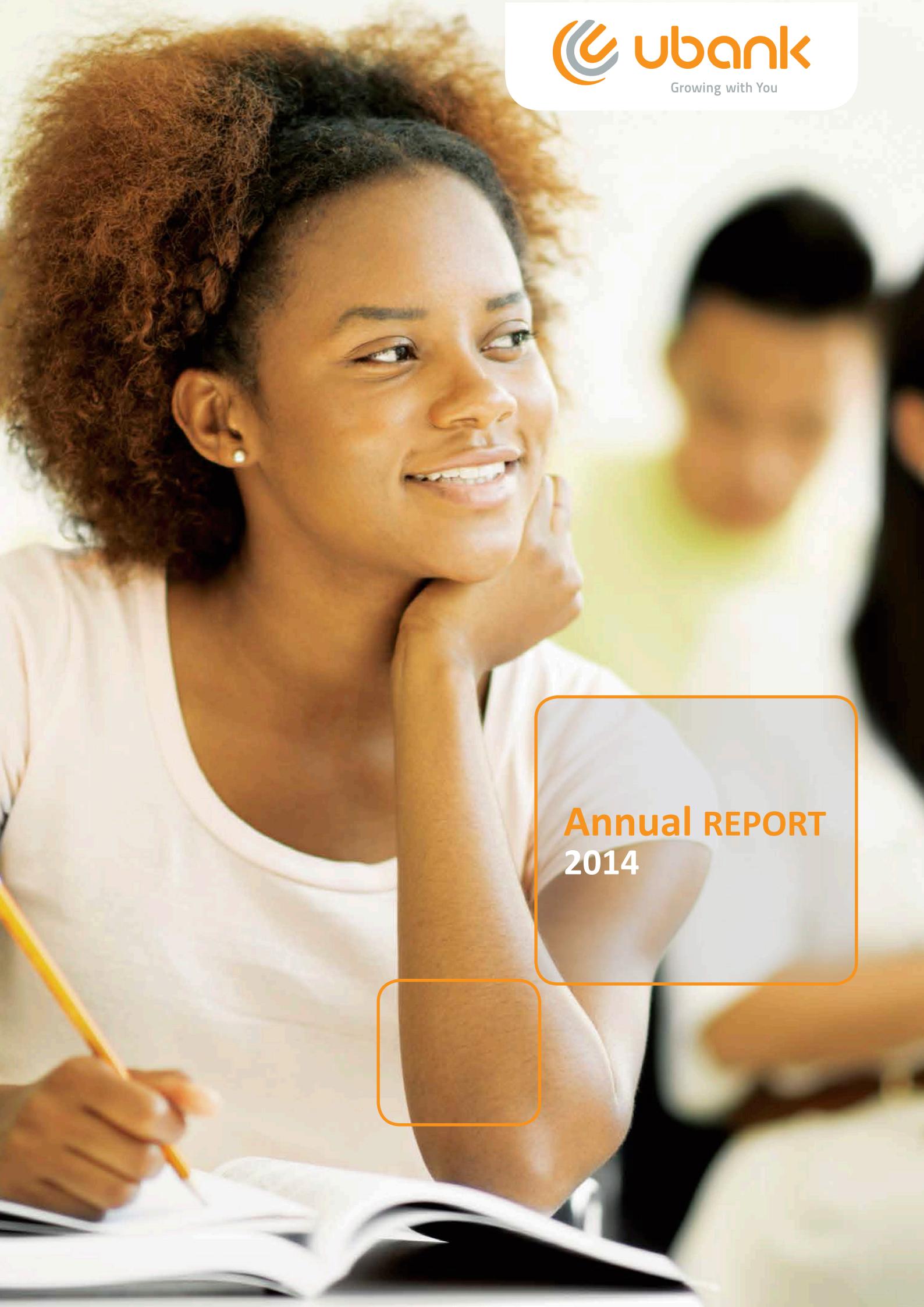




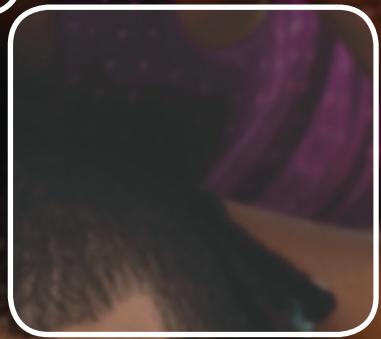
Growing with You

A close-up photograph of a young woman with curly hair, smiling and resting her chin on her hand. She is wearing a white t-shirt and holding a pencil over an open book. In the background, other students are visible in a classroom setting.

**Annual REPORT
2014**

**This report is a first approach
to Integrated reporting for
Ubank. It highlights issues
that are important to us and
to our stakeholders, and will
form the basis for future
sustainability reporting.**

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OVERVIEW UBANK

Uniquely Ubank

Ubank is unique, both in terms of its shareholding as well as its customer base. The Teba Fund Trust is administered and governed by the Board of Trustees and wholly owns Ubank Group Limited – a non-operating controlling company that owns Ubank Limited. Ubank Limited (previously Teba Bank) – the operating company that holds the banking licence and is governed by a Board of Directors.

The Teba Trust operates as a development trust and is the vehicle used to distribute the benefits derived from the activities of Ubank to beneficiaries (our customers and their communities).

The administrators of the Fund are the Chamber of Mines and a majority trade union in the mining industry.

Ubank traditionally provides products to mineworkers, and is striving to cater for all workers, their families and broader communities. It does this by providing branches on mine premises, in mining towns and in rural areas. While retaining this base, Ubank is focused on increasing its distribution footprint to ensure accessibility for its target markets.

VISION AND STRATEGIC OBJECTIVES

We ensure financial sustainability through review, design and implementation of the business strategy

We have a long-term sustainable strategy with a vision to be the bank of choice for workers, their families and communities.

In achieving our vision, we aim to conduct business that is profitable, ethical and respectful of the environment, individuals, communities and other stakeholders with whom we interact.

Performance against our approved strategy:

- Refined our next 10 year strategy plan.
- Successfully enhanced account numbers to align to industry standards.
- All our ATMs are now EMV compliant.
- Opened a branch in Bloemfontein.
- Enhanced our credit capability.
- Enhanced our core payment capability.

Ubank's six strategic objectives

1. Diversify revenue streams, by entering into non-mining markets while entrenching in the broader mining market
2. Embed a high performance culture, leveraging employee commitment, proactive talent management and investment in employee wellbeing
3. Inculcate strong, bank-wide compliance, risk assessment and governance levels
4. Leverage the stakeholder base, especially affiliates, and other providers of diversified financial services
5. Strengthen leadership and change culture of non-compliance
6. Recapitalise the bank to achieve sustainable growth, offering a competitive, efficient banking operation, delivery of the value proposition and realisation of the brand promise

PRODUCTS AND SERVICES

Ubank offers stand-alone transactional accounts on a pay-as-you-go basis with ZERO monthly service fees to ensure that entry level customers can access affordable banking. In addition, customers can utilise savings accounts that can be accessed via debit card or savings book to meet their unique needs.

For customers who have more complex needs, the Bank offers three tiers of bundled packages (Gold, Silver and Bronze) with different levels of value added elements that reflect customers' banking and communication needs. The packages include airtime, embedded funeral cover, bonus interest on savings, cellphone banking, sms notifications and a number of free transactions per month.

Ubank offers the following banking products and services which are available through Ubank branches, ATMs and Teba Limited Agencies in and around South Africa:

- Transaction Accounts (stand-alone and package options);
- Debit Cards (issued with VISA);
- Lending Products (Personal Loan, Home Loan);
- Savings (Fixed Deposits, 32-Day Notice, Save Together);
- Funeral Plan products;
- Cellphone Banking (sms notifications); and
- Airtime Contracts.

VISION AND STRATEGIC OBJECTIVES

Our Opportunities:

- Recapitalising the bank will enable us to build a sustainable bank of the future, hence improving the financial well-being of all stakeholders
- By entering into open markets, we are able to diversify revenue streams, whilst eliminating risks of concentration
- Our customers view our pricing as a reflection of a caring bank, enabling opportunities for increasing revenue and competitiveness

Threats and Challenges:

- Costs of Regulatory compliance
- High consumer indebtedness affects loan affordability and repayment
- High unemployment puts pressure on customers and the bank's sales
- Mining strikes and closures create safety and economic challenges to our core market, while threatening our business in this market
- Competition

FOREWORD BY THE CHAIRMAN



Jacob Henry De Villiers Botha

Ubank has an esteemed history associated with the provision of financial services to mineworkers and has learnt valuable lessons over decades of dealing with the challenges of providing access to banking.

It is with the above background that the vision of Ubank as incorporated in the Refined Strategy 2023 (10 year plan) extends beyond the mineworker and now incorporates the worker (nurses; police; teachers, etc.) in general. The bank is committed to provide sustainable financial services to the worker and understanding of their and their families need and the community within which it operates. The bank's long term financial sustainability is intertwined with this principle and propels the bank to be successful. The Refined Strategy incorporates all the foundational elements to ensure that Ubank delivers on this ambitious vision and considers significant levels of sophistication in particular the development of a comprehensive customer value proposition to address the issue of diversification.

The Board of Directors endorses good corporate governance and ensures that the bank is committed to all the stakeholders through ethical and responsible practices and various structures. The appointment of a new Company Secretary during the financial year embarked on a review of all policies and procedures, terms of reference of Board and Management committees.

CEO'S STATEMENT ON THE OPERATIONS



Luthando Vutula

Following the approval of the Strategy by the Board of Directors the bank has embarked on the first phase of the Implementation roadmap. The strategy incorporates short, medium and long term objectives attached to building the requisite capabilities in terms of infrastructure, systems, people, distribution (footprint including channel) and a fit for purpose blueprint Operating Model. This Operating model takes into account the level of change and the organisational design which is attached to the achievement of each significant milestone. Management has therefore embarked on two themes in order to crystalize the strategic objectives and ensure the achievement of each milestone incorporated within the Roadmap. The two themes are:

a.) Managing the bank

The bank concentrated on improving compliance culture and risk matters and maintaining profitability through various initiatives. The operations are subjected to achieving efficiencies within a streamlined rigour and control processes. The bank focussed on improving and growing its savings deposits in response to the challenging economic environment and the labour strikes in particular. To this end, the financial results for the year under review reflect a significant improvement in profitability from the previous financial year.

b.) Building the bank

The bank embarked on three initiatives aligned to building the bank of the future.

- The execution of the Strategy is imperative including the building of fundamental capabilities to assist the business with the agility for implementation. To this end, the bank established a Strategic Program Office (SPO) which created a more dynamic and robust process of planning and prioritisation of the projects which is aligned to our strategic objectives. This process provides us with is subjected to improved governance through a Steering Committee. Under the SPO the different workstreams to translate the growth strategy into actionable initiatives, ranked by value & ease of implementation has been completed. The implementation roadmap and objectives are aligned to initiatives which are further linked to definitive projects. During the year under review 6 projects were identified and have been successfully completed.
- Recapitalisation of the bank to ensure the adequate capital for implementation of the growth strategy
- Alternative sources of growth (inorganic opportunities)
- To galvanise all the above and to continue the momentum we hosted the successful launch of the Change Management Programme, known as Project Tshutsheka (a Tsonga word meaning "to unleash"). The spirit and enthusiasm created with this launch bodes well for the future especially in unifying everyone around unleashing the potential of Ubank.

CFO REPORT

High level financial position:

During the financial year under review Ubank has posted a financial profit of R25mil year on year the profit before tax has increased significantly by R100.2mil (133.2%) (2013 - loss: R75.2mil)

The net loan book has marginally decreased by R2.4mil (0.3%) to R841.7mil (2013 - R844.1mil) and the savings deposits have showed material growth of R786.6 (14.7%) and the year-end balance is R3 728.8 mil (2013 - R2 942.2mil).

The significant growth in deposits was mainly driven by average account balance growth supported by marginal growth in active accounts.

The loan book growth was subdued during the year mainly due to:

- Deliberate slowdown in growth in the UBPL product line in light of new scorecard development and implementation of the FinOnne credit system. These initiatives have been developed and deployed to manage the credit and operational risks that need to be addressed in the open market product line. The UBPL number of accounts have reduced by 35.5% year-on-year (2013 - 4 289 / 2014 - 2 767)
- Mining strikes within the Northam platinum mines from November 2013 to January 2014 and the protracted strikes in the Rustenburg platinum mines which started 23 January 2014.



Harriet Heymans

Key focus areas during the financial year to drive sustainability of the financial results:

- Cost containment:

The bank has instituted several cost containment initiatives during the year under review. The main focus areas have been to contain staff number growth and identifying opportunities for efficiencies within end to end value chains within the bank.

The initiatives have lead to a cost reduction of R27.8mil in year and a further R13.8mil is expected in the next financial year.

- Reduction of operational losses:

The majority of operational losses can be contributed to debit card fraud. The bank is planning to roll out the first EMV compliant chip card in May 2014 in order to combat the debit card fraud levels. 10 000 cards will be distributed during the first phase. Key focus area will be the Rustenburg region where 43% of the total debit card fraud occurred during the year.

- Risk and control environment:

There has been significant focus on the risk and control environment within the bank. The focus areas during the year have been:

- Developing and deploying an Enterprise Wide Risk Framework;
- Mitigating fraud risk;
- Improving credit risk management;
- Actively managing internal and external audit findings, and
- Anti money laundering (AML) processes, policies and procedures and SARB requirements relating to ALM activities.

Compliance activities:

An AML officer was appointed during the year and significant progress has been made in relation to AML processes, policies and procedures. An AML steering committee has also been constituted to address any operational and compliance risks associated with AML activities.

Compliance awareness campaigns have been initiated during the year and AML awareness training was conducted across the company during the year under review.

Fraud risk:

The bank has adopted a zero tolerance approach to fraud as a key mitigation to fraud risk and other criminal activities before it occurs. This is supported by initiatives such as promoting honesty and ethical conduct, educating employees on matters relating to financial crime, establishing procedures that govern the escalation of fraud allegation and providing support to whistle-blowers.

CFO REPORT

CONTINUED

Further communications have focused on raising awareness of fraud scenarios, the identification of common types of fraud, the education of employees on the Fraud Prevention and Whistleblowing Policy and to determine whether controls are sufficient to reduce the risks associated with fraud.

Credit risk:

The Bank's main focus on credit risk has been on building and improving credit capabilities so as to improve in this area. In pursuit of this strategy, the Bank has, inter alia, replaced the credit systems with an industry leading lending platform.

The new platform will host all the bank's exposures on a single source and will enhance the bank's functionality of customer acquisition, loan management and collections. In addition to replacing the credit platform the bank also introduced new risk methodologies. These methodologies will strengthen the bank's risk management processes and improve the quality of the bank's credit portfolio even further.

The new credit system (FinnOne) was implemented on 28th January 2014 for all customer acquisitions and implementation growing pains were experienced but the system impact has now stabilised. The data migration project has been initiated as planned for all data residing on Bridge and Credit Ease.

This financial year Credit risk management was tested from both a customers and regulatory perspective. The consumer market still finds itself highly indebted with a debt to income ratio of around 78%. In our core market this makes it even more difficult to navigate through what is believed to be a distressed industry.

The first part of the year showed relatively calm industries where little to no labour unrest disruptions were observed compared to the previous financial year, but since October labour unrest in the mining sector started and has since not stopped. The biggest of the unrest started late in January 2014 and the scale of the unrest demanded clear strategies to manage new business and existing portfolios.

Despite the distress in the market the bank continues to follow its lending strategies and strive to gain market share with responsible lending practises. The environmental changes in Credit also enable business to increase its agility to respond to the industry with more capabilities developed.

The change includes policy agility, infrastructural change and more analytical change. These changes did not only allow the business to respond to the consumer market demands for credit, but it also addressed the regulatory environment.

The regulatory environment is aiming to address over indebtedness and consumer access to credit. Some of the most controversial attempts introduced by the regulatory bodies were the removal of adverse information from the credit bureaus.

The credit function ensured that it can assess credit risk once the adverse information is removed and these changes in our credit risk assessment processes had little impact on our ability to maintain portfolio growth levels while maintaining similar levels of credit risk. The statistical modelling techniques to measure the Credit risk the bank will be exposed to when underwriting and managing loans has been reviewed and improved. These techniques are now integrated with the bank's risk appetite framework to ensure the credit life-cycle is aligned with the bank's willingness to lose capital. The modelling techniques include risk based pricing which allows the bank to price for the risk it takes.

The bank also places a lot of emphasis on loan fraud and our ability to address this as part of the risk assessment process. The action taken has proven to assist the bank in limiting loan fraud to acceptable industry related levels.

The most important assessment of existing risk exposure used by the bank is the impairment model. The bank implemented a new methodology and the capability enabled the bank to react on non-performance immediately. This is a functionality the bank never had and it creates significant value in managing portfolio risk proactively.

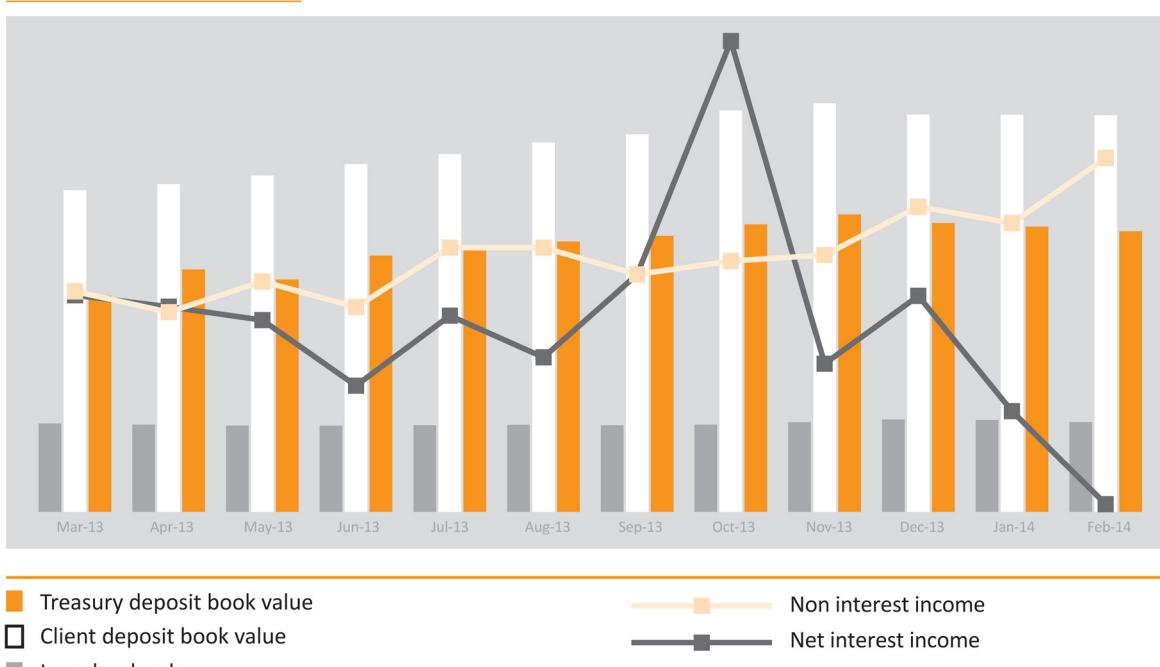
Key financial trends:

- Net interest and book:

The interest trends are mainly driven by product book performance and are very sensitive to loan book growth as the product yield differential is significant.

The loan book has been showing a decline since the mining strikes started in August 2012. The platinum strikes during this financial year have also had a negative impact on loan sales values. As mentioned the decision to pull back on UBPL sales until the associated credit risk could be efficiently managed also had an adverse impact on the book growth.

Topline income and book trends



- Impairments:

The net impairments charge in the income statement for the year ended at R81.3mil. The net impairment charge has decreased by R149mil (64.7%) when compared to last year (2013 - R230.3mil).

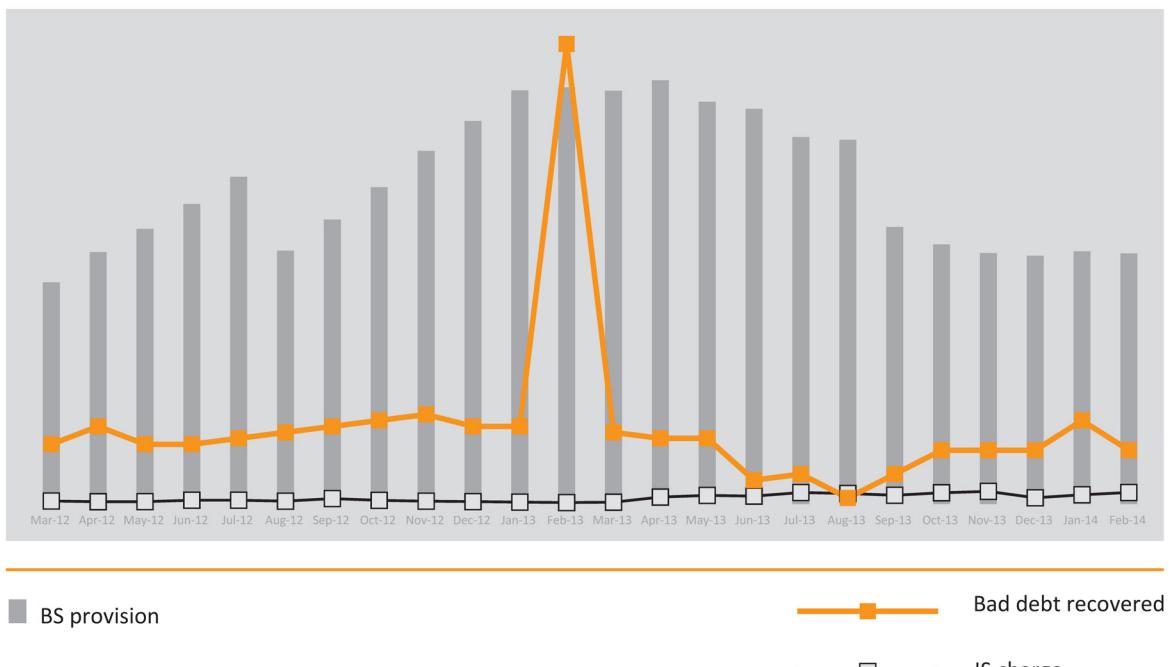
The net charge is a combination of product impairment charge and post write off recoveries:

- The product charge in the income statement for the year ended at R99.2mil which is better than budget expectations (R171.8mil). The product impairment charge has decreased by R110.5mil (52.7%) when compared to last year (2013 - R209.7mil).
- The post write off recoveries in the income statement for the year ended at R17.9mil which is R30.1mil adverse to budget expectations (R48mil).
- The post write off recoveries has increased significantly by R11.9mil (198%) when compared to last year (2013 – R6mil).

CFO REPORT

CONTINUED

Product book value trends



- Non interest revenue:

The Non-interest revenue posted for the year is R311.2mil

The year-on-year non-interest revenue declined by 5.2% (2013 – R328.3mil). As can be seen from the trend graph below all major categories have shown declining trends and the impact of the mining strikes can be clearly seen in the February 2014 numbers.

Non-interest revenue growth is a key focus area for the bank and several projects have been deployed during the year and have been prioritised for the next financial year to stimulate volume growth and new revenue stream opportunities

- Operating expenses:

The operating expenses have been managed well below CPIX growth with year-on-year growth of only 3.2% (2013 – R457.3mil). Several cost containment initiative, as mentioned, were deployed during the year managing costs well within forecast and budget expectations.

- Solvency, liquidity and capital adequacy:

As at year end the company CAR is at 17.42% (2013 – 16.28%). The business posted a financial profit of R25mil for the financial year ended February 2014 and has equity reserves to the total of R511.7mil while offset by increase in the deductions from Tier 1 capital of R6mil.

The credit risk on the asset structure reduced by R94.6mil during the financial year but operational risk increased as gross income increased for the year requiring further capital of R3.6mil. There was also slight increases in the market, equity and other risks during the financial year that needed to be catered for.

The funding structure of the bank remained unchanged with very high quality liquid assets being held in the event of a stress situation. Funding increased by R789m during the year under review. Monthly monitoring of the new requirements in respect to BASEL III liquidity ratios are monitored during the year and no funding restructure was required to comply with prescribed stressed positions.

Non interest income trend



CORPORATE GOVERNANCE REPORT

Introduction

Ubank is committed to conducting its affairs with integrity and holds itself responsible and accountable towards all its Stakeholders.

The Bank complies with the Banks Act 94 of 1990 and the Companies Act 71 of 2008, as amended and; subscribes to the principles underlying the King III Report on Governance for South Africa 2009.

Ethical Leadership

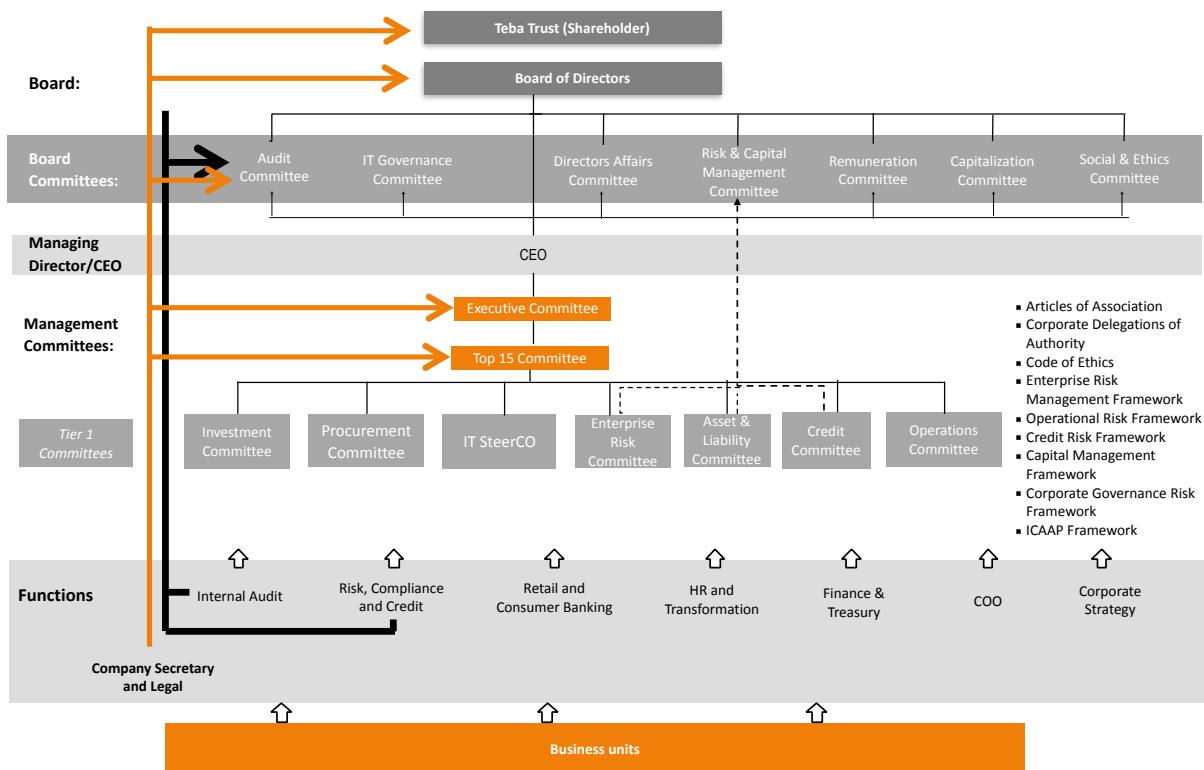
The Board of Directors and the Executive Management of Ubank provide responsible leadership to ensure performance of Ubank with regard to the agreed strategy and business goals; and to ensure proper discharge of Ubank's mandate.

The Board of Directors and Executive Management are committed and strive to achieve the highest moral and ethical business standards and subscribes to the general principles of good corporate governance practices.

The Bank adopted and pledges to the following behaviors as set out in detail in the Sustainability Report to embed an ethical foundation:

- CARE** – Treating colleagues and customers with dignity, integrity and respect;
- HARONA** – Protecting and enhancing our reputation. Being proud of who we are;
- ACHIEVE** – Driving performance at pace and delivering on our promises;
- NATURE** – Actively participating in our communities;
- GROW** – Developing ourselves and our people; and
- ENERGISE** – Demonstrating positive energy, enthusiasm and passion: Celebrating success.

The Ubank Corporate Governance Structure and Accountability



The Board of Directors

In terms of Section 66(1) of the Companies Act, the business and affairs of a company must be managed by or under the direction of its Board of Directors, which has the authority to exercise all of the powers and perform any functions of the bank, except to the extent that the Act or the Memorandum of Incorporation prescribes. This provision is supported by Sec 60B of the Banks Act 94 of 1990.

The Board of Directors is the focal point and is the custodian of corporate governance. The Shareholder appoints the Board of Directors and holds the Board of Directors accountable for managing and controlling Ubanks operations in accordance with its mandate.

- The responsibility of the Board of Directors
- The Board of Directors is the custodian of corporate governance within Ubanks.

In carrying out its duties, the Board of Directors ensures compliance with all relevant laws and regulations and codes of best practice; and ensures that effective risk management processes are in place.

The directors are entitled to seek independent professional advice concerning the affairs of Ubanks and have access to any information they may require in discharging their duties.

- **Composition of the Board of Directors and Board Sub-Committees**

Ubanks Memorandum of Incorporation provides that there shall not be more than 15 directors. The Board of Directors comprises of 8 Directors, 6 of whom are Nominee Non-Executive Directors, 2 Independent Non-Executive Directors and 2 Executive Directors.

Board and Committees as at 28 February 2014

	Director Member	Status	Date of Appointment
Board of Directors	JH De Villiers Botha	INED – Chairman	29 November 2005
	L Mangope	INED	24 December 2008
	CB Stofile	NED	19 June 2001 (resigned 10 December 2013)
	Z Macanda	NED	16 August 2007(resigned 10 December 2013)
	AW Mjekula	NED	06 November 2008 (resigned 10 December 2013)
	ZN Miya	NED	21 June 2010
	H Groenewald	NED	01 September 2011
	T Dlamini	NED	11 March 2013
	L Kaunda	NED	10 December 2013
	S Ntsaluba	NED	10 December 2013
Audit Committee	L Vutula	ED, CEO	01 November 2012
	H Heymans	ED, CFO	12 March 2013
Risk and Capital Management Committee	Z Macanda (resigned 10/12/13) (Chairman), L Mangope, H Groenewald (Chairman from 30/01/14), A Mjekula (resigned 10/12/13), T Dlamini (appointed 10/12/13)		
Directors Affairs Committee	JH De Villiers Botha (Chairman), Z Macanda (resigned 10/12/13) , N Miya, H Groenewald		
Remuneration Committee	C Stofile (Chairman) (resigned 10/12/13), L Mangope, T Dlamini, N Miya, A Mjekula (resigned 10/12/13), L Kaunda (appointed 10/12/13)		
Social and Ethics Committee	C Stofile (Chairman) (resigned 10/12/13), , T Dlamini, N Miya (removed 13/02/14), A Mjekula(resigned 10/12/13); L Kaunda (appointed 10/12/13)		
IT Governance Committee	N Miya (Chairman), C Stofile (resigned 10/12/13), A Mjekula (resigned		

CORPORATE GOVERNANCE REPORT

CONTINUED

• Board Sub-Committees

The Board of Directors has delegated some of its powers to various Board Sub-Committees. The specific responsibilities and powers delegated to the Board Sub-committees are clearly set out in the Terms of Reference approved by the Board of Directors.

The mandates of the Board Committees are set out below:

Audit Committee	The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the bank's process for monitoring compliance with laws and regulations and the accuracy of financial reporting. The Audit Committee is the custodian for financial reporting, accountability and adequacy of efficient controls planning.
Risk and Capital Management	The Board of Directors is responsible for the total process of risk and capital management, as well as for forming its own independent and objective opinion on the effectiveness of the process. The Committee therefore assists the Board in reviewing the overall quality, integrity and reliability of the bank's risk management process and all significant risks facing the Bank..
Remuneration Committee	The Committee assists the Board of Directors in establishing, overseeing and reviewing Remuneration and Human Resources strategies, policies, guidelines, procedures and practices.
Directors Affairs	The Board of Directors is the custodian of the quality and effectiveness of the overall corporate governance in the bank, the implementation of a formal process of reviewing the balance and effectiveness of the Board as a whole, the identification of skills needed by the Board and the recommendation for appointment of those individuals that possess the skills needed as well as the effective functioning of the Board. The Directors Affairs Committee assists the Board in determining, evaluating and if necessary reviewing year on year, the efficiency, adequacy and appropriateness of the bank's Corporate Governance framework and practices.
IT Governance Committee	The Committee assists the Board in fulfilling its oversight responsibility for the Governance of IT and for providing assurance of the effectiveness of IT internal controls.
Social and Ethics Committee	The Board is required to ensure that Ubank's overall governance is effective, appropriate and within the bounds of sound corporate governance practices and that the bank is a responsible corporate citizen. The Board shall ensure compliance with legislation/legal requirements and codes in relation to: Social and economic development, Good corporate citizenship; Environment, health and public safety; Consumer relationships, and Labour and employment. The Social and Ethics Committee assists the Board with the maintenance of business ethics and ensure that the bank's ethics are managed effectively; and that compliance with laws, rules, codes and standards is incorporated in the code of conduct of the bank.
Credit Large Exposures Committee	The Committee assists the Board of Directors in fulfilling its oversight responsibilities for credit granting, credit risk management and the assurance that the approved capital reserves are not exceeded without the Board's approval.
Capitalisation Committee	The Committee assists the Board of Directors in fulfilling its responsibility of sustainability and insuring adequate capital for growth to fulfil the strategy of Ubank.

• Board and Committee meetings and attendance

The attendance of meeting for the Board Committees is set out below:

Member	BOD	BAC	BRG	ITGC	REMCO	SEC	DAC	CAP COM
JH De Villiers Botha	8/8	6/6	4/4	3/4	7/8	2/3	4/4	6/6
Zoli Macanda	4/8	5/6	4/4	-	-	-	2/4	-
Lerato Mangope	8/8	5/6	3/4	-	6/8	1/3	3/4	6/6
Harry Groenewald	8/8	6/6	3/4	-	-	-	6/6	
Ayanda Mjekula	5/8	5/6	-	3/4	6/8	2/3	1/4	4/6
Nelson Miya	8/8	-	3/4	4/4	7/8	2/3	4/4	1/6
Charles Stofile	5/8	-	-	3/4	7/8	2/3	4/4	-
Thandeka Dlamini	7/8	2/6	-	-	7/8	3/3	-	1/6
Luthando Vutula	8/8	6/6	4/4	4/4	8/8	3/3	-	6/6
Harriet Heymans	6/8	5/6	4/4	4/4	8/8	3/3	-	6/6
L Kaunda	2/8	0/8	0/3					

Delegation of Authority

The Board of Directors retains full and effective control over Ubanks affairs through a balanced governance structure. The Board of Directors has however delegated the day to day running of Ubanks operations to the Chief Executive Officer "CEO" as set out in the approved Corporate Delegations of Authority.

Through the CEO the Board of Directors has further delegated the day to day management of the Ubanks to the Executive Management Committee as set out in the Corporate Delegations of Authority.

Even though the CEO is ultimately responsible for the management of the bank, the Board of Directors holds the Committee accountable for the decisions and actions delegated to them.

The CEO reports to the Board of Directors quarterly on business performance and provides monthly and regular updates as and when required.

The Remuneration Committee and the Chairman of the Board subject to consultation with the other Directors evaluates the performance of the CEO.

- **The Chairman**

The current Chairman of the Board is an Independent Non-Executive Director, Mr. De Villiers Botha who was appointed in September 2012. The roles and the responsibilities of the Chairman are clearly articulated in Board Charter and are distinct from the roles and responsibilities of the CEO.

- **The Chief Executive Officer**

The CEO has a crucial and strategic role in ensuring operational and business success of Ubanks in accordance with the strategy approved by the Board of Directors.

The collective responsibility of Management vests in the CEO and therefore the CEO bears the ultimate responsibility for all management functions.

Remuneration of Directors

The Non-Executive Directors, the Executive Directors and the Executive Managers of Ubanks are remunerated fairly and responsibly in line with Ubanks policies and best practices aligned with the company strategy. The remuneration policies are reviewed regularly and are linked to the company's performance.

The Directors and Executive remuneration for the year under review is set out in the Annual Financial Statements.

CORPORATE GOVERNANCE REPORT

CONTINUED

Company Secretary

The Company Secretary is the gatekeeper for governance within Ubank and is responsible for developing systems and processes which enable the Board of Directors to discharge its functions.

The office of the Company Secretary is responsible for advising the Board and Ubank on corporate governance and legal issues; developing the annual plan for the Board of Directors and Board Sub-Committees and monitoring compliance with the Companies Act and other relevant legislation; and keeping the Board of Directors updated on new legislation that impacts Ubank. All directors have access to the advice and services of the Company Secretary, whose appointment is in accordance with the provisions of the Companies Act 71 of 2008. In May 2013, Ms. Nohlanga Motaung was appointed as the Company Secretary and Legal Executive of Ubank.

Prescribed Officers

The Companies Act determines that prescribed officers are required to perform their functions and exercise their duties to the standard of conduct as it applies to directors. Prescribed officers are subject to the same liability provisions as it applies to directors.

The bank has identified the prescribed officers who meet the requirements of the Companies Act, and has ensured that they understand the implications and potential consequences of accepting appointment to the particular office.

Code of Ethics

Ubank is committed to upholding the highest standard of ethical behavior amongst its directors, management and staff in line with the adopted Code of Ethics. A survey was conducted that confirmed Ubanks Values are currently relevant to its staff and the Code of Ethics is currently under review.

Ubank promotes sound values and is committed to these values; the bank's Values are:

- Sincerity
- Passion
- Respect
- Empowering
- Excellence

Reported transgressions with the code and other policies:

15 significant allegations of misconduct have been reported in the financial year under review.

Month	Warnings	Suspensions	Dismissals
February 2013	0	1	0
March 2013	0	0	0
April 2013	1	1	1
May 2013	0	1	0
June 2013	5	5	1
July 2013	9	2	1
August 2013	1	2	1
September 2013	0	0	1
October 2013	30	0	2
November 2013	27	2	4
December 2013	8	2	0
January 2014	24	1	2
February 2014	15	3	2
Total	120	20	15

Conflict of Interest

All Directors and Executives are required to disclose any conflict or potential conflict of interest that they may have regarding any matter relating to the activities of the Ubank and/or any matter discussed at Board, Board Committees and Executive Management meetings. The Company Secretary maintains a conflict of interest and related party disclosures register. Where a disclosed matter is considered and/or discussed, the encumbered is requested to recuse themselves from the meeting and decision taken.

On appointment, the Directors and Executives sign an undertaking to disclose any conflict of interest that might arise during their tenure at every meeting. The declaration of interest is also a standard item in the agenda of all meetings of the Board of Directors; Board Sub-Committees; and Executive Committee meetings.

Board Affairs

- **Appointment of Directors**

The Board of Directors has defined, and kept under ongoing review, its skills requirements. Potential Directors are nominated for appointment to the Board of Directors on the basis of their identified skills, knowledge and experience to meet the needs of the Board of Directors at the time their appointment is proposed.

- **Induction and Training**

All new directors appointed to the Board of Directors undertake a formal induction programme coordinated by the Company Secretary.

The Company Secretary facilitates an education session for the newly appointed directors on the nature of business, current issues, the corporate strategy and the expectations of Ubank concerning their performance and schedules a visit the offices of Ubank to meet with Management to gain a better understanding of business practices.

- **Performance Assessment**

The Board of Directors recognizes that regular reviews of its effectiveness and performance is crucial to the improvement of the governance of Ubank and evaluates its performance every two years through an independent third party and assesses its performance annually.

- **Access to Information**

As a general rule, a director has two key areas of protection – the right to information and the ability to be insured against specific risk of being a director. The Board of Directors believes that it is provided with all the relevant information to enable it to carry out its duties and for each Director to carry out their fiduciary duties.

- **Independence**

The Non-Executive Directors currently have no material relationship to Ubank that may interfere with the exercise of their objective independence.

Governance of Risk

The Board of Directors believes that it is provided with all the relevant information to enable it to carry out its duties and for each Director to carry out their fiduciary duties.

Ubank endeavours to have risk management processes entrenched in the day-to-day operations of the business by continuous identification, understanding of risk factors and incidents that may impact on the business objectives, development of appropriate response

CORPORATE GOVERNANCE REPORT

CONTINUED

strategies and continual monitoring and reporting.

The governance of risk within Ubank rests in the following structures:

a) Board of Directors: The Board of Directors ensures that there are processes in place for the management of risk in Ubank. The Board of Directors together with Management identifies risks and determines the risk appetite of Ubank.

b) Board Risk and capital Management: The committee is appointed to assist the Board of Directors in reviewing the overall quality, integrity and reliability of the Ubank's risk management process and all significant risks facing Ubank. This committee oversees the management of risk. The committee reviews risks management strategies, policies and procedures to ensure that they are appropriate. The committee considers the risk assessment reports and monitors the implementation of the risk mitigation plans thereto.

c) Audit Committee: The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Ubank's process for monitoring compliance with laws and regulations and the accuracy of financial reporting. The committee is the custodian for financial reporting, accountability and adequacy of efficient controls planning.

d) Chief Executive Officer: The CEO manages the organisational risks.

e) Executive Committee and Sub-Committees: The Executive Committee and Sub-Committees assists the CEO in fulfilling his/her management responsibilities. These committees assist with the day to day management and mitigation of operational risk within Ubank.

f) Executive Management: Each Line manager in all business units within Ubank is accountable and responsible for identifying and managing risks to the operations of his/her business unit.

g) Risk Management: The Department is responsible for ensuring that an effective framework for risk management is in place and for driving its implementation throughout Ubank by increasing Managements awareness of risk.

h) Internal Audit: The Internal Audit function independently audits the adequacy and effectiveness of Ubank's risk management, controls and governance processes.

The Three Lines of Defense Model

In order to implement the Enterprise Risk Management methodology the Ubank has adopted three lines of defense structure to manage risk, which highlights the layering of principal responsibilities that extend across Ubank as

First Line of Defence	Second Line of Defence	Third Line of Defence
Focused and informed involvement by the Board of Directors and the Executive Committee. Their main role is accountability and responsibility of business management and finance. They are all supported by appropriate internal control, risk management and governance structures and processes.	Link capital and management performance throughout Ubank for risk management improvements, focusing business unit effort and investment on improving risk mitigation and internal controls. Assist, guide and support the Business Units with risk and assurance. The Risk, the Compliance; and Secretariat and Legal Functions respectively	Independent assurance provided by Internal and External Audit.

Stakeholder Management

The Board of Directors recognizes that the stakeholders' perception may affect Ubanks' reputation and therefore endeavours to find an appropriate balance between its stakeholder groups in the best interest of Ubanks. The management of stakeholder engagement has been delegated to Management by the Board of Directors through the Stakeholder Management Policy and Stakeholder Management Framework recently approved. The Board of Directors retains oversight over Stakeholder Management through the Social and Ethics Committee, a Sub-Committee of the Board of Directors, which Management reports to quarterly on stakeholder activities.

IT Governance

Chapter 5 of the King III Code of Corporate Governance highlights the importance of Information Technology in business and has placed the responsibility of IT Governance on the Board to ensure that IT Governance supports the effective and efficient management of IT resources and facilitates the achievement of the Ubanks' strategic objectives. An IT Governance Committee, chaired by a Non-Executive Director, was formed in 2009. The committee was constituted to assist the Board in fulfilling its duties in terms of IT performance.

Ubanks Chief Information Officer (CIO) resigned in November 2013 and the Chief Operations Officer had oversight of IT Governance and was responsible for the implementation of IT Governance and IT Security. Ubanks complies with the principles outlined in chapter 5 of the King III Code of Corporate Governance as follows:

- The Board is responsible for IT Governance
- IT is aligned with the performance and sustainability objectives of the company
- The Board has delegated to management the responsibility for the implementation of an IT Governance framework
- The Board evaluates and monitors significant IT investment and expenditure
- IT forms an integral part of the company's risk management
- The Board ensures the information assets are managed effectively
- The IT Governance Committee assists the Board in carrying out its IT responsibilities

Significant progress has been made in reviewing and updating IT policies as most of them have been updated. The IT Charter will be finalized and presented for comments and approval during the course of the year. Several of the major projects in the IT roadmap such as the ACB account number conversion, lending platform and security assessment have been completed. Projects that are in progress include the Branch connectivity and Payment Gateway upgrade.

Directors Report

The Directors Report for 2013/14 is set out in Annual Financial Statements from pages 3 to 8

Audit Committee Report

The Audit Committee Report is set on pages 9 to 11 and 8 of the Annual Financial Statements.
By the Board of Directors

SUSTAINABILITY REPORT

The Ubank 2013 Sustainability Report presents a balanced analysis of our sustainability activities for the year ended 28 February 2014. We have focused on the most material issues which might impact on our commercial viability and which are socially relevant to the communities which we serve.

Ubank has a SEC that oversees the effective governance of Ethics and social responsibility. The Social and Ethics Committee reports directly to the Ubank Board. The Committee's mandate is to guide and monitor:

- Social and economic development;
- Good corporate citizenship;
- Environment, health and public safety;
- Consumer relationships, and
- Labour and employment

Refer to Governance section for more information.

VALUES AND BEHAVIOURS

The bank applies these values and behaviours through a 360° degree feedback in the performance appraisal process.

VALUES (PEERS)

Passion
Empowering
Excellence
Respect
Sincerity

BEHAVIOURS (CHANGE)

- Care:** Treat Colleagues and Customers with Dignity and Respect
- Harona:** Protect and Enhance our Reputation
- Achieve:** Drive Performance at Pace – Deliver on promises
- Celebrate Success
- Nurture:** Actively Participate in our Communities
- Grow:** Develop Ourselves and our People
- Energise:** Demonstrate Positive Energy, Enthusiasm, Pride, Passion and Integrity

SOCIAL AND ETHICAL IMPACT

LIVING THE VALUES THROUGH OUR EMPLOYEES AND BUSINESS

Integrity (RESPECT AND SINCERITY)

Ubank is committed to the highest standards of integrity, transparency and accountability in all business dealings. The bank has a Zero Tolerance Policy towards all forms of acts of dishonesty and unethical behaviour of similar nature. It recognizes the fact that acts of dishonesty and other irregular practices are detrimental to the effective, accountable and transparent governance within Ubank.

Every employee at Ubank has a responsibility to disclose unethical behaviour and irregular practices. Ubank has the responsibility to take all feasible and necessary steps to ensure that all employees who disclose information are protected from any reprisals as a result of such disclosure. A crucial aspect of transparency and accountability is a mechanism to enable staff and other members of the bank to report concerns of unethical behaviour internally in a responsible and effective manner. The bank values the reporting of all suspicious and unethical activities. Therefore all employees and other relative stakeholders are provided with procedures and mechanisms to encourage such reporting.

Responsible Lending (RESPECT AND SINCERITY)

Ubank is committed to responsible lending practices. The bank views responsible lending as having assessed an individual's ability to repay a loan and his or her conduct of other obligations. We determine the credit worthiness of a client by assessing the individual's loan conduct, credit score and affordability. In addition fraud checks and limit management is applied to all loan applications.

Ubank enhances value through our lending products, by encouraging good repayment. We further aim to offer financial solutions, education and advice, meaning that we will advise a client on his/her financial needs and responsibilities when selling products.

Preferential Procurement of Suppliers (EMPOWERING)

While still maintaining our cost culture, Ubank has selectively decided to promote and support black businesses and small micro and medium enterprises (SMME's). We provide relevant payment terms to all SMME's to ensure that we promote growth based on the unique business plans once the commercial viability is tested.

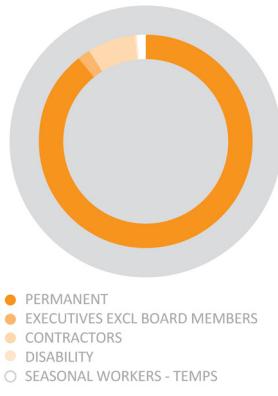
It is our policy to do business with BBBEE compliant service providers. We are currently in the process of completing our BBBEE accreditation, which will be finalised during the ensuing financial year.

Our employees remain our most valuable asset and we are embedding a culture of high performance that also delivers on the bank's values and behaviors.

The bank has devised a Change Management Programme in order to support the implementation of the Ubank strategy. The change initiative entails end-to-end Human Resource solutions to ensure that our employees and other stakeholders experience a smooth transition in the process. Critical elements for the successful implementation of the strategy include:

- **Leadership:** All leaders at all levels are committed to mobilize the organization towards the achievement of its strategy.
- **Culture:** Instil a high performance culture. All employees will be aware of and will internalise the mission, vision, the core values, target operating model, architecture, competencies and communication needed to execute the strategy.
- **Line of Sight:** Individual team and departmental goals and incentives linked to the attainment of strategic objectives.
- **Talent Management Strategy:** Talent Management is about harnessing the potential and performance of people, balancing the needs of the individual and the organisation's requirement for sustainability and growth. An effective talent strategy is one which aligns with the organisational strategy and places individuals at the heart of the organisation.

Employment by type 2014



SOCIAL AND ETHICAL IMPACT

CONTINUED



Talent Management: Leadership Development Programme

Development of all Ubank colleagues is an on-going process. We will continue to make programmes such as the Leadership Development Programme (LDP) available as an important pipeline for producing the requisite and tailor-made leadership. The Leadership Development Programme (LDP) is at junior, middle, senior and executive levels and students study at the Wits Business School and the UNISA School of Business Leadership.

The New Management Programme (NMP) is a 4 month leadership programme where students will be exposed to modules such as Managing Resources in a Business; Finance in a Business; Understanding Organisational Dynamics; Managing People; Written Business Communication; The South African Market and Project Management.

Mentors have been allocated to all participants. Once the formal part of the LDP has been completed, participants will be exposed to projects, job shadowing and other interventions as identified by their mentors.

Employee Commitment and Employee well-being: "... employee wellness is key to creating a productive and supportive working environment."

All employees were invited to voluntarily attend the wellness screening conducted by Discovery Health and Careways during the year. Healthcare professionals were on standby to employees to individually discuss health history and to perform certain medical screening tests.

Discovery Health generated a report on the Wellness Day which supplies information that enables the bank to create awareness and devise interventions to improve the overall well-being of its employees.

TRANSFORMATION

We strongly believe and promote Employment Equity as a means to transform South Africa. We are a fully transformed organisation illustrated below.

	Total Blacks		Black Females	
	Ubank	FSC Minimum Target by 2008	Ubank	FSC Minimum Target by 2008
Senior Managers	63.06%	20%-25%	56.73%	4%
Middle Managers	84.05%	30%	86.91%	10%
Junior Managers	89.70%	40%-50%	91.28%	15%

Employee Equity Targets

The Table above shows the Ubanks Employee Composition compared to targets set by the Financial Sector Charter. These are minimum targets that needed to be reached by 2008.

2013 / 2014 Highlights

- 56 employees were placed on the Leadership Development Programme for 2013;
- A Change Management Strategy entailing end-to-end Human Resource solutions is in the process of implementation; and
- 28 exceptional performers were rewarded for their outstanding contribution in the previous financial year.

Our 2014 / 2015 Goals:

- Identify, employ and develop graduates.
- Embed Change Management Process amongst staff.
- Continue to invest in skills and reward fairly.

Customer segmentation by LSM Group

Ubank's primary target market is within the 5-8 LSM group, amongst 25 to 64 year olds who are employed either formally or informally and are currently banked. Adjacent to this segment is the employed youth segment (15-24 yrs old) which forms a feeder for the primary target market.

The bank's secondary target market includes the dependants, family members and communities of the primary target market and this stretches across all age groups and LSMs. This enables the bank to form a holistic view of the customer and his/her community network which also includes employers and associations such as unions.

The Customer Experience

We continue to value our customers and treat them with dignity and respect as we live the Ubank brand. A quantitative customer satisfaction survey was conducted during 2013 (Customer Satisfaction Survey 2013, n=1051) and revealed that:

- 87% of our customers would recommend the bank to friends and family;
- 83% of our customers are satisfied with the bank meeting their service needs. 55% of our customers are "very satisfied", while 28% indicated they are "satisfied";
- In terms of customer service, Ubank is "best" at being trustworthy and treating our customers with dignity and respect. We are "good" at handling complaints quickly and efficiently, and speaking the customer's language.

The research results also confirmed that the perception of the bank has changed in the minds of the majority of customers from 'a bank for mineworkers' to a bank that welcomes everyone. This is due in large part to the brand repositioning completed during 2010.

We constantly aim to treat our customers fairly by providing products and services that suit their needs. The Customer Satisfaction Survey 2013 (n=1051) revealed that we are doing well on those aspects most important to the customer, namely :

- Banking staff giving me efficient service, having good knowledge and welcoming customers;
- Offering a variety of new products.

On those issues of slightly lesser importance to the customer, we achieved the following ratings:

- a good rating on Ubank making affordable products and services available;
- a satisfactory rating on Ubank having branches that are easy to access

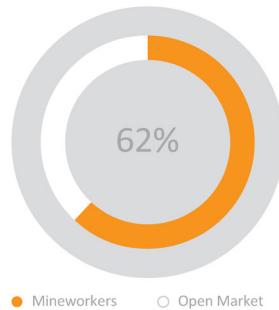
We aim to be a provider of sustainable and inclusive financial services to workers, their families and uplift and develop their communities.

Financial inclusion for Ubank is to make banking and payment services available and affordable to consumers. The Customer Satisfaction Survey 2013 (n=1051) indicated that Ubank customers remain with Ubank because it is trustworthy, convenient and familiar, offers good service and is affordable. Our customers generally find us accessible but some of our customers have problems travelling to reach us. When asked if they would ever leave Ubank 77% of customers answered 'No'.

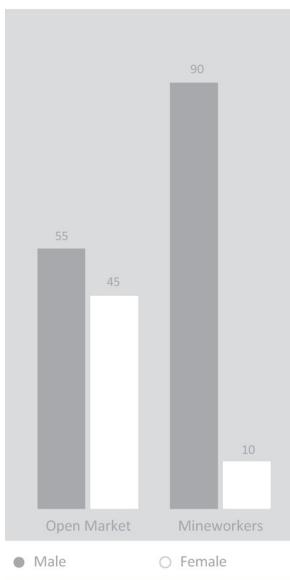
The minority of customers who would leave Ubank and would NOT recommend it to friends and family cite the following issues with the Bank:

- Lack of ATMs and branches;
- The system is offline too much;
- It's only for mineworkers;
- Service is not effective; and
- Not enough products.

Customer Segmentation



Gender: Comparison Open Market to Mineworkers



SOCIAL AND ETHICAL IMPACT

CONTINUED



Our strategy requires that we enhance foundational capabilities (upgrade our systems, extend our banking network, increase our frontline staff) within the bank to ensure that we have adequate products and improve our service offerings for our customers, to both retain our existing customers and attract new customers .

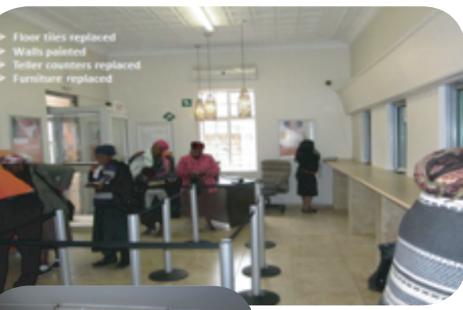
Further investments in our infrastructure are required to enable growth for the bank that will make us the provider of sustainable and inclusive financial services to workers, their families and uplift and develop their communities.

The youth market in particular (15 – 24 years, employed, LSM 5-8), is an important feeder market and is priority target market for the bank. It was also acknowledged that SMME'S will become an important segment for the bank.

Overall, customers indicate that Ubank is meeting their needs and expectations on the aspects of product and service that are most important to them. They also indicate that improving access through additional branches and ATMs are necessary to improve performance as a Bank. Customer satisfaction is driven by service received from staff as well as products offered. Ongoing good performance in these areas will determine customer loyalty.

New Branches, Branch Upgrade and Relocations

The new branch in Bloemfontein opened on the 12th August 2013 and is gathering momentum and moving forward rapidly to ensure that we fulfil our mandate of becoming the Bank of Choice for workers and serve the Bloemfontein community with pride and distinction.



- > Floor tiles replaced
- > Walls painted
- > Seiser counters replaced
- > Furniture replaced



2013 / 2014 Highlights

Ubank engaged in the following activities for the financial year:

- Provided bursaries to ten mineworkers' children from rural areas through partnership with the JB Marks Foundation. Further opportunity for them to work at various branches throughout the bank's network to ensure workplace exposure.
- Donated actual curriculum text books to schools in the Eastern Cape to the value of US\$500 000 through partnership with the US-Africa Children's Fellowship (USACF).
- Departmental fundraising – the bank's departments have volunteered to conduct their own fundraising for charitable initiatives.
- Donated 10 laptops and soccer balls to a school in Bloemfontein.
- In partnership with the Teba Trust Fund, Ubanks has donated 605 desks and 1 290 chairs to five schools in the Eastern Cape.
- Handed over classrooms at Mafadi Academy in Burgersfort and Zinini Junior Secondary in Bizana which attracted media interest and coverage.
- Through its "Back to School campaign" Ubanks has donated over 3 000 pairs of school shoes to seven underprivileged schools across the Eastern Cape, Limpopo, Free State and North West provinces.

Our 2014 / 2015 Goals:

- Initiatives in place to improve customer, employee and community financial wellbeing.
- Working on sustainable partnerships with local and international donors and NGOs in partnership with the Teba Trust Fund.
- Continue further infrastructural development of schools in disadvantaged communities.
- Continue to provide access to tertiary education for disadvantaged youth.

CSI Spend



OUR CORPORATE SOCIAL INVESTMENT PROGRAMMES :



As a Bank we acknowledge the importance of the working class and salute those who form the backbone of our country. We proudly celebrated Workers Day in Kimberley in May 2013.

Our Corporate Social Investment Programmes:
Ubank bursary programme in partnership with JB Marks - now in its 6th year of producing graduates and giving disadvantaged youth access to tertiary education

Schools Development Programmes:

- Building, construction and upgrade of schools in rural areas

Ubank Bursary Programmes:

- R500,000 paid for 12 students who are studying in various tertiary institutions.

Financial Education Programmes:

- At mining houses.
- Take a Girl Child to work day – Ubank hosted a total of 29 Grade 10 school girls who were paired with volunteer hosts, which they job shadowed for the day.

Teach A Child To Save Campaign:

- Delivered lessons to 5 266 learners from 16 primary and secondary schools

SOCIAL AND ETHICAL IMPACT

CONTINUED

UBANK CORPORATE SOCIAL INVESTMENT (CSI) PROGRAMMES

One of the pillars of Ubanks business strategy is community development. Investing in communities is part of how we do business as it aligns directly with the strategy.

Allocation of funds

- Preference will be given to communities within which UBank conducts business.
- Ubank cannot guarantee funding for all applications received as this will be determined by availability of funds.

Ubank has a unique ownership structure through a trust that is jointly managed by trustees who are elected by the National Union of Mineworkers and the South African Chamber of Mines. The beneficiaries of the Trust are the bank's customers.

The nature of the business is such that community development remains at the core of how Ubanks conducts business ensuring that continuous, sustainable investment takes place benefiting our customers and communities. Our community projects are mainly in mining towns benefiting our customers, their families and local businesses.

Employee Volunteerism Programme – Khulanathi (Xhosa phrase meaning ‘grow with us’)

- Ubank employees invest time, skills or money into a community project of their choice. Social responsibility is about getting involved and helping improve the lives of our communities. Upon raising 10% of the required funds for the community project, Ubank will pay the balance for approved proposals. The programme encourages employees to proactively seek out community projects in their respective regions which they will support.

Customer Education

Investing in our Communities Through Education

- The cornerstone of our Customer Value Proposition is education. The bank embarks on financial literacy programmes to educate people in our core market, being mineworkers, their families and their communities.
- Ubank is driven by the social objective of improving the quality of the lives of its customers and their communities. Therefore, the CSI initiatives focus on empowering its communities through investment in sustainable education programmes.

Our flagship programmes

- Ubank Schools Development Programme;
- Khulanathi (Xhosa phrase meaning ‘grow with us’) – Ubanks employee volunteerism programme;
- Financial Education Programme;
- Ubank’s Bursary Programme; and
- Teach Children to Save Campaign South Africa.
- Ubank Schools Development Programme
- Infrastructural development remains a challenge in most rural schools in the country. Investing in the foundation of the future leaders in an effort to drive excellence, through partnership with the Department of Education’s various district offices and schools located in rural areas.
- Schools development projects - (infrastructure, curriculum, capacity building and teacher training requirements).

Financial Education Programme

- Ubank has designed a financial education programme that is aimed at assisting customers to make informed decisions about their money. The seminars cover various financial aspects which include: budgeting skills, the dangers of loaning money from loan sharks, how to read payslips, usage of ATM and debits cards and what interest means and how it is calculated.

Ubanks Bursary Programme

Introduced in 2009 and aimed at supporting the children of workers in gaining skills and knowledge to become seamlessly integrated into our country’s economy. The Ubank

Bursary Programme allows the bank to take its commitment of community development through education to the next level - funding of tertiary studies. The programme is open to children of unionised members of South Africa / Southern Africa. The students are also given the valuable opportunity of engaging in vocational work managed by Ubank career coaches. The acquisition of academic knowledge balanced with practical work experience is seen by Ubank as the most vital preparation needed to help the country's next generation of leaders become meaningful and active participants in the country's economy.

Teach Children to Save Campaign South Africa (TCTS - S.A.)

- TCTS SA™ is a national savings campaign that was piloted in South Africa in the Savings Month of July 2008. The founding partners for TCTS SA™ are The Banking Association South Africa, South African Savings Institute (SASI), ABAEF, Citi and Operation Hope. TCTS SA™ has been adopted as an annual programme of The Banking Association South Africa and SASI.
- As a bank that puts its communities' needs first and is in the forefront of empowering and investing in its people, Ubank is proud to support and participate in the TCTS SA campaign. Our volunteers have generously helped us realize this since the programme's inception two years ago. The financial preparedness of our nation's youth is essential to their well-being and of vital importance to our economic future.

ECONOMIC IMPACT

2014 Financial highlights

Operating income

 **R610.5m**
2013 – R629.0M

Profit before taxation

 **R25m**
2013 – R629.0M

Total Assets

 **R4.3bn**
2013 – R3.5bn

Capital Adequacy Ratio

 **17.42**
2013 – 16.28

Headline Earnings

 **R1.02/share**
2013 – R(3.07)/share

ROE

 **5.07%**
2013 – (15.56%)

Non-financial highlights

Employees (permanent only)

845
2013 – 830

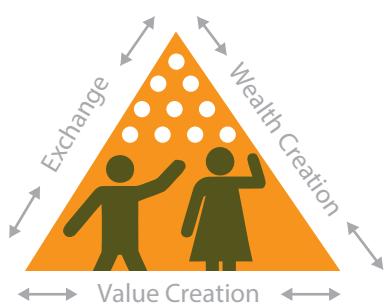
Branches (including agencies)

137
2013 – 136

ATMs

87
2013 – 78

The relationship economy



SOCIAL AND ETHICAL IMPACT

CONTINUED

ENVIRONMENTAL IMPACT

"We are an Environmentally Friendly and Caring Bank"

As the world transitions to a low-carbon economy, the financial sector needs to better understand the impact of its operations and activities on the environment. Ubank does not finance projects in environmentally sensitive sectors, such as coal plants, or oil and construction companies. Our emissions are therefore under our own "operational control". We lease the properties from which we do business and have limited control over the day-to-day running of these premises. However, we ensure that our landlords are compliant with environmental by-laws.

Because of the operations and activities of the bank, we are considered to be a low contributor to greenhouse gas (GHG) emissions with a low impact on the environment. That said, Ubank understands its responsibility as a corporate citizen to contributing to the lowering of the national emission of greenhouse gases (GHG). We highlight below our contributions in support of this objective and our goals for the following year:

2013 / 2014 Highlights

- We have moved to centralised printing at head office, reducing paper usage through scanning capability, and resulting in energy efficiencies due to fewer and more new energy efficient devices. These printers draw less power and go into sleep mode when not in use to further reduce power consumption.
- We collaborate with partners who have recycling competencies to manage the disposal of computers and related equipment.

Our 2014 / 2015 Goals:

- We will continue to reduce paper usage.

TECHNOLOGY

In the past year, the bank has invested in projects that were aimed at improving the customer experience. These included improvements in the way customers are able to process payments. Our next phase of improvements will enable our customers to effect real time payments. We are upgrading our network to improve the system performance to enable the quicker servicing of customers.

While we have not had any significant technical challenges post implementation of some of our projects there have been some issues from which we have learned. This has provided us with the opportunity to define our customer requirements better and has provided our employees with training opportunities.

The on-going payment gateway project's next phase will be a Non-authenticated early debit order (NAEDO) implementation which will enable us to have an improved ability to collect from customers if they switch banks through an acquiring and tracking capability.

2013 / 2014 Highlights

We upgraded the host system to the latest generation of hardware. This resulted in a significantly smaller physical footprint and reduced power consumption.

Our 2014 / 2015 Goals:

- Our investment in technology per employee is comparatively low. Our goal is to increase IT spend to be able to build a bank of the future.
- Focus on the optimization of the existing environment by upgrading to newer versions of the key systems to improve efficiency and customer service.
- Pursuing a virtualisation strategy. This enables us to reduce the number of physical devices and reduce power consumption.
- We are embarking on a Building Credit Capability Project that will provide us with a single platform with an end to end credit capability, replacing two existing systems.

GOING FORWARD

Over the next year, Ubank will focus its sustainability strategy around the following framework

The framework takes the form of a house with the foundation for sustainability being Governance, which includes environmental awareness, driven by a high performance corporate culture, while the bank requires adequate Capitalisation. The pillars are the key strategic focus areas supporting the sustainability objectives. The roof is the company vision, facilitated by our reputation, and supported by strong communication.

