postbank on behalf of Grant recipients. SASSA may choose the fees they are willing to pay for or not
- Millions of Core Deposit customers enjoy competitive interest rates for their Savings and Investments
- Postbank can service communities that may otherwise be excluded from banking and financial services they need.
- We partner with like-minded institutions to ensure our services are reachable by all.

16. STAKEHOLDER RELATIONSHIP MANAGEMENT

16.1 Our Stakeholder Universe

Postbank operates in a business environment that involves multiple internal and external stakeholders, with varied needs, interests and levels of influence. The bank is committed to an inclusive stakeholder approach that embeds engagement with stakeholders into our value creation process. Our stakeholder universe comprises of thirteen (13) stakeholder categories that impact our business directly or indirectly.

Figure 7: Postbank stakeholder universe

16.2 Our Key Stakeholder Groups and How We Engage

Overview:

To ensure strategic alignment and congruence to our vision, Postbank collaborates with parties that have a vested interest in the company's mission, products and services. This collaboration seeks to foster uptake, understanding, internalisation, a shared mission, strategic goals, and the continuity of the business. Our stakeholder relationships have evolved from traditional interactions with government as our shareholder, employees, clients/customers, and regulatory authorities to broader engagements that include communities, civil society organisations, industry associations/bodies and multiple interest groups. In addition, Parliament as the legislative authority responsible for making the law that is shaping our existence and providing us oversight through various Parliament Portfolio Committees is another key stakeholder of the bank. This shift is supported by our organised engagement initiatives and campaigns, as well as through participation in various multi-party forums, including the national grants payments engagement structures, industry bodies and formal Parliament Committee brieifings.

Actively engaging with stakeholders informs our decision-making and improves the bank's performance. Postbank uses various engagement platforms to get perspectives, opinions, insights, and ideas from parties with a vested interest in the organisation's success. Our strategic stakeholders include employees, clients/customers, the shareholder, government, Parliament, media, civil society organisations, industry bodies, and regulators. As part of our mapping, our stakeholders are clustered into primary, secondary and tertiary clusters depicted in figure 8 below:

Stakeholder Clusters

Shareholder Cluster

DCDT Minister, Deputy Minister, DG, Cabinet, President

Oversight Cluster

Parliament Speaker, National Legislature, PPC DCDT, PPC DSD, PPC on Economic Development, NCOP

Regulatory Cluster

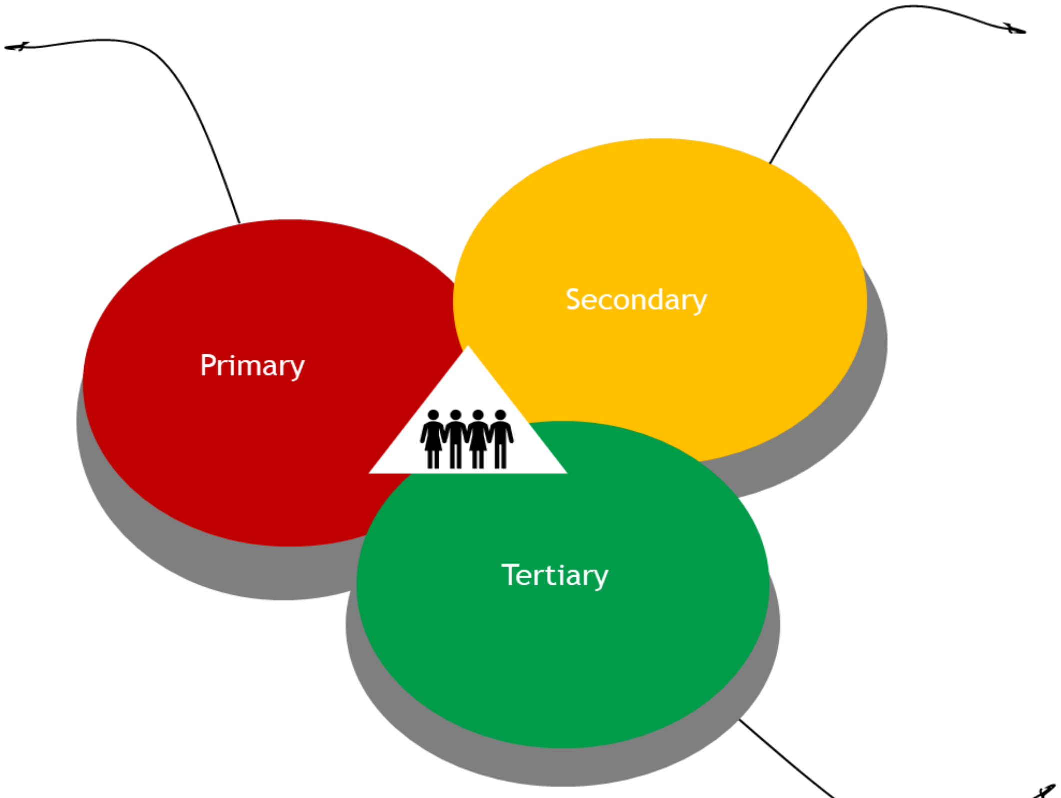
SARB (and all its divisions, e.g., NPSD)
FIC, Information Regulator, NCR, Banking Ombudsman, Inter-bank settlements, SARS, AG

Customers Cluster

Core banking, Stiokvels, SASSA, SASSA Customers, ECDoT, ECDoT clients

Suppliers Cluster

Creditors, Suppliers, Retail Partners, SAPO



Employees' Cluster

Employees, Unions

National Govt Cluster

All other national departments & Ministers

Provincial Govt Cluster

Provincial Governments, All x9 Premiers, MEC's, All x9 Provincial legislatures (relevant Portfolio Committees of all x9 provincial legislatures)

Local Govt Cluster

Municipalities, SALGA, Traditional Leaders, CoGTA

Media

Political Parties

Political party Study Groups

Interest Groups

General Public

Industry Associations

Banking Association of SA, SABRIC

Figure 8: Postbank Stakeholder Cluster

Our stakeholders are key to our social license to operate, and we invest significant resources in our stakeholder relations efforts which is informed by their mapping and classification. The categorization of our stakeholders into different clusters in our stakeholders mapping follows the power-interest model, and therefore, this is based on two dimensions in relation to each stakeholder viz., the stakeholder's power to influence the business, and their level of interest in the bank and its business. This categorization then informs the extent to which the bank engages with each stakeholder, the strategies and methods of engagement, as well as the frequency.

Stakeholders with high power and high interest are classified as key playes that require close engagement and regular communication because they are both influential and keenly interested in the bank. Therefore, they form part of our primary stakeholders' clusters, and we proactively harness close relations with them and ensure that they are regularly updated with relevant information about any developments of our business. They range from government as our shareholder, represented by the Ministry of the Department of Communications and Digital Technologies, employees, customer's cluster, regulators and key suppliers.

Those with with significant influence but limited interest, stakeholders with high power, but low interest, are still considered important stakeholders of the bank and they are provided with sufficien detailed information, but consequent to the extent of their interest in the bank, engagemnets with them as our secondary stakeholder's cluster are not as frequent as with primary stakeholders, but the bank makes it its strategic intention to ensure that they are as informed and satisfied with the business. These stakeholders include other national departments, provincial government, municipalities and traditional authority structures, especially in the context of the financial inclusion mandate of the bank and its grants payments responsibilities. They are kept satisfied but may not require detailed and frequent updates. The media forms part of this stakeholder category, where they are engaged to disseminate critical information on behalf of the bank and also partnered in the strategic journey of building a state-owned bank brand that is relevant to all stakeholders, the market and its customers.

Postbank's tertiary stakeholders are made up of those with high interest but limited power as well as those with minimal power and interest. The engagement strategy of the bank with these stakeholders involves keeping them informed, and they are often valuable sources of support and insights. Given the Postbank's role in financial inclusion as well as its grants payments mandate, increasing civil society and human rights activits groupings in the grants payments value chain have become prominent tertiary stakeholders of the bank. As a state-owned bank also, and the nature of its grounding and rich history of many in many communities, the general public and political parties, out of interest of the financial wellbeing of their constituencies, are also some of the tertiry stakeholders we engage with and monitor as part of the bank's overall stakeholder engagement strategy.

PART C

GOVERNANCE

17. INTRODUCTION

Postbank is a State-Owned Company (SOC) and draws its mandate from the South African Postbank Limited Act 2010, as amended. The bank values effective corporate governance and persistently reviews and develops its governance practices to advance accountability, transparency, and the rule of law.

As of 19 February 2024, the Postbank Amendment Act 2023 has revised Postbank's mandate to include the provision of financial services, banking services, and lending facilities. This legislation positions Postbank as the state-owned commercial bank tasked with offering these services to the public. We approach this mandate with significant seriousness and acknowledge that sound corporate governance is vital in fostering the organisation we are becoming. It should be thoroughly integrated into our culture, serving as a fundamental element for achieving sustainable outcomes for our stakeholders.

Our commitment to good corporate governance and to the principles espoused in King IV is unwavering. We remain resolute in our determination to maintain and strengthen our governance framework to ensure that we continue to meet and exceed the highest standards. We take great pride in the advancements achieved throughout the year regarding the evaluation of our corporate governance frameworks and the strengthening of the organisation's capacity.

18. THE GOVERNANCE STRUCTURE

Our Governance Structure is the bedrock of our governance arrangements and enables oversight over functional areas and integration to ensure effective governance. The established structure promotes a supportive environment for independence and an impartial decision-making process. It enhances agility, collaboration, and rapid decision-making throughout various levels of our organisation. Additionally, this structure effectively delineates the powers, duties, and responsibilities among the shareholder, the Board, and management. Figure 9 below illustrates our governance structure.

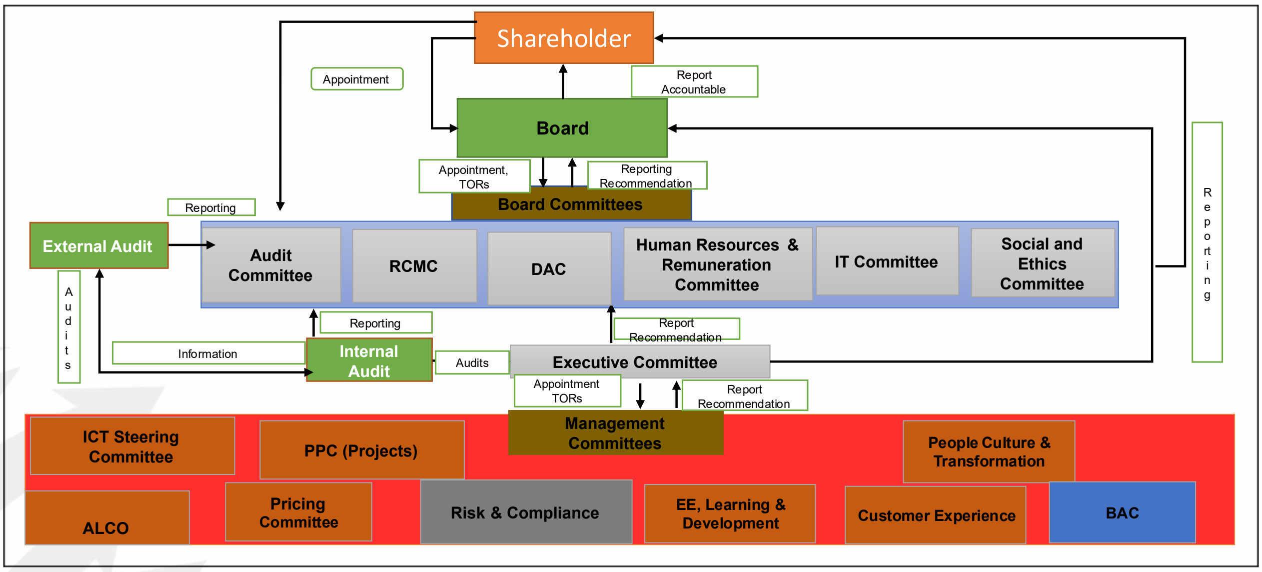


Figure 9: Postbank current and future shareholding structures

**** The board committees were dissolved after the board's disbandment and the appointment of the Administrator on 14 September 2023. In November 2023, the Administrator Audit Committee was formed with the appointment of the advisors to the Administrator. This committee is mandated to provide the necessary support and expertise to fulfil the legislative and governance requirements of the bank, including those related to independence and assurance.

19. OUR LEADERSHIP

19.1 The Executive Authority

The Minister of Communications and Digital Technologies executes the responsibilities outlined in the PFMA as the Executive Authority of Postbank. The Postbank had numerous interactions with the Minister in relation to performance and governance matters during the period under review. The last Annual General Meeting of Postbank was held on 14 September 2023 to present, inter alia, the Audited Financial Statements (AFS) for the period ending 31 March 2023, the Auditors Report, Report of the Audit Committee, and the Report of the Social and Ethics Committee.

19.2 The Accounting Authority / The Board of Directors

19.2.1 Overview

The Board is the Accounting Authority of the bank in terms of the PFMA. It is appointed by the Minister, in accordance with Section 10 of the Postbank Act, read with Section 66 of the Companies Act, and has strategic leadership, as well as proprietorship of the Postbank Strategic Plan and Annual Performance Plans (APP).

19.2.2 Role and Function of the Board

- The role of the Board is to give effect to the corporate plan of Postbank as required by Section 52 of the PFMA to achieve the required objectives of Postbank.
- In alignment with the Companies Act and the King IV Report on Corporate Governance, the Board is charged with the oversight of the internal control and accountability structure, as well as the systems governing risk management and internal compliance.
- It ensures compliance with regulations, evaluates management performance, and facilitates the implementation of approved strategies to ensure the judicious use and allocation of resources.
- The Board also monitors the progress of significant capital expenditures and oversees financial performance and reporting, among other functions.
- The Board performs its functions in accordance with the provisions of the applicable laws and regulations. Non-executive directors are not involved in the day-to-day management of the business and are not full-time salaried employees of Postbank.

19.2.3 Composition of the Board

In terms of the Postbank Act, the Board comprises not less than five (5) and not more than nine (9) non-executive directors appointed by the Minister. The Chief Executive Officer and Chief Financial Officers are executive directors on the Board.

19.2.4 Appointment of the Board

In terms of Section 25 of the Postbank Limited Act, as amended - following the resignation of the directors in September 2023 and the removal of one director at the Annual General Meeting (AGM), the Minister appointed an Administrator (Mr Khayalethu Ngema) who assumed the role and responsibility of the Board. The following non-executive members, along eith the CEO and CFO (executive directors) constitute the Postbank Board of Directors - as appointed by the Minister (Department of Comunication and Digital Technologies):

- Mr K Ngema (Chairperson) – appointed with effect from 3 March 2025
- Dr NY Jekwa - appointed with effect from 18 March 2025
- Mr IA Mamoojee - appointed with effect from 18 March 2025
- Dr KJ Siyila - appointed with effect from 18 March 2025
- Ms N Minyuku - appointed with effect from 18 March 2025
- Mr KG Sukdev - appointed with effect from 18 March 2025
- Ms WFH Majola - appointed with effect from 18 March 2025

19.2.5 Appointment of the Chief Financial Officer

Martin Dowie was appointed as the Chief Financial Officer (CFO) with effect from 6 February 2025. The CFO and the CEO (Nikki Mbengashe) are executive directors.

CHAIRPERSON OF THE BOARD	CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR	CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR
Mr K Ngema **Appointed as an Administrator with effect from 14 September 2023, and later as the Chairperson of the Board with effect from 03 March 2025** **Expertise:** Khayalethu Ngema is an experienced leader in public sector governance and strategic leadership, with a career spanning senior roles in both government and corporate environments. He has held executive and non-executive positions across state-owned entities and advisory bodies, contributing to policy development, corporate governance, and strategic planning. Mr Ngema brings deep knowledge of stakeholder engagement, governance frameworks, and organisational transformation, positioning him to provide strong leadership to the Postbank Board. **Academic qualifications** • Bachelor of Arts (Majors: Law and Industrial Sociology) - University of Witwatersrand • Postgraduate Diploma: Public Policy and Development Administration - University of Witwatersrand • Master of Arts: Public Policy and Administration - Erasmus University (The Hague, Netherlands) • Senior Executive Programme - Wits/Havard Business School • Senior Executive Programme for Africa - Havard Business School	**Ms N Mbengashe** **Appointed with effect from 17 July 2023** **Expertise:** Nikki Mbengashe is a dynamic senior executive with over 20 years of experience in financial services, banking, and logistics. As the current CEO of South Africa Postbank Limited, she is leading the transformation of the institution into a competitive banking entity. Her extensive career includes leadership roles at Ooba Home Loans, Woolworths Financial Services, Absa Bank, and Transnet Port Terminals, where she spearheaded large-scale operational improvements, digital transformation initiatives, and strategic growth projects. Recognized for her industry impact, Nikki has received numerous awards, including the "Women to Watch" accolade from Financial Mail and the "Alumni Rising Star" award from Nelson Mandela University. She also serves as a Board Executive Director at Postbank and has held key governance roles at Ooba Holdings, Woolworths Financial Services, and the Desmond and Leah Tutu Foundation. **Academic qualifications** • National Higher Diploma in Industrial Engineering - Nelson Mandela University • Master of Business Administration (MBA) - University of Cape Town	**Mr M Dowie** **Appointed with effect from 06 February 2025** **Expertise:** Martin qualified as a chartered accountant in 1997 and has over 20 years of experience in the banking/financial services sector (South Africa and Europe). He began his career as a trainee accountant with PricewaterhouseCoopers in 1993, progressing to various leadership roles with Deutsche Bank (South Africa) as CFO and COO, ultimately assuming the position of executive CFO and branch manager for Deutsche Bank's Luxembourg operations. Martin has fulfilled many executive director positions with Deutsche Bank and more recently as CFO of Postbank and additionally has extensive experience in Regulatory Reporting (Basel), Treasury, Risk Management and Taxation. He has served on numerous internal and external committees/fora in both a chair and member capacity in recent times (ALCO, Audit, Risk, OPCO, BASA, IBA). **Academic qualifications** • BCom Accounting - University of the Witwatersrand • Hons Bachelor of Accounting Science - UNISA • Chartered Accountant (SA)

NON-EXECUTIVE DIRECTOR AND CHAIRPERSON OF THE AUDIT COMMITTEE

Mr IA Mamoojee
Appointed with effect from 18 March 2025

Expertise:

Ismail Mamoojee is a seasoned financial professional with extensive experience in compliance, risk management, and public sector advisory. He currently serves as the Group Chief Compliance and Money Laundering Control Officer at Liberty Group South Africa, where he is responsible for ensuring regulatory compliance, implementing robust governance frameworks, and overseeing anti-money laundering controls across the organisation.

Mr Mamoojee previously headed the Public Sector Advisory Practice at Ernst & Young, leading strategic projects in financial management, risk, and internal audit for public sector clients. His tenure at the National Treasury included key roles in public finance and accounting, where he contributed to the implementation of the Government Financial Statistics (GFS)-based Standard Chart of Accounts, enhancing fiscal transparency and consistency across government institutions.

He has also held senior positions within Liberty Life's Africa Division, strengthening compliance and governance processes in multiple jurisdictions. Mr Mamoojee holds a Bachelor of Accounting and Auditing (Honours) degree from the University of South Africa (UNISA).

Academic qualifications

- Bachelor of Commerce - University of Durban Westville
- Honours Bachelor of Accounting Science - University of South Africa
- Certificate in The Theory of Accountancy - University of South Africa
- Tax Law Certificate

NON-EXECUTIVE DIRECTOR

Dr KJ Siyila
Appointed with effect from 18 March 2025

Expertise:

Dr Karabo Siyila is a governance and leadership specialist with extensive experience in organisational strategy, stakeholder management, and corporate governance. She has held senior roles across the public and private sectors, contributing to policy development, organisational change, and strategic oversight. Dr Siyila has advanced qualifications in governance and management and is recognised for her expertise in steering institutions towards sustainable growth while ensuring compliance with legislative and regulatory requirements.

Academic qualifications

- Doctor of Philosophy in Accounting Science - University of South Africa
- Master of Commerce in Accounting Sciences - University of Pretoria
- Bachelor of Commerce (Hons) CTA - University of Johannesburg
- Bachelor of Commerce in Accounting - University of Johannesburg

NON-EXECUTIVE DIRECTOR

Ms N Minyuku
Appointed with effect from 18 March 2025

Expertise:

Nthato Minyuku is a highly experienced public affairs and strategic communications professional with a background in urban planning and energy leadership. She holds a Bachelor of Architectural Studies from the University of the Witwatersrand, a Master of City Planning & Urban Design from the University of Cape Town, and a Master of Management in Energy Leadership from Wits Business School. Ms Minyuku has served in various governance roles, including as a Non-Executive Director and committee member in public sector and industry bodies. She has also held senior corporate affairs positions, where she led stakeholder engagement, reputation management, and strategic communications initiatives.

Academic qualifications

- Master of Management in Energy Leadership - University of Witwatersrand
- Master of City Planning & Urban Design - University of Cape Town
- Bachelor of Architectural Studies - University of Witwatersrand
- Managing Power Sector Reform and Regulation in Africa Certificate - UCT Graduate School of Business
- Executive Leadership in Context certificate - GIBS Business School
- Sustainable Development and Human Rights certificate - Danish Institute for Human Rights

NON-EXECUTIVE DIRECTOR **Ms WFH Majola** **Appointed with effect from 18 March 2025**	NON-EXECUTIVE DIRECTOR **Mr KG Sukdev** **Appointed with effect from 18 March 2025**	NON-EXECUTIVE DIRECTOR **Dr NY Jekwa** **Appointed with effect from 18 March 2025**
Expertise: Wongakazi Majola is an experienced executive in governance, strategy development, and organisational leadership. She is the Executive Head for the Humanitarian Crisis Relief Fund and Reporting at The Solidarity Fund, with over a decade's prior experience at the South African Revenue Service in strategic roles. She has also held governance and development positions at the Independent Development Trust and ICASA. Ms Majola holds an MBA from Henley Business School, complemented by executive management programmes from the Gordon Institute of Business Science and the University of the Witwatersrand **Academic qualifications** • Master of Business Administration (MBA) - Henley Business School • Diploma in General Management Programme - Gordon Institute of Business Science • Diploma in Management Advancement Programme - Wits Business School • Honours Bachelor of Commerce in Economics - University of Fort Hare • Bachelor of Arts (BA), Economics and Public Administration - University of Fort Hare	**Expertise:** Krishen Sukdev is a banking and finance professional with over two decades of experience in risk management, treasury, and corporate finance. He has held senior positions in leading financial institutions, where he contributed to capital management, funding strategies, and risk governance. Mr Sukdev's expertise extends to regulatory compliance, liquidity management, and the development of sustainable financial strategies. His deep understanding of financial markets and banking operations supports Postbank's efforts to strengthen its capital and risk management frameworks. **Academic qualifications** • Postgraduate diploma in Financial Planning - University of the Free State • Bachelor of Business Science - University of Cape Town • Master of Business Administration (MBA) - Heriot-Watt University	**Expertise:** Dr Yoza Jekwa is a business executive with expertise in corporate governance, strategy development, and operational leadership. She has held various senior management and board roles in both local and international organisations, with a focus on driving business transformation, improving operational efficiencies, and embedding sound governance practices. Dr Jekwa's leadership experience spans multiple sectors, enabling her to provide valuable insight into Postbank's growth strategy and governance framework. **Academic qualifications** • Master of Business Administration (MBA) - University of Witwatersrand (Wits) • MB BCh (Medical degree) - University of Witwatersrand (Wits)

19.3 The Administrator's Advisory Committee

In 2023, the Board of Directors was dissolved, and the Minister of Communications and Digital Technologies appointed an Administrator in terms of the Postbank Act to assume all the powers, functions, and duties of the Board. During the administration period of the current year (1 April 2024 – 17 March 2025), all strategic, operational, and compliance matters were overseen by the Administrator in consultation with management and through the support of a single governance committee.

The Adminstrator's Advisory Committee comprised of four members, Mr. J Lekgetha, Ms. B Mthiyane, Adv N Tshombe, and Mr. T Mashigo, whose profiles are reflected below, and whose appointments were ratified by the Minister at the 2023/24 AGM held on 28 February 2025.

Mr J Lekgetha **Appointed with effect from 21 November 2023** **Expertise:** Mr Lekgetha is the founder of Ebony Financial Services (PTY) Ltd, South Africa's first black accounting firm (now SNG). He distinguished himself in the accounting and business management fields through the example of leading a pioneering black-owned firm, providing quality accounting and financial management advice to multitudes of businesses in Southern Africa, and taking an active and spearheading role in several community and professional organisations, including the Black Management Forum (BMF). He chairs a number of audit Committees both in the private and Public sector, including the University of Venda. He also sits on three boards (mining & business investments). Juneas co-founded Bakgotsi Oils in 2003 and is now the He is the Chairman of Borutho Energy (Pty) Ltd. He was most recently appointed chairman of the council of the University of Venda as well as chairman of its executive council for a 5-year period. **Academic qualifications** • BCom Accounting – University of the North • Higher Diploma in Tax Law - Rand Afrikaans University • Diploma in Corporate Finance - Wharton University • SAICA - Chartered Accountant South Africa	**Ms B Mthiyane** **Appointed with effect from 21 November 2023** **Expertise:** Ms Mthiyane has over 27 years of progressively diverse experience in finance and business operations within Startups, Multi-billion Dollar Multinationals and State-Owned Entities. She has demonstrated proven abilities in financial management, developing and implementing strategy, risk management, leading projects, driving business turnarounds, working with various Boards. She possesses a solid leadership, communication and interpersonal skills to establish rapport with all levels of staff, management and clients. **Academic qualifications** • Advanced Management Programme – Havard Business School • Public Accountants and Auditors Board Exams – University of KwaZulu Natal • Higher Diploma in Accounting (Honours in Accounting) – University of KwaZulu Natal (UKZN_ • Bachelor of Commerce (Accounting) – University of KwaZulu Natal (UKZN)

Mr T Mashigo **Appointed with effect from 16 April 2024** **Expertise:** Mr Mashigo has business and information technology experience spanning over 30 years, working internationally with countries that include SA, Kenya, Namibia, Eswatini, Botswana, Lesotho and Spain. He has deep and varied	**Adv. N Tshombe** **Appointed with effect from 21 November 2023** **Expertise:** Adv. Tshombe is a practising advocate, who also acts as a judge of the High Court: Gauteng Division. She further sits as President of the Tax court for the hearing of tax appeals as

experiences in digital transformation engagements working as Chief Information Officer and Chief Technology Officer. He has worked across different sectors that include Banking, Logistics, Retail, Resources, Government, Communications and High Tech. He is a sessional faculty member at the Wits Business School for business integration and is also an accredited leadership coach. He currently serves on boards and various subcommittees, in both the public and private sectors. **Academic qualifications** • MBA Executive Management - University of Cape Town • MPhil Leadership Coaching - University of Stellenbosch • Certified Director - Institute of Directors South Africa (IODSA)	envisaged in the Tax Administration Act upon nomination by the Judge President of the Division. **Academic qualifications** • Bachelor's Degree in Law – University of Lesotho • Bachelor of Laws – University of Witwatersraand (Wits) • Higher Diploma in Tax Law – University of South Africa (UNISA) • Certificate in Pension Funds Law – University of South Africa (UNISA)

19.4 Executive Management Committee

The Executive Committee (Exco) is responsible for the day-to-day management of Postbank's operations in line with the strategic objectives, policies, and governance framework approved by the Board. Exco ensures effective implementation of the bank's mandate, monitors operational performance, oversees compliance with regulatory requirements, and manages risks within the approved risk appetite.

Exco operates under a formal Terms of Reference that outlines its delegated powers, responsibilities, and reporting lines. Meetings are held regularly to review operational performance, monitor key projects, address emerging risks, and ensure the alignment of business activities with the bank's strategic priorities.

Despite the transitional governance environment, Exco focused on stabilising operations, ensuring regulatory compliance, and advancing strategic initiatives. Key activities included:

a) **Operational Stability** – Maintaining uninterrupted banking services during the governance transition.

b) **Financial Management** – Monitoring liquidity, cost control, and capital adequacy in line with regulatory requirements.

c) **Risk and Compliance** – Strengthening compliance monitoring and addressing findings from internal and external audits.

d) **Digital Banking** – Progressing key digital transformation initiatives to improve customer access and operational efficiency.

e) **Human Capital** – Sustaining staff morale and productivity during the leadership transition, implementing targeted training and retention programmes.

f) **Regulatory Engagement** – Maintaining active engagement with the Prudential Authority, the South African Reserve Bank, and other regulators to ensure compliance with licence and operational requirements.

Outlook for 2025/26

With the appointment of the new Board, Exco will work closely with the Board and its committees to:

- Implement the revised strategic plan.
- Support the roadmap towards securing a full commercial banking licence.
- Enhance operational efficiency and strengthen digital service channels.
- Drive financial sustainability while delivering on the bank's developmental mandate.
- Ensure rigorous governance and compliance processes are embedded across the organisation.

CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR	CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR	CHIEF OPERATIONS OFFICER
Ms N Mbengashe **Appointed with effect from 17 July 2023** **Expertise:** Nikki Mbengashe is a dynamic senior executive with over 20 years of experience in financial services, banking, and logistics. As the current CEO of South Africa Postbank Limited, she is leading the transformation of the institution into a competitive banking entity. Her extensive career includes leadership roles at Ooba Home Loans, Woolworths Financial Services, Absa Bank, and Transnet Port Terminals, where she spearheaded large-scale operational improvements, digital transformation initiatives, and strategic growth projects. Recognized for her industry impact, Nikki has received numerous awards, including the "Women to Watch" accolade from Financial Mail and the "Alumni Rising Star" award from Nelson Mandela University. She also serves as a Board Executive Director at Postbank and has held key governance roles at Ooba Holdings, Woolworths Financial Services, and the Desmond and Leah Tutu Foundation. **Academic qualifications** • National Higher Diploma in Industrial Engineering (Nelson Mandela University) • Master of Business Administration (MBA) (University of Cape Town)	**Mr M Dowie** **Appointed with effect from 6 February 2025** **Expertise:** Martin qualified as a chartered accountant in 1997 and has over 20 years of experience in the banking/financial services sector (South Africa and Europe). He began his career as a trainee accountant with PricewaterhouseCoopers in 1993, progressing to various leadership roles with Deutsche Bank (South Africa) as CFO and COO, ultimately assuming the position of executive CFO and branch manager for Deutsche Bank's Luxembourg operations. Martin has filled many executive director positions with Deutsche Bank and more recently as CFO of Postbank and additionally has extensive experience in Regulatory Reporting (Basel), Treasury, Risk Management and Taxation. He has served on numerous internal and external committees/fora in both a chair and member capacity in recent times (ALCO, Audit, Risk, OPCO, BASA, IBA). **Academic qualifications** • BCom (Accounting) (University of the Witwatersrand) • Hons Bachelor of Accounting Science (UNISA) • Chartered Accountant (SA)	**Ms E Singh** **Appointed with effect from 8 January 2024** **Expertise:** Eurekha Singh is an accomplished Chief Operating Officer with over 20 years of leadership experience across the banking, insurance, and professional services sectors. Appointed to the role of COO at Postbank in January 2024, she brings deep expertise in strategic execution, digital transformation, and operational excellence. Eurekha is widely respected for her ability to lead high-impact change in complex environments. At Postbank, she is spearheading the operational transformation required to align with full banking license requirements, improve stakeholder relations, strengthen compliance, and build alternative customer channels. Her leadership is instrumental in driving productivity, reducing fraud risk, and enhancing customer onboarding and reporting capabilities through data and analytics. Her career includes executive roles at Absa, where she managed nationwide branch operations, business banking operations and claims and underwriting for short term insurance products, consistently delivering service improvements, operational cost reductions, and regulatory compliance. She also served as COO at BDO SA and held programme and change management roles at Absa, FNB and Nedbank further strengthening her foundation in business process optimisation and stakeholder engagement. Eurekha holds an MBL from UNISA's School of Business Leadership, a BCom in Business Management and Information Systems, and a BSc in Chemical Engineering which provides her with a unique blend of technical expertise, financial acumen, and strategic management skills.

		Her strategic vision, collaborative leadership style, and relentless focus on execution continue to position her as a key driver of institutional transformation and sustainable growth. **Academic qualifications** • Masters in Business Leadership • BSc Engineering • Bachelor of Commerce (BCom)

CHIEF COMMERCIAL OFFICER **Mr T Cele** **Appointed with effect from 8 July 2024** **Expertise:** His professional journey includes leadership and senior roles at prominent institutions like Absa Group, Experian South Africa, First National Bank (FNB) South Africa and MTN South Africa honed his expertise in product management, business development, and digital transformation, emphasizing financially inclusive capabilities and products. Mr. Cele's expertise spans general management leadership, commercial leadership, retail banking, product development, risk management, business intelligence, Customer experience, and change management. He is recognized for his ability to navigate complex regulatory environments, implement innovative financial solutions, and promote sustainable growth in inclusive banking. **Academic qualifications** • 3-year National Diploma in Accounting – Durban University of Technology (formerly Natal Technikon). • GIBS Master of Business Administration (MBA).	**CHIEF INFORMATION OFFICER** **Mr N Gwetsa** **Appointed with effect from 1 August 2024** **Expertise:** Nimroth Gwetsa is an accomplished senior executive with over 30 years combined experience in financial services, technology strategy, and ICT transformation. As the current CIO of South Africa Postbank Limited, he is driving the bank's digital transformation agenda, focusing on enhancing IT governance, modernising technology infrastructure, and aligning Postbank's digital platforms with strategic growth objectives. As the founder and managing member of an advisory and digitisation consultancy, he successfully led engagements with major corporates to deliver end-to-end business-ICT alignment, governance frameworks, and digital solution implementations. He previously held several key leadership roles at Standard Bank's Corporate & Investment Banking (CIB) leading the development and integration of digital banking solutions for corporate clients. His career began at Accenture (formerly Andersen Consulting), where he advised both public and private	**CHIEF AUDIT EXECUTIVE** **Mr W Shirinda** **Appointed with effect from 13 May 2024 (Interim) and 25 September 2024** **Expertise:** Wisani Shirinda is a Chartered Accountant (SA) and Registered Auditor with extensive experience in auditing, financial services, banking, and the public sector. He has held senior leadership roles in both internal and external audit, risk management, and financial governance. His career began at PricewaterhouseCoopers (PwC), where he gained extensive experience in long-term insurance, pension funds, investment management, and medical aid sectors. He later joined FirstRand Banking Group as an Audit Manager, where he led internal audits across retail banking, insurance, and investment management portfolios. Wisani has also served as Chief Operating Officer and Audit Engagement Partner at MNB Chartered Accountants, overseeing operations, external and internal audits, and forensic investigations. He was seconded to CATHSSETA as Acting Chief Financial Officer, where he led financial strategy, risk management, and regulatory compliance.

• GIBS Global Executive Development Program (GEDP).	sector clients on technology strategy and large-scale digital integration projects. **Academic qualifications** • BSc in Computer Science & Mathematics, University of the Witwatersrand. • Several leadership and additional professional certifications.	At Postbank, Wisani leads the Internal Audit function, driving a risk-based assurance approach and ensuring alignment with King IV, Global Internal Audit Standards and various regulatory requirements. His leadership focuses on enhancing governance, strengthening internal controls, and supporting the bank's transformation into a fully compliant, future-ready State Bank. **Academic qualifications** • Baccalaureus Computationis (University of Limpopo) • Postgraduate certificate in Financial Accounting (Nelson Mandela University) • Bachelor of Accounting Science Honours (UNISA) • Master of Business Administration (University of Johannesburg Business School) • Chartered Accountant South Africa (CA(SA)), (SAICA) • Registered Auditor (RA), (IRBA)

CHIEF RISK OFICER	CHIEF HUMAN RESOURCES OFFICER
Mr K Maartens **Appointed with effect from 13 July 2020 (resigned on 31 October 2024)** **Expertise:** Kevin Maartens is a seasoned executive with more than 30 years of experience in risk management, IT governance, and fraud prevention across both the public and private sectors. He holds an Honours Degree in Business Informatics, graduating Cum Laude, and has previously held international certifications including Certified Information Systems Auditor (CISA) and Certified Internal Auditor (CIA). He is also a Certified Ethics Officer and qualified Life Coach, reflecting a strong personal and professional commitment to integrity and ethical leadership. He has held several senior leadership roles, most notably serving as the Chief Risk Officer of Postbank, where he spearheaded key initiatives to transform the fraud and risk management environment. His leadership at Postbank was instrumental in enhancing cybersecurity, operational efficiency, and fraud risk management within a highly regulated financial environment. has led numerous strategic initiatives focused on cybersecurity, digital transformation, and operational resilience, integrating fraud detection technologies and cybersecurity protocols within complex organisations. His expertise in aligning governance, compliance, and IT systems has enabled measurable reductions in fraud risk and strengthened information security posture. Notably, Kevin served as a Board Member of the South African Fraud Prevention Services for seven years, contributing to the development of national strategies to combat financial crime and identity fraud. His deep institutional knowledge, along with his proven leadership in ethical governance and technology risk, position him as an ideal candidate to support SAFPS's mission in a rapidly evolving digital landscape. **Academic qualifications** • Honours Degree in Business Informatics (Cum Laude)-Unisa • BCom Degree in Informatics –University of Pretoria • National Diploma in Business Management –Technicon SA • Certified Information Systems Auditor (CISA)-Information Systems Audit and Control Association • Certified Internal Auditor (CIA) –International Institute of Internal Auditors Certified Ethics officer – Ethics Institute of South Africa.	**Resigned on 30 June 2025**

19.5 Attendance of Board Meetings

The Board met eighteen (18) times during the year under review, and its meetings were attended as shown in Table 11 below:

Month	Date of Meeting	K Ngema	J Lekgetha	B Mthiyane	T Mashigo	N Tshombe	N Mbengashe	M Dowie	I Hlungwan	T Motsweni	I Mamoojee	K Siyila	N Jekwa	N Minyuku	K Sukdev	W Majola
April	25-Apr-24	✓	–	–	–	✓	✓		✓		–	–	–	–	–	–
	30-Apr-24	✓	✓			✓	✓		✓		–	–	–	–	–	–
May	–															
June	5-Jun-24	✓	✓	✓	✓	✓	✓		✓		–	–	–	–	–	–
July	29-Jul-24	✓	✓	–	✓	✓	✓			✓	–	–	–	–	–	–
August	–															
September	30-Sep-24	✓	✓	✓	✓	✓	✓			✓	–	–	–	–	–	–
October	4-Oct-24	✓	✓	–	–	–	✓			✓	–	–	–	–	–	–
	29-Oct-24	✓	✓	–	–	–	✓				–	–	–	–	–	–
November	6-Nov-24	✓	✓	–	–	–	✓				–	–	–	–	–	–
	20-Nov-24	✓	✓	–	–	–	✓				–	–	–	–	–	–
December	10-Dec-24	✓	–	–	–	–	✓				–	–	–	–	–	–
January	13-Jan-25	✓	✓	✓	✓	✓	✓				–	–	–	–	–	–
	14-Jan-25	✓	✓	✓	✓	✓	✓				–	–	–	–	–	–
	30-Jan-25	✓	✓	✓	✓	✓	✓				–	–	–	–	–	–
February	26-Feb-25	✓	✓	–	–	–	✓	✓			–	–	–	–	–	–

March	7-Mar-25	✓	✓	✓	✓	✓	–	–			–	–	–	–	–	–
	18-Mar-25	✓	–	–	–	–	–	–			✓	✓	✓	✓	✓	✓
	26-Mar-25	✓	–	–	–	–	✓	✓			✓	✓	✓	✓	✓	✓
	31-Mar-25	✓	–	–	–	–	✓	✓			✓	✓	✓	✓	✓	✓

Table 11: Postbank board meeting attendance register

20. THE COMMITTEES OF THE BOARD

20.1 Social and Ethics Committee (SEC)

The Social and Ethics Committee was not constituted during most of the 2024/25 financial year due to the absence of a duly appointed Board. The previous Board's term ended in 2023, and an Administrator was in place until a new Board was formally appointed on 18 March 2025 by the Minister of Communications and Digital Technologies.

Due to their appointment corresponding with the closing out of the financial year, there was insufficient time to establish the SEC, elect members, approve its Terms of Reference, and commence its statutory activities in accordance with the Companies Act, 2008 and Regulation 43.

The Committee is expected to be formally constituted early in the 2025/26 financial year to fulfil its statutory oversight role over Postbank's ethics management, corporate citizenship, stakeholder engagement, and sustainability initiatives.

20.2 Audit Committee

Following the dissolution of the previous Board in 2023, the Minister of Communications and Digital Technologies appointed an Administrator to oversee the governance and management of Postbank until a new Board could be constituted.

To ensure compliance with the PFMA, 1999, the Companies Act, 2008, and other applicable legislation, an Administrator Audit Committee was established as an interim oversight structure. The Committee comprised independent members appointed for their financial, risk management, and governance expertise, and its mandate mirrored the statutory duties of a Board Audit Committee. The Administrator Audit Committee was constituted with effect from 21 November 2023 with co-opted members, under the Chairpersonship of Mr. J Lekgetha. Mr. K Ngema, Ms. B Mthiyane, and Adv. N Tshombe were its members and Mr. T Mashigo was appointed in April 2024.

The Administrator Audit Committee provided independent oversight over the integrity of financial reporting, the effectiveness of the internal control environment, the adequacy of risk management processes, and compliance with legal and regulatory requirements. It engaged with the AGSA, internal audit, and management on audit findings, monitored the remediation of control deficiencies, and reviewed the draft annual financial statements before submission to the Administrator for approval. Members of the Administrator Audit Committee continued to serve in an advisory capacity for a transitional period after the appointment of the new Board on 18 March 2025, ensuring knowledge transfer and continuity of oversight during the handover phase.

Following the appointment of the new Board of Directors on 18 March 2025, a new Audit Committee was formally constituted in accordance with the Postbank Act and the Companies Act. The following non-executive directors were appointed as members of the Audit Committee:

Name	Designation	Qualification	Expertise
Mr IA Mamoojee	Audit Chairperson	• BCompt (Hons), • CA(SA) • Tax Law Certificate • Banking qualification	Financial reporting standards (IFRS), oversight of external audits, internal audit functions, and financial remediation plans.
Ms FWH Majola	Audit Committee member	• BCom (Hons) Economics, • MBA	Governance oversight, and accountability frameworks, funding governance
Dr KJ Siyila	Audit Committee member	• BCom (Hons), • CA(SA), • PHD	Financial oversight, internal audit, and compliance monitoring
Mr KG Sukdev	Audit Committee member	• BB Science (Hons), • Independent actuary; • MBA	Financial reporting standards, internal controls, and external audit processe, risk management, treasury functions, and corporate restructuring & public sector oversight.
Mr J Lekgetha	Audit Committee Advisor	• BCom Accounting - University of the North • Higher Diploma in Tax Law - Rand Afrikaans University • Diploma in Corporate Finance - Wharton University • SAICA - Chartered Accountant South Africa	Financial reporting, audit recovery projects, and internal control enhancement, Risk Management

Table 12: Audit Committee Members

The Board designated Mr I Mamoojee as the Chairperson of the Audit Committee.

To ensure continuity and strengthen the Committee with technical expertise during the transition period, the Board resolved to retain Mr Juneas Lekgeth as an advisor to the Audit Committee based on the following considerations:

a) His institutional knowledge of Postbank's financial reporting, audit challenges, and governance processes during the Administrator-led period (2023–2025).

b) His technical audit and financial oversight expertise, which adds depth and independence to the new Committee.

c) The need to ensure continuity and stability in audit oversight while the new Board and Committee assume their responsibilities.

d) The requirement, in terms of King IV and audit best practice, to maintain an appropriate mix of financial skills and experience to support the integrity of Postbank's financial reporting and internal control environment.

The Administrator Audit Committee held scheduled and special meetings during the financial year and convened joint sessions with the Board to review the Annual Financial Statements and the audit outcomes by the Auditor-General South Africa.

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act and Regulation 42 of the Companies Regulation, 2011. The members of the audit committee are all independent non-executive directors of the bank and were appointed on 18 March 2025:

The Administrator Audit Committee served from 1 April 2024 to 18 March 2025 and comprised of Adv N Tshombe, Mr K Lekgetha, Mr T Mashigo and Ms B Mthiyane. At the end of the financial year, the committee comprised four independent non-executive directors, all of whom meet the competency requirements and have the skills and experience to fulfil their responsibilities. The chairperson of the audit committee is a member of the Risk and Capital Management Committee to ensure that all risk-related issues impacting the audit committee are addressed.

21. RISK MANAGEMENT

Overview:

During FY2024/2025, Postbank adopted its revised Enterprise Risk Management Framework (ERMF), which was approved by the Board. This enhanced framework outlines the bank's approach to identifying, managing, monitoring, and reporting risks in alignment with the bank's strategic objectives, regulatory expectations, and its evolving operational model. Key enhancements include a refreshed risk taxonomy, an enterprise-wide risk heat map, integrated RCSA methodology, and strengthened risk appetite parameters. The ERMF supports a more responsive, embedded risk culture across Postbank.

The success of Postbank relies on the ongoing management of risks in a very volatile and uncertain world. Postbank embraces its challenges and strives to manage risks in a responsible and sustainable manner that will create value for all our stakeholders. Postbank recognises that 'risk' is an integral part of our business and entails the continuous management of risks. The emphasis is on creating and protecting value for all our stakeholders through generating quality earnings that will ensure sustainability for Postbank and ultimately allow the bank to achieve its goals and objectives as per the mandate given to the bank by the Minister.

Postbank is a responsible corporate citizen that is committed to strong Corporate Governance practices that promote sustainability and the social development goals of South Africa, as depicted in our mandate of financial inclusion. Postbank endeavors to accurately assess risks and manage them efficiently and effectively, resulting in the generation and protection of value for our stakeholders.

Postbank Risk Universe

The framework of our risk universe is established upon several fundamental risk types that may affect our business operations. These risk types encompass strategic risks, financial risks, and various non-financial risk categories. An annual review of these risks is conducted, with updates made in response to alterations in our business landscape and the external environment. The primary risk categories are illustrated within our risk universe. Key risk categories are depicted in our risk universe. An annual review of these risks is conducted as part of the FY2025/2026 cycle.

Strategic Risks

The risk of the current and prospective impact on earnings or capital - resulting from an inappropriate or defective strategy, policy decisions, changes to the economic environment, or failure to adapt to changes (VUCA). The risk arises from an organisation's inability to implement appropriate business plans, strategies or decisions. It also relates to the organisation's lack of responsiveness to industry changes. These risks include strategic and execution risk as well as reputational risk

Financial Risks

The risk of unexpected changes in the external markets, prices, interest rates and liquidity supply and demand.

Non-Financial Risks

Non-financial risks are risks that relate to losses resulting from inadequate or failed processes, people and systems within the operations, due to internal or external factors. These risks are difficult to predict or to anticipate and can rapidly change with a financial or non-financial impact. These risks are managed under the banner of Operational risk.

Strategic Risks	Financial Risks	Non-Financial Risk		
Strategic and Execution Risk	Credit Risk	Accounting Risk	Technology Risk	Operational Risk
Reputational Risk	Market Risk	Tax Risk	Cyber Risk	Conduct Risk
	Liquidity Risk	Compliance Risk	Fraud Risk	People Risk
	Investment Risk	Concentration Risk	Legal Risk	
	Capital Risk			

Table 13: Key risk categories

How We Manage Risk

We manage risks by:

- Following a holistic approach to managing risks that are impacting on our business
- Managing risks based on three distinct fundamentals, namely threat, opportunity, and uncertainty.
- Following a structured approach to risk and capital management as depicted in our Enterprise Risk Management Framework.

This approach continues to underpin Postbank's risk management efforts in FY2025/2026.

Risk Culture

We recognise the importance of a strong risk culture, and we strive to have a culture where every person acts as a risk manager and will constantly evaluate, control and optimise risks to make informed decisions and build a sustainable competitive advantage for the bank. Posbank's Enterprise Risk Management Framework was enhanced in FY2024/2025 and continues to guide our oversight structures in FY2025/2026.

Risk Governance

Our Risk Governance structures enable appropriate oversight and accountability through various board and management committees. Good Governance forms the cornerstone of our Enterprise Risk Management Framework. This approach is aligned to Postbank's revised Enterprise Risk Management Framework adopted in FY2024/2025.

Risk Management Approach

Our Risk Management approach is built on the principle of continuous improvement lifecycle, including embedding risk management in the business, establishing sound risk management processes, evaluating and monitoring risk implementation, and enhancing the risk processes.

Risk Management process

Our risk management process is a repeatable process that is aligned to the ISO31000 standard.

The risk management process is the structured application of risk policies, procedures and practices in communicating and consulting, establishing the context, assessing, treating, monitoring, reviewing, recording, and reporting of risk.

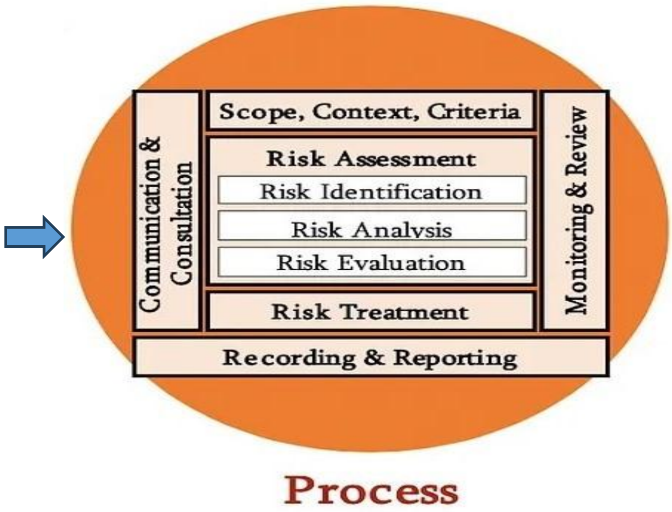


Figure 10: Postbank risk management process

Risk Governance

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

The board should ensure that clear accountability and responsibility is set, that all lines of authority across divisions are clear, and that clear separation exists between business line activities and risk or control functions. The board delegates this authority through various sub-committees and to management. The board is represented in Layer 1 of the model. The various levels of management are represented in layer 2 of the model.

Management is responsible for the management of the risks in Postbank. Management consists of two lines. Line one is responsible for providing products and services to clients and manages the risk directly. Line two of management are experts that support, monitor and provide constructive challenges to 'line one' on risk matters. 'Line two' is still part of management and thus also responsible for the management of risk. Independent assurance is a key requirement for good governance and is represented in 'layer 3'.

These governance principles remain integral as Postbank transition toward full Section 16 licensing and continues strengthening its assurance model in FY2025/2026.

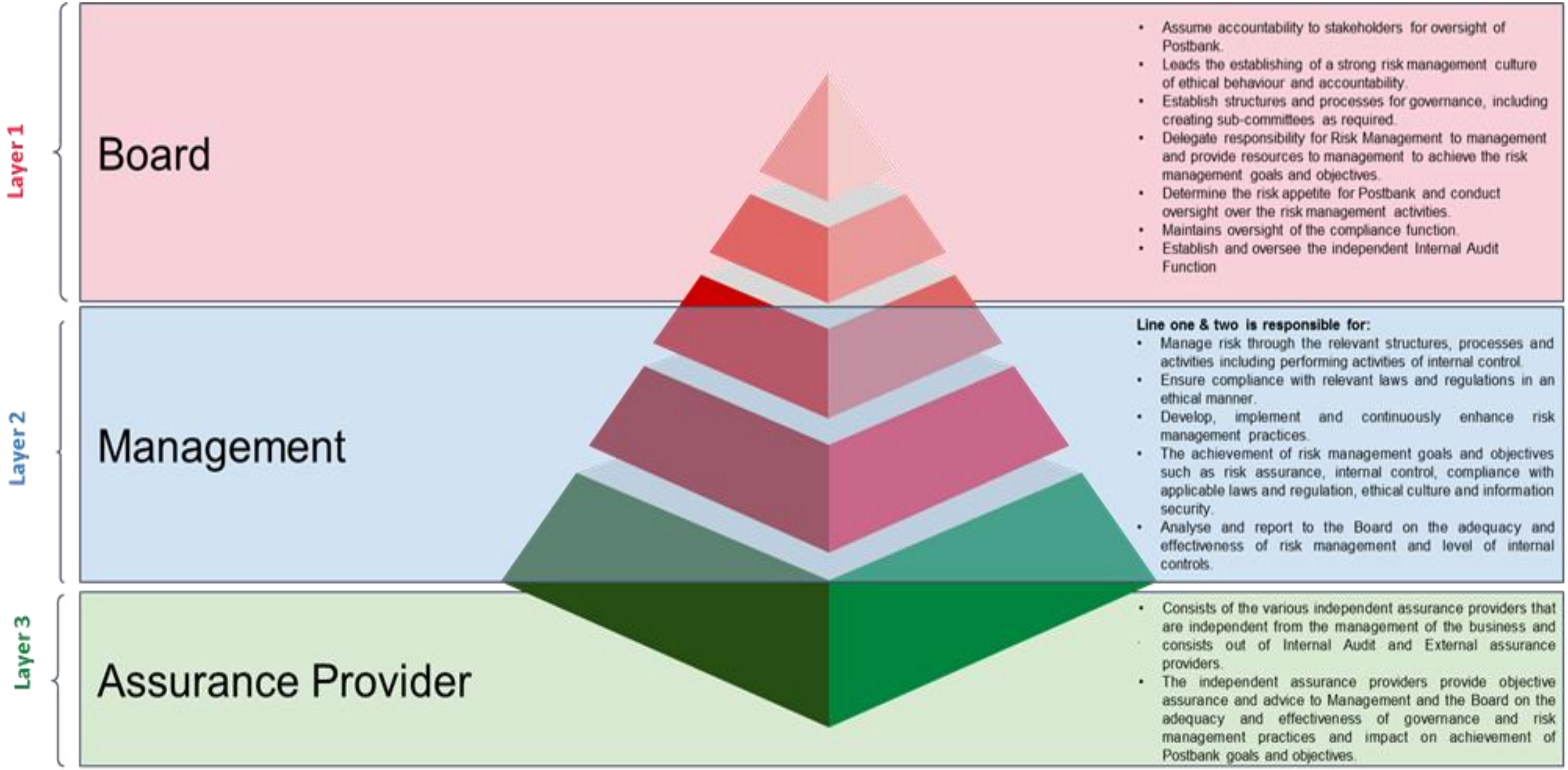


Figure 11: The three layers of defence model

Postbank applies a Combined Assurance Model that coordinates the efforts of management (first line), risk and compliance functions (second line), and internal audit (third line). During FY2024/2025, enhancements were introduced to this model to ensure more efficient oversight and reduce duplication of effort. These included:

- Quarterly alignment sessions between risk, compliance, and internal audit;
- Risk-informed internal audit planning based on the updated ERM risk universe;
- Escalation protocols for persistent high residual risks; and
- Enhanced assurance reporting to both the Risk and Capital Management Committee (RCMC) and Audit Committee.

This model ensures a unified approach to managing Postbank's key and emerging risks.

The Way Forward

Postbank's Top Ten Strategic Risks were reviewed and updated during FY2024/2025 to reflect shifts in the internal and external risk landscape, particularly as the institution progresses toward its Section 16 banking licence. Key elevated or emerging risks include:

- Capital Adequacy and Solvency Risk due to SAPO-related impairments;
- Regulatory Readiness Risk linked to the finalisation of the Section 16 licence application;
- Cybersecurity and Technology Resilience Risk, particularly in light of legacy system dependencies;
- AML/CFT Compliance Risk, as Postbank enhances its RMCP to align with new FIC directives; and
- People and Capacity Risk, reflecting banking skills shortages and key person dependencies.

These risks are actively monitored through the Enterprise Risk Register, mitigation plans, and formal reporting to RCMC, EXCO, and the Board and continue to be actively managed in FY2025/2026.

People Risk:	
The risk associated with people remains one of Postbank's most critical strategic risks. Limited	**Our Response:**

availability of banking and compliance expertise in the market, combined with internal skills shortages and competition for scarce resources, poses a material threat to Postbank's transformation into a fully licensed commercial bank and to its ability to deliver on strategic objectives. This risk is compounded by high staff turnover, gaps in succession planning, and pressure on the organisation to retain key talent in an environment of organisational change.	• Postbank has prioritised the development and roll-out of a comprehensive Employee Value Proposition (EVP) to attract, retain, and motivate critical skills needed for its transformation and licensing journey. • Targeted recruitment and succession planning are being implemented, focusing on banking, compliance, technology, and risk management expertise, in alignment with Postbank's Top 10 Risks. • Strengthening of leadership capacity through the recruitment of executives and critical specialists is ongoing, ensuring oversight of risk, compliance, financial sustainability, and operational resilience. • A robust **performance management and learning framework** is in place to build internal capability and address gaps identified in the skills pipeline. • Postbank is embedding a **culture of accountability and resilience** by aligning workforce strategies to regulatory requirements, transformation goals, and the strategic risk profile of the bank.
Compliance Risk:	
Postbank must comply with various pieces of key legislation that may affect the ability to secure a S16 Banking Licence.	**Our Response:** • Postbank appointed a Head of Compliance during FY2024/2025 to enhance its regulatory compliance capability and support readiness for the Section 16 banking licence. • The bank has enhanced several key compliance processes as part of a broader effort to review and refine Postbank's Risk Management and Compliance Programme (RMCP), ensuring alignment with applicable

	legislative, regulatory, and supervisory body requirements, including directives issued by the Financial Intelligence Centre (FIC). • In addition, Postbank has initiated its application for a Financial Advisory and Intermediary Services (FAIS) licence, which is expected to be finalised in FY2025/2026.
Information Technology Risk:	
Technology risk results from inadequate or inappropriate IT investment, development, implementation, support or capacity with the associated negative impact on the achievement of Postbank's objectives.	**Our Response** • Postbank modernised its IT infrastructure by transferring its operations to a tier 1 data centre. This enhancement improved network capabilities, facilitated the transition to Office 365, and initiated the use of cloud computing. • Postbank implemented and successfully tested its business continuity and disaster recovery plans, thereby improving its IT resilience in line with Regulatory requirements. • More work will be done to further enhance and improve the IT capabilities of the Postbank through building our capacity and partnering with relevant IT partners to support the business strategy and support our customers.
Cyber Risk:	
Banks will always be the target of criminals and the risk of loss of money, data and reputation through cyber attacks remains elevated.	**Our Response:** • Postbank continues to strengthen its IT security environment through various security initiatives such as utilising the cloud. • Postbank implemented a SIEM (Security and Event Management capabilities that are fully functional.

	• Postbank implemented a security Operations Centre that can detect, analyse and respond to cybersecurity events. • We are continuously enhancing our security posture to better protect our environment against unauthorised access and use of our environment.
Liquidity Risk:	
Liquidity risk is the risk that Postbank, even with a strong balance sheet that is solvent, has insufficient cash to meet its payments obligations.	**Our Response** • The liquidity position remained strong throughout the year even though the number of SASSA clients decreased. • Liquidity is well managed through an effective ALCO committee and strong performance by our Treasury Department. • Growing the customer base will be a focus point in the 2025/26 financial year. • The bank has terminated the cash payment of SASSA grants at cash paypoints, with the objective of reducing fraud and cutting down on the costs related to cash delivery operations.
Fraud Risk:	
Postbank has become a target for criminals seeking to perpetrate various forms of fraud against the institution. Throughout the financial year, the losses attributed to fraudulent activities remained significant, particularly in connection with the SASSA environment.	**Our Response** • We are enhancing our fraud team by increasing the number of personnel to both replace and augment the existing staff complement. • We are enhancing our IT capability to detect and prevent fraud in real time. • We are consolidating our banking systems to reduce the risk of fraud.

	• Our new cards are all created in a PCI-DSS secure environment, and these cards will be less vulnerable to card duplication and cloning. • We are partnering with card scheme services provider to enhance our fraud detection and prevention techniques.
Capital Risk:	
Capital Risk is a key risk that indicates the strength of the bank's balance sheet. Postbank Capital ratios have fallen significantly because of the SAPO impairment.	**Our Response** • Postbank is consistently evaluating its Capital and Recovery Plan to identify opportunities for enhancing the current capital position. • Postbank is constantly looking for better growth and returns on our investments.
Third Party Risk:	
Postbank's distribution model relies heavily on the fully outsourced model and thus exposes Postbank to the risk of failure to deliver on its mandate.	**Our Response** • Expansion and diversification of the bank's distribution channels. • Changing the operating model to stop paying SASSA grants at the SAPO branches.
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.	**Our Response** • Postbank must adjust the pricing of its products to enhance competitiveness and create services that align with customer requirements.
Compliance with the Variation Notice:	
SARB imposed a Variation Notice on Postbank, with several conditions that restricted and limited the s products and services Postbank is allowed to offer.	**Our Response:** • During FY2024/2025, Postbank implemented a range of control strategies to mitigate the risk of business disruption in response to the Variation Notice issued by the SARB.

	• The bank successfully upgraded its IT infrastructure to meet SARB's requirements, resulting in a more stable and secure technological environment. • Postbank enhanced the security of its IT systems and achieved PCI-DSS compliance, supporting the integrity and security of its payments environment. • In FY2025/2026, Postbank commenced the issuance of its secure, PCI-DSS-compliant cards, marking a key milestone in restoring full operational capabilities.

Table 14: Postbank top ten (10) risks

Emerging Risks and Strategic Priorities – FY2025/2026

Looking ahead, Postbank will prioritise the following emerging risk areas as part of its ERM and assurance plans for FY2025/2026:

- Licensing and Regulatory Risk: Completion of the Section 16 application and supervisory engagements;
- AML/CFT Regulatory Risk: Alignment with FIC Directive 3A and PCC 50A, including IFTR failure reporting procedures;
- Cybersecurity and Data Protection Risk: Strengthening PCI DSS compliance, cyber threat detection, and incident response;
- Capital and Funding Risk: Recapitalisation strategies to restore solvency and meet prudential requirements; and
- Conduct and Ethics Risk: Implementation of the new Code of Banking Practice (effective 1 July 2025) and improved customer protections.

These themes will shape Postbank's risk mitigation efforts, internal audits, and Board oversight for the new reporting period.

22. COMPLIANCE

22.1 Introduction

Section 16 Banking Licence Application

During FY2024/2025, Postbank prioritised the implementation of control measures required in terms of the Variation Notice issued by the SARB, which remained in effect until December 2024. With substantial progress made toward compliance, focus has shifted in FY2025/2026 to the resubmission of Postbank's Section 16 banking licence application.

A dedicated project team is now in place to finalise the outstanding requirements. The application scope has been redefined to align with the Postbank Amendment Act and current prudential and conduct standards applicable to state-owned banks. Postbank is engaging actively with regulatory stakeholders to ensure the application meets the conditions of the banks Act, 1990 and support supervisory expectations, including capital adequacy, systems readiness, and governance oversight.

SA Postbank Amendment Act

The South African Postbank Amendment Act, effective 19 February 2024, amended the original Postbank Act to enable alignment with the banks Act, 1990. It formally provides for the establishment of the South African Postbank Holding Company as a bank controlling company under the regulatory framework of the Prudential Authority. This legislative development lays the legal foundation for Postbank's transition to a fully licensed, state-owned bank.

Regulatory and Legislative Compliance Landscape

Postbank operates within a complex and evolving regulatory environment. Key legislative instruments that shape its compliance obligations and risk profile include:

- Banks Act, 1990 (as applicable via exemption and future licensing)
- Postbank Amendment Act, 2024
- Public Finance Management Act, 1999 (PFMA)
- Companies Act, 2008

- Financial Intelligence Centre Act, 2001 (FIC Act)
- Financial Advisory and Intermediary Services Act, 2002 (FAIS Act)

In FY2025/2026, Postbank will continue to strengthen its compliance frameworks in alignment with these Acts, supported by supervisory guidance from the SARB, Financial Sector Conduct Authority (FSCA), and the Financial Intelligence Centre (FIC). In particular, Postbank is reviewing and enhancing its Risk Management and Compliance Programme (RMCP) and is finalising its FAIS licence application.

Postbank Regulatory Universe

Legislation	Purpose
Banks Act 94 of 1990, as amended	To ensure the soundness and efficiency of the banking system in the interest of depositors and financial stability in South Africa.
PFMA, No. 1 of 1999 - *Public Entities Schedule 3*	To promote ethical, transparent, and accountable financial management in the public sector.
Companies Act 71 of 2008	To regulate the incorporation, governance, and accountability of companies and promote responsible corporate conduct.
Financial Advisory and Intermediary Services Act, No. 37 of 2002	To regulate the rendering of certain financial advisory and intermediary services to clients and ensure consumer protection.
Financial Intelligence Centre Act 38 of 2001, as amended	To establish the Financial Intelligence Centre and regulate anti-money laundering (AML), counter-terrorist financing (CFT), and suspicious transaction reporting.
Protection of Constitutional Democracy Against Terrorist and Related Activities Act, No. 33 of 2004	To prevent and combat terrorism and related criminal activities in South Africa.
Prevention of Organised Crime Act, No. 121 of 1998	To combat organised crime, money laundering, racketeering, and criminal gang activity.
Protection of Personal Information Act, No.4 of 2013	To promote the lawful processing and safeguarding of personal information and uphold the constitutional right to privacy.
Prevention and Combating of Corrupt Activities Act, No. 12 of 2004	To provide a comprehensive legal framework to prevent and combat corruption in public and private sectors.
Promotion of Access to Information Act, No 2 of 2000	To give effect to the constitutional right of access to information held by the state and private bodies, to foster transparency and accountability.

Table 15: Postbank regulatory universe

22.2 Anti Money Laundering/Combatting of Terrorist Financing/ Combatting of Proliferation Financing (AML/CFT/CPF)

South Africa underwent a critical greylisting review by the Financial Action Task Force (FATF) in January 2025, during the FY2024/2025 period. The review assessed the effectiveness of measures taken by both public and private sector institutions to address identified deficiencies in the country's Anti-Money Laundering (AML), Combatting of Terrorist Financing (CFT), and Combatting of Proliferation Financing (CPF) frameworks.

Failure to demonstrate meaningful progress risked severe macroeconomic consequences, including reduced international capital inflows, increased financial scrutiny, and potential credit rating downgrades. These challenges carry significant implications for state-owned entities such as Postbank. In response, Postbank is reinforcing its AML/CFT/CPF controls as part of a broader compliance maturity programme. The bank applies a Risk-Based Approach (RBA) supported by a detailed Risk Management and Compliance Programme (RMCP), which is currently under review to ensure alignment with legislative, regulatory, and supervisory body requirements, particularly those issued by the Financial Intelligence Centre (FIC).

Key components of Postbank's AML/CFT/CPF framework include:

- Training: Annual AML/CFT/CPF training is mandatory for all employees, ensuring ongoing awareness of financial crime risks and regulatory obligations.
- People: Employees are positioned as the first line of defence, with responsibility for identifying, reporting, and escalating suspicious activity.
- Processes: Clearly defined procedures govern transaction monitoring, escalation, and reporting in accordance with the FIC Act and applicable directives.
- Systems: A new transactional monitoring system is being developed as part of the broader IT infrastructure upgrade. Once implemented, it will generate exception alerts for analysis and investigation by the AML team, enhancing Postbank's ability to detect and respond to suspicious activity.

During FY2025/2026, Postbank plans to enhance its AML/CFT/CPF systems, analytics capabilities, and RMCP framework to strengthen alignment with FATF recommendations and national remediation efforts. These enhancements form part of Postbank's strategic commitment to financial integrity, regulatory compliance, and the broader national objective of exiting the FATF greylist.

22.3 Ethics Code of Conduct

As part of its governance priorities, Postbank will implement a comprehensive Ethics Programme during FY2025/2026, aimed at fostering a culture of integrity, accountability, and responsible conduct.

The Ethics Code of Conduct is currently under review and will be closely aligned with Postbank's core values: passion, personal growth, accountability, community, collaboration, and efficiency. These values define the bank's organisational culture and support a workplace built on trust, respect, and ethical leadership.

The Code outlines expected behaviours and ethical standards, and addresses the following key areas:

- Confidentiality and data privacy
- Safe and respectful work environment
- Conflicts of interest
- Gifts and entertainment
- Misuse of corporate opportunities
- Compliance with laws and regulations
- Fair trade and competitive practices

It also features a practical Ethical Decision-Making Checklist to support employees in assessing dilemmas and acting with integrity. Postbank's Ethics Programme will include targeted training, awareness campaigns, leadership engagement, and integration of ethical conduct into performance management and governance oversight frameworks.

22.4 Whistle-Blower Policy

Postbank has implemented a board-approved Whistleblower Policy to foster a secure and confidential reporting environment. The policy encourages both employees and members of the public to report any suspected or observed incidents of fraud, corruption, misconduct, or other unethical or unlawful conduct. The objective is to cultivate a transparent and accountable organisational culture that upholds integrity across all operations.

A key milestone in FY2025/2026 is the launch of Postbank's dedicated Fraud and Whistleblower Hotline, which is operational from 1 July 2025. This hotline enables employees and external stakeholders to report concerns confidentially and anonymously, supporting early detection of irregularities and protection against retaliation.

To support the rollout, training and awareness campaigns will be conducted across all levels of the organisation, ensuring that employees understand their rights and responsibilities under the policy. In parallel, the Postbank website will be updated to inform customers and the public of the hotline's availability and purpose.

These measures form part of Postbank's broader Ethics Programme and Compliance function's mandate to promote a safe, transparent, and compliant work environment for all stakeholders.

22.5 Environment, Social And Governance (ESG)

Environmental, Social, and Governance (ESG) principles are increasingly central to how companies operate and are evaluated by investors, regulators, and the public. For Postbank, ESG is not merely a compliance requirement, it is a strategic imperative that informs how we create long-term value, promote sustainability, and uphold our mandate as a state-owned institution.

In FY2025/2026, Postbank will deepen its alignment with ESG frameworks by embedding environmental stewardship, social responsibility, and ethical governance into its operations, procurement, and corporate reporting. This is particularly relevant in the banking sector, which has a direct impact on economic inclusion, responsible lending, climate resilience, and digital access.

Postbank's Board Ethics and Social Committee plays a key oversight role in this regard. The Committee is responsible for monitoring the bank's ethical conduct, stakeholder relationships, social impact initiatives, and alignment with ESG standards and national development priorities. It ensures that ethical values are upheld in all areas of the business and that Postbank meets its responsibilities as a good corporate citizen.

While ESG may appear to be a long-standing theme, its relevance continues to grow, particularly in South Africa's evolving economic and regulatory landscape. For Postbank, this means leveraging ESG not just as a reporting requirement, but as a framework to drive inclusive growth, protect the environment, and enhance stakeholder trust.

22.6 Compliance - 2025/26

Postbank's Compliance Framework, Policies, and Manual are designed to support management in effectively fulfilling the bank's obligations in line with applicable laws, regulations, and supervisory body requirements. s. The Compliance function adopts a risk-based approach to regulatory risk management, ensuring timely reporting on compliance status to enable swift implementation of controls and mitigate potential penalties or reputational harm.

During FY2025/2026, Compliance will continue to play a critical role in:

- Driving the compliance workstreams required for the submission of the Section 16 banking licence application;
- Reviewing and enhancing compliance policies, manuals, and procedures to ensure alignment with updated legislative and regulatory requirements;
- Implementing training and awareness campaigns across the organisation to embed a culture of ethical conduct and regulatory compliance;
- Conducting ongoing compliance monitoring and testing to assess effectiveness and close any emerging gaps; and
- Strengthening strategic engagement with regulatory authorities and other key stakeholders.

Postbank's Compliance objectives for the financial year include:

- Ensuring full and demonstrable adherence to applicable legislation, regulations, supervisory body requirements, and relevant industry standards, including those issued by SARB, FSCA, FIC, BASA, PASA, and National Treasury.
- Fostering a culture of proactive compliance across the organisation, anchored in awareness, accountability, and ethical leadership.
- Promoting transparency and governance integrity through continuous monitoring, training, assurance, and reporting.

These priorities are essential to safeguarding Postbank's operating licence, reinforcing stakeholder confidence, and advancing the transformation toward a fully licensed, ethical, and compliant state-owned bank.

23. SOCIAL RESPONSIBILITY/ CORPORATE SOCIAL INVESTMENT (CSI)

23.1 Introduction

As a developmental institution rooted in South Africa's socio-economic transformation agenda, Postbank has a critical role to play in advancing financial education and inclusion. Our mandate goes beyond transactional banking - it is about empowering individuals and communities, especially those historically underserved by the financial sector, with the knowledge and tools to make informed financial decisions.

In line with our commitment to inclusive economic participation, Postbank's CSI initiatives during the year under review placed a strong emphasis on financial education and literacy. We believe that financial empowerment is foundational to sustainable development, and we have actively invested in reaching diverse communities across the country to help demystify banking, promote savings culture, and provide access to essential financial services.

23.2 Financial Literacy Programmes

It is with this in mind that Postbank has invested strongly in on-the-ground initiatives that demystify banking, empower individuals with knowledge, and foster informed financial decisions - especially among the country's most vulnerable citizens. In the 2024/25 financial year, Postbank significantly expanded its outreach activities, ensuring its services - and the tools to access them - reach even the most challenging corners of the country.

Championing Youth Financial Literacy

Throughout the year, Postbank conducted 10 educational school visits across the country, engaging directly with learners to introduce core concepts of financial management. These interactive workshops arm young people with critical skills around budgeting, saving, and making responsible spending choices - laying the foundation for lifelong financial autonomy. Through storytelling, practical demonstrations, and Q&A sessions, these engagements ensured that banking is no longer an abstract concept but a practical tool for every future wage earner.

Empowering Women through Financial Inclusion

Women, particularly those in vulnerable situations, remain a priority in Postbank's financial inclusion strategy. By visiting eight women's shelters, Postbank brought financial education and access directly to those who need it most, making sure that survivors of abuse or hardship are not left behind. Here, the teams provided tailored advice on how to safely manage finances, access social grants, and rebuild financial independence. These sessions often became empowering spaces - boosting confidence and facilitating conversations around money that are essential for long-term recovery and security.

Reaching People Living with Disabilities

Postbank made 13 targeted visits to communities supporting people living with disabilities. The approach was holistic - addressing not only financial skills but also accessibility barriers. Through adaptive workshops and one-on-one support, Postbank ensured these clients received the same quality of financial education and access to services as anyone else. Efforts included demonstrations on easier use of bank cards, navigating digital channels, and enhanced customer service protocols at access points.

Engagements at Exhibitions, Expos, and Activations

The broader public was not neglected. Postbank participated in 19 exhibitions and Expos as well as 16 DCDT exhibitions and activations around the country. These high-visibility events were invaluable platforms for financial education - offering awareness of banking products, fraud prevention tips, and empowerment through practical demonstrations. The DCDT partnership, in particular, amplified the message of digital inclusion, fostering both confidence and trust in digital banking among new and existing clients.

Client-Centric Outreach - EPWP and the Department of Transport

In the Eastern Cape, Postbank underpinned its client care ethos through 34 separate outreach visits to the Eastern Cape EPWP (Expanded Public Works Programme) and Department of Transport. Here, the bulk of activity focused on hands-on assistance with bank cards - critical for clients who rely on these cards for salary disbursements and grant payments. The on-site presence eliminated travel costs and confusion, resolving technical challenges efficiently and ensuring uninterrupted access to funds. These engagements highlight Postbank's understanding that financial inclusion depends on both education and the removal of real - world barriers.

Looking Ahead

Postbank is ongoing investment in financial education and literacy affirms our role as a developmental bank with a social conscience. Through targeted outreach, community engagement, and strategic partnerships, we continue to ensure that all South Africans - regardless of age, income, or circumstance - have the opportunity to participate meaningfully in the economy. Financial inclusion is not just a goal for Postbank; it is our purpose!

24. SOCIAL AND ETHICS COMMITTEE REPORT

As of 14 September, this Committee seized to exist following the removal and resignation of the previous Board. The Administrator assumed the role and function of the Board and this Committee was consequently not functional in the year period under review.

25. POSTBANK EXECUTIVE ETHICS PLEDGE

I, Nikki Mbengashe (CEO), hereby pledge to restore and maintain public trust in the South African Postbank (SOC) Limited. I commit to conduct myself ethically. I commit to decision-making that disregards private gain or selfish interest but endeavours to be merited and exclusive to the interest of the South Africans. I commit to ethical choices beyond my assignment and not to take advantage of acquired relationships and services for private gain, including my privileged access to confidential information. I commit to uphold the Constitution of the Republic of South Africa, 1996, the spirit and the letter of the law and to consistently commit myself to the following obligations, which I comprehend are binding and enforced on my duties:

a. **Postbank Values**: I will endeavour to uphold Postbank's values when exercising my duties.
b. **Conflict of Interest**: I will avoid any conflict of interest at all costs, and when it is unavoidable, I will recuse myself.
c. **Receiving and Giving gifts**: I will not accept or present gifts that go beyond the prescribed threshold, nor will I endeavour to influence my business decisions with the involvement of registered suppliers or lobbying organisations for the entirety of my service as an appointee/employee.
d. **Anti-Corruption**: I take an unwavering zero-tolerance approach to bribery and corruption, as well as any influences that could threaten the development of our society, economy, and the bank.
e. **Nepotism and Cronyism**: I commit to making hiring and employment decisions that are purely ethical, impartial, and based on the candidate's equity, qualifications, competence, and experience, and in accordance with the legislative requirements.

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

Chief Executive Officer
Ms. Nikki Mbengashe
Date: 30 August 2025

26. INTERNAL AUDIT

The mandate of Postbank's Internal Audit function is to deliver independent and objective assurance and consulting services aimed at enhancing the value and efficiency of Postbank SOC (Pty) Ltd. Its objective is to support Postbank SOC (Pty) Ltd in achieving its strategic goals by employing a systematic and disciplined approach to assess and enhance the adequacy and effectiveness of Governance, Risk Management, and Control processes.

Established in compliance with the PFMA 51(1)(a)(ii) and Treasury Regulation 27, the Internal Audit function is an essential component of the Corporate Governance framework at Postbank SOC (Pty) Ltd. The Internal Audit function operates under the functional oversight of the Accounting Authority through the Audit Committee, while it reports administratively to the Chief Executive Officer. An Internal Audit Charter regulates the activities of this function. The Internal Audit function must deliver internal audit services in line with the Institute of Internal Auditors' Global Internal Audit Standards, as required by Treasury Regulation 27.2.6.

The following essential activities are undertaken to ensure that Postbank is governed appropriately, implements its strategy effectively, and realises its strategic objectives:

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

The Internal Audit function is organised according to an approved framework that consists of five positions: one Chief Audit Executive, one Senior Audit Manager, and three Internal Audit Managers. As of June 2023, the Internal Audit department was staffed with a Chief Audit Executive, and two Internal Audit Managers, leaving two vacancies for a Senior Audit manager and an Internal Audit Manager. The Chief Audit Executive position was vacant for the month of April 2024 and an Interim Chief Audit Executive was appointed in May 2024 and later made permanent in September 2024.

Internal Audit completed twenty-three reviews within the 2024/25 financial year, as per table 16 below.

No.	Internal Audit Engagement	Date Issued	Comments
Risk Based Compliance Audit			
1.	2023/2024 Review of the Annual National Statements		
	30 June 2024 AFS version	2024/06/30	Finalised
	30 September 2024 AFS version	2024/09/30	Finalised
2.	Integrated Audit Action Plan - (Follow up on audit findings)	Monthly	Finalised
3.	Cash Pay Point reconciliations review	2024/10/14	Finalised
4.	Responding to Material Irregularity 1		
	2024-06-23 Submission	2024/06/23	Finalised
	2024-08-23 Submission	2024/08/23	Finalised
	2024-10-23 Submission	2024/10/23	Finalised
5.	Responding to Material Irregularity 2		
	• 2024-06-23 Submission	2024/06/23	Finalised
	• 2024-08-23 Submission	2024/08/23	Finalised
	• 2024-10-23 Submission	2024/10/23	Finalised
6.	Probity audit reviews		
	• Marketing and Communication Agency (RFP 01/09/2023)	2024/07/26	Finalised
	• Dignity Service (RFP 01/10/2023)	2024/09/10	Finalised
	• Procurement of Courier Services (RFP 02/02/24-25)	2024/06/04	Finalised
	• Office Building Procurement	2025/02/17	Finalised
7.	Review of quarterly performance information - 2023/24 Q4		Finalised
8.	Review of quarterly performance information - 2024/25 Q1	2024/07/31	Finalised
9	Review of quarterly performance information - 2024/25 Q2	2024/10/66	Finalised
10.	Review of quarterly performance information - 2024/25 Q3	2025/01/30	Finalised
11.	Review of the 2024/25 Annual Performance Report	2024/06/20	Finalised
12.	Review of the 2025/26 Annual Performance Plan	2025/03/03	Finalised
13.	Risk Maturity Self-Assessment	2025/10/15	Finalised
14.	Card Replacement Project Review		
	Card chip destruction	2024/10/16	Finalised
15.	Ageed-upon Procedures - 2024/25 Salary Adjustment	2024/07/18	Finalised

Table 16: Internal audit reports issued during the 2024/25 financial year

27. AUDIT COMMITTEE

As a public entity governed by Schedule 2 of the PFMA, along with the stipulations of the Companies Act and the banks Act, Postbank is obligated to create an Audit Committee. The Postbank Audit Committee was established in terms of section 51(1) (a)(ii) of the PFMA No 1 of 1999, 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 operates independently and is tasked with the responsibility, which includes evaluating and providing guidance on financial management, governance, the internal control systems established by management and sanctioned by the board, the audit processes, and assessing the bank's performance in relation to its corporate plan. The Administrator's Audit Committee also dealt with the risk management of the bank.

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

The objective of the Audit Committee is to provide independent oversight to confirm that Postbank SOC (Pty) Ltd is governed appropriately, which includes the following responsibilities:

- Confirming that Postbank possesses and upholds robust, efficient, and transparent frameworks for financial management, governance, legislative compliance, and internal control; and
- Ensuring that Postbank's governance practices result in the attainment of the strategic outcomes of the performance management plan.

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

In respect of the financial statements:

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

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

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

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

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

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

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

In respect of the Internal Audit function:

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

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

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

d) Encourage cooperation between external and internal audit teams;

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

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

In respect of the External Audit function:

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

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

c) Ensure that the appointment of the auditor complies with the provisions of the

Companies Act and any other legislation relating to the appointment of auditors;

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

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

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

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

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

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

j) Review the effectiveness of the audit process annually.

In respect of the planning and performance information and reporting:

a) Assess whether Management has formulated an appropriate strategy that aligns with its mandate and ensure ongoing evaluation of its performance in relation to this strategy, particularly in terms of meeting the objectives outlined in the Corporate Plan; and

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

In respect of Governance:

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

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

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

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

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

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

In respect of combined assurance:

a) With respect to King IV principle 8, Recommended Practice 59: assist the Board in establishing a Combined Assurance model that promotes a coordinated methodology for all assurance activities; and

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

In respect of Internal Controls and Compliance:

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

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

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

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

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

f) Meet with the regulators as required;

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

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

PART D

HUMAN RESOURCES MANAGEMENT

28. OVERVIEW

This Human Resources report summarises the key areas of performance and achievements for FY2024/25. The primary focus is on key areas that are critical to driving and supporting Postbank's strategic objectives.

28.1 Capacitation of the bank

During FY2024/25, the Human Resources discipline focused on driving strategic objectives committed to the Annual Performance Plan (APP) and enhancing human resources capacity to support strategic initiatives of the business. In this regard, the Human Resources function accelerated strategic sourcing initiatives aimed at filling executive and mission-critical roles identified on the recruitment priority list.

The following executive roles were vacant because of resignations that took place as follows:

- CFO resigned on 30 June 2024, and the position was filled effective 06 February 2025
- CAE resigned on 31 March 2024, and the position was initially filled with an Interim CAE in August 2024 and with a permanent CAE effective 25 September 2024.
- CIO resigned on 31 July 2023, and the position was filled effective 01 August 2024.
- CCO role was vacant with no prior incumbent and it was filled effective 08 July 2024.
- CRO resigned on 31 October 2024, and the recruitment process was initiated in February 2025 and is in progress.

Strategic efforts are also focused on sourcing mission-critical technical and core banking skills to mitigate capacity constraints and other people-related risks. At the senior management level, recruitment of resources at the GM and senior management levels was prioritised, resulting in the appointments including the General Manager: Operations and General Manager: Channel. The General Manager: Strategy was initiated and is still in progress.

Subsequent to the CEO's appointment, a comprehensive evaluation of Postbank's organisational structure commenced, focusing primarily on the roles that are critical to ensure alignment with the strategic objectives of the business and to enhance its capacity to meet both current and future requirements.

Postbank is committed to transforming the workplace to ensure it meets and complies with the applicable legislative statutes of the country. Annual Employment Equity and Skills Development reports were submitted on time. Postbank formalised the Employment Equity Committee through a formal process to appoint Employment Equity Committee members and representatives. The committee will be endorsed by EXCO and mandated for the 3-year period to 2027. This will be followed with formal training of all members to ensure alignment and understanding of requirements i.e. roles and responsibilities of committee members, the process of reviewing organisation-wide barriers, and the process of establishing, monitoring, and implementing Employment Equity and Skills Development goals.

28.2 Learnerships and Development Programmes

The Learning and Development (L&D) department facilitated the Postbank training and development needs analysis process to determine the skills and competencies required. A priority list of needs was identified and confirmed with business leads. Postbank's learning and development interventions are implemented according to the Workplace Skills Development Plan and skills development priority areas identified by BankSETA.

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

Table 17: BankSETA priority skills areas

The L&D department plays a key role in facilitating organisation-wide development needs and growth. By empowering its leaders, managers, and employees, Postbank will be better placed and empowered to mitigate and navigate the ever-evolving socio-economic landscape. During FY2024/25, L&D initiatives were linked to (3) strategic focus areas at different occupational levels a) Mandatory for all; b) Front line levels; c) Management levels.

Strategic Objectives	FY2024/25 Learning & Development Interventions
Mandatory for all	• Performance Management • General Induction Programme • Banking 101 • Compliance training (FICA, FAIS) • Business Continuity • Fraud
Front Line Levels	• Manager of self • Customer service • Change management- how to navigate through change as an employee • Technical specific skills development
Management Levels	• PFMA • Risk management • Change management • People management • Project management * • Finance for non-financial managers • Leadership • Coaching and mentoring • Fundamentals of Auditing • Innovation and entrepreneurial • Systems and design thinking

Table 18: Learning and Development programme delivery

The Workplace Skills Plan (WSP) and the Annual Training Report (ATR) were duly submitted to BankSETA, where they received the necessary approval in compliance with the Skills Development and Levy Act. In addition, the statutory Employment Equity Report (EER) has been forwarded to the Department of Labour.

GRANT RECEIVED vs SKILLS LEVY PAID		
Qualifying Requirements	**Grant Received**	**Skills Levy Paid**
WSP & ATR Reports	R239,658.51	R1,822,617.47
Discretionary Grant	R806 424 (19 programs)	

Table 19: Grant received, and Skills Levy paid for the 2024/25 financial year

28.3 Employee Bursary Funding

A total of fifteen (15) Postbank employees (50% females and 50% males) benefitted from the bursary scheme. Postbank supported employee development for a total of R754 850, 00 for the period under review. Bursaries are awarded based on critical skills gaps identified in the banking industry. The following areas remain key areas of interest:

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

28.4 Employment Equity

Employment Equity targets are based on the Economically Active Population as set out in the 19th Commission for Employment Equity's annual report. The Postbank's Employment Equity Plan for the period 2022 to 2024 ended in November 2024. The submitted EE Report of January 2025 was the final submission based on the approved plan. A new plan has been developed for the 3 years 2024 to 2027. The plan has been updated and aligns to the EEAct as amended and considered the sector targets issued. The bank's employment equity targets align with recruitment initiatives focused on reaching employment equity targets. However, challenges remain in attracting sought-after candidates with the right skills from the banking/financial services industry.

Occupational Level		Male				Female				Foreign Nationals		Total
		A	C	I	W	A	C	I	W	Male	Female	
Top management	Value	0	0	0	0	1	0	0	0	0	0	1
	%	%	%	%	%	100%	%	%	%	%	%	100%
Senior management	Value	4	1	2	2	2	1	1	1	0	0	14
	%	28,5%	7,1%	14,2%	14,2%	14,2%	7,1%	7,1%	7,1%	0%	0%	100%
Professionally qualified and experienced specialists and middle management	Value	13	3	3	5	11	3	5	4	0	0	47
	%	27,6%	6,3%	6,3%	10,6%	23,4%	6,3%	10,6%	8,5%	%	%	100%
Skilled technical and academically qualified workers, junior management, supervisors, foremend and superintendents	Value	85	16	14	17	97	15	14	29	0	0	287
	%	29,6%	5,5%	4,8%	5,9%	33,7%	5,2%	4,8%	10,1%	0%	0%	100%
Semi-skilled and discresionary decision-	Value	7	3	0	0	16	1	1	3	0	0	31

making	%	22,5%	9,6%	0%	0%	51,6%	3,2%	3,2%	9,6%	0%	0%	100%
Unskilled and defined decision-making	Value	0	0	0	0	0	0	0	0	0	0	0
	%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
Total Permanent	**Value**	**109**	**23**	**19**	**24**	**127**	**20**	**21**	**37**	**0**	**0**	**380**
	%	28,6%	6,0%	5,0%	6,3%	33,4%	5,2%	5,5%	9,7%	0%	0%	100%
Temporary Employees	Value	5	2	0	0	11	2	0	1	0	0	21
	%	23,8%	9,5%	0%	0%	52,3%	9,5%	0%	4,7%	0%	0%	100%
Grand Total	**Value**	**114**	**25**	**19**	**24**	**138**	**22**	**21**	**38**	**0**	**0**	**401**
	%	28,4%	6,2%	4,7%	5,9%	34,3%	5,4%	5,2%	9,4%	0%	0%	100%

A = African C = Coloured I = Indian W = White

Table 20: Postbank Employment Equity targets _ 2024/25 financial year

28.5 Diversity and Gender Representation

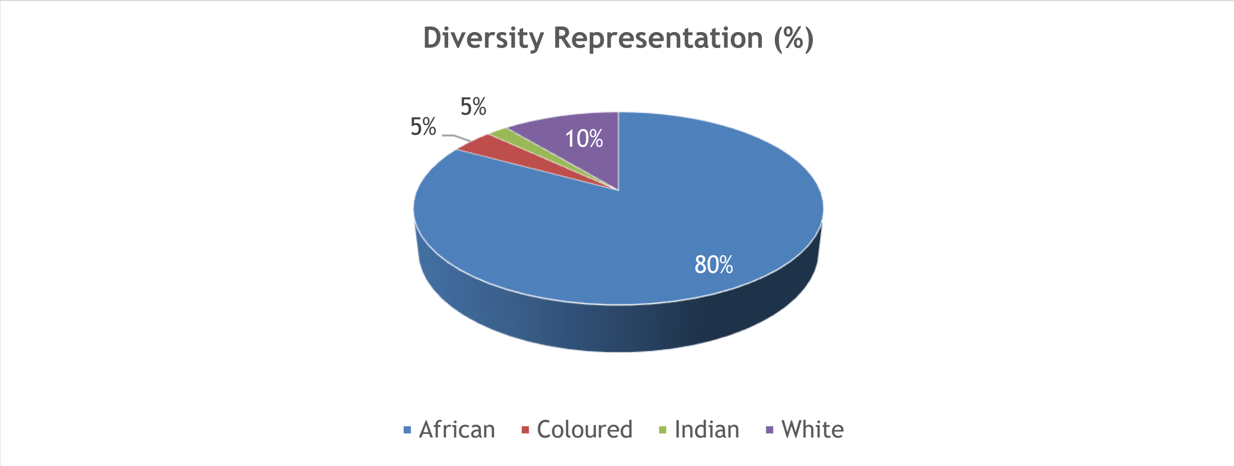


Figure 12: Postbank employee diversity representation

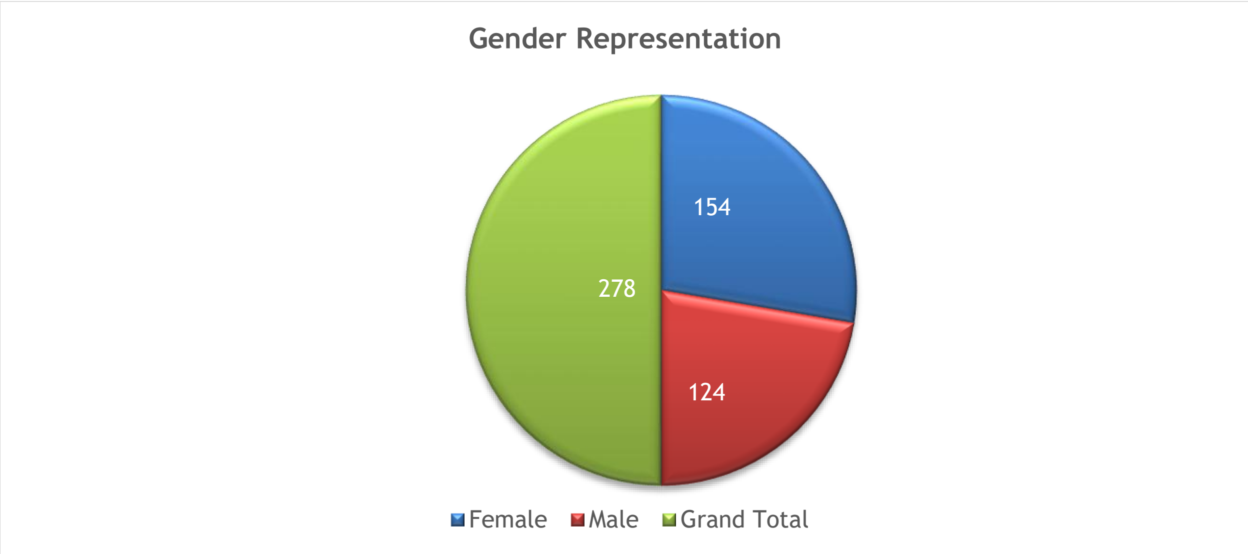


Figure 13: Postbank employee gender representation

28.6 Performance Management

Effective performance management, tracking, and reporting processes are paramount to driving a high-performance culture in a business. Postbank will be able to compete and thrive in the banking sector provided it ensures all critical performance objectives and measures (linked to business success) are correctly identified, appropriately structured, and contracted against every Executive leader and cross-functional team. In FY2024/25, a performance management process was being embedded in the organisation.

At the conclusion of the reporting period, we had successfully advanced the performance planning and contracting for more than 90% of our Postbank employees and year end reviews completed. As we move forward into FY2025/2026, we anticipate enhancing staff capabilities through Performance Management Training Sessions, which will not only reinforce the practice but also provide employees with the necessary tools, methodologies, and processes that we are implementing at Postbank. Plans are in place to capacitate the HR discipline to facilitate, track and report performance progress. A process has commenced to procure a Performance Management System to support this embedding process.

28.7 Employee Wellness

The provision of wellness services remained a key challenge throughout the year. Human Resources embarked on a procurement process to identify and contract a service provider to mitigate SAPO challenges. Lyra, formerly known as ICAS, has been onboarded as a service provider. Employee health and wellness programs are focused on Employee Assistance Programs (EAP), disability management, incapacity management, and occupational health promotion.

28.8 Wage Negotiations

Among its various commitments, Postbank aims to uphold harmonious workplace relations with its primary stakeholders, specifically the Trade Union. The wage negotiation process for FY2024/25 did not take place as a result of the union leadership paralysis brought about by intra-union leadership legal disputes.

The Labour Court ruling dated 23 January 2023, was handed down by Andre van Niekerk J, the consequences of which, is that the Union was interdicted on an interim basis from implementing any decisions that were made at the Union's special congress in December 2022. The implication is that the union is without leadership with the requisite authority to conclude legally binding substantive agreement.

While Postbank recognized that the annual salary increase is not an entitlement a decision was made to implement an across-the-board increase. This decision to implement the salary increase concluded all substantive matters and conditions of employment for the 2024/2025 financial year. All substantive matters and conditions of employment will be considered in the 2025/2026 financial year cycle, taking into account the status of the union in so far as the legal position of the courts on the current legal dispute.

PART E

PFMA COMPLIANCE REPORT

29 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE REPORTS

29.1 Irregular Expenditure Report

Irregular Expenditure	FY2024/25 R '000	FY2023/24 R '000
Opening Balance: 1 April	746 601	361 072
Irregular Expenditure Movement	146 484	385 529
Closing Balance: 31 March	893 085	746 601

Table 21: Movement in Irregular Expenditure

Notes/Commentary:

Of the R146m of irregular expenditure reported above, R122m (84%) relates to prior year(s) procurement events that were deemed to be irregular due to a deviation process being followed where the formal condonation process has not been concluded as yet, due to the circumstances set out below:

- In September 2023 Postbank's entire Board resigned with an Administrator being appointed.
- Under the leadership of the newly appointed Administrator, significant efforts have been made to strengthen consequence management in relation to irregular, fruitless, and wasteful expenditure;
- Over the period 2023 to 2025 the entire Exco of Postbank left the bank and was replaced;
- During the 2023/24 financial year, an investigation service provider was appointed to support these efforts. However, the initial investigation report received was found to be inadequate and could not be relied upon to enforce the required corrective actions or consequence management measures. Consequently, Postbank terminated the contract of the initial service providerand appointed a more experienced firm to conduct the necessary investigations. The outcome of these investigations will form the basis for implementing the appropriate consequence management and remediation (condonation) actions required to remove all items from the bank's register.

29.2 Fruitless and Wasteful Expenditure Report

Fruitless and Wasteful Expenditure	FY2024/25 R '000	FY2023/24 R '000
Opening Balance: 1 April	144 696	84 587
Fruitless and Wasteful Expenditure Movement	33 114	60 109
Closing Balance: 31 March	177 810	144 696

Table 22: Movements in Fruitless and Wasteful Expenditure

Notes/Commentary:

Wasteful expenditure was managed rather well in the reporting period. The movement in the reported balance was mainly driven by two (2) major contributors including penalties imposed by SASSA for non-adherence to the social grant payment master services agreement, as well as the write-off and destruction of 1,525,000 unusable card chips for the SASSA gold card that had to be replaced due to regulatory requirements.

It should be noted that the SASSA penalties reduced by 88% year-on-year, which reflects a positive improvement by the business in delivering on its mandate, especially to the grant beneficiaries and in improving the ovrrall customer experience.

30 INFORMATION ON LATE OR NON-PAYMENT OF SUPPLIERS

Postbank recognises the importance of paying suppliers on time in accordance with Treasury Regulations and the PFMA, which supports the government's objective of promoting fair business practices and improving the sustainability of suppliers, particularly MSMEs and black-owned businesses. The bank acknowledges that there have been delays in supplier payments, which it is actively working to resolve. These delays were mainly due to manual processes which resulted in delayed submission of invoices to Finance, bottlenecks in approval processes, contractual issues, and capacity constraints. To address these challenges and improve turnaround times, the bank is capacitating its team and streamlining internal processes to ensure full compliance with the 30-day payment requirement going forward.

Below is the list of payments that were made by the bank during the year under review:

Description	Number of Invoice	Consolidated Value R'000	Reasons for non-compliance
Valid invoices received	539	337 041	
Invoices paid within 30 days	64	17 040	N/A
Invoices paid after 30 days or agreed period	353	203 782	Manual processing of invoices has been the main source of delay in the payment of suppliers. The business is looking to procure an invoicing system that will ensure improvement in invoice submission and payment processes.
Invoices older than 30 days or agreed period (unpaid and without dispute)	122	116 219	

Table 23: Summary of non-compliance on payment of suppliers

31 INFORMATION ON SUPPLY CHAIN MANAGEMENT

As Postbank accelerates the rollout of its strategic plan and the related “build” of its future-state systems and operational platforms, the volume and complexity of its procurement activities continues to grow. The Supply Chain Management function of Postbank has found itself lacking in terms of adequate resources, from both a people and systems perspective. This has led to a sub-optimal functioning of this critical function of the bank in recent times.

Hiring of both permanent and temporary resources to bolster the department are currently well underway to fill existing vacancies, whilst the function eagerly awaits the implementation of the bank’s strategic systems implementation which will bring much-needed automation and workflow management benefits. Additonally, specific procurement training plans are being developed to upskill both the SCM function and the organization in general whilst procurement committees’ terms of reference, SOP’s and policies are being rigorously reviewed and enhanced in order to close control and process gaps and improve overall efficiency. Management is confident that these ongoing initiatives will bear fruit in the near future.

31.1 Contract Variations and Expansions

Description	Name of Supplier	Contract Modification Type (Expansion or Variation)	Contract Number Limited Bidding Documentation (LBD) reference number.	Original contract value (R'000)	Value of previous contract expansion(s) or variation(s) (if applicable) R'000	Value of current contract expansion or variation (R'000)
Biometric Verification services	Magix Africa	Expansion of scope for biometric service contract to include bulk screening of customers	LBD 08/2023	R6 135 250.00	N/A	R10 000 000.00
Biometric Verification services	Magix Africa	Extension of contract period for Biometric Verification Services by 12 months	LBD 08/2023	R6 135 250.00	Expansion of Scope - R10 000 000.00	Extension of period- R5 616 255.00
Manufacturing, production, embossing, supply, and delivery of EMV compliant bank cards	XH SMART Technology Africa (Pty) Ltd	Expansion of scope for Card manufacturing contract to include card storage facilities	RFPPB 20/21/06 EMV	Approved Budget - R67 100 000.00	N/A	1st Expansion - R5 400 000.00 (Approved Budget)
Reconciliation across the entire payment trace from SASSA - BankservAfrica Reports - IGPS - SAP	BCX	Expansion of scope for payment reconciliation contract to include data extraction	LBD 18/2023	R3 450 951.12	N/A	R58 400.00
Guarding/Physical Security Services	Invicta SA	1st Expansion of scope for Guarding/physical security services contract to include	RFQ 39/2023	R1 035 825.00	N/A	R41 850.00

		one additional guard for 3 months				
Cyber Security and Infrastructure services	Scarybyte (Pty) Ltd	Expansion of Cyber Security and infrastructure services contract scope to include Multi Factor Authentication for connectivity through the Access Point Name Cross Connect with Vodacom APN AD Connect, Annual licensing of deployed security tools	LBD 14/2023	R48 233 250.40	N/A	R 7 306 465.17
Extension of PCI DSS Compliance contract period for the Support and Maintenance course for 9 months.	Galix	Extension of PCI DSS Compliance contract period for the Support and Maintenance course for 9 months	LBD 06/2021	R2 480 004.00	N/A	R667 503.00
Guarding/Physical Security Services	Invicta SA	2nd expansion of scope for Security and Guarding Services contract to include one additional guard for 6 months	RFQ 39/2023	R1 035 825.00	R41 850.00	R83 700.00

Table 24: Contract variations and expansions _ 2024/25 financial year

31.2 Procurement by Other Means

#	Ref#	Description	Single Source/Sole Source/Emergency	Awarded Vendor	Value	Approval Date	Comments
1	LBD 01/2024	Provision of Integrated Grant Payment System (IGPS) for 6 months	Single Source	Electronic Connnect	R5 487 692.00	12-Jun-2024	Contract ended
2	LBD 02/2024	Provision IT Infrastructure Hosting services for 12 months	Single Source	Amazon Web Services South Africa	R42 385 236.00	30-Apr-2024	Contract ended
3	LBD 03/2024	Access Point Name (APN) Mobile Connectivity for 12 months	Single Source	Vodacom	R2 520 971.64	27-Jun-2024	Contract ended
4	LBD 04-2024	Investigation Report Presentation to Parliament once-off	Single Source	KPMG	R273 789.20	30-Aug-2024	Once-off
5	LBD 05-2024	Provision of Legal Services for 12 months	Single Source	Bowmans	R8 000 000.00	12-Sep-2024	At Contracting
6	LBD 06-2024	Supply and Delivery of 370 Laptops for Card Replacement Project once-off	Urgent Procurement	Mastomax	R 7 911 614.00	4-Dec-2024	Once-off
7	LBD 07-2024	Supply and Delivery of 100 Pax A35 Pin Pads for Card Replacement Project once-off	Single Source	Altron	R780 400.00	4-Sept-2025	Once-off

8	LBD 08-2024	Supply and Delivery of 850 Pax A35 Pin Pads for Card Replacement Project once-off	Single Source	Altron Fintech ACS	R 5 792 503.50	4-Dec-2024	Once-off
9	LBD 09-2024	Supply and Delivery of 850 Handheld barcode scanners for Card Replacement Project once-off	Quotations not within the prescribe threshold	Maphara Trading	R 2 414 000.00	18-Dec-2024	Once-off
10	LBD 10-2024	Supply and Delivery of 750 Biometric devices for Card Replacement Project once-off	Quotations not within the prescribe threshold	Maphara Trading	R5 985 500.00	18-Dec-2024	Once-off
11	LBD 11-2024	Office Lease for Bloemfontein Office for 8 months	Single Source	The Michael Family Trust	R3 124 536.96	20-Dec-2024	At Contracting
12	LBD 12-2024	Supply and Delivery of 300 Laptops once-off	Urgent Procurement	Mastomax	R5 733 900.00	19-Feb-2025	Awarded
13	LBD 14-2024	Reconciliation and Data extraction across the entire payment trace from SASSA - BankServAfrica Reports – IGPS - SAP	Single Source	Isolence	R504 958.41	19-Feb-2025	Contract Finalised
14	LBD 15-2024	Provision of Outsystems Licences	Single Source	AWS Inc	R900 240.00	2-Apr-2025	At Contracting
15	LBD 16-2024	Provision of Interchange Licenses	Single Source	Payteq	R3 659 043.28	12-Mar-2025	At Contracting
16	LBD 17-2024	Supply and Delivery of 200 Laptops for Card Replacement Project once-off	Urgent Procurement	Mastomax	R4 159 600.00	12-Mar-2025	Once-off

Table 25: Procurement by 'Other Means'

PART F

FINANCIAL INFORMATION

32 DIRECTORS' RESPONSIBILITY AND APPROVAL

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the bank, and all employees are required to maintain the highest ethical standards in ensuring the bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the bank is on identifying, assessing, managing and monitoring all known forms of risk across the bank. While operating risk cannot be fully eliminated, the bank endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the bank's budgets and cash flow forecasts for the year to 31 March

2026 and, in light of this review and the current financial position, they are satisfied that the bank has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the bank's annual financial statements. The annual financial statements have been examined by the bank's external auditors.

The annual financial statements set out on pages 157 to 241, which have been prepared on the going concern basis, were approved by the board of directors on 30 Agust 2025 and were signed on their behalf by:

Chairperson of the Board	Chief Executive Officer	Chief Financial Officer
Khayalethu Ngema	Nikki Mbengashe	Martin Dowie
Date: 30 August 2025	Date: 30 August 2025	Date: 30 August 2025

33 COMPANY SECRETARY'S CERTIFICATION

Compliance with the Companies Act

In accordance with Section 88(2)(e) of the Companies Act of South Africa, as amended, I hereby certify that the bank has lodged with the Commissioner all such returns as are required of a public company in terms of the Act.

____

Company Secretary (Acting)
Dithuso Makhalanyane
Date: 30 August 2025

34 AUDIT COMMITTEE REPORT

This Committee is pleased to present you with its report for the financial year ended 31 March 2025. This report has been prepared in accordance with the PFMA 1 of 1999 as amended. The Audit Committee is responsible for overseeing:

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

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

Statutory Duties

The Audit committee is constituted as a statutory committee of the Board of Postbank SOC LTD in line with the PFMA and the Companies Act 71 of 2008 as amended. The Board adopts the recommendation of the King IV Report on Corporate Governance in South Africa. Postbank aspires to be a registered licensed bank in terms of the banks Act; as such, the Audit Committee complied with the requirements of the banks Act. In terms of section 64 (3)(a) of the banks Act, all of the members of the Audit Committee must not be employees of Postbank, nor any of its subsidiaries, its controlling company, nor of any of the subsidiaries of the controlling company. The Board assigns the Audit Committee delegated powers to perform its functions in accordance with the PFMA, its Regulations and the Companies Act.

Composition of the Committee

During the financial year under review, Postbank's financial affairs were governed by the Administrator's Audit Committee until 17 March 2025 and by new members after the appointment of the Board by the Minister on 18 March 2025.

Each member satisfies the criteria for independent non-executive directors as stipulated in the banks Act, the Companies Act, the PFMA Act and the Terms of Reference for Postbank's Audit Committee regarding the Committee's composition. The Board is satisfied that the members of the committee have the required knowledge and experience to fulfil their roles and responsibilities.

Audit Committee - Appointed 18 March 2025

The following non-executive directors were appointed as members of the Audit Committee:

Name	Designation	Qualification	Expertise
Mr IA Mamoojee	Audit Chairperson	• BCompt (Hons), • CA(SA) • Tax Law Certificate • Banking qualification	Financial reporting standards (IFRS), oversight of external audits, internal audit functions, and financial remediation plans.
Ms FWH Majola	Audit Committee member	• BCom (Hons) Economics, • MBA	Governance oversight, and accountability frameworks, funding governance
Dr KJ Siyila	Audit Committee member	• BCom (Hons), • CA(SA), • PHD	Financial oversight, internal audit, and compliance monitoring
Mr KG Sukdev	Audit Committee member	• BB Science (Hons), • Independent actuary; • MBA	Financial reporting standards, internal controls, and external audit processe, risk management, treasury functions, and corporate restructuring & public sector oversight.

Mr J Lekgetha	Audit Committee Advisor	• BCom Accounting - University of the North • Higher Diploma in Tax Law - Rand Afrikaans University • Diploma in Corporate Finance - Wharton University • SAICA - Chartered Accountant South Africa	Financial reporting, audit recovery projects, and internal control enhancement, Risk Management

Table 26: Audit Committee Members

To ensure continuity and provide the Committee with expertise during the transition period, the Board resolved to retain Mr Juneas Lekgetha as an advisor.

Administrator's Audit Committee

After being appointed as Administrator, Mr. K Ngema co-opted three advisors: Mr. J Lekgetha (Chair), Adv. N Tshombe, and Ms. B Mthiyane. The advisors constituted the Administrator Audit Committee, which was officially established on 21 November 2023 and Mr. T Mashigo was appointed to the committee with effect from 16 April 2024. The members of the committee possessed sufficient knowledge and expertise to effectively perform the Committee's functions. Their extensive and diverse backgrounds contributed valuable perspectives and insights to the Committee's discussions and decisions. The audit committee performs the duties as contained in Section 94(7) of the Companies Act of South Africa.

Meetings of the Committee

The administrator's audit committee met twenty-seven (27) times during the year, and members attended the scheduled meetings as follows:

ATTENDANCE OF THE ADMINISTRATOR'S AUDIT COMMITTEE MEETINGS _ FY2024/25						
Month	Date of Meeting	J Lekgetha	B Mthiyane	T Mashigo	N Tshombe	K Ngema As Administrator
April	18-Apr-24	✓	✓	–	✓	–

	23-Apr-24	✓	✓	✓	✓	–
May	27-May-24	✓	✓	✓	✓	–
June	24-Jun-24	✓	✓	✓	✓	–
	26-Jun-24	✓	✓	✓	✓	–
	27-Jun-24	✓	✓	✓	✓	–
July	19-Jul-24	✓	✓	✓	✓	–
	23-Jul-24	✓	✓	✓	✓	–
August	27-Aug-24	✓	✓	✓	–	✓
September	30-Sep-24	✓	✓	✓	✓	✓
October	9-Oct-24	✓	✓	✓	✓	✓
	15-Oct-24	✓	✓	✓	✓	✓
	17-Oct-24	✓	✓	✓	✓	✓
	29-Oct-24	✓	–	–	✓	–
November	7-Nov-24	✓	✓	✓	✓	✓
	20-Nov-24	✓	✓	✓	✓	✓
	22-Nov-24	✓	✓	✓	✓	✓
	27-Nov-24	✓	✓	✓	–	✓
December	6-Dec-24	✓	✓	✓	✓	✓
	13-Dec-24	✓	✓	✓	✓	✓
	17-Dec-24	✓	✓	✓	✓	✓
January	13-Jan-25	✓	✓	✓	✓	✓
	14-Jan-25	✓	✓	✓	✓	✓
	22-Jan-25	✓	✓	✓	✓	✓
	23-Jan-25	✓	✓	✓	✓	✓
February	19-Feb-25	✓	✓	✓	✓	–

	25-Feb-25	✓	✓	✓	✓	✓
March		–	–	–	–	–

Table 27: Attendance Register: Audit Committee

During the reporting period, Postbank was overseen by an Administrator Audit Committee, established by the Minister of Communications and Digital Technologies in 2023 following the dissolution of the Board. This interim committee provided essential oversight of audit, risk, and compliance matters until the appointment of a new permanent Board in March 2025.

The unusually high frequency of the Administrator's Audit Committee was necessitated by:

a) The reconciliation project, which required the review and clean-up of transactions covering a six-year backlog of financial records.
b) Continuous oversight of adjustments and restatements to align financial information with regulatory and audit standards.
c) Extensive engagement with Auditor-General South Africa to resolve findings and finalise the 2023/24 audit.
d) The review of multiple internal audit reports highlighting weaknesses in procurement, IT general controls, and compliance processes.
e) Transition preparations for the incoming permanent Board and Audit Committee, ensuring no gaps in audit assurance during the handover.
f) Audit Committee's review on the progress in addressing the four reported Material Irregularities.
g) Attending to the various whistleblowers' reports.
h) Attending to the litigation matters.
i) The Committee's mandate to provide frequent assurance and accountability during a period of heightened governance risk.

Importantly, the reconciliation project enabled Postbank to resolve long-standing audit challenges and emerge from a disclaimer audit opinion in the 2022/23 to a qualified audit opinion in the 2023/24 financial year. This represents a significant step towards restoring financial reporting credibility and improving stakeholder confidence in the bank's governance. The momentum for improving the financial reporting credibility was sustained during the 2024/25 financial year, resulting in the bank obtaining an unqualified audit opinion.

The Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, Compliance Officer and Auditor General's Office representatives attended committee meetings. Management, internal auditors and external auditors were afforded an opportunity to have separate meetings with the committee. The committee reports to the Board outlining the activities conducted and the issues deliberated at each meeting, as well as the recommended resolutions arising from those discussions.

Terms of Reference

The committee is an essential part of the Postbank's Governance Framework, to which the Board has delegated specific responsibilities. The Terms of Reference of the Audit Committee were formally adopted during the financial year.

Role of the Chairperson

The Chairperson of the committee required regular interactions with the CEO, CFO, CAE and external auditors in order to understand Postbank's operations and the risks facing the business. These interactions provide an additional layer of assurance that the control functions are aligned in terms of their understanding of the risks facing the bank and the mitigation thereof.

Internal controls

The committee evaluated the effectiveness of internal control and financial reporting systems, while also considering the key findings from internal investigations into control vulnerabilities, including instances of fraud, cyber-attacks, and employee misconduct, as well as the management's reactions to these findings. Regular reports on these matters were presented to the committee.

Having reviewed information provided by management, internal audit, and the Auditor-General South Africa, the Committee identified the following deficiencies in the internal control environment:

1. **Procurement and Supply Chain Management**: Instances of non-compliance with internal procurement procedures and PFMA requirements, including inadequate documentation to support certain transactions and delayed contract management processes.

2. **Information Technology Controls**: Weaknesses in user access management, including delayed removal of system access for terminated employees and insufficient periodic reviews of privileged user activity.
3. **Financial Reporting Processes**: Delays in the reconciliation of key accounts, incomplete supporting schedules for certain financial statement line items, and insufficient review processes prior to submission of reports to oversight bodies.
4. **Risk Management**: Gaps in the formal monitoring and reporting of operational risks, particularly relating to the implementation of mitigating controls and timely escalation to the appropriate governance structures.
5. **Compliance Monitoring**: A compliance officer has been appointed and was tasked with delivering a compliance work plan program to monitor adherence to regulatory requirements and follow up on previous compliance findings. Audit Committee must
6. **Combined Assurance**: In terms of King IV principle 8, Recommended Practice 59, assist the Board to ensure that a Combined Assurance model is applied to provide a coordinated approach to all assurance activities, to ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of Postbank's external reports.

The Committee has recommended targeted remedial actions for each area, including strengthening policies and procedures, enhancing monitoring controls, improving staff training, and implementing stricter oversight of high-risk processes. Progress against these recommendations is tracked during the Committee's quarterly reporting cycle.

The Audit Committee confirms that it effectively discharged its responsibilities for the financial year ended 31 March 2025.

Evaluation of the Annual Financial Statements

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

External Audit

The Audit Committee has satisfied itself that the external auditors are independent of the company in accordance with Section 94(8) of the Companies Act.

For the 2024/25 financial year, the Audit Committee confirmed the appointment of the AGSA as the bank's independent external auditor. The Committee satisfied itself with the AGSA's independence, objectivity and capacity to perform the audit.

The Audit Committee worked closely with the AGSA to:

- Review and approve the annual audit plan and scope of work.
- Monitor the execution of the audit against agreed timelines.
- Address issues raised in the **management and audit reports**, including material irregularities and deficiencies in procurement controls and reconciliations.
- Oversee management's progress in implementing the AGSA's recommendations.

The Committee notes its appreciation to the AGSA for its constructive engagement during a challenging audit cycle, which was compounded by the reconciliation project and the six-year financial backlog.

Internal Audit

The Committee has reviewed the independence of the Internal Audit function and evaluated its effectiveness, including an assessment of the audit team's capabilities, the audit methodology employed, and the overall value contributed by the function.

The Committee has:

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

The Chief Audit Executive was appointed during the financial year under review. The committee acknowledges its satisfaction with the internal audit's effectiveness and confirms that the function has met its responsibilities as mandated by the PFMA, National Treasury Regulations, King IV and the Committee's Terms of Reference.

Corporate Plan

The Corporate Plan was reviewed with careful consideration of the strategic position, revenue forecasts, cost-cutting measures, and key performance indicators and recommended to the Board for their approval.

Chief Financial Officer and the Finance Function

The committee considered the experience and expertise of the Chief Financial Officer. It concluded that the experience and expertise of the Chief Financial Officer were appropriate for the role. The committee was satisfied with the expertise, resources and experience of the finance function.

Looking Ahead

The committee is aware of the challenges highlighted in the Management Report from the AGSA. The committee will monitor the implementation of the remediation plan to ensure that Postbank addresses the findings:

- The supply chain management business unit is in the process of being capacitated and strengthened to fulfil its obligation within Postbank.
- Postbank has started a project to reduce its overreliance on SAPO and is currently in the process of reviewing all the Service Level Agreements with SAPO for remaining services.
- The bank has established a contract management committee to ensure that all contracts inherited from SAPO are properly reviewed.
- The audit committee will monitor progress on the achievement of the conditions imposed by SARB on the bank in terms of the latest Variation Notice.
- The capacity building initiatives of management will be monitored to ensure delivery of its corporate plan and improve the overall internal control environment.
- The committee will also ensure that the Postbank's financial systems, processes and controls are operating effectively.
- The financial management and sustainability of the bank as a going concern will be

continuously reviewed to ensure a strong delivery in financial performance and an enhanced financial position.

Signed on behalf of the audit committee:

Audit Committee Chairperson	Administrator Audit Committee Chairperson
Ismail Mamoojee	Juneus Lekgetha
Date: 30 August 2025	Date: 30 August 2025

35 DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of South African Postbank (SOC) Ltd for the year ended 31 March 2025.

1. Incorporation

South African Postbank (SOC) Ltd is a public company, incorporated on 1 April 2017 and domiciled in South Africa. Its parent and ultimate holding entity is the South African Government.

2. Nature of business

South African Postbank (SOC) Ltd was incorporated in South Africa and conducts the business of banking to encourage and attract savings amongst the people of the Republic of South Africa, in accordance with the Postbank Limited Amendment Act No.44 of 2013 and the relevant sections of the Postal Services Act No.124 of 1998. The South African Postbank Limited Amendment Bill was signed into law on 19 February 2024 following its adoption by Parliament. The bill seeks to adjust the establishment and the shareholding arrangements for Postbank through the creation of a new banking controlling company. The purpose of the bill is to ensure that the Postbank can establish itself as a state-owned commercial bank.

There have been no material changes to the nature of the bank's business from the prior year.

3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

The company recorded a net profit after tax for the year ended 31 March 2025 of R109 902 thousand (2024: net loss of R1 251 631 thousand).

4. Directorate

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

Director	Office	Appointment / Resignation
Executive		
Ms N Mbengashe	Chief Executive Officer	Appointed 17 July 2023
Mr M Dowie	Chief Financial Officer	Appointed 6 February 2025

Mr I Hlungwani	Chief Financial Officer	Resigned 30 June 2024
Non-Executive Independent		
Mr K Ngema	Chairperson of the Board*	Appointed 3 March 2025
Dr NY Jekwa	Board Member	Appointed 18 March 2025
Ms WFH Majola	Board Member	Appointed 18 March 2025
Mr IA Mamoojee	Board Member and Chairperson of the Audit Committee	Appointed 18 March 2025
Ms N Minyuku	Board Member	Appointed 18 March 2025
Dr KJ Siyila	Board Member	Appointed 18 March 2025
Mr KG Sukdev	Board Member	Appointed 18 March 2025

* Previously fulfilled role of Administrator as from 14 September 2023
All directors are South African

Table 28: Postbank Board of Directors

5. Special resolutions

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

6. Events after the reporting period

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

7. Directors' remuneration

Directors' remuneration is disclosed in note 30.

8. Company Secretary and registered office

The acting company secretary is Ms D Makhalanyane (appointed 24 April 2025). The previous company secretary, Ms N Sibeko resigned on 23 April 2025. The registered office of the company and company secretary is NPC Building, Corner Sophie De Bruyn and Jeff Masemola Street, Pretoria 0001.

9. Insurance

The company has comprehensive insurance and professional indemnity cover to protect itself against financial losses.

10. Going concern

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

The directors have considered the following significant matters in forming their conclusion regarding the ability of the entity to continue as a going concern:

SARB Variation Notice:

Postbank concluded the process of achieving full compliance with the conditions imposed upon it by the third Variation Notice, issued by SARB on 14 December 2023, by 31 March 2025. During finalisation engagements with the SARB, the parties agreed that Postbank would execute some additional procedures in connection with the issuance of cards going forward. The SARB issued a fourth Variation Notice on 29 August 2025 in this regard, thus formalising these additional conditions. Postbank has already made significant progress in executing on a number of these items and is confident that this matter has no impact on the ability of the entity to continue as a going concern.

SASSA Contract:

SASSA has recently publicly communicated that their contract with Postbank will terminate on 30 September 2025. Dialogue between the parties has been ongoing for some time. Postbank has run a number of financial scenarios, based on a range of possible direct and indirect effects and consideration of management actions, to assess the possible range of the financial impact of this event. The directors have concluded that, even under the most severe scenario, this event does not lead to the conclusion that Postbank will not be able to continue as a going concern in the foreseeable future.

In addition to the specific matters mentioned above, the directors have reviewed Postbank's strategy, budgets and forecasts and are confident that the entity will continue to be solvent and liquid as from 31 March 2025 for the foreseeable future. As such, the directors believe that Postbank has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors are satisfied that Postbank is in a sound financial position and that it has sufficient funds to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact Postbank in a significant manner. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect Postbank.

11. Litigation statement

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

Save as recorded above, the directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened that may have a material effect on the financial position of the bank.

12. Auditors

Auditor-General South Africa continued in office as auditors for the company for the year ended 31 March 2025.

13. Acknowledgements

Thanks and appreciation are extended to our shareholder, staff, suppliers and customers for their continued support of the bank.

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Chairperson of the Board
Khayalethu Ngema
Date: 30 August 2025

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the South African Postbank (SOC) Ltd set out on pages 157 to 241, which comprise the statement of financial position as at 31 March 2025, statement of profit or loss and other comprehensive income, statement of changes in equity, and the statement of cash flows for the year then ended, as well as notes to the financial statements, including material accounting policy information.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African Postbank (SOC) Ltd as at 31 March 2025, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Prior Period Adjustment

7. Note 34 to the financial statements indicates that the previously issued financial statements of the public entity for the year ended 31 March 2024 have been revised and reissued and provides reasons for the amendments.

Going Concern

8. Note 35 of the financial statements indicates that the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern, and further describes the events or conditions, along with other matters that may affect the public entity's ability to continue as a going concern, and how the public entity has responded to said events or conditions.

Other matter

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

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS accounting standards as issued by the ASB and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 242, forms part of my auditor's report.

Report on the audit of the annual performance information

14. The Audit of Pre-determined Objectives (AoPO) is not included in the scope of the audit as the Postbank (SOC) Ltd is not listed in the schedules of PFMA. The Postbank develops its own annual performance plan, and as an unlisted public entity the Revised Framework for Strategic Plans and Annual Performance plans (Revised FSAPP) and Performance Management and Reporting Framework (PMRF) cannot be used to audit AOPO at Postbank.

Report on compliance with legislation

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

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

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

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

SOE oversight and governance

19. A social and ethics committee was not established, as required by section 72(4)(a) of the Companies Act and Companies Regulation 43(2)(a).

20. Approved audited financial statements were not filed with the annual return within the prescribed period, as required by section 33(1)(a) of the Co Act and 30(2) of the Companies Regulation.

21. Section 24 of the South African Postbank Soc Limited Act 9 of 2010 provides that Postbank is subject to the Public Finance Management Act. Postbank was not listed as required by section 47(2) of the PFMA which states that the accounting authority for a public entity that is not listed in either Schedule 2 or 3 must, without delay, notify the National Treasury, in writing, that the public entity is not listed.

Other information in the annual report

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

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

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

25. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected,

I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

27. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the material findings on compliance with applicable legislation included in this report.

28. Leadership did not exercise oversight responsibility regarding related internal controls to ensure that compliance with applicable legislation is adhered to.

Material irregularities

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

Status of previously reported material irregularities

Penalties incurred as a result of breach of agreement

30. A Master Level Agreement (MSA) was entered between the other entity within the portfolio and the South African Social Security Agency (SASSA) where that entity would develop an effective and efficient payment system that provided for the payment of social grants, which is the Integrated Grant Payment System (IGPS). This project was executed through the Postbank, when it was a division. After Postbank became a separate legal entity from the other entity within the portfolio on 1 April 2019, the renewal of licences of the software and maintenance therefore became the responsibility of the Postbank. In February 2022, Sassa indicated challenges with the social pension system, which resulted in client accounts not being credited. Postbank had failed to adhere to the terms of the MSA, which resulted in Sassa invoking the penalty clause of 15% of the service fee due to the Postbank.

31. The above resulted in a non-compliance with section 57(b) of the PFMA as Postbank failed

to ensure that appropriate controls were in place in order to avoid penalties incurred resulting in penalties of R17 684 164.

32. I notified the accounting authority of the material irregularity on 20 August 2022 and invited the accounting authority to make a written submission on the actions taken and those that would be taken to address the matter. The accounting authority did not respond nor take any action.

33. I notified the accounting authority on 11 October 2023 of the following recommendations, which had to be implemented by 15 May 2024:

- The fruitless and wasteful expenditure incurred in respect of penalties should be investigated and the full extent of the financial loss incurred should be quantified, in accordance with the applicable instruction notes issued by the National Treasury dealing with fruitless and wasteful expenditure.

- Effective and appropriate disciplinary steps should be initiated, without undue delay, against all officials that the investigation found to be responsible, as required by section 51(1)(e) of the PFMA.

- All persons liable for the financial loss should be identified and appropriate action should commence to recover the financial loss suffered. The recovery process should not be unduly delayed.

- Reasonable steps should be taken;

  i. To ensure the compliance with contractual obligations; and

  ii. To implement internal controls, to address the root causes identified during the investigation.

34. After I followed up on the written response on the implementation of the recommendations that was due on 15 May 2024, the accounting authority requested an extension up to 30 June 2024 for the implementation of the recommendations. On 2 July 2024, a final response and substantiating documentation on the implementation of the recommendations was received. Shortcomings were noted in the actions to implement the recommendations which were communicated to the accounting authority on 15 August 2024.

35. A supplementary response was received on 2 September 2024 stating that the outcome of the initial investigation completed by the entity into the material irregularity, was not accepted due to various aspects not being addressed during this investigation. The response also noted that a process was underway to appoint a new service provider to investigate the material irregularity. In this regard, the accounting authority requested for a further extension to 6 December 2024 to implement the recommendations and after assessing the reasons for the extension, the request was granted.

36. On 7 December 2024, a further request for an extension up to 31 March 2025 was received. The request was not supported by reasons and substantiating documentation to demonstrate progress with the implementation of the recommendations, and I concluded that the accounting authority has not taken appropriate actions to implement the recommendations and to address the material irregularity.

37. I notified the accounting authority on 24 April 2025 of the following remedial actions that had to be implemented by 24 August 2025 with a progress report by 24 June 2025:

- The fruitless and wasteful expenditure incurred in respect of SASSA penalties must be investigated and the full extent of the financial loss incurred must be quantified, in accordance with the applicable instruction note(s) issued by the National Treasury dealing with fruitless and wasteful expenditure.

- Effective and appropriate disciplinary steps must be initiated, without undue delay, against all officials that the investigation found to be responsible, as required by section 51(1)(e) of the Public Finance Management Act, 1 of 1999.

- All persons liable for the financial loss must be identified and appropriate action must commence to recover the financial loss suffered. The recovery process should not be unduly delayed.

- Reasonable steps must be taken:

    i. To ensure the compliance with contractual obligations; and

    ii. To implement internal controls, to address the root causes identified during the investigation.

38. On 24 June 2025, I received a progress report on the implementation of the remedial actions from the accounting authority. I also received the final response with substantiating documentation on 26 August 2025.The response also included a request for a further extension to complete the actions in progress and those not yet completed.

39. I am in the process of assessing the request for extension, the response and substantiating documentation on the progress that has been made with the implementation of the remedial actions.

Failure to maintain effective system of internal control on the card management and beneficiary payment process

40. During July 2018, the issuer master keys (IMK) used for securing messaging, confidentiality and integrity were accessed from removable devices that stored sensitive information without encryption controls and the devices were thereafter utilised to manipulate information on stolen Sassa cards and fraudulent transactions were committed. The entity failed to implement data security controls over the Sassa grants beneficiary payments system. This led to the South African Reserve Bank (SARB) instructing that all the cards registered on the entity's client base be written off due to the IMK being compromised. The entity did not comply with section 51(1)(a)(i) of the PFMA which states that an accounting authority for a public entity must ensure that the public entity has and maintains effective, efficient and transparent systems of financial, risk management, and internal control.

41. The cards inventory balance of R13 579 174 was written off in the financial year ending 31 March 2020, in accordance with the SARB directive and resulted in a financial loss to the entity.

42. The accounting authority was notified of the material irregularity on 15 February 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority responded to the notification on 18 March 2022 and provided a response on the actions taken indicating, inter alia, that:

    - A process to manage all encryption keys has been developed; documented and implemented. This will prevent any unauthorised parties to obtain access to any encryption keys. A Key Management Policy was developed.

    - The Near Field Communication (NFC) (also referred to as "Tap & Go" or contactless payments) functionality was disabled on 25 April 2019, forcing all point of sale (POS) transactions to be authorised online using card and PIN.

- The entity revised and optimised the role-based access control (RBAC) process for the integrated grant payment system (IGPS) business users' access management that include segregation of duties (SOD) and privileged access to the application. Further optimisation was done by aligning IGPS user access management with the HR on-boarding process to manage joiners, movers and leavers monthly.

- The entity implemented new key controls that changed the environment, such as a full stock inventory system on IGPS that integrates from the manufacturer, operations division, and all branches of another entity within the portfolio.

43. I determined that the accounting authority did not take appropriate action to address the material irregularity.

44. On 23 April 2024, I notified the accounting authority that I was in the process of referring the material irregularity to a public body for investigation as provided for in section 5(1A) of PAA. I referred the material irregularity to the Directorate for Priority Crime Investigation (DPCI) on 20 June 2024 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by DPCI on 21 June 2024, and the investigation is currently in progress. I further recommended that the accounting authority should take the following further actions to address the material irregularity by 23 October 2024, with a progress report by 23 June 2024 and 23 August 2024:

- Appropriate action should be taken to develop an implementation plan to enhance the internal controls, inclusive of safeguarding the IMK and related technology and infrastructure. The plan should as a minimum:

  i. Include those controls as outlined in the investigation report into the fraudulent transactions / Sassa card fraud; and

  ii. Include the requirements of the payment card industry data security (PCI DSS) standard and the Europay, MasterCard and Visa (EMV) standard

- The plan should be implemented without delay.

45. On 25 June 2024 and 23 August 2024, I received progress reports from the accounting authority on the implementation of the recommendations. I noted the progress been made with the implementation of the recommendations by the accounting authority to address the material irregularity, which reported that the control design process had been comprehensive, considering all relevant factors and potential risks.

46. On 23 October 2024, I received the final report and substantiating documentation on the implementation of the recommendations and based on the representations made and the substantiating documents provided, it was concluded that the accounting authority has made satisfactory progress in implementing the recommendations; however, some of the recommendations are yet to be completed. I granted the accounting authority additional time to complete the actions in progress and those not yet completed up to 15 April 2025.

47. On 15 April 2025, I received the final report and substantiating documentation on the implementation of the recommendations and concluded that satisfactorily progress has not been made to implement the recommendation and actions to address the material irregularity.

48. I am in the process of making a decision on further actions to be taken.

Failure to maintain an effective system of internal control over safeguarding of customer bank cards issued

49. A series of fraudulent transactions took place through use of grant customer bank cards, resulting in millions of losses incurred by the entity. These transactions were authorised at contactless enabled merchant terminals at different banks, located around Johannesburg. The report by the affected acquiring banks were able to validate the complaints from their respective merchants as these banks highlighted that these transactions were processed but never settled. Another entity within the same portfolio was initially responsible for distributing grants to the grant beneficiaries prior to this function being taken over by the entity.

50. The entity failed to keep accurate records of the cards during distributions to branches and beneficiaries. In addition, the entity failed to maintain an effective system of internal control over the customer bank cards that are issued by the entity, as required by section 4.2.4 and 4.2.6 of the card management internal policy. The non-compliance with the group card management internal policy resulted in a write-off of customer bank cards worth

R68 760 420,18.

51. The accounting authority was notified of the material irregularity on 15 February 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority responded to the notification on 18 March 2022 and provided a response on the actions taken which amongst others include the following:

- The system works similarly to what the entity has for other customers who have a regular Postbank card and is compliant with Visa regulations. Therefore, from June 2019 the card handling and distribution processes at the branches were enhanced to track any active card or inactive card more efficiently.

- All bank cards are safe and comply with Visa regulations.

- Reconciliation of cards on hand and distributed is an ongoing process that anyone can verify at the Postbank Operations division. Furthermore, since the implementation of the IGPS inventory system in June 2019, there have been no financial losses as a result of a lack of controls. The entity is compliant because the system integrate with all online branches, there is good control in place, and all cards are in the process of being destroyed an replaced.

- The entity implemented the approved standard operating procedures (SOPs), which is aligned to the delegation of authority that was implemented in 2014 and revised in 2019.

- Cards are received, delivered and issued in line with the approved card-ordering SOPs and in compliance with the relevant security controls.

- On receipt of the card from the manufacturer, the supervisor of the card-management section performs a random sample test of the service codes on the cards using the card reader device.

- Vault dual access control has been implemented to ensure access in the basement strong room is in compliance with the approved SOPs.

52. I evaluated the accounting authority's response and concluded that appropriate action has not been taken due to the following reasons:

- The key management policy was developed; however, it is in draft not approved and is inadequately defined (does not explain key retirement process, does not explain offsite backup storage of the keys, does not explain the security requirement that need to be followed when transporting hard copy keys, does not define process followed to report a compromised key).

- Could not be assessed as I requested for a meeting and the client did not arrange the walk-through to verify implementation of control.
- Various privileged account management (super admin) with active access to the IGPS system and over-reliance on the service provider to make privileged changes to the system production environment. IGPS user access rights reviews were not performed.
- Inadequate management of leavers and enrolment of users in the IGPS system as there are default accounts, users who were created without following required process and terminated employees with active access to the system.
- The IGPS system cannot be deemed as a fully integrated inventory management system as the system is unable to provide a report on the inventory on hand at a particular point as this functionality has not yet been configured into the system.

53. On 23 April 2024, I notified the accounting authority that I was in the process of referring the material irregularity to a public body for investigation as provided for in section 5(1A) of PAA. I referred the material irregularity to the Directorate for Priority Crime Investigation (DPCI) on 20 June 2024 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by DPCI on 21 June 2024, and the investigation is currently in progress. I further recommended that the accounting authority should take the following further actions to address the material irregularity by 23 October 2024, with a progress report by 23 June 2024 and 23 August 2024:

- Appropriate action should be taken to develop an implementation plan to enhance the internal controls, inclusive of safeguarding the IMK and related technology and infrastructure. The plan should as a minimum:

   i. Include those controls as outlined in the investigation report into the fraudulent transactions / Sassa card fraud; and

   ii. Include the requirements of the payment card industry data security (PCI DSS) standard and the Europay, MasterCard and Visa (EMV) standard

- The plan should be implemented without delay.

54. On 25 June 2024 and 23 August 2024, I received progress reports from the accounting authority on the implementation of the recommendations. I noted the progress been made with the implementation of the recommendations by the accounting authority to address the material irregularity, which reported that the control design process had been comprehensive, considering all relevant factors and potential risks.

55. On 23 October 2024, I received the final report and substantiating documentation on the implementation of the recommendations and based on the representations made and the substantiating documents provided, it was concluded that the accounting authority has made satisfactory progress in implementing the recommendations; however, some of the recommendations are yet to be completed. I granted the accounting authority additional time to complete the actions in progress and those not yet completed up to 15 April 2025.

56. On 15 April 2025, I received the final report and substantiating documentation on the implementation of the recommendations and concluded that satisfactorily progress has not been made to implement the recommendations to address the material irregularity.

57. I am in the process of making a decision on further actions to be taken.

Failure to implement effective and efficient controls over IGPS

58. During the 2021-22 financial year, the entity reported an estimated material loss of R89 million due to cyberattacks that occurred in October 2022. The entity did not comply with the requirements of section 51(1)(a)(i) of the PFMA legislation in maintaining effective and efficient systems of internal controls over the IGPS, used for the distribution of social grants to beneficiaries.

59. Several IGPS control environment concerns had been reported which had severe negative impact on the institution in the form of cyber-attacks. This allowed fraudsters to perform fraudulent transactions, resulting on significant material losses for the entity.

60. The IGPS report submitted for audit purposes estimated the financial loss to be R89 million, but follow-up audit work suggested the actual amount could be even higher. Due to significant weaknesses in the system and processes, the full extent of all losses could not be determined, and management was urged to quantify the complete losses suffered.

61. The accounting authority was notified of the material irregularity on 30 January 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority responded to the notification on 14 April 2023 and provided a response indicating that a forensic investigation is to be conducted. The forensic investigation was concluded and made certain recommendations, some of which were not fully implemented.

62. I determined that the accounting authority was not taking appropriate action to resolve the MI and I was in the process of making a decision on further actions to be taken. However, subsequently I engaged in further work, also linked to the material irregularities on the failure to maintain effective system of internal control on the card management and beneficiary payment process and the failure to maintain an effective system of internal control over safeguarding of customer bank cards issued, that has an impact on the decision making and the process has not yet been finalised. I will on conclusion of the further work make a determination on any further action to be taken.

Pretoria

31 August 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

37 ANNUAL FINANCIAL STATEMENTS _ FY2024/25

37.1 Statement of Financial Position as at 31 March 2025

Figures in Rand thousand	Note	2025	2024*	2023*
Assets				
Cash and cash equivalents	13	2 275 905	2 574 665	2 667 521
Trade and other receivables	8	175 055	540 725	988 122
Related party receivable	11	186 041	515 108	1 064 639
Inventories	12	89 524	-	-
Investments	9	6 744 286	6 434 456	6 381 726
Loans receivable	7	-	26 348	-
Right-of-use assets	5	1 763	16 420	19 296
Intangible assets	6	32 798	48 276	66 260
Property and equipment	4	98 322	82 399	99 033
Deferred tax asset	10	125 054	164 037	143 154
Total Assets		**9 728 748**	**10 402 434**	**11 429 751**
Equity and Liabilities				
Equity				
Other reserves	15	3 883 593	3 883 593	3 883 593
Fair value through OCI Reserves		(3 162)	(194)	(292)
Accumulated loss		(3 617 020)	(3 726 922)	(2 475 292)
Total Equity		**263 411**	**156 477**	**1 408 009**
Liabilities				
Trade and other payables	18	315 307	348 078	293 209
Provisions	16	50 804	49 741	21 518
Current tax payable	22	30 076	21 588	56 549
Deposit liability	17	9 062 557	9 805 380	9 629 573
Lease liabilities	5	6 593	21 170	20 893
Total Liabilities		**9 465 337**	**10 245 957**	**10 021 742**

Total Equity and Liabilities	**9 728 748**	**10 402 434**	**11 429 751**

*Restated, see note 34, presentation changed to order of liquidity (note 2)

Table 29: Statement of Financial Position

37.2 Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand thousand	Note	2025	2024*
Interest Income		**690 811**	**616 712**
Interest income	19	810 409	784 081
Interest expense and similar charges	20	(119 598)	(167 369)
Net Fee and Commission Revenue		**147 937**	**69 094**
Fee and commission revenue	21	746 609	1 329 449
Fee and commission expense	26	(598 672)	(1 260 355)
Reversal of expected credit losses	24	14 550	3 253 541
Bad debts written off	25	-	(4 188 938)
Operating expenses	23	(696 273)	(1 023 774)
Profit/(loss) before taxation		**157 025**	**(1 273 365)**
Taxation (charge)/credit	22	(47 123)	21 734
Profit/(loss) for the year		**109 902**	**(1 251 631)**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Gains/(losses) on valuation of investments in debt instruments		(2 621)	949
Deferred income tax		(347)	(851)
Total of items that may be subsequently reclassified to profit or loss		(2 968)	98
Other comprehensive income/(loss) for the year		(2 968)	98
Total comprehensive income/(loss) for the year		**106 934**	**(1 251 533)**

*Restated, see note 34.

Table 30: Statement of Complrehensive Income

37.3 Statement of Changes in Equity

Figures in Rand thousand	Other Reserves	Fair Value through OCI Reserve	Accumulated loss	Total equity
Opening balance, as previously reported	3 725 448	(292)	(2 628 823)	1 096 333
Prior period adjustments	158 145	-	153 531	311 676
Balance at 01 April 2023*	**3 883 593**	**(292)**	**(2 475 292)**	**1 408 009**
Loss for the year	-	-	(1 251 631)	(1 251 631)
Other comprehensive income for the year	-	98	-	98
Total comprehensive loss for the year	**-**	**98**	**(1 251 631)**	**(1 251 533)**
Balance at 01 April 2024*	**3 883 593**	**(194)**	**(3 726 922)**	**156 477**
Profit for the year	-	-	109 902	109 902
Other comprehensive loss for the year	-	(2 968)	-	(2 968)
Total comprehensive income for the year	**-**	**(2 968)**	**109 902**	**106 934**
Balance at 31 March 2025	**3 883 593**	**(3 162)**	**(3 617 020)**	**263 411**

Note 15

*Restated, see note 34. Rounding difference of 2 versus the statement of financial position

Table 31: Statement of Changes in Equity

37.4 Statement of Cash Flows

Figures in Rand thousand	Note	2025	2024*
Cash flows from operating activities			
Profit/(loss) before taxation		157 025	(1 273 365)
Adjustments for non-cash items:			
Depreciation, amortisation, impairments and reversals of impairments		51 293	48 758
Expected credit loss		(14 550)	(3 253 542)
Impairment of inventory		16 228	14 691
Interest expense - lease liability		1 040	2 656
Changes in long service award provision		15	408
Net change in provisions		1 063	28 223
Adjustments for items which are presented separately:			
Interest income		(810 409)	(784 081)
Interest expense and similar charges		118 558	164 713
Changes in working capital:			
(Increase) in inventories		(105 752)	(14 691)
Decrease in Investments		3 979	221 620
Decrease in trade and other receivables		662 286	(4 296)
Increase in trade and other payables		(32 786)	54 461
Increase (decrease) in deposit liability		(742 823)	175 807
Net cash from operations		**(694 833)**	**(429 700)**
Interest income		540 981	544 525
Finance costs		(118 558)	(164 713)
Tax received/(paid)	27	-	(29 325)
Net cash from operating activities		**(272 410)**	**(79 213)**
Cash flows from investing activities			
Purchase of property and equipment	4	(47 766)	(8 257)
Cash received from loan receivable	7	26 348	-
		(21 418)	**(8 257)**
Cash flows from financing activities			

Cash repayments on lease liabilities	5	(4 932)	(5 386)
Total cash movement for the year		**(298 760)**	**(92 856)**
Cash and cash equivalents at the beginning of the year		2 574 665	2 667 521
Cash and cash equivalents at the end of the year	13	**2 275 905**	**2 574 665**

*Restated, see note 34.

Table 32: Statement of Cash Flows

38 ACCOUNTING POLICIES

1. Material accounting policies

The material accounting policies applied in the presentation of the bank's annual financial statements are set out below:

1.1 Basis of preparation

The bank's financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), including IFRIC Interpretations, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and requirements of the Companies Act no. 71 of 2008.

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 31 March 2025; the income statements and statements of other comprehensive income; statements of changes in equity and statements of cash flows for the year ended; as well as the notes, which comprise a summary of significant accounting policies and other explanatory notes.

Presentation of financial statements and functional currency Presentation

The bank presents its statement of financial position in order of liquidity.

Where permitted or required under IFRS Accounting Standards, the bank offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position, the income statement or the statement of other comprehensive income.

Materiality

IFRS Accounting Standards are only applicable to material items. Applying the concept of materiality requires judgement, in particular, in relation to matters of presentation and disclosure. Management assesses the relevance of the information to users of the financial statement and considers both qualitative and quantitative factors in determining the materiality threshold for disclosure and presentation purposes.

Functional and presentation currency South African Rand (R)

Level of rounding

All amounts are presented in thousands of rands, unless specifically stated otherwise.

The bank has a policy of rounding off to the nearest thousand. Amounts less than R500 will therefore round down to Rnil and are presented as a dash.

Application of the going concern principle

The directors are satisfied that the bank has sufficient financial resources to continue in operation for the foreseeable future. The directors are not aware of any material changes that may adversely impact the company, nor are they aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the company.

The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The accounting policies presented below are consistent with those presented in the prior year, unless stated otherwise.

1.2 Critical accounting estimates, assumptions and judgements

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the material critical accounting estimates, assumptions and judgements made by the bank, except those related to fair value measurement, which are included in note 24.

Key sources of estimation uncertainty

Impairment of investments and receivables

The bank assesses, on a forward-looking basis, the ECL (Expected Credit Loss) for all investments in debt instruments not carried at fair value through P&L and the bank recognises an allowance for ECL for these financial assets. In determining whether an impairment loss should be recognised, the bank makes judgements as to whether there is a measurable decrease in the estimated future cash flows it expects to receive from its investments and receivables. The objective of the measurement of an impairment loss is to produce a quantitative measure of the bank's credit risk exposure. The bank adopts the PD/LGD (Probability of Default)/(Loss Given Default) approach to calculate ECL. ECL is based on assumptions relating to default and expected loss rates of counterparties and is linked to external counterparty credit ratings, where available.

The bank uses judgement in making these assumptions and selecting model input parameters to determine ECL based on historical and forward-looking data as of the end of each accounting period.

Impairment of inventory

Management assesses unissued bank card inventories for impairment by comparing its cost to its net realisable value. Where cost exceeds net realisable value, the difference is expensed through P&L. Net realisable value is estimated as the higher of selling price less costs to sell or value in use. Value in use is considered to be the net realisable value that the bank forecasts to earn from the customer where the card enables the customer to transact with the bank.

Deferred tax assets

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the bank in order to utilise the deferred tax asset.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosures of these estimates of provisions are included in note 13. Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation and discounted where the effect of discounting is material.

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

1.3 Property and equipment

Property and equipment of the bank includes assets utilised by the bank in the normal course of operations to provide services including office equipment, furniture and fixtures, IT equipment and leasehold improvements.

Property and equipment is initially measured at cost and is subsequently stated at cost less accumulated depreciation and impairment losses. Depreciation is recognized on the straight-line basis over the useful life of the asset.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Office equipment	Straight line	3 to 20 Years
Furniture and fixtures	Straight line	3 to 15 Years
IT equipment	Straight line	3 to 8 Years
Leasehold improvements	Straight line	Term of the lease plus the option to extend

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. No material changes were made.
Impairment tests were performed in response to indicators of impairment for IT equipment. Refer to note 4.

1.4 Intangible assets

Intangible assets are initially recognised at cost and subsequently measured at cost less any accumulated amortisation and impairment losses.

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

Item	Depreciation method	Average useful life
Computer software and licenses	Straight line	2 to 8 Years
Intangible assets under development	Straight line	Not amortised until is complete and in use

The useful life and amortisation method of intangible assets are reviewed at the end of each reporting period. No material changes were made.

Impairment tests were performed on computer software Refer to note 6.

1.5 Financial instruments

Financial instruments held by the bank are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities which are adopted by the bank are as follows:

Financial assets which are debt instruments:

Amortised cost: This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal amount, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or

Fair value through other comprehensive income: This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments.

Financial liabilities:

Amortised cost: This category applies to all financial liabilities which are not classified as held for trading or designated at fair value through profit or loss.

Financial assets at amortised cost include:

- Cash and cash equivalents
- Trade receivables
- Fixed deposits
- CPD (Corporation for Public Deposits)
- Government bonds
- Related party receivables
- Loans to group companies

Financial assets at fair value through other comprehensive income include:

- NCD (Negotiable Certificates of Deposits)

All financial liabilities are carried at amortised cost

Note 30 Financial instruments and risk management presents the financial instruments held by the bank based on their specific classifications.

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

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

Trade and other receivables

Trade and other receivables, excluding prepayments, are measured, subsequent to initial recognition, at amortised cost. Recognition and measurement

Trade and other receivables are initially recognised at fair value. If the receivables do not contain a significant financing component, they are initially recognised at the transaction price determined under IFRS 15 (Revenue from Contracts with Customers) They are subsequently measured at amortised cost using the effective interest method.

The accounting policy for impairment of trade and other receivables is set out in the loss allowances and write-offs accounting policy.

Impairment - Expected credit losses and write offs Impairment

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

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

Measurement and recognition of expected credit losses

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

The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix are presented in note 8.

An impairment gain or loss is recognised in profit/(loss) with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit/(loss) as a movement in credit loss allowance (note 26).

The IFRS expected credit loss (ECL) model is a three-stage approach for estimating and measuring expected credit loss of a financial asset and its interest revenue over its lifetime.

The three stages are:

Stage 1: Credit risk has not increased significantly since initial recognition. ECLs resulting from default events that are possible within the next 12 months are recognised (12-month ECL) and a loss allowance is established.

Stage 2: Credit risk has increased significantly since initial recognition, but the financial asset has not yet experienced a significant increase in credit risk. ECLs are recognised based on the lifetime ECLs.

Stage 3: Credit risk has increased significantly since initial recognition, and the financial asset has experienced a significant increase in credit risk. Lifetime ECLs are recognized.

Write off policy

The bank writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit/(loss).

Trade and other payables including Deposits due to customers

Classification

Trade and other payables (note 19), excluding amounts received in advance, are classified as financial liabilities measured at amortised cost.

Recognition and measurement

Trade and other payables are recognised when the bank becomes a party to the contractual provisions, and are initially measured at fair value plus transaction costs, if any.

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

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

Cash and cash equivalents

Cash and cash equivalents comprise physical cash and money at call and short notice with banks. Money at call or short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost, which is deemed to be equivalent to fair value as a result of the term to maturity and the credit-quality of the counterparty invested with.

Derecognition

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

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

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

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

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

Deferred tax assets are reviewed at each reporting date and are reduced if it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The review by management has resulted in the reduction of the deferred tax assets.

Tax expenses

The income tax expense consists of current and deferred tax and is recognised in statement of profit or loss and other comprehensive income.

1.7 Leases

The bank assesses whether a contract is, or contains a lease, at the inception of the contract.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the bank is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liability

Identifying a lease

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

Separating components of a contract

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

Recognition of leases

At the commencement date, the bank recognises a right-of-use asset and a lease liability in respect of leases with a term more than 12 months.

Measurement

Initial measurement of the lease liability

At the commencement date, the bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the bank uses its incremental borrowing rate.

Subsequent measurement of the lease liability

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

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest expense on lease liabilities

A lease finance cost determined with reference to the interest rate implicit in the lease or the bank's incremental borrowing rate is recognized as interest expense over the period of the lease period. The interest portion is presented within net interest income.

Reassessment of the lease liability

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

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

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

They are measured initially at the initial amount of the lease liability plus upfront payments and initial direct costs. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated, from commencement date, over the shorter period of lease term and useful life of the underlying asset.

Refer to the accounting policy for property and equipment for details of useful lives of underlying assets.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

1.8 Inventories

Inventories are stocks of cards for new and existing customers which are held at the bank's fulfilment partner warehouses. Inventories are stated at the lower of cost (adjusted for loss of service potential, if applicable) and net realisable value.

Inventories are recognised as an expense when the card is distributed to a customer.

Cost is determined using the weighted average cost to procure, including relevant transport and handling directly attributable to bringing the inventory to its present location and condition.

At each financial year end, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell and the impairment loss is recognised immediately in profit or loss. Where a reversal of the impairment charge is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in profit or loss.

1.9 Impairment of non-financial assets

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.10 Provisions and contingencies

Provisions

The bank will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty, the bank will recognise the amount as an accrual. The bank recognises a provision when a reliable estimate of the outflow required can be made and the outflow is probable (i.e. more likely than not).

Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the bank's control.

Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Management applies its judgment to the fact of patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgment application is used to determine if the obligation/benefit is recognised as a liability/asset or disclosed as a contingent liability/asset. Contingencies are disclosed in note 37.

1.11 Related parties

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

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

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

1.12 Net interest income

Interest income and expense are recognised in net interest income using effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognized at a rate that exactly discounts expected future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

1.13 Fee and commission revenue

Fee and commission revenue, including transaction fees, card-based commission, administration fees and other fees are recognized when the performance obligation is satisfied.

Fee and commission expenses included in net fee and commission revenue, are mainly transactional and service fees incurred in the production of fee and commission revenue and are expensed as the services are received (from service providers) or provided to the bank's customers (provision of bank cards).

1.14 Irregular expenditure

Irregular expenditure is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure is recognised as an expense in profit or loss in the year that the expenditure was incurred.

Irregular expenditure is accounted for in line with all related requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc. (as applicable).

1.15 Fruiless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

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

Fruitless and wasteful expenditure is accounted for in line with all related requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines (as applicable).

1.16 Events after the repoting period

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

Two types of events can be identified:

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

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

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

1.17 Material losses

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

39 NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand Thousand	2025	2024

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year, with no changes applied during the current year.

Change in Presentation of Statement of Financial Position

In the current year, the bank has adopted a change in the presentation of the statement of financial position, presenting assets and liabilities in order of liquidity. This change has been made to conform to financial industry standards and to provide more relevant information to users of the financial statements. The change in presentation does not affect the entity's financial position, performance, or cash flows, and prior year comparatives have been reclassified to conform to the new presentation.

3. Standards and Interpretations issued but not yet effective

New Standards

IFRS 18: Presentation and Disclosure in Financial Statements - This new standard provides guidance on presentation and disclosure requirements for financial statements. The effective date of the standard is for years beginning on or after 01 January 2027.

Amendments

Amendment to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments - This amendment introduces new requirements for classifying and measuring financial instruments. The effective date of the amendment is for years beginning
on or after 01 January 2026.

Figures in Rand Thousand	2025	2024

4. Property and equipment

	2025			2024		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Office equipment	2 045	(2 032)	13	2 043	(2 013)	30
Furniture and fixtures	1 538	(1 183)	355	1 538	(1 094)	444
IT equipment	229 811	(132 261)	97 550	182 047	(100 682)	81 365
Leasehold improvements	1 208	(804)	404	1 210	(650)	560
Total	**234 602**	**(136 280)**	**98 322**	**186 838**	**(104 439)**	**82 399**

Reconciliation of property and equipment – 2025

	Opening Balance	Additions	Depreciation	Total
Office equipment	30	2	(19)	13
Furniture and fixtures	444	-	(89)	355
IT equipment	81 365	47 764	(31 579)	97 550
Leasehold improvements	560	-	(156)	404
	82 399	**47 766**	**(31 843)**	**98 322**

Reconciliation of property and equipment – 2024

	Opening Balance	Additions	Disposals	Depreciation	Total
Office equipment	51	-	(1)	(20)	30
Furniture and fixtures	540	-	(3)	(93)	444
IT equipment	98 388	7 636	-	(24 659)	81 365
Leasehold improvements	54	625	-	(119)	560
	99 033	**8 261**	**(4)**	**(24 891)**	**82 399**

Net carrying amounts of leased assets

Leasehold improvements	**404**	**560**

Note: Plant and machinery has been renamed to Office equipment and Property, plant and equipment has been renamed Property and equipment

Figures in Rand Thousand	2025	2024

5. Leases

The bank leases 2 buildings located in Pretoria and Bloemfontein. The average lease term is 1 to 2 years with an option to extend.

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

Right of use assets

	2025			2024		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Buildings	23 072	(21 492)	1 580	34 062	(17 642)	16 420
IT equipment	305	(122)	183	-	-	-
Total	**23 377**	**(21 614)**	**1 763**	**34 062**	**(17 642)**	**16 420**

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	7 122	7 286
Two to five years	-	15 429
	7 122	**22 715**
Less finance charges component	(529)	(1 545)
Total	**6 593**	**21 170**

Figures in Rand Thousand	2025	2024

Reconciliation of right of use of assets – 2025

	Opening balance	Additions	Effects of change in accounting estimates	Depreciation	Closing balance
Buildings	16 420	-	(10 990)	(3 850)	1 580
IT equipment	-	305	-	(122)	183
Total	**16 420**	**305**	**(10 990)**	**(3 972)**	**1 763**

Reconciliation of right of use of assets – 2024

	Opening balance	Effects of change in accounting estimates	Depreciation	Closing balance
Buildings	19 296	3 007	(5 883)	16 420

Reconciliation of lease liabilities – 2025

	Opening balance	Additions	Effects of change in accounting estimates	Interest	Payments	Closing balance
Buildings	21 170	-	(10 990)	1 021	(4 874)	6 327
IT equipment	-	305	-	17	(57)	266
	21 170	**305**	**(10 990)**	**1 038**	**(4 931)**	**6 593**

Reconciliation of lease liabilities – 2024

	Opening balance	Additions	Effects of change in accounting estimates	Interest	Payments	Closing balance
Buildings	20 893	-	3 007	2 656	(5 386)	21 170

Figures in Rand Thousand	2025	2024

6. Intangible Assets

	2025			2024		
	Cost	Accumulated amortisation and impairment loss	Carrying Value	Cost	Accumulated amortisation and impairment loss	Carrying Value
Computer software	185 947	(153 149)	32 798	185 947	(137 671)	48 276
Intangible assets under development	19 238	(19 238)	-	19 238	(19 238)	-
Total	**205 185**	**(172 387)**	**32 798**	**205 185**	**(156 909)**	**48 276**

Reconciliation of intangible assets – 2025

	Opening balance	Amortisation	Closing balance
Computer software	48 276	(15 478)	32 798

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Closing balance
Computer software	66 260	(17 984)	48 276

7. Loans Receivable

Loans receivable are presented at amortised cost. The loan receivable amount outstanding as at 31 March 2024 was paid in full on 31 July 2024.

Loans receivable (Stage 3)	**-**	**26 348**

Figures in Rand Thousand	2025	2024

Reconciliation of Expected credit loss

Balance at the beginning of the year	**-**	**215 869**
Decrease in expected credit loss	**-**	**(215 869)**
	-	**-**

8. Trade and other receivables

Financial instruments:		
Trade receivables	95 115	273 828
Accrued interest	3 655	9 474
Cash Pay Point - Cash Advances	120 290	209 049
Loss allowance	(65 450)	(38 816)
Trade receivables at amortised cost	153 610	453 535
Miscellaneous - parthold fees	565	820
Other receivable	1 316	1 322
Non-financial instruments		
VAT	11 083	23 588
Prepayments	8 481	61 460
Total trade and other receivables	**175 055**	**540 725**

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

At amortised cost	155 491	455 677
Non-financial instruments	19 564	85 048
	175 055	**540 725**

Figures in Rand Thousand	2025	2024

Exposure to credit risk

Trade receivables inherently expose the bank to credit risk, being the risk that the bank will incur financial loss if debtors fail to make payments as they fall due.

No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation or business rescue. Trade receivables which have been written off are not subject to enforcement activities.

The bank measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

Accrued interest and trade receivables are held at amortised cost.

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

The table below provides information about the credit quality of trade receivables, where the expected credit loss is measured at an amount equal to the lifetime expected credit losses (simplified approach).

Figures in Rand Thousand	2025	2024

2025

	Current	30 Days +	60 Days +	90 Days +	120 Days +	Total
Trade receivable	**28 268**	**27 779**	**14 933**	**-**	**24 135**	**95 115**
Provision for expected credit loss	**(17)**	**(35)**	**(38)**	**-**	**(23 970)**	**(24 060)**
	28 251	**27 744**	**14 895**	**-**	**165**	**71 055**

2024

	Current	30 Days +	60 Days +	90 Days +	120 Days +	Total
Trade receivable	45 910	60 078	39 025	-	128 815	273 828
Provision for expected credit loss	(109)	(305)	(398)	-	(415)	(1 227)
	45 801	**59 773**	**38 627**	**-**	**128 400**	**272 601**

Reconciliation of loss allowance for all trade and other receivables

Balance at the beginning of the year	38 816	748 042
Increase/(decrease) in provision for allowance	26 634	(709 226)
	65 450	**38 816**

9. Investments

Investments held by the bank are categorised as follows:

Investments held by the bank are categorised as follows:		
Investments at fair value through other comprehensive income	1 198 954	1 482 295
Investments at fair value through profit or loss	5 545 332	4 952 161
	6 744 286	**6 434 456**

Figures in Rand Thousand	2025	2024

Investments at fair value through other comprehensive income (OCI)

Negotiable Certificates of Deposit (NCD)	**1 198 954**	**1 482 295**

Exposure to credit risk

Negotiable certificates of deposits inherently expose the bank to credit risk, being the risk that the bank may incur financial loss if counterparties fail to make payments as they fall due.

Credit Loss allowance

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

2025

	External credit rating (Moody's)	Basis of loss allowance	Gross carrying amount
Negotiable certificate of deposits	Baa3	12m ECL	**1 198 954**

2024

	External credit rating (Moody's)	Basis of loss allowance	Gross carrying amount
Negotiable certificate of deposits	Baa3	12m ECL	**1 482 925**

Reconciliation of provision for ECLs

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

Figures in Rand Thousand	2025	2024

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

Balance at the beginning of the year	931	3 923
Decrease in provision for ECLs	(388)	(2 992)
	543	**931**

Investments at amortised cost

Fixed deposit	2 125 574	1 600 984
Corporation for public deposits (CPD)	2 887 036	2 666 801
Land Bank Deferred	-	323 064
Government bonds	358 109	361 312
Land Bank bonds	174 613	-
	5 545 332	**4 952 161**

2025

	External credit rating (Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance	Carrying amount
Fixed deposit	Ba3	12m ECL	2 126 414	(841)	2 125 574
Corporation for public deposits (CPD)	Ba2	12m ECL	2 887 931	(895)	2 887 036
Land Bank bonds	Caa2	Lifetime	258 506	(83 894)	174 613
Government bonds	Ba2	12m ECL	359 050	(941)	358 109
			5 631 901	**(86 571)**	**5 545 332**

Figures in Rand Thousand	2025	2024

2024

	External credit rating (Moody's)	Basis of loss allowance	Gross carrying amount	Loss allowance	Carrying amount
Fixed deposit	Ba3	12m ECL	1 601 422	(438)	1 600 984
Corporation for public deposits (CPD)	Ba2	12m ECL	2 667 376	(575)	2 666 801
Land Bank Deferred	Caa2	Lifetime	448 526	(125 462)	323 064
Government bonds	Ba2	12m ECL	362 203	(891)	361 312
			5 079 527	**(127 366)**	**4 952 161**

Exposure to credit risk

Fixed deposits, CPD and Bonds inherently expose the bank to credit risk, being the risk that the bank may incur financial loss if counterparties fail to make payments as they fall due. During the financial year under review Postbank reclassified a Land bank deferred asset worth R441m to Land bank bonds worth R441m. This was after a successful debt restructuring by Land Bank on 16 Sep 2024 The total impact on the total investment line item on SOFP as at reclassification date was nil.

Reconciliation of loss allowance

The table below shows the movement in the loss allowance for debts instruments that are measured at amortised cost. The movement in the gross carrying amounts of the investments is also presented to assist in the explanation of movements in the loss allowance.

Fixed deposits: Loss allowance measured at 12-month ECL

Balance at the beginning of the year	438	3 464
Increase/(decrease) in provision for ECLs	402	(3 026)
	840	**438**

Figures in Rand Thousand	2025	2024
CPD: Loss allowance measured at 12-month ECL		
Balance at the beginning of the year	575	169
Increase in provision for ECLs	320	406
	895	**575**
Land Bank deferred: Loss allowance measured at lifetime ECL		
Balance at the beginning of the year	125 462	167 124
Decrease in provision for ECLs	(125 462)	(41 662)
	-	**125 462**
Land Bank Bonds: Loss allowance measured at Lifetime		
Increase in provision for ECLs	**83 894**	**-**
Government bonds: Loss allowance measured at 12 Month ECL		
Balance at the beginning of the year	891	7
Increase in provision for ECLs	50	884
	941	**891**

The Movement in ECL allowance for Government bonds was mainly influenced by increase in the probability of default (PD)

Figures in Rand Thousand | 2025 | 2024

10. Deferred tax asset

Deferred tax asset

	2025	2024
Trade and other receivables	82	198
Provisions	42 622	37 663
Fixed assets	2 253	3 793
Intangible assets	(5 391)	(3 178)
Fair value through OCI investments	(37)	310
Employee benefits	3 646	2 961
Assessed tax loss	141 875	170 241
Unrecognised deferred tax assets	(59 996)	(47 952)
	125 054	**164 037**

Reconciliation of deferred tax asset

	2025	2024
At the beginning of the year	164 037	143 154
Originating and reversal of temporary differences	(38 983)	20 883
	125 054	**164 037**

Future tax relief

The company has estimated tax losses of R142m (2024: R170m) which are available for set-off against future taxable income. Deferred tax assets of R82m (2024: R122m) relating to tax losses carried forward were recognised because management considered it probable that future taxable profits would be available against which such losses can be used.

Based on the bank's 2026 to 2030 financial forecasts, the bank expects to generate taxable profits from 2027 onwards. In line with Income Tax Act, the balance of an assessed loss carried forward may only be set off to the extent that it does not exceed 80% of the taxable income determined for that year, prior to taking the assessed loss into account.

The unrecognized amount was R60m (2024: R48m), due to management not considering it probable that future taxable profits would be available against which such losses can be used within the allowed 5 years, following the first tax year in which it arose.

Figures in Rand Thousand	2025	2024

11. Related party receivables

	2025	2024
Related party receivable	209 247	538 314
Provision for expected credit loss	(23 206)	(23 206)
	186 041	**515 108**

Included in the related party receivable is prefunding by Postbank to SAPO for the purpose of paying SASSA beneficiaries and Postbank core customers. Included in our impairment charge is an amount of post-commencement transactions that are settled with SAPO. Currently transactions that cleared within the accounts have been agreed with SAPO and as such those remaining were considered for write-off due to SAPO's current financial position. Postbank does not expect to recover these amounts and as such these amounts will be written off.

The table below shows the staging of related party receivable.

2025

	Stage 1	Stage 2	Stage 3	Total
Related party receivable	-	-	209 247	209 247
Provision for expected credit loss	-	-	(23 206)	(23 206)
	-	**-**	**186 041**	**186 041**

2024

	Stage 1	Stage 2	Stage 3	Total
Related party receivable	-	-	538 314	538 314
Provision for expected credit loss	-	-	(23 206)	(23 206)
	-	**-**	**515 108**	**515 108**

Figures in Rand Thousand	2025	2024

Reconciliation of loss allowance:

	2025	2024
Balance at the beginning of the year	23 306	2 305 262
Increase/(decrease) in provision for loss allowance	-	(2 281 956)
	23 306	**23 306**

Exposure to credit risk

The prior year balance of related party receivables was decreased by R329m due to partial settlement of the 12% share from the business rescue proceedings. Related party receivables inherently expose the bank to credit risk, being the risk that the bank will incur financial loss if counterparties fail to make payments as they fall due. Related party receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on lifetime expected losses.

In determining the amount of expected credit losses, the bank has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate.
The maximum exposure to credit risk is the gross carrying amount of the receivable as presented above. The bank does not hold collateral or other credit enhancements against SAPO related party receivable.

The ECL reported in relation to the related party receivable primarily arises from amounts that have not yet been acknowledged and settled by the counterparty. These amounts are subject to ongoing investigation and verification before they can be formally acknowledged, resulting in uncertainty regarding their recoverability. As a result, an ECL provision has been recognized to reflect the potential credit risk associated with these outstanding balances.

Figures in Rand Thousand	2025	2024

12. Inventories

Unpersonalised cards	86 876	-
Personalised cards	102 327	83 451
Provision for inventory write-down	(99 679)	(83 451)
	89 524	**-**

Inventory write-down

During the current year, inventories with a carrying amount of R16,2m (2024: R14,7m) were written down to their net realisable value, with the write-down recognised as an expense in profit or loss. Management has assessed the recoverable amount of inventory and recorded a written-down to reflect the estimated net realisable value.

In addition to the above, the bank incurred costs of R24,8m for the secure destruction of card chips linked to gold cards, which were no longer required. This amount has been recognised as an expense in profit or loss.

Inventory pledged as security

No inventory has been pledged as security for liabilities

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	367 120	1 635 276
Short-term deposits	1 908 785	939 389
	2 275 905	**2 574 665**

Cash and cash equivalents include cash on hand, actual bank balance and investments in call deposits with local banks.

Figures in Rand Thousand	2025	2024

14. Fair value of financial assets

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

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

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

a. Quoted price for similar assets or liabilities in inactive markets;

b. Valuation model using observable inputs; and

c. Valuation model using inputs derived from or corroborated by observable market data.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

Negotiable Certificates of Deposit

Fair value hierarchy of Other Comprehensive Income financial assets

Figures in Rand Thousand	2025	2024

2025

	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit (NCD)	-	1 198 954	-	1 198 954

2024

	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit (NCD)	-	1 482 295	-	1 482 295

Valuation techniques used to determine fair value

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

2025

	Level 1	**Level 2**	**Level 3**	**Total**
Fixed deposit	-	2 125 574	-	2 125 574
Cash and cash equivalents	-	2 275 905	-	2 275 905
CPD	-	2 887 036	-	2 887 036
Government bonds	378 207	-	-	378 207
Land Bank bonds	-	174 613	-	174 613
	378 207	**7 463 128**	**-**	**7 841 335**

Figures in Rand Thousand	2025	2024

2024

	Level 1	Level 2	Level 3	Total
Fixed deposit	-	1 600 984	-	1 600 984
Cash and cash equivalents	-	2 574 665	-	2 574 665
CPD	-	2 666 801	-	2 666 801
Government bonds	347 303	-	-	347 303
Land Bank bonds	-	323 064	-	323 064
	347 303	**7 165 514**	**-**	**7 512 817**

Management believes that the carrying amounts of the above-mentioned assets approximates fair value. There were no gains or losses realised on the disposal of amortised financial assets during the year ending 31 March 2025. financial assets were disposed of at their redemption date.

Transfers out of levels

Postbank assesses each item for which fair value is disclosed at each reporting date and discloses transfers between levels should the assessment result in a change in level. There were no transfers during the year ending 31 March 2025.

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

15. Other reserves

Other reserves	**3 883 593**	**3 883 593**

Other reserves represents the difference between assets and liabilities transferred from SAPO to Postbank on 01 April 2019 as required by Postbank Act and represents a form of shareholder equity arising on the transfer.

Figures in Rand Thousand	2025	2024

16. Provisions

Reconciliation of provisions - 2025

	Opening balance	Additions	Reversed during the year	Closing balance
Provision for deposit liability	765	-	(752)	13
Provision for support costs	48 976	1 815	-	50 791
	49 741	**1 815**	**(752)**	**50 804**

Reconciliation of provisions - 2024

	Opening balance	Additions	Closing balance
Provision for deposit liability	-	765	765
Provision for support costs	21 518	27 458	48 976
	21 518	**28 223**	**49 741**

Provision for Deposit Liability

The bank encountered systems issues that had an impact on its transactional data. A provision of R13 thousand (R765 thousand) has been recognised in the financial statements to account for the estimated shortfall identified though missing transactional records. This provision represents management's best estimate of the bank’s potential liability based on missing transactional information and is subject to further review and adjustment. The bank’s internal controls and processes have been reviewed to prevent similar occurrences in the future. The provision has been classified as a current liability, reflecting the bank’s intention to settle the amount within the next 12 months. This provision is subject to revision as further information becomes available.

Provision for support costs

A provision has been raised for services rendered by SAPO for support provided at branches and cash pay points due to uncertainties regarding the amount and the timing of the liability, and it is expected that the liability will be settled when the final invoice is received and processed.

Figures in Rand Thousand	2025	2024

17. Deposits due to customers

Transactional, term deposits and savings accounts	**9 062 557**	**9 805 380**

Deposit products include current accounts, savings accounts, SASSA deposits and term deposits. Current accounts and savings accounts are all overnight deposits which are all payable on demand. Term deposits vary from one month to two years. All amounts owed to depositors are classified as financial liabilities at amortised cost. Interest payable on both current accounts and term deposits is capitalised monthly. All account holders are individuals within the Republic of South Africa.

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

18. Trade and other payables

Financial instruments:

Trade payables	116 219	126 992
Accrued - short term employee benefits	13 535	10 687
Long service award obligation	1 056	1 041
Other accrued expenses	184 497	209 358
	315 307	**348 078**

Long service obligation

Long service leave awards

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

Figures in Rand Thousand	2025	2024

Long Service Cash Awards

The actuarial valuation for long service cash awards was last completed in the 2025 financial year. The bank has a once-off cash award policies in respect of long service. A cash lump sum award is payable on reaching a certain milestone.

2025

	Opening balance	Additions - expenses incurred, service and interest costs	Unutilised during the year	Remeasure ment (gain/loss)	Closing balance
Long service cash	468	100	(158)	56	466
Long service leave	573	131	(131)	17	590
	1 041	**231**	**(289)**	**73**	**1 056**

2024

	Opening balance	Additions - expenses incurred, service and interest costs	Unutilised during the year	Past service costs	Remeasure ment (gain/loss)	Closing balance
Long service cash	342	66	(121)	-	181	468
Long service leave	291	60	(104)	281	45	573
	633	**126**	**(225)**	**281**	**226**	**1 041**

Total long service award obligation	**1 056**	**1 041**

Assumptions:
The discount rate of 9,51% (2025) and 10.65% (2024), the future value is based on the amount stated in the contract adjusted with an incremental rate which is consistent with the white board fee increase as per previous renewals. The actuaries have applied the Projected Unit Credit discounted cashflow method in calculating the liabilities and projected expenses in this valuation.

Figures in Rand Thousand	2025	2024

Sensitivity analysis

The table below shows the impact on the accrued liability and annual expense (service cost plus interest cost) of varying key assumptions.

Sensitivities - cash awards

	Variation	Change in accrued liability	Change in annual expense
Discount rate	+1%	-3,7%	+0,4%
Discount rate	-1%	+4%	-0,5%

Sensitivities - leave days awards

	Variation	Change in accrued liability	Change in annual expense
Discount rate	+1%	-5%	-1,5%
Discount rate	-1%	+5,5%	+1,6%
Salary inflation	+1%	+5,2%	+6,3%
Salary inflation	-1%	-4,8%	-5,8%

Actuarial assumptions

The real discount rate has increased from 2.42% to 3.46% and the discount rate has increased from 9.58% to 10.65%.

Assumptions p/a	**2025**	**2024**
Consumer price inflation (CPI)	**4,79%**	**5,95%**
Salary inflation	**5,79%**	**6,95%**
Discount rate	**9,51%**	**10,65%**
Real discount rate - salary inflation	**3,52%**	**3,46%**

Figures in Rand Thousand	2025	2024

19. Interest and similar income

Interest income comprises the following:

Financial assets measured at amortised cost	674 910	675 589
Financial assets measured at FVTOCI	135 499	102 857
Interest Income - SARS	-	5 635
	810 409	**784 081**

20. Interest expense and similar charges

Interest expense on items measured at amortised cost	118 558	164 713
Interest expense on lease liabilities	1 040	2 656
	119 598	**167 369**

21. Fee and commission revenue

Commission received	14 334	9 542
Fee and transactional income	731 398	1 304 485
Other income	877	15 422
	746 609	**1 329 449**

The bank generates revenue from contracts with customers for rendering banking services. Commissions received are from agency services rendered to various clients.

Figures in Rand Thousand	2025	2024

22. Taxation

South African normal taxation		
Current year	(8 488)	
Deferred tax		
Current year	(38 636)	21 734
Total taxation (charge)/credit per statement of profit or loss	**(47 123)**	**21 734**

Tax rate reconciliation:	%	%
Standard rate of income tax	**27,00**	**27,00**
Fruitless and wasteful expenditure disallowed	6,98	(1,27)
Leasehold improvements	0,03	-
Movement in provisions	(9,77)	54,09
Capital losses	-	(74,34)
Data processing equipment- Prior periods	1,66	-
Unrecognised tax loss	4,11	(3,77)
Effective rate of taxation	**30,01**	**1,71**

Current tax payable		
Amount owing at the beginning of the year	21 588	56 548
Changes for the year (refer note 27)	8 488	(34 960)
Amount owing at the end of the year*	**30 076**	**21 588**

Figures in Rand Thousand	2025	2024

23. Operating expenses

Operating expenses consist of:

Audit Fees	17 005	16 263
Assessment rates & municipal charges	2 542	2 141
Bursaries and Study Fees	626	836
Business continuity	3 485	18 717
Card chip destruction costs	24 888	-
Cards - Inventory write-down	16 229	14 691
Cell Phone Costs	3	-
Cleaning and maintenance	671	486
Consumables	2 778	6 735
Data lines	9 254	8 402
Depreciation, amortisation and impairment loss	51 295	48 757
Employee costs	213 112	181 860
Directors Fees	1 586	3 615
Fines and Penalties	7 483	59 958
Internal workshops	3 291	516
Insurance Premiums	26 594	22 712
IT Support and maintenance	100 591	71 870
Legal Cost	12 862	4 560
License Fee	11 735	9 615
Marketing	27 770	34 083
Material losses and other write-offs	18 217	425 738
Membership fees	3 440	3 563
Other operating expenses	2 563	5 004
Personnel Recruitment	13 278	2 825
Printing	187	-
Professional and consulting fees	15 656	20 794
Research	-	(1 022)
Security Services (Guards)	2 091	999
Software	95 411	40 981
Support charges	6 344	10 144

Telephone	138	724
Personnel Training	1 613	531
Transport and freight	(370)	5 316
Travel and subsistence	3 905	2 360
	696 273	**1 023 774**

Figures in Rand Thousand	2025	2024

24. Expected credit loss

Trade and other receivables	(26 634)	709 225
Investments	41 184	46 390
Loan receivable	-	215 869
Related party receivable	-	2 282 057
	14 550	**3 253 541**

Write-off assumptions

Any exposures greater than 360 days past due is provided for at 100%. It is assumed that after 360 days past due, the bank will not recover any of the outstanding exposure. To classify financial instruments into the relevant IFRS 9 buckets Postbank applied the rebuttable presumptions specified in the IFRS 9 requirements.

25. Bad debts written off

Receivables written off	**-**	**4 188 938**

The amount written off relates to the debt owed by SAPO, which underwent a business rescue process. As a result, the bank was required to process a write-off of the outstanding debt. In accordance with the business rescue plan, the bank is only entitled to a 12% share of the recovered amount, resulting in a significant write-off of the remaining balance.

Figures in Rand Thousand	2025	2024

26. Fee and commission expense

Bank Charges	17 037	40 222
Branch transactional expenses	46 614	149 790
Cards issued to customers	43 884	4 395
Dignity Services Pension Pay-outs	2 639	50 636
EFT Charges Bankserv and Interchange expense	10 600	11 254
Retail Transaction Payment	72 028	97 111
Saswitch ATM terminal fee expense	352 826	500 902
Security Services (Cash In Transit)	14 880	331 610
Short Term Vehicle Rentals	1 278	22 761
Switching POS Expense	11 219	13 355
Visa fees	25 667	38 319
	598 672	**1 260 355**

27. Tax paid/(refunded)

Balance at beginning of the year	**21 588**	**56 548**
Current tax for the year recognised in profit or loss	8 488	-
Interest accrued	-	(5 635)
Tax paid	-	(29 325)
Balance at end of the year	**30 076**	**21 588**

28. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property and equipment	**4 101**	**4 883**

The bank has outstanding commitments of R4,1m (2024: R4,8m) for the purchase of PP&E which will increase its asset base and affect future depreciation and amortization expenses. Management expects these capital commitments to be financed from internally generated cash.

Figures in Rand Thousand	2025	2024

29. Related parties

Relationships

Ultimate holding company	• South African Government
Shareholder with significant influence	• Department of Communications and Digital Technologies (DCDT)
Government related entities	• South African Post Office SOC Ltd; • South African Revenue Services; • South African Social Security Agency; • Land and Agricultural Bank • Other entities
Members of key management	• Transactions with key management personnel, details of which are disclosed in Note [30] – Executive (Directors' emoluments).

Related party balances

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

South African Revenue Services - Current tax liability	**(30 706)**	**(21 588)**
South African Post Office SOC Limited - Support costs - Payable and provisions	**(216 680)**	**(187 942)**
Other entities - Payables	**(4 282)**	**(4 937)**

South African Post Office

Lease liability - refer to lease liability for movement during the year	**3 431**	**3 860**
Right of use of Asset - refer to lease liability for movement during the year	**314**	**1 804**

Figures in Rand Thousand	2025	2024
South African Post Office		
Loan receivable	**-**	**26 348**
South African Post Office		
Related party receivable	209 247	538 314
Provision for Expected Credit Loss	(23 206)	(23 206)
	186 041	**515 108**
South African Post Office		
Trade receivables	415	105 070
Provision for Expected Credit Loss	(415)	(415)
	-	**104 655**
South African Social Security Agency		
Trade receivable	70 981	145 044
Provision for Expected Credit Loss	(90)	(812)
	70 891	**144 232**
Land and Agricultural Bank		
Investment	258 506	448 525
Provision for Expected Credit Loss	(83 894)	(125 462)
	174 612	**323 063**

Related party transactions

Expenditure from related parties

	2025	2024
South African Post Office SOC Limited - Support and transactional expenses	52 958	159 934
South African Social Security Agency - Penalties	7 483	59 958
South African Revenue Services - Income Tax	47 123	(21 734)
Other entities	16 391	18 206
	123 955	**216 364**

Figures in Rand Thousand	2025	2024

Fees and other income from related parties

South African Post Office - SASSA and other revenue related services	-	2 151
South African Social Security Agency	339 845	777 145
Land Bank - Interest	42 811	54 581
South African Revenue Services - Interest accrued	-	5 635
	382 656	**839 512**

Transactions with authorities and regulators

Other entities	**3 222**	**2 673**

30. Directors' emoluments

Executive

2025

Directors' emoluments	Basic salary	Other benefits	Total
Services as director or prescribed officer			
1. Ms N Mbengashe	4 540	23	4 563
2. Mr I Hlungwani	1 004	6	1 010
3. Mr K Maartens	2 445	14	2 459
4. Ms N Madondo	3 387	23	3 410
5. Ms E Singh	3 392	23	3 415
6. Mr W Shirinda	2 597	21	2 618
7. Mr T Cele	2 405	17	2 422
8. Mr N Gwetsa	2 117	16	2 133
9. Mr M Dowie	540	4	544
10. Ms M Setati	481	2	483
11. Ms T Motsweni	493	1	494
	23 401	**150**	**23 551**

Figures in Rand Thousand	2025	2024

*Other benefits include mainly telephone

1. Appointed as CEO on 17 July 2023.

2. Appointed as CFO on 1 July 2023. Resigned on 30 June 2024.

3. Appointed as CRO on 13 July 2020. Resigned on 31 October 2024

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

5. Appointed as acting COO from 08 January 2024.

6. Appointed as interim CAE on 13 May 2024 and permanent CAE on 25 September 2024.

7. Appointed as CCO on 08 July 2024.

8. Appointed as CIO 01 August 2024

9. Appointed as CFO on 06 February 2025.

10. Appointed as Acting CIO from 1 February 2024 until 31 July 2024

11. Appointed as Acting CFO on 22 July 2024 until 24 October 2024.

2024

Directors' emoluments	Basic salary	Other benefits	Total
Services as director or prescribed officer			
1. Ms N Mbengashe	3 056	18	3 074
2. Mr I Hlungwani	2 443	18	2 461
3. Mr K Maartens	3 504	23	3 527
4. Ms N Madondo	3 267	23	3 290
5. Mr J Radebe	146	-	146
6. Ms E Singh	749	5	754
7. Mr S Moothiram	587	20	607
8. Ms N Ogoh	123	-	123
9. Ms M Setati	206	1	207
10. Mr T Sihlangu	2 445	19	2 464
11. Ms M Sereto	271	1	272
	16 797	**128**	**16 925**

Figures in Rand Thousand	2025	2024

*Other benefits include mainly telephone

1. Appointed as CEO on 17 July 2023.

2. Appointed as CFO on 1 July 2023. Resigned on 30 June 2024.

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

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

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

6. Appointed as acting COO from 08 January 2024.

7. Appointed as CIO on 1 July 2023. Resigned 31 July 2023.

8. Appointed as acting CIO on 1 August 2022. Resigned on 30 June 2023

9. Appointed as acting CIO on 1 February 2024.

10. Appointed as CAE on 1 June 2023. Resigned 31 March 2024.

11. Appointed as acting CFO from 1 April 2023 to 30 June 2023.

Non-executive

2025

Directors' emoluments	Fees for services as director	Total
Services as director or prescribed officer		
1. Mr K Ngema	533	533
2. Ms KJ Siyila	6	6
3. Mr KG Sukdev	6	6
4. Mr IA Mamoojee	6	6
5. Ms N Minyuku	6	6
6. Ms WFH Majola	6	6
7. Ms NY Jekwa	6	6
	568	**568**

Figures in Rand Thousand	2025	2024

1. Appointed as administrator on the 14 September 2023 and chairperson of the Board on 3 March 2025.

2. Appointed on 18 March 2025 as non-executive director.

3. Appointed on 18 March 2025 as non-executive director.

4. Appointed on 18 March 2025 as non-executive director.

5. Appointed on 18 March 2025 as non-executive director.

6. Appointed on 18 March 2025 as non-executive director.

7. Appointed on 18 March 2025 as non-executive director.

2024

Directors' emoluments	**Fees for services as director**	**Total**
Services as director or prescribed officer		
1. Adv. L Hefer	429	429
2. Mr. G Mancotywa	440	440
3. Mr. T Wonci	823	823
4. Ms. V Matsiliza	315	315
5. Mr. A Latchu	377	377
6. Mr. M Mahosi	440	440
7. Ms. L Tungamirai	666	666
8. Mr. K Ngema	3	3
	3 493	**3 493**

1. Appointed on the 1st of October 2020. Resigned on 14 September 2023.

2. Appointed on the 1st of October 2020. Resigned on 14 September 2023.

3. Appointed on the 1st of October 2020. Appointed as Chairperson of the board on 1 March 2022. Resigned on 12 September 2023.

4. Appointed on the 1st of October 2022. Resigned on 12 September 2023.

5. Appointed on the 1st of October 2022. Resigned on 14 September 2023.

6. Appointed on the 1st of October 2022. Resigned on 12 September 2023.

7. Appointed on the 1st of October 2022. Resigned on 14 September 2023.

8. Appointed on the 14 September 2023.

31. Change in estimate

Property and Equipment and Intangible assets

Impairment Assessment and Useful Life Review

Management has performed an assessment of the carrying amounts of its assets to determine whether there are any indications of impairment. Additionally, management has reviewed the useful lives of its depreciable assets.

Based on this assessment, management has concluded that no impairment losses are required to be recognized, and the useful lives of the assets remain appropriate. As a result, there is no impact on the reported carrying amounts of the assets.

Right of use of asset and lease liability

During the year, the bank revised its accounting estimates in relation to lease agreements. Specifically, the bank did not exercise the option to renew a lease contract for an additional 3 years from November 2024, resulting in a revised lease term ending on 31 August 2025. This change resulted in a decrease in the right-of-use asset and lease liability by R10.3m.

Additionally, the bank revised the lease term for another lease, which is currently on a month-to-month basis, to reflect the uncertainty surrounding the relocation of its head office. The revised lease term was extended as at 31 March 2025, and the change also reflected adjustments to the rental space. This change resulted in a decrease in the right-of-use asset of R2.5m and a decrease in lease liability of R0.67m. Due to the uncertainty surrounding the head office relocation, it is not practical to determine the impact of these changes on future periods."

32. Financial Instruments and Risk Management

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

- Financial Risk
- Market Risk
- Liquidity Risk
- Capital Risk
- Credit Risk

The Risk and Capital Management Committee, a constituted Committee of the Board is answerable to the Board and reports directly to the Board. The primary objective and mandate of the RCMC is to assist the Postbank Board in discharging its responsibilities in terms of the management of risk and capital across the bank. The RCMC is responsible for assisting the Board in its oversight of Postbank's risk, by reviewing Postbank's risk appetite in relation to Capital, Market risk (i.e. interest rate risk), Credit risk and Liquidity risk as well as reviewing the effectiveness of the Risk Management Framework.

The RCMC has further delegated specific responsibilities relating to credit risk to the Credit Risk Committee with counterparty credit risk, market risk, liquidity risk and capital management delegated to the Asset and Liability Committee. ALCO is responsible for the overall oversight of the financial risk assessment and capital management of the bank.

The primary function of the ALCO is to monitor and provide guidance to the Treasury unit on the management of the financial risks through the implementation of a sound system of financial risk control that complies with the PFMA, Postbank Act, and the bank's Act as well as the Postbank Enterprise Risk Management framework.

ALCO also has a further strategic function to recommend to RCMC for approval of the Board the risk appetite, tolerance and limits related to the financial risk, these expressed through the Treasury Policy, ALCO policy, Liquidity risk policy, interest rate risk policy, Counterparty credit risk policy, Capital adequacy statement, and Investment policy.

32.1 Market Risk

Market Risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all these variables.

Currently, Postbank is only exposed to interest rate risk in the banking book (IRRBB) which is part of Market Risk.

32.1.1 Interest rate risk

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

Postbank's exposure to interest rate risk arises primarily from the following:

Re-pricing risk in the Postbank's portfolio because of the financial assets and financial liabilities (mismatch risk), being the timing difference in the maturity (for fixed) and re-pricing (for floating rate) of the Postbank's assets and liabilities.

Yield curve risk, which includes the changes in the shape and slope of the yield curve. The risk of falling interest rates at the time of the investment or re-investment of the Postbank's surplus cash or the risk of the cash reserves maturing being reinvested at lower rates than expected.

Approach to managing IRRBB

Postbank's banking book-related market risk (IRRBB) exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking-book mark-to-market profit or loss) and the economic value of equity. The bank's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the bank operates. The market risk team monitors banking book interest rate risk daily, operating under the oversight of ALCO.

Figures in Rand Thousand	2025	2024

The bank has interest rate risk arising from several of its financial assets and liabilities. Assets giving rise to interest rate risk include cash, cash equivalents and financial investments. However, Postbank's most significant financial assets and liabilities are fixed rate based and only a small portion are in floating rates which means that Postbank has a relatively low-interest rate risk exposure.

Postbank also calculates the sensitivity of the financial assets and financial liabilities to the interest rate risk. The sensitivity is calculated by a parallel shock in interest rates by 100bp up or down.

The interpolation is performed to coincide with the maturities and re-investments of the principal cash flows.

The table below shows the net interest income forecast after applying the rate shocks above:

Basis points		
+100bps	683 906	563 442
-100bps	(552 012)	(470 600)
	131 894	**92 842**

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

Contractual Re-pricing Gap:

2025

	Demand to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Non-rate sensitive	Total
ASSETS							
Cash at Bank	367 000	-	-	-	-	-	367 000
Call deposit	1 157 000	-	-	-	-	-	1 157 000
Fixed deposit	-	484 000	1 210 000	426 000	5 000	-	2 126 000

Negotiable Certificate of Deposit	-	543 000	104 000	552 000	-	-	1 199 000
Postbank CPD	2 888 000	-	-	-	-	-	2 888 000
Stefi Call	752 000	-	-	-	-	-	752 000
Sovereign Bonds	-	-	-	-	359 000	-	359 000
Land Bank Bonds	-	-	-	-	259 000	-	259 000
	5 164 000	**1 027 000**	**1 314 000**	**978 000**	**623 000**	**-**	**9 106 000**
LIABILITIES							
Savings deposits	(2 189 000)					-	(2 189 000)
Transactional accounts	-					(4 482 000)	(4 482 000)
Term deposits	(4 000)	(42 000)	(19 000)	(25 000)	(5 000)	-	(95 000)
Grant accounts						(2 295 000)	(2 295 000)
	(2 193 000)	(42 000)	(19 000)	(25 000)	(5 000)	(6 777 000)	(9 061 000)
Periodic Gap	2 971 000	985 000	1 295 000	953 000	618 000	(6 777 000)	45 000
Cumulative Gap	2 971 000	3 956 000	5 251 000	6 204 000	6 822 000	45 000	

2024

	Demand to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Non-rate sensitive	Total
ASSETS							
Cash at Bank	1 635 000	-	-	-	-	-	1 635 000
Call deposit	939 000	-	-	-	-	-	939 000
Fixed deposit	-	975 000	424 000	203 000	-	-	1 602 000
Negotiable Certificate of Deposit	-	-	678 000	804 000	-	-	1 482 000
Postbank CPD	2 667 000	-	-	-	-	-	2 667 000
Loans to group companies	26 000	-	-	-	-	-	26 000
Sovereign Bonds	-	-	-	-	362 000	-	362 000

Land Bank deferred investments	449 000	-	-	-	-	-	449 000
	5 716 000	**975 000**	**1 102 000**	**1 007 000**	**362 000**	**-**	**9 162 000**
LIABILITIES							
Savings deposits	(2 892 000)	-	-	-	-	-	(2 892 000)
Transactional accounts	-	-	-	-	-	(4 686 000)	(4 686 000)
Term deposits	(4 000)	(45 000)	(21 000)	(28 000)	(6 000)	-	(104 000)
Grant accounts	-	-	-	-	-	(2 126 000)	(2 126 000)
	(2 896 000)	(45 000)	(21 000)	(28 000)	(6 000)	(6 812 000)	(9 808 000)
Periodic Gap	2 820 000	930 000	1 081 000	979 000	365 000	(6 812 000)	637 000
Cumulative Gap	2 820 000	3 750 000	4 831 000	5 810 000	6 175 000	637 000	

The gap measures a bank's net interest sensitivity through the last day of the time bucket by comparing the value of assets and liabilities that re-price through that last day.

32.1.2 Foreign exchange risk

Foreign exchange risk is the risk of financial loss resulting from adverse movements in foreign currency exchange rates.

Foreign exchange risk in Postbank arises primarily from software license obligations procured from foreign suppliers.

Postbank's primary risk objective is to protect the net earnings against the impact of adverse exchange rate movements. ALCO is mandated to manage this risk by application of appropriate foreign currency derivatives or other appropriate strategy to ensure adherence to Postbank's risk appetite. As at the 31st March 2025, Postbank had no open foreign currency position.

32.2 Liquidity risk

Liquidity risk is the risk that Postbank will not be able to meet both expected and unexpected current and future cash flow needs without negatively affecting either the daily operations or the financial condition of Postbank. Liquidity is held primarily in the form of money market instruments such as current accounts, call deposits and negotiable certificates of deposits.

Postbank's exposure to liquidity risk arises mainly as a result of the following.

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

The treasury unit of Postbank is specifically mandated by ALCO to ensure that the bank maintains an adequate buffer of liquid assets and ensures that cash flow positions are measured/projected under various interest rate scenarios on regular basis.

Furthermore, on a monthly basis, the Treasury unit performs behavioural and stress analyses to identify business as usual as well as potential stressed cash flow requirements. ALCO also monitors and controls adherence to the risk appetite and regulatory requirements, using liquidity risk metrics such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). As at 31 March 2025, Postbank had R365m (2024: R351m) of High-Quality Liquid Assets (HQLA) which was in line with the prescript of the Liquidity risk policy.

The tables below set out Postbank's contractual maturity analysis for financial liabilities and financial assets. The figures have been compiled based on capital plus accrued interest, excluding ECL adjustments to financial assets and financial liabilities and are based on the relevant contractual maturity dates of the underlying positions.

Postbank uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A maturity gap profile report forms part of the asset and liability report which is reviewed and analysed by the ALCO on a periodic basis.

Figures in Rand Thousand	2025	2024

The table below analyses the contractual maturity liquidity gap for 2025 financial year.

	Demand to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Non-contractual	Total
ASSETS							
Cash at Bank	367 000	-	-	-	-	-	367 000
Call deposit	1 157 000	-	-	-	-	-	1 157 000
Fixed deposit	-	484 000	1 210 000	426 000	5 000	-	2 125 000
Negotiable Certificate of Deposit	326 000	217 000	104 000	552 000	-	-	1 199 000
Postbank CPD	-	-	-	-	-	2 888 000	2 888 000
Stefi call	752 000	-	-	-	-	-	752 000
Sovereign Bonds	-	-	-	-	359 000	-	359 000
Land Bank Bonds	-	-	-	-	259 000	-	259 000
Trade and Other receivables	-	**-**	**-**	**-**	**-**	**241 000**	**241 000**
Related party receivable	-	**-**	**-**	**-**	**-**	**209 000**	**209 000**
Deferred tax asset	-	**-**	**-**	**-**	**-**	**125 000**	**125 000**
Right of use assets	-	**-**	**-**	**-**	**-**	**2 000**	**2 000**
Intangible assets	-	**-**	**-**	**-**	**-**	**33 000**	**33 000**
Property and equipment	-	**-**	**-**	**-**	**-**	**98 000**	**98 000**
Inventory	**-**	**-**	**-**	**-**	**-**	**90 000**	**90 000**
	2 602 000	**701 000**	**1 314 000**	**978 000**	**623 000**	**3 686 000**	**9 904 000**
LIABILITIES							
Savings deposits	**(2 189 000)**	**-**	**-**	**-**	**-**	**-**	**(2 189 000)**
Transactional accounts	**(4 482 000)**	**-**	**-**	**-**	**-**	**-**	**(4 482 000)**
Term deposits	**(4 000)**	**(42 000)**	**(19 000)**	**(25 000)**	**(5 000)**	**-**	**(95 000)**

Grant accounts	**(2 295 000**	**-**	**-**	**-**	**-**	**-**	**(2 295 000**
Trade and other payables	**-**	**-**	**-**	**-**	**-**	**(315 000)**	**(315 000)**
Lease liabilities	**-**	**-**	**-**	**-**	**-**	**(7 000)**	**(7 000)**
Provisions	**-**	**-**	**-**	**-**	**-**	**(51 000)**	**(51 000)**
Current tax payable	**-**	**-**	**-**	**-**	**-**	**(30 000)**	**(30 000)**
Equity	**-**	**-**	**-**	**-**	**-**	**(263 000)**	**(263 000)**
	(8 970 000)	**(42 000)**	**(19 000)**	**(25 000)**	**(5 000)**	**(666 000)**	**(9 727 000)**
Periodic Gap	**(6 368 000)**	**659 000**	**1 295 000**	**953 000**	**618 000**	**3 020 000**	**177 000**
Cumulative Gap	**(6 368 000)**	**(5 709 000)**	**(4 414 000)**	**(3 461 000)**	**(2 843 000)**	**177 000**	

The table below analyses the contractual maturity liquidity gap for 31 March 2024.

	Demand to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**	**Non-contractual**	**Total**
ASSETS							
Cash at Bank	1 635 000	-	-	-	-	-	1 635 000
Call deposit	939 000	-	-	-	-	-	939 000
Fixed deposit	-	975 000	424 000	203 000	-	-	1 602 000
Negotiable Certificate of Deposit	-	-	678 000	804 000	-	-	1 482 000
Postbank CPD	-	-	-	-	-	2 667 000	2 667 000
Loan receivable	26 000	-	-	-	-	-	26 000
Sovereign Bonds	-	-	-	-	362 000	-	362 000
Land Bank deferred investments	449 000	-	-	-	-	-	449 000
Trade and other receivables	-	-	-	-	-	580 000	580 000
Related party receivables	-	-	-	-	-	538 000	538 000
Deferred tax asset	-	-	-	-	-	164 000	164 000

Right of use assets	-	-	-	-	-	16 000	16 000
Intangible assets	-	-	-	-	-	48 000	48 000
Property and equipment	-	-	-	-	-	82 000	82 000
	3 049 000	975 000	1 102 000	1 007 000	362 000	4 095 000	10 590 000
LIABILITIES							
Savings deposits	(2 892 000)	-	-	-	-	-	(2 892 000)
Transactional accounts	(4 682 000)	-	-	-	-	-	(4 682 000)
Term deposits	(4 000)	(45 000)	(21 000)	(28 000)	(6 000)	-	(104 000)
Grant accounts	(2 126 000)	-	-	-	-	-	(2 126 000)
Trade and other payables	-	-	-	-	-	(348 000)	(348 000)
Lease liabilities	-	-	-	-	-	(21 000)	(21 000)
Provisions	-	-	-	-	-	(50 000)	(50 000)
Current tax payable	-	-	-	-	-	(22 000)	(22 000)
Equity	-	-	-	-	-	(156 000)	(156 000)
	(9 704 000)	(45 000)	(21 000)	(28 000)	(6 000)	(597 000)	(10 401 000)
Periodic Gap	(6 655 000)	930 000	1 081 000	979 000	356 000	3 498 000	189 000
Cumulative Gap	(6 655 000)	(5 725 000)	(4 644 000)	(3 665 000)	(3 309 000)	189 000	

The above contractual liquidity mismatches reflect an absolute worst-case scenario whereby all outflows occur in line with their contractual terms. This scenario is highly improbable with the majority of depositors (other than grant accounts) retaining their deposits with the bank, reflecting a significant volume of behaviorally stable funding.

Figures in Rand Thousand	2025	2024

32.3 Capital Risk

Capital adequacy risk is the risk that Postbank will not have sufficient capital reserves to meet materially adverse market conditions beyond that which has already been assumed and unable to absorb losses, maintain public confidence and support the competitive growth of the business.

Postbank in its quest to finalise its license application in terms of section 16 of the banks Act, 94 of 1990 has started the process of measuring its Regulatory capital requirements, reported on a monthly basis. Capital Adequacy Requirement is the ratio of available qualifying capital and risk-weighted assets for all Pillar 1 risk types. The banks Act, 94 of 1990 and supporting regulations, read together with specific requirements for the bank, specify the minimum capital required to be held in relation to risk weighted assets. Ancillary regulatory requirements include the Basel III leverage ratio which is included in the scope of regulatory capital.

The table below shows the capital adequacy ratio at 31 March

Total capital*	263 411	156 477
Capital adequacy ratio (weighted average)	5.62%	2.95%

**The bank's total capital is equivalent to its tier 1 and common equity tier 1 capital*

The bank's strategic focus is to maintain sufficient capital to meet Regulatory capital requirements while continuing to generate sufficient capital to support the growth of the Postbank's operations within the parameters of the risk appetite set by the RCMC.

ALCO, with the support of the Treasury unit, is mandated to monitor and manage capital, which includes:

- Meeting minimum Basel III regulatory requirements and additional capital add-ons and floors as specified by the SARB; and
- Test Postbank's strategy against risk appetite and required capital levels.

Postbank undertook the process of developing an Internal Capital Adequacy Assessment Process to ensure that its capital requirement reflects its risks. Postbank is under-capitalised with its capital adequacy ratio lower than the regulatory minimum for fully licensed banks.

32.4 Credit Risk

32.4.1 Overview of credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Postbank.

Postbank's exposure to credit risk arises primarily from cash and liquidity management activities and investments. At present, Postbank does not have any credit risk exposures arising from lending activities as it will only start to provide lending products in the near future.

Postbank describes credit risk arising from cash and liquidity management activities and investments as "counterparty credit risk". This should, however, not be confused with counterparty credit risk as defined by the Basel standards. The counterparty credit risk arising from these activities is segmented into two types:

Pre-settlement risk - the risk that the counterparty will not honour the terms of a contract and default before the contract's presettlement date, prematurely ending the contract. Limits to manage pre-settlement risk are the credit ceiling and individual counterparty limits Settlement risk - the risk that a counterparty will not honour the terms of a contract at the time of settlement.

32.4.2 Management, governance and monitoring of credit risk

Counterparty credit risk is managed in terms of the Board approved counterparty credit risk policy.

Postbank's credit standards are based on ratings from credit rating agencies such as Fitch Ratings, Standard and Poor's, Moody's Investors Service (or any other internationally accredited rating agency. The Market risk function of Postbank monitors compliance daily with the approved counterparty credit limits and any breach is reported immediately to ALCO and RCMC.

Monitoring is also done in line with the large exposures (LEX) framework and SARB directive.

Figures in Rand Thousand	2025	2024

32.4.3 Credit risk exposure

a. Maximum exposure

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

31 March 2025: Credit exposure per class of financial instrument

	Maximum credit exposure	ECL Provision	Collateral held as security
Cash and cash equivalents	2 275 905	-	-
Financial assets at amortised cost	5 631 902	(86 570)	-
Financial assets at fair value through OCI	1 198 954	(544)	-
Trade and other receivables	240 505	(65 450)	-
Related party receivables	209 247	(23 206)	-
	9 556 513	**(175 770)**	**-**

31 March 2024: Credit exposure per class of financial instrument

	Maximum credit exposure	ECL Provision	Collateral held as security
Cash and cash equivalents	2 574 667	-	-
Financial assets at amortised cost	5 079 526	(127 365)	-
Financial assets at fair value through OCI	1 482 295	(932)	-
Trade and other receivables	579 541	(38 816)	-
Loan receivable	26 348	-	-
Related party receivables	538 314	(23 206)	
	10 280 691	**(190 319)**	**-**

b. Credit quality of financial assets measured at amortised cost

The following table sets out information about the credit quality of financial assets (investments) measured at amortised cost.

Figures in Rand Thousand	2025	2024

2025 Credit exposure

Financial assets at amortised cost - stage 1: 12-month ECL	Stage 1	Stage 2	Stage 3	Total
Gross Carrying amount	5 373 395	-	-	5 373 395
Provision for ECL	(2 676)	-	-	(2 676)
	5 370 719	-	-	**5 370 719**

Financial assets at amortised cost - stage 1: Lifetime ECL	Stage 1	Stage 2	Stage 3	Total
Gross Carrying amount	-	-	258 506	258 506
Provision for ECL	-	-	(83 894)	(83 894)
	-	-	**174 612**	**174 612**

2024 Credit exposure

Financial assets at amortised cost - stage 1: 12-month ECL	Stage 1	Stage 2	Stage 3	Total
Gross Carrying amount	4 631 001	-	-	4 631 001
Provision for ECL	(1 904)	-	-	(1 904)
	4 629 097	-	-	**4 629 097**

Financial assets at amortised cost - stage 3: Lifetime ECL	Stage 1	Stage 2	Stage 3	Total
Gross Carrying amount	-	-	448 525	448 525
Provision for ECL	-	-	(125 462)	(125 462)
	-	-	**323 063**	**323 063**

Financial assets at fair value through OCI - stage 1: 12-month ECL	Stage 1	Stage 2	Stage 3	Total
Gross Carrying amount	**1 482 295**	-	-	**1 482 295**

Figures in Rand Thousand			2025	2024
Loan to shareholders -Stage 3: Lifetime ECL - credit impaired	Stage 1	Stage 2	Stage 3	Total
Gross Carrying amount	-	-	**26 348**	**26 348**

c. Cash and cash equivalents

Postbank held cash and cash equivalents of R2.3bn (March 2024 R2.6bn). The cash and cash equivalents are held with financial institution counterparties that are rated at least AA to AA+ based on a national scale credit rating.

32.4.4 Expected Credit Loss Assessment and Measurement

Expected credit losses

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

12-Month ECLs

The 12-month ECL is the expected credit loss that results from default events occurring within 12 months after the reporting date or the remaining expected life of the exposures whichever is the soonest.

Lifetime ECLs

Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition.

Postbank considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis based on the bank's historical experience and expert credit assessment and including forward-looking information.

Monitoring

When assessing whether the credit risk on a related party receivable / investment asset that does not meet the definition of a trade receivable has increased significantly since initial recognition (i.e. transfer to stage 2). Postbank uses the change in the risk of a default (i.e. change in PD) occurring over the expected life of the instrument rather than the change in ECL. To make the assessment the entity compares the risk of default as at the reporting date with the risk of a default at the date of initial recognition of the financial asset.

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

Land bank

In September 2024, Land Bank circulated the final Liability Solution 5 (LS5) to lenders for review and approval. This solution was developed in collaboration with PwC, the independent financial advisor appointed by several noteholders to create a mutually acceptable resolution for all stakeholders, including Land Bank, National Treasury, and noteholders. On 30 September 2024, Land Bank implemented a 33% capital reduction, bringing Postbank's exposure down to R259m. This milestone reflects progress in collections from the Land Bank loan advances book, allowing Land Bank to resume both interest payments and capital reductions. Following lender approval, Liability Solution 5 (LS5) was formally adopted, leading to the successful launch of the new Land Bank note/bond, LBK42U, on 16 September 2024. The successful debt restructuring process marked the end of its four-year default.

Modified financial assets

Generally, debt restructuring is a qualitative indicator of a significant increase in credit risk, and an expectation of a restructure may constitute evidence that an exposure is credit-impaired or in default. A customer needs to demonstrate consistently good payment behaviour over a period before the exposure is no longer considered to be credit-impaired/ in default, or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Figures in Rand Thousand	2025	2024

If the bank has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the financial asset has been cured, the bank measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date if its stage 1.

In terms of the policy, a financial instrument will be transferred back from Stage 2 to Stage 1, when the specified quantitative threshold, qualitative measures or backstop criteria are no longer met. This is when there is a significant improvement in credit risk.

Postbank monitors defaulted clients until the curing process is successfully completed.

Forward-looking information

Postbank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Macroeconomic factors

IFRS 9 introduced the use of macroeconomic factors when calculating ECL to the extent that is relevant and practical.

Postbank ECL model considers macroeconomic factors when assessing the excepted losses. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL and counterparty repayment ability.

Credit impaired

For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost of the asset in reporting periods subsequent to the asset becoming credit-impaired.

Definition of default and credit impaired assets:

Postbank considers financial assets to be in default:

Figures in Rand Thousand	2025	2024

When the counterparty is unlikely to pay its obligations in full or are 90 days past due.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract such as default or past due event;
- The lender(s) of the borrower for economic or contractual reasons relating to the borrower's financial difficulty having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an effective market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

ECL Measurement

The ECL is calculated on an individual asset level using the PD/LGD approach.

The expected loss due to counterparty defaults is based on the fundamental Basel risk parameters PD, LGD and EAD.

- Probability of default (PD);
- Loss-given default (LGD);
- Exposure at default (EAD).

LGD Assumptions

The loss given default measures the expected loss on recoveries that the Postbank expects to incur where the counterparty defaults. In the case of the Investment Assets portfolio, very little data is available to model the loss rates or LGD for high credit quality financial institutions. Minimum LGD for Postbank is 45%. This is based on a default approach that banks may use to estimate their capital requirements for financial institutions.

Figures in Rand Thousand	2025	2024

Write-off Assumptions

Any exposures greater than 360 days past due is provided for at 100%. It is assumed that after 360 days past due that the Postbank will not recover any of the outstanding exposure. To classify financial instruments into the relevant IFRS 9 buckets Postbank applied the rebuttable presumptions specified in the IFRS 9 requirements.

A summary of the application of the rebuttable presumptions is provided below:

- Stage 1 Financial Instruments – Financial instruments that are 29 days or less delinquent.
- Stage 2 Financial Instruments – Financial instruments that are 30 days or more delinquent but not more than 89 days.
- Stage 3 Financial Instruments – Financial instruments that are 90 days or more delinquent.

Probability of Default - Mapping External Agency ratings to PD

The master rating scale (MRS) is created by using the long-run average default rate for each rating category. The resulting MRS is shown below:

33. Reclassification of Comparative Amounts

Deposit Liability

Deposit liabilities from core customers has been combined with grant deposits and reported as a single line item on the face of the statement of financial position. This reclassification has been made to improve clarity and consistency in financial reporting, with no impact on the bank's overall financial position or performance.

Interest income

Interest earned on income tax receivable has been reclassified to interest income and removed from the face of the statement of profit or loss, with no impact on the bank's overall financial performance, to conform to banking industry presentation standards, and comparative information for the prior period has been restated to reflect this reclassification.

Interest expenses

Interest expense on lease liabilities has been reclassified to interest expense and removed from the face of the statement of profit or loss, with no impact on the bank's overall financial performance, to conform to banking industry presentation standards, and comparative information for the prior period has been restated to reflect this reclassification.

Fee and commission expense

During the current year, the bank implemented changes to the classification of certain expenses from Operating expenses to Fee and commission expense. The following expenses were reclassified to fee and commission expense item in the statement of profit and loss. Cash in transit expenses, bank charges, cash pay point car rental expenses, branch transactional expenses, cash pay point dignity service expenses, cards and retail transitional expenses from other operating expenses. This reclassification has been made to conform to banking industry reporting standards, ensuring greater transparency and comparability of financial performance. This reclassification does not impact the overall financial performance of the bank but rather provides a more accurate representation of transactional expenses.

Other operating expenses

Other operating expense decreased by R457m following the reclassification of Cash in transit expenses, bank charges, cash pay point car rental expense, branch transactional expenses, cash pay point dignity service expenses, cards and retail transitional expenses to Fee and commission expense. This reclassification has been made to conform to banking industry reporting standards, ensuring greater transparency and comparability of financial performance. In addition to this, employee costs were reclassified to operations and removed from the face of the statement of profit and loss. Another reason for the reduction of the operating expenses was as a result of corrections that were made. Refer to the prior year error note for the details. This reclassification does not impact the overall financial performance.

Figures in Rand Thousand	2025	2024

Details of Reclassified Items:

Line Item	Previously reported - 2024	Reclassification	Restated - 2024
Deposits due to customers	7 664 615	(7 664 615)	-
Other deposits	2 145 334	(2 145 334)	-
Deposit liability	-	9 805 380	9 805 380
Interest income	778 446	5 635	784 081
Interest accrued from SARS	5 635	(5 635)	-
Interest expense	164 713	2 656	167 369
Other interest expense	2 656	(2 656)	-
Employee cost	181 858	(181 858)	-
Fee and commission expense	564 798	695 557	1 260 355
Operating expense	1 481 493	(457 719)	1 023 774

34. Prior period adjustments

Intangible assets

The finalization of a legal matter during the current year has resulted in the capitalisation of licenses, increasing intangible assets by R25,2m in 2024 and by R32,2m in 2023. The matter was previously disclosed in the 2024 financial statements under events after reporting period note as it was not considered material.

Deferred tax asset

Deferred tax asset has been adjusted downwards by R5,3m in 2024 and R6,4m in 2023 to reflect the cumulative impact of changes to profit and loss and statement of financial position items.

Trade and other receivables

As a result of the prior year error, trade and other receivables was restated due to incorrect accounting for VAT input, which has now been corrected

Figures in Rand Thousand	2025	2024

Related party receivables

Related party receivables have been decreased by R69m as a result of understatement of bio-pay branch transactions in 2024 and increase by R42m in 2023. Other corrections include the overstatement advances related to deposit liability and the reclassification funds that were held at CIT company at year end. These corrections resulted in nil effect on the net balance in the related party receivable as the expected credit loss processed was equal to the gross amounts in relation to these two errors.

Other reserves

Other reserves increased by R158m due to an adjustment to the deposit liability provision, reflecting a correction of prior period judgements made by management.

Accumulated loss

Accumulated loss has been adjusted upwards by R158m in 2024 and R153m in 2023 to reflect the cumulative impact of changes to profit and loss and statement of financial position items.

Trade and other payables

Trade and other payables increased by R4,6m in 2024 and R73m in 2023 due to the settlement of a legal matter, a correction of an over-accrual of SAPO support costs, reclassification of CPP liability from provisions to accruals resulting in a net increase.

Income tax payable

Income tax payable has been adjusted upwards by R8,7m in 2023, also similarly increasing the previously reported 2024 liability to account for the cumulative impact of changes to profit and loss and statement of financial position items.

Provisions

Provisions decreased by R386m in 2024 and R330m in 2023 due to an adjustment to the deposit liability provision, reflecting a correction of prior period judgements made by management and understatement of SAPO rental expenses. The restatement was also due to reclassification of CPP support costs to accruals.

Figures in Rand Thousand	2025	2024

Deposit liability

Deposit liability has been adjusted by R4,5m to reflect corrections for prior errors, comprising R2,3m for understatement of EFT revenue and R2,2m for overstatement of related party receivables.

Fee and commission revenue

Fee and commission revenue increased by R1,9m due to a correction of EFT revenue recognition.

Expected credit loss

Expected credit loss rebersals have been decreased by R5,3m in 2024 as a result of an incorrect advance amount of R2,2m and the R3,1m re-banks received from CIT during 2024 financial year.

Bad debts written off

Bad debts written off in respect of related party receivables have been decreased by R58m as a result of overstatement of bio-pay branch transactions by R61m and the R3,1m re-banks received from CIT during 2024 financial year.

Other operating expenses

Other operating expenses increased due to additional amortisation of R7m for licenses that were capitalised in 2023 as a result of the legal matter that was finalised in 2024/25 financial year, corrections were made to accruals for the overstatement

of accruals for SAPO support charges by R52m (2024), overstatement of provision for deposit liability by R30,2m (2024) and R22,2m (2023), overstatement of related party transactions by R35m (2024) and understatement of biopay transactions and an understatement of rental expense by R453 thousand (2024). In addition to this, employee costs were reclassified under operating costs.

Figures in Rand Thousand	2025	2024

Taxation

Taxation has been adjusted downwards by R11,1m in 2024 and by R15,1m in 2023 to reflect the cumulative impact of changes to profit and loss and statement of financial position items.

Related parties note

South African Post Office (Support charges expense and payables balance)

An adjustment of R36m has been made to the support charges and payable balance as a result of the overstatement of accruals and provisions.

Other entities (Payables and expenditure)

An adjustment of R4m has been made to the related party payables to remove a balance pertaining to an incorrect supplier.

South African Revenue Services

Taxation and Income tax payable has been adjusted downwards by R8,7m to reflect the cumulative impact of changes to profit and loss and statement of financial position items.

Fruitless and wasteful expenditure

The disclosure amount has been adjusted downwards by R24m to correctly align the cost of destroyed card chips with the 2025 financial year, rather than the 2024 financial year when they were initially recorded.

Irregular expenditure

The irregular expenditure balance has been adjusted by R82m remove expenses that were incorrectly disclosed as irregular in prior period.

Capital commitments

Adjustments of R41m have been made to capital commitments to reflect the correct accounting treatment for licenses and assets acquired in 2023, resulting in a decrease in capital commitments.

Figures in Rand Thousand	2025	2024

The table below sets out the impact of abovementioned adjustments on line items disclosed in the 31 March 2024 Statement of Financial Position and Profit and Loss statements:

	2024 - Restated	2024 - Previously reported	Adjustments
Statement of financial position			
Intangible assets	48 276	23 001	25 275
Deferred tax asset	176 293	181 600	(5 307)
Trade and other receivables	579 542	542 241	37 290
Trade and other receivables – ECL	(38 816)	(1 227)	(37 589)
Related party receivable	538 314	650 572	(112 258)
Related party receivable - ECL	(23 206)	(66 176)	42 970
Other reserves	3 883 593	3 725 448	158 145
Accumulated losses	(3 726 922)	(3 885 295)	158 373
Trade and other payables	348 078	343 464	46 144
Income tax payable	21 588	12 836	8 752
Provisions	49 741	436 118	(386 377)
Deposits liability	9 805 320	9 809 949	(4 569)
Statement of profit and loss			
Interest income	784 081	778 446	5 635
Interest expense	(167 369)	(164 713)	(2 656)
Fee and commission revenue	1 329 449	1 327 466	1 982
Expected credit loss reversal	3 253 541	3 248 160	5 381
Bad debts written off	(4 188 938)	(4 247 626)	58 688
Other operating expenses	(1 023 774)	(1 481 493)	457 719
Taxation	21 734	32 889	(11 155)
Related parties			
South African Post Office – Trade and other receivable and related party receivable	515 108	584 396	(69 288)
South African Post Office - Payables and provisions	(187 942)	(242 048)	54 106
Other entities (Payables)	(4 937)	(9 034)	4 097
South African Revenue Services (income tax payable)	(56 548)	(12 836)	(43 712)
South African Revenue Services (Taxation)	(21 734)	(32 889)	11 155

South African Post Office – Support and fee and commission expense	159 934	196 508	(36 574)
Other entities (Expenditure)	18 206	22 867	(4 661)
Fruitless and wasteful expenditure	**60 109**	**85 012**	**(24 903)**
Irregular expenditure	**385 529**	**467 688**	**(82 159)**
Capital commitments			
Property and equipment	4 883	21 044	(16 161)
Intangible assets	-	25 063	(25 063)

The table below sets out the impact of above-mentioned adjustments on line items disclosed in the 31 March 2023 Statement of Financial Position and Profit and Loss statements:

	2023 - Restated	2023 Previously Reported	Adjustments made
Intangible assets	66 260	33 932	32 328
Deferred tax asset	143 154	149 562	(6 408)
Related party receivable	1 064 639	1 021 910	42 729
Other reserves	3 883 593	3 725 448	158 145
Accumulated losses	(2 475 292)	(2 628 823)	153 531
Trade and other payables	293 209	220 792	72 417
Income tax payable	56 549	47 797	8 752
Provisions	21 518	351 641	(330 123)
Operating expenses	(513 287)	(821 776)	308 489
Taxation	9 394	24 554	(15 160)

35. Going concern

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

The directors have considered the following significant matters in forming their conclusion regarding the ability of the entity to continue as a going concern:

Figures in Rand Thousand	2025	2024

SARB Variation Notice:

Postbank concluded the process of achieving full compliance with the conditions imposed upon it by the third Variation Notice, issued by SARB on 14 December 2023, by 31 March 2025. During finalisation engagements with the SARB, the parties agreed that Postbank would execute some additional procedures in connection with the issuance of cards going forward. The SARB issued a fourth Variation Notice on 29 August 2025 in this regard, thus formalising these additional conditions. Postbank has already made significant progress in executing on a number of these items and is confident that this matter has no impact on the ability of the entity to continue as a going concern.

SASSA Contract:

SASSA has recently publicly communicated that their contract with Postbank will terminate on 30 September 2025. Dialogue between the parties has been ongoing for some time. Postbank has run a number of financial scenarios, based on a range of possible direct and indirect effects and consideration of management actions, to assess the possible range of the financial impact of this event. The directors have concluded that, even under the most severe scenario, this event does not lead to the conclusion that Postbank will not be able to continue as a going concern in the foreseeable future.

In addition to the specific matters mentioned above, the directors have reviewed Postbank's strategy, budgets and forecasts and are confident that the entity will continue to be solvent and liquid as from 31 March 2025 for the foreseeable future. As such, the directors believe that Postbank has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors are satisfied that Postbank is in a sound financial position and that it has sufficient funds to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact Postbank in a significant manner. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect Postbank.

Figures in Rand Thousand	2025	2024

36. Fruitless and wasteful expenditure

Current period fruitless and wasteful expenditure	**33 114**	**60 109**

The Fruitless and wasteful expenditure relates to systems and licenses procured but not utilised and penalties incurred due to a breach of contract with a customer.

37. Irregular expenditure

Current period irregular expenditure	**146 484**	**385 529**

The items of irregular expenditure were unavoidable business expenditure required in terms of commodities or services procured. Irregular expenditure relates to approval of statements of work and agreement without proper evidence that SCM processes were followed and services being rendered without a valid contract.

38. Contingencies

Contingent liabilities

Contingent liabilities		
Civil cases	26 048	26 048
Labour cases	18 637	18 637
	44 685	**44 685**

Various proceedings were instituted against Postbank during the 2024 financial year and the previous financial years. The amounts being claimed against the bank amount to R45m. The bank also has contingent liabilities in relation to labour claims due to alleged unfair labour practices of R18m. The court outcomes will confirm the existence or non-existence of obligation for Postbank. Currently the outcome is possible. For some cases the amount is uncertain (cannot be measured reliably), this is due to large possible outcomes expected from the court, the financial effect of those cases is not included because it is impractical to reliably estimate the amount. Accordingly, no provision has been made in the annual financial statements with regard to these cases. Some matters are remote therefore, were not recognised in the financial statements.

Figures in Rand Thousand	2025	2024

Contingent assets

Civil cases	9	9
Labour cases	7	7
	16	**16**

The contingent assets include various cases where Postbank is a plaintiff. The nature of the cases includes, amongst others, instances where money was fraudulently withdrawn from client bank accounts. These matters remain contingent as the probabilities of successfully defending the cases remain uncertain. The court outcomes will confirm the existence or nonexistence of the asset for Postbank. For some cases the amount is uncertain (cannot be measured reliably), this is due to large possible outcomes expected from the court, the financial effect of those cases is not included because it is impractical to reliably estimate the amount. Some matters are remote therefore, were not recognised in the financial statements.

39. Material losses

Material losses	**11 682**	**30 106**

During the 2025 financial year, the bank incurred material losses due to fraudulent withdrawals from customer accounts. In the 2024 financial year, the bank experienced material losses resulting from stolen cash at various cash pay points

40 ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or

conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3); 50(3)(a); 50(3)(b); 51(1)(a)(ii); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 52(b); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(a)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.2.5; 31.2.7(a); 33.1.1; 33.1.3

Companies Act 71 of 2008	Section 30(3)(b)(i); 33(1)(a); 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 72(4)(a); 75(6); 86(1); 86(4); 88(2)(d); 112(2)(a); 129(7)
Companies Act Regulations, 2011	Regulation 30(2); 43(2)(a)
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
Second Amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

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