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Postbank dresses up for new markets

Khulu Phasiwe

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Public Policy Correspondent

POSTBANK, the savings division of the South African Post Office, has renewed its commitment to enter mainstream financial services - a move that could help

spark a race to capture the signatures of millions of South Africans who **do**
not have bank accounts.

As part of an overhaul of the Post Office, Postbank will become a standalone company.

The move is aimed at ensuring that Postbank runs profitably, broadens its product range and competes in SA's mainstream banking sector. It is also intended to discourage the use of depositors' money to recapitalise the operations of the Post Office, as has happened in the past.

No specific time-frame has yet been set for the planned move, but Post Office CEO Maanda Manyatshe said that it would happen within the next five years.

Speaking at the announcement of the annual results of the Post Office yesterday, Manyatshe said the incorporation of the Postbank would happen once the assets of the bank had been separated from its parent company.

Regulatory requirements also needed to be met, he said.

Postbank is currently exempt from the Banks Act and is regulated by the Post Office Act.

The plan to corporatise Postbank is not new - it originated in the 1998 White Paper on Postal Policy calling for the restructuring of Postbank into an "autonomous, fully-fledged savings bank, owned by the Post Office".

Manyatshe said: "Postbank will be developed into a full-scale bank, but it will not

be changed to be like the big banks - it will continue to **focus**

on serving those South Africans who do not have a bank account."

Postbank MD Daphne Motsepe said there were **about 12-million people who fell into this category**, and that the bank aimed to encourage them to open savings accounts.

"The potential client base is enormous," she said.

She said Postbank would leverage the Post Office's 3000 outlets, "giving it a reach unparalleled in the market".

Eskom chief economist Mandla Maleka welcomed the plan to commercialise Postbank,

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Postbank dresses up for untapped markets

saying that there was a niche market of pensioners, unemployed people and students who needed to be catered for.

He said the entrance of Postbank into the larger financial services sector could

spur big banks to join a race for the **unbanked** market.

Postbank's deposit base rose 46% to R1,8bn in the 2003-04 financial year ended March. It has nearly 2- million depositors.

Manyatshe said that improved standards of customer service, the reduction of corruption and the introduction of internet, fax and photocopying facilities at post offices had helped to attract new customers and regain old ones.

This resulted in the Post Office posting an operating profit of R27m - its first since it was founded 200 years ago.

"This is just the beginning," said Manyatshe, who was recruited to turn around the Post Office four years ago.

"My profit target for the current financial year is R146m."

Revenue rose 9,4% to R4bn on the back of an 86% growth in cash generated from operations, which stood at R283m.

Manyatshe said other factors that contributed to the improved results were a 20% increase in the courier and parcel component of the business, and a 35% reduction in the company's fleets.

"In the current financial year I expect to get staff expenditure down to 45% (from 50%)," he said.

Manyatshe also plans to grow the Post Office's courier service from R600m to more than R1bn in the next few years.

A blot on the otherwise improved set of results was the cost of post-retirement medical benefits, which drained R322m (R359m) from the company's operating profit, resulting in a net loss of R74,7m (R127,5m).

Manyatshe said the post-retirement medical liability - the largest liability on the company's balance sheet - has been reduced to R122,8m from R1bn.