

Postbank MD Totsie Memela-Khambula says that Postbank's key responsibility is to ensure it is the provider of choice when it comes to financial services amongst the broader South African community. "Postbank started as far back as 1874, becoming part of the South African Post Office twenty years later," she says. "We service the lower end of the market in South Africa, and our primary target for new clients is those who don't hold a bank account at all. These number around 13 million adults, and we are striving towards lowering that number systematically."

One of Postbank's key strategic advantages in its operations, as well as potential future operations, is its vast network. "We use the Post Office's network of branches as our own," explains Memela-Khambula. "Every Post Office counter, therefore, is effectively a Postbank teller. It doesn't matter where you go in South Africa, be it a big city or a rural town, there is invariably a Post Office branch there. This means access to banking facilities for those who would not necessarily be able to reach traditional banking sites."

Postbank's customer base has increased from two million to 3.4 million over the past year. The growth in the customer base increased the asset base to more than R2-billion, an improvement of 13% from the previous year. Figures released by the Banking

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Association show that Postbank holds 40% of the market share of Mzansi accounts. This has been achieved without a mass conversion of Postbank's traditional accounts to Mzansi accounts.

Because of the nature of its exemption, Postbank is primarily a deposit-taking institution, but Memela-Khambula says this will change. "We have embarked on a concerted effort to corporatise the Postbank to enable us to ultimately get a banking license and ensure that we provide for all the banking needs of our customers," she explains. "There were three phases to this activity, and the first is ensuring we have a separate balance sheet from the Post Office. While we are reliant on them for our network infrastructure, we want it to be clear that the depositors' funds are not fenced."

The second phase entails Postbank operating as a subsidiary fully owned by the Post Office or government, and providing a full range of payment and fund transfer services while continuing to expand the deposit base. Phase three would be to register and become a fully fledged bank (third tier) and possibly extend lending facilities to customers. Although the Post Office or government will continue to own Postbank, a strategic equity partner may obtain a share in Postbank based on government objectives.

Defined in the memorandum of undertaking with Treasury, the first phase included ensuring that Postbank:

- ☑ Increases its product offering;
- ☑ Operates as a profit centre within the Post Office; and
- ☑ Sets up a separate committee reporting to the Post Office board to facilitate the achievement of setting up Postbank as a subsidiary of the Post Office in future.

"We need to ensure that our product suite is in line with the range offered by existing commercial banks," she says. "We began investigating diversified products in 2003, and implemented them the next year. From our initial five savings-based products, we now also offer transactional accounts and access to credit and insurance products through third party partnerships."

Being able to offer transactional accounts – primarily through a revolutionary partnership with Visa – is a serious competitive advantage for Postbank, considering that its cost of operations is less than most commercial banks, due to its piggybacking the Post Office network. "Our infrastructural costs are significantly less," says Memela-Khambula. "This allows us to pass these cost savings on to our clients, who are usually people on the lower end of the income scale that cannot afford to pay high bank charges."

Although Postbank has had its own card-based system since the 1980s, it became necessary to cater for the new transactional



Totsie Memela-Khambula, Managing Director

facilities springing up across the country. "Hence our partnership with Visa," explains Hannes van der Merwe, General Manager: Operations for Postbank. "We needed to move from a purely deposit-taking institution to a transactional bank. Postbank Visa cards are accepted wherever debit cards are accepted, and clients can now shop cash-free at these merchants."

Van der Merwe says that the new relationship has brought its own challenges, but that Postbank is dedicated to overcoming these as part of its improved value proposition. "Not all merchants offer card transaction services, especially in our country's more rural areas," he says. "We do believe, however, that the more people begin to acquire these cards, the higher the demand will be, and merchants will be encouraged to offer these services."

Another challenge van der Merwe points out is that Visa is an internationally accepted card, which means that Postbank has had to deal with issues such as forex and international transactions, which is new ground for them. "However, partnering with an international company with such vast expertise has certainly assisted us tremendously in making this transition," he points out. "With Visa's assistance, we are engaged in a year-long competency audit – seeing where our strengths lie and where we need to build further competencies. We are also looking at our card processes and where those can be streamlined."

Van der Merwe echoes Memela-Khambula's strategy for moving towards becoming a fully registered bank. "From an operations perspective, the fact that we are not a registered bank places enormous restrictions on us," he explains. "We are not part of any banking councils and are therefore effectively locked out of any formal structures of the banking fraternity in South Africa. We do take part in some of the processes in this fraternity, based on our sponsorship agreements with third parties, but this is more

of a courtesy shown us, than a right. Until we are a fully fledged bank this will remain a challenge, as it also makes it difficult to ensure certain operations run smoothly when one is dealing with multiple organisations in this way."

Van der Merwe sees a positive future ahead for Postbank. "As we expand into offering more services, the operations side of the organisation will play an integral role," he says. "There will be increasing challenges, such as ensuring our many branch sites are always on-line, and that the knowledge base of our front-line staff is expanded, but we relish these challenges and look forward to making a difference in the lives of the unserved and underserved."

Maureen Manyama is Postbank's executive for finance and support, and highlights challenges for Postbank from a financial perspective. "In the environment of deposit-taking institutions where we operate in, we have to ensure good corporate governance to ensure that the depositors as well as the stakeholders have confidence in our organisation," she says. "Good corporate governance refers to, *inter alia*, the ownership structure, institutional integrity and sound financial management, which is required for an organisation to be efficient. We should also note that the savings mobilisation is based on confidence, meaning people will put their money in the hands of trusted organisations. The second challenge is to ensure that we remain sustainable in the long-run, since we have to serve a large number of customers thereby processing high volumes of low value transactions that result in high operational costs while fair returns are expected by our depositors, as part of our social mandate. These challenges can however be addressed by streamlining our processes to minimise the high operational costs and also to diversify our revenue streams to ensure that we remain profitable and sustainable."