

**Bill & Melinda Gates
foundation**



PlaNet Finance
Advisory Services

In partnership

GRUPE LA POSTE



Model Banco Postal Brazil

Bern, 23 April 2010

Introduction

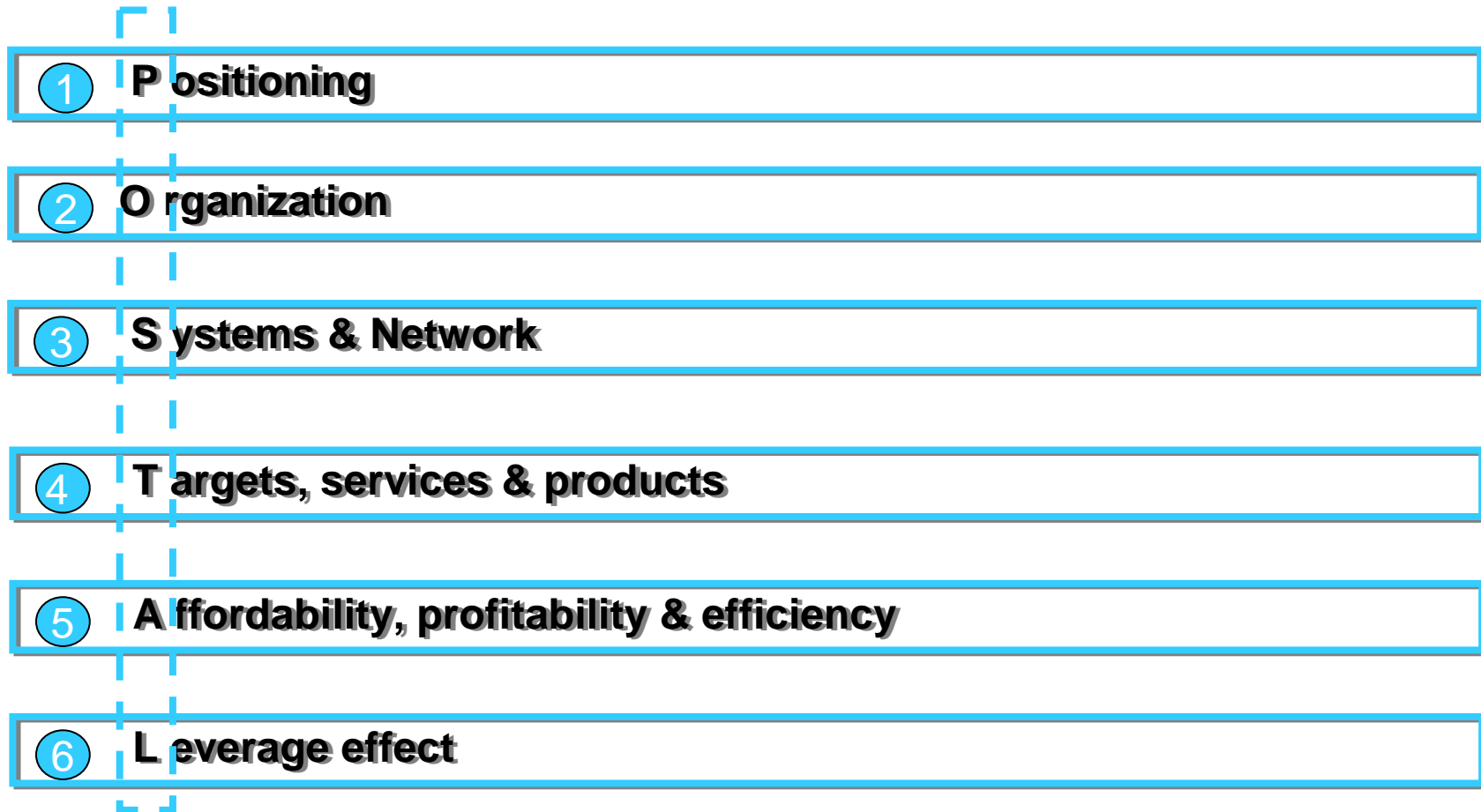
Bill & Melinda Gates *foundation* have committed PlaNet Finance

– to develop a framework to analyze postal banking models

– to analyze the Brazilian Banco Postal model

The P.O.S.T.A.L. model

The P.O.S.T.A.L. has been build based on the analysis of six corner stones:



The P.O.S.T.A.L. Model

1 Positioning

Three major factors affect the market positioning of the postal financial services:

- The involvement of the National Authorities
- The competitive position in the financial sector of the country
- The foundational solidity of the Postal Company

The P.O.S.T.A.L. Model

② Organization

The way postal financial services are managed varies from one country to another. So the question of the organization is crucial. The main issues regarding this topic are the following :

- Is the Postal operator satisfied with this organization ?

- Is this organization a long-lasting model ?

The P.O.S.T.A.L. Model

3 Systems & Network

The main strength of postal financial services is the network.
The postal network, worldwide, is twice as large as the Bank network.

- How is the network managed ?

- How are people trained to provide financial services ?

- How is the network equipped ?

The P.O.S.T.A.L. Model

4 **Targets, services & products**

The range of postal financial services varies greatly from one country to another as does the amount of financial activity vis a vis the total activity of the postal company. So the main issues for this topic are :

- What are the financial activities developed and what is their importance for the Postal operator ?

- What is the marketing strategy and what, especially, are the targets ?

- What client knowledge is the Postal operator developing in its financial services activity ?

The P.O.S.T.A.L. Model

5 **Affordability, Profitability, Efficiency**

How does their Business Model look?

- Are postal financial services provided at an affordable price ?

- Are they profitable for the Postal Operator ?

- Is the Postal Operator efficient in its provision of financial services ?

The P.O.S.T.A.L. Model

6 Leverage effect

How do Postal financial services contribute to financial inclusion ?

- How do they contribute to ease of access, especially in rural areas ?

- How do they reach low-income people?

- What is their impact on global development ?

The application to Banco Postal : Summary

The P.O.S.T.A.L. model has been used to analyze Banco Postal in Brazil

1 Positioning

2 Organization

3 Systems & Network

4 Targets, services & products

5 Affordability, profitability & efficiency

6 Leverage effect

1 - Positioning

The Banco Postal model finds its strength in the combination of three major factors :

A – The involvement of the National Authorities

B – The success of correspondent banking in Brazil

C – The foundational solidity of the Postal Company Correios

1 – Positioning

A – the National Authorities' strong involvement

Before partnering with Bradesco in 2001 when the Banco Postal was set up, the Brazilian Postal Office (Correios) offered some financial services (collection of invoices, welfare payments, transfers, traveler's checks, intermediation of mutual funds) and in 1999 authorization was requested from the Banco Central do Brasil to broaden the range of products offered to the market.

The solution provided by the BCB was precisely to transform the financial services of the Postal Office into a postal bank correspondent to a financial institution.

1 - Positioning

B – The specificity of the success of correspondent banking in Brazil

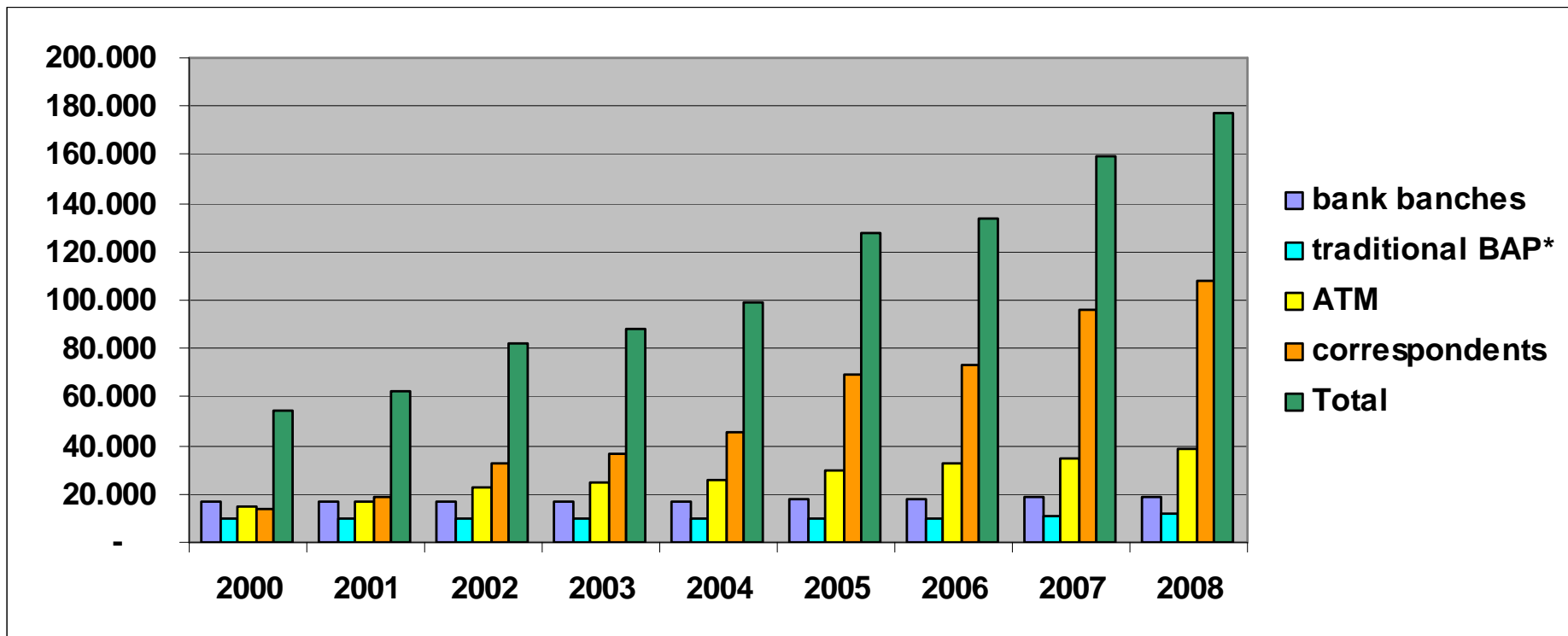
A step by step legal framework opened up the possibilities

- in 1973 BCB allowed banks to establish special service-level agreements with legal entities for collection and payment services conducted on behalf of banks. At this point, correspondents were not allowed to offer other services, such as loan applications and deposits.
 - in 1999 the range of services that correspondents could provide was broadened ; however, not all types of financial institutions could use them.
 - The accumulated regulatory experience, the increasing success of the correspondent model, and in particular, the financial inclusion policy adopted by the central government all led to further regulatory improvements in 2003 :
 - All types of financial institutions can now appoint correspondents, including credit cooperatives and microcredit institutions
 - Any type of commercial establishment or financial institution can be a correspondent
- Correspondents can now receive and forward credit card applications

1 - Positioning

B – The specificity of the success of correspondent banking in Brazil

Development of the sector



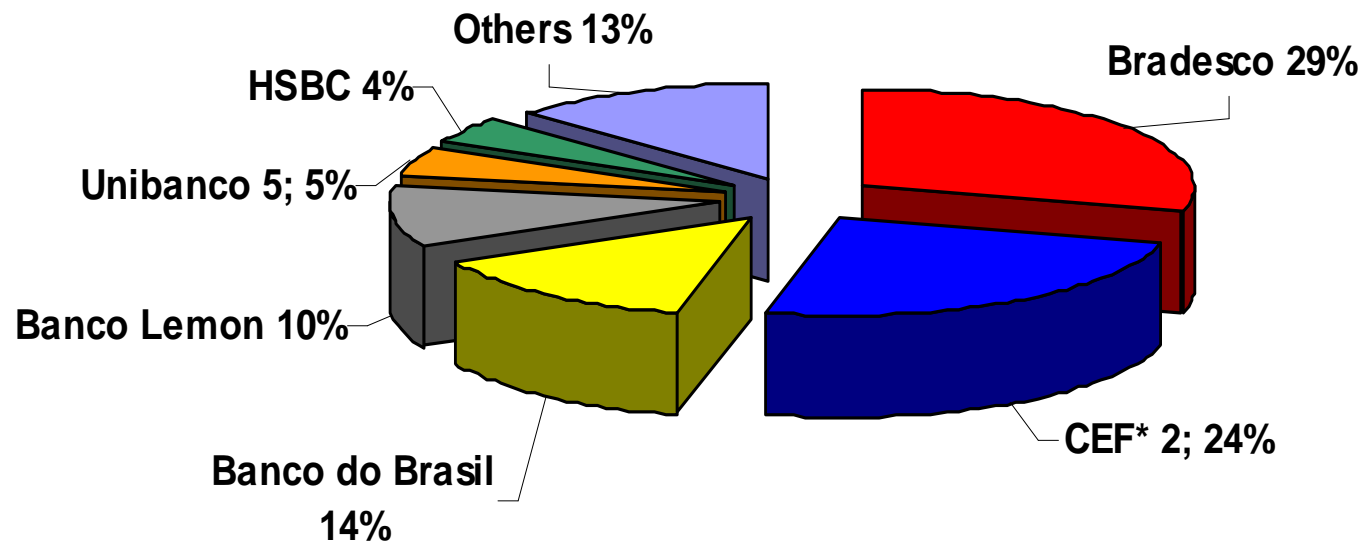
* BAP - Banking Attendance Post

Source: Banco Central do Brasil www.bcb.gov.br 14

1 - Positioning

B – The specificity of the success of correspondent banking in Brazil

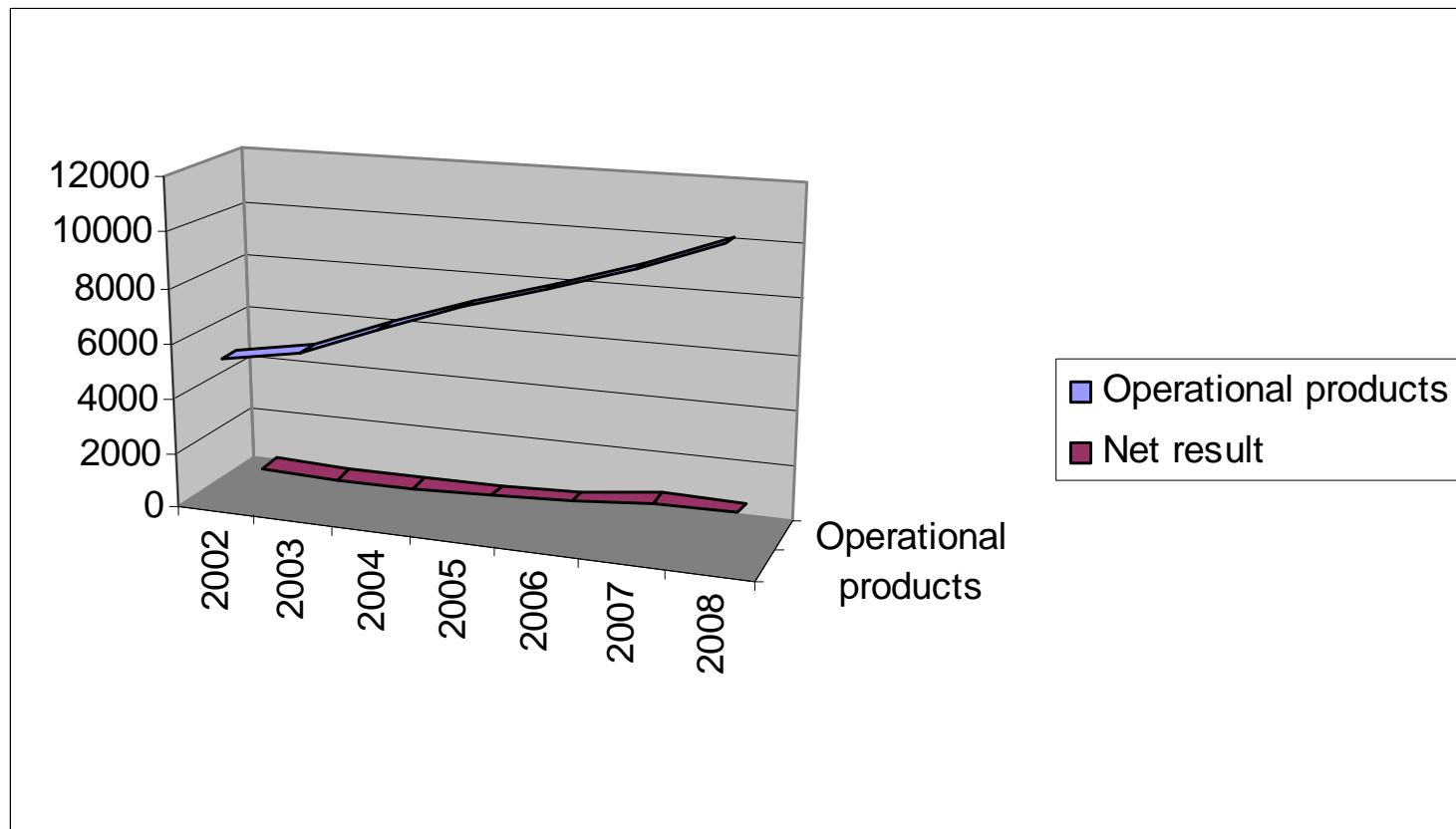
Correspondants market share 2008



1 - Positioning

C – Correios as a strong and successful company

Turnover and results for 2002 – 2008 period



Summary

1 **Positioning**

2 **Organization**

3 **Systems & Network**

4 **Targets, services & products**

5 **Affordability, profitability & efficiency**

6 **Leverage effect**

2 - Organization

A – A two-step organization

A public bid to find the partner

Banco Postal emerged in 2001 out of a public bid from Correios won by Bradesco (offering twice as much as the second competitor). Bradesco obtained exclusivity for correspondent banking using the postal network.

An agreement between two partners

Bradesco's contract with Correios included, by government stipulation, some provisions regarding outreach to unserved municipalities.

After the fifth renegotiation of the contract in 2009 the present term of the contract is end of 2011.

2 - Organization

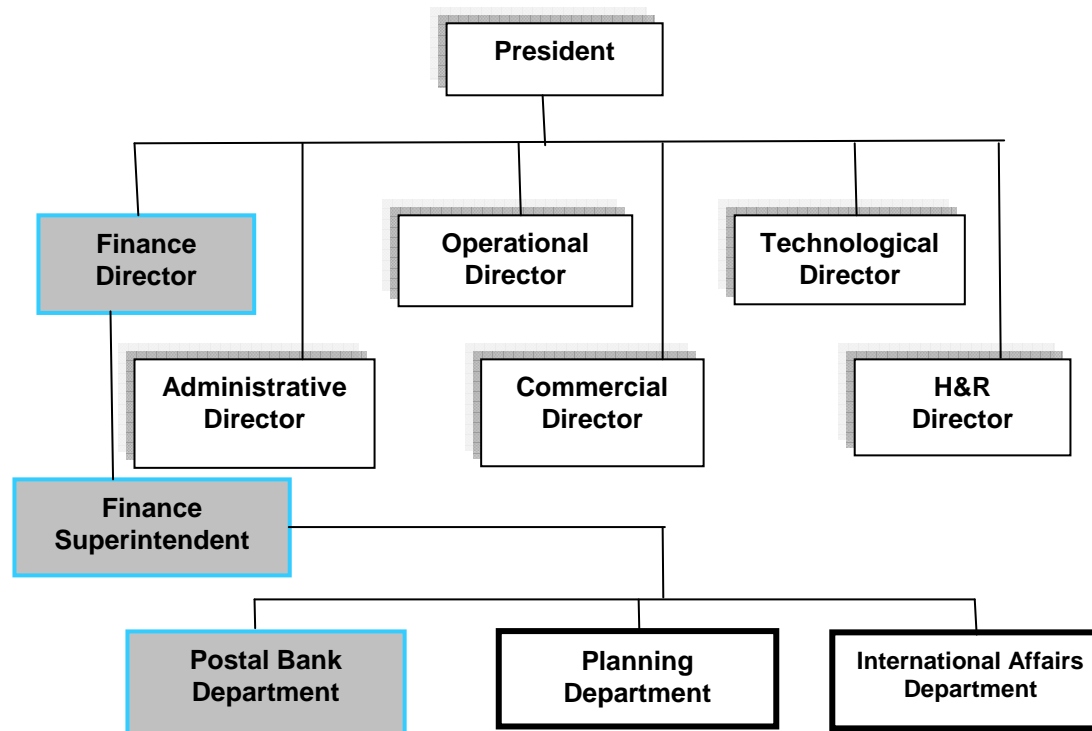
B – Banco Postal is not a legal entity

Banco Postal is in fact a brand name for financial services provided by the postal network.

As it is not a legal entity, the question of profitability is very sensitive and Tribunal de Contas da União (Supreme Accounting Body in Brazil) was quite sceptical about the real winner (Banco Postal vs Bradesco)

2 - Organization

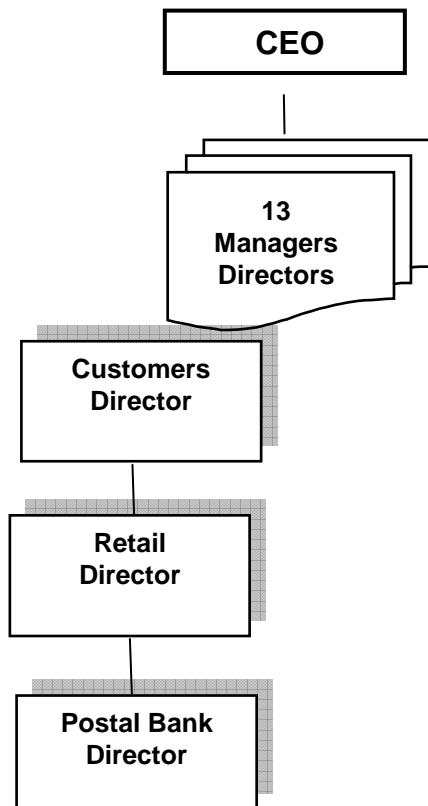
C – Position of Banco Postal in the operational chart of Correios



Banco Postal has **departmental status** within Correios and reports to the **Finance Superintendent** who in its turn reports to the Finance Director. The department consists of **11 employees**.

2 - Organization

D – Position of Banco Postal in the operational chart of Bradesco



Bradesco's organisational chart identifies **13 vice presidents or managing directors** reporting directly to the CEO. The Banco Postal director reports its operations to the Director of Retail who in turn reports to the Customers Director.

The Banco Postal Director manages approximately **100 employees** at the headquarters. Also under his umbrella are **7 regional directors, 18 area coordinators and 200 supervisors**.

Summary

① **Positioning**

② **Organization**

③ **Systems & Network**

④ **Targets, services & products**

⑤ **Affordability, profitability & efficiency**

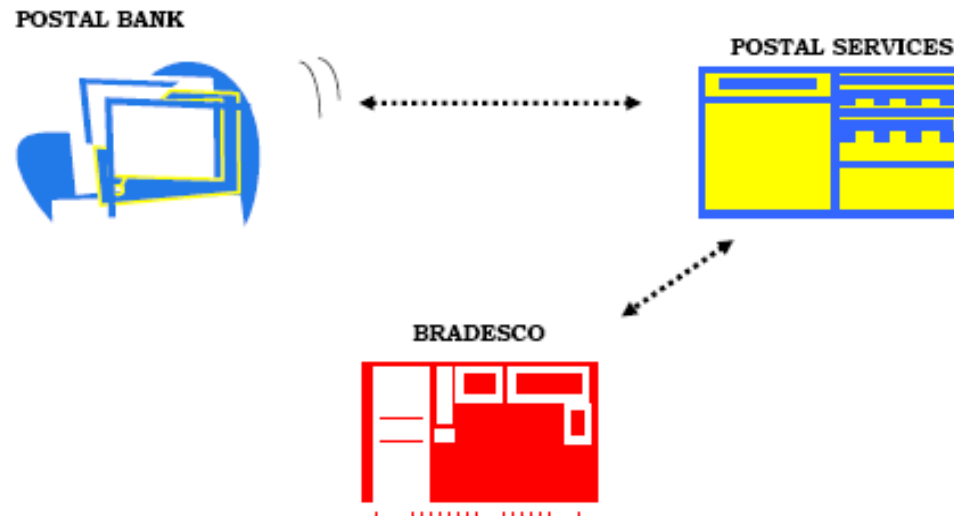
⑥ **Leverage effect**

3 – Systems & Network

A – Systems

According to the initial negotiation with Bradesco, Correios received US \$150 million in goodwill in order to structure its computerized management system. This caused a restructuring of Correios computerized control systems. The initial launch was done in 2002 in about 1000 postal offices nearly simultaneously. In 2 years the number increased to 5300 fully-operational outlets.

All Banco Postal transactions requests are sent to the Postal Service main system that in turn communicates with Bradesco's main system. The system then reverses in order to give real-time answers



3 – Systems & Network

B - Network

BRANCHES

The Postal service operates 12,644 branches : being 5,895 corporate and 6,749 franchised. Banco Postal is only operated by corporate branch. In more remote areas, post offices and postal banks operate inside the local municipal government building.

ACCOUNTING PROCEDURES

There is no separate accounting done solely by Banco Postal system. Each partner is responsible for its accounting procedures as well as operational costs.

CASH TRANSPORT & INSURANCE

The costs are taken by Bradesco. Responsibility for stolen deposits falls solely within Bradesco's responsibility.

3 – Systems & Network

C - Staff

OPERATIONAL STAFF

The operational staff belongs to Correios. It is important to note that Banco Postal employees do not have access to account information due to bank secrecy regulations.

TRAINING

There is very limited training for the applications. Bradesco is responsible for the cost of training postal workers and its own operations in the partnership.

FINANCIAL ADVISE

There is no dedicated financial adviser in the Banco Postal system.

COMPLAINTS

Customer complaints must be directed to the Bradesco Branch

Summary

1 **Positioning**

2 **Organization**

3 **Systems & Network**

4 **Targets, services & products**

5 **Affordability, profitability & efficiency**

6 **Leverage effect**

4 – Targets, services & products

A - Products

The partnership introduced current & savings account opening and services associates with those accounts

CURRENT AND SAVINGS ACCOUNTS : CONTA FACIL

This is one current and savings account that can be opened with identification and a cPF (a number issued by the Ministry of Finance). The account holders receive a Visa debit card. There is an outlet withdrawal limit of R\$ 3500.

CREDIT

As long as a minimum balance is maintained, Bradesco offers a credit limit equivalent to the average balance, which will increase as the balance is paid off. This can be seen as a microcredit , given that no formal proof of income or guarantee is necessary.

OTHER SERVICES

Tax payments, bills and monthly loan payments.
Retirement pensions.

4 – Targets, services & products

B- Targets and Marketing

TARGETS

Banco Postal's target market is the low-income population. Since 93 % of its clients earn no more than three times the minimum wage, it has reached its target population.

Clients are Clients from Bradesco and not from Correios

MARKETING

The marketing strategy is developed by Correios. Bradesco's participation consists of offering suggestions and supporting 50 % of the development and implementation of marketing campaigns.

COMMUNICATION

The strategy is to build and establish the Banco Postal's Brand and link it to the Postal services' credibility.

4 – Targets, services & products

C – Global activity for Correios

REVENUES

Correios is paid on the basis of fees for each transaction made by Banco Postal

ACTIVITY

Banco Postal represents between 2 and 3 % of total turnover of Correios

Summary

① **Positioning**

② **Organization**

③ **Systems & Network**

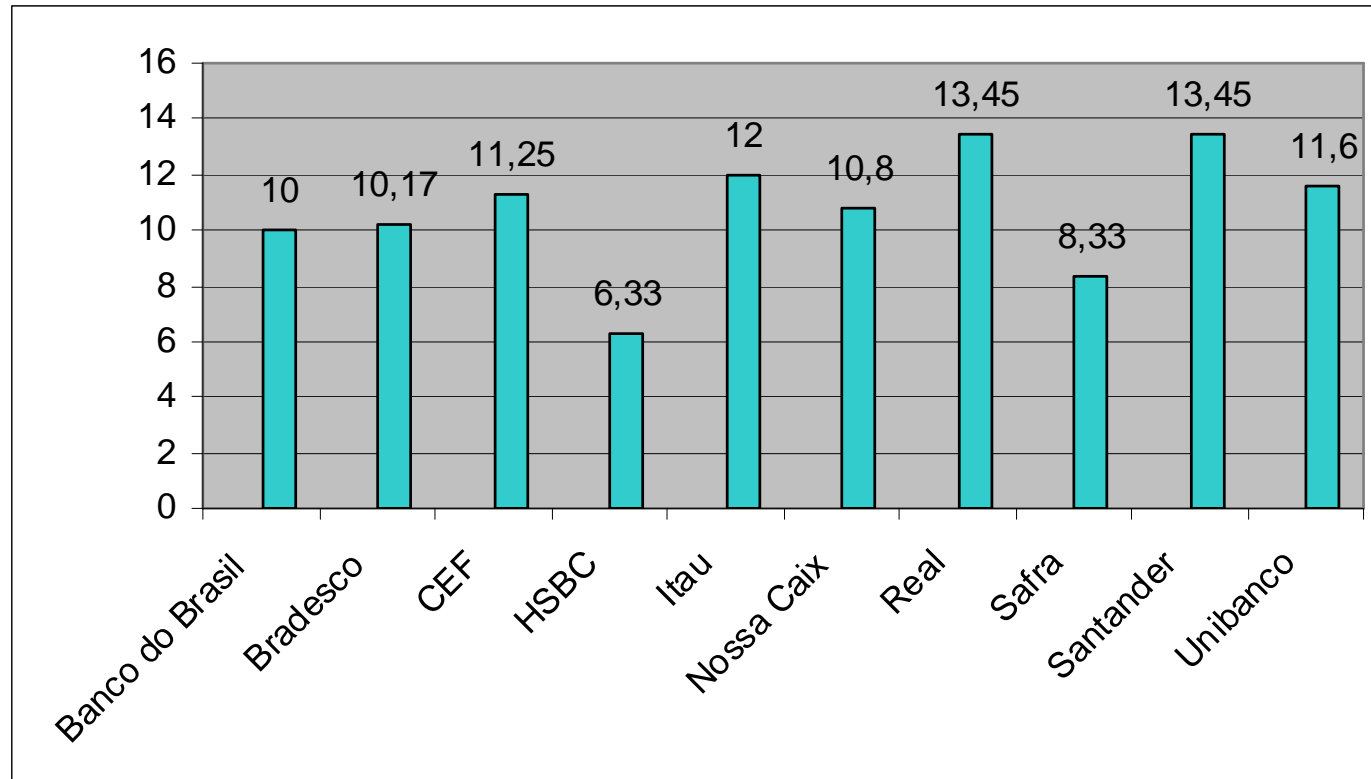
④ **Targets, services & products**

⑤ **Affordability, profitability & efficiency**

⑥ **Leverage effect**

5 – Affordability, Profitability, Efficiency

A – Affordability



Bank tariff comparison made on the basis
of a hypothetical client using :
Essential services and delivery of checkbook at home

Source : Fundação de Proteção e Defesa do Consumidor
Pesquisas Tarifas Bancárias 2009

5 – Affordability, Profitability, Efficiency

A – Profitability

Increased foot traffic has been reached

- Increase of more than 100% for rural Banco Postal outlets
- Increase of 25% for urban Banco Postal outlets

Source Correios

5 – Affordability, Profitability, Efficiency

A – Profitability

A VERY SENSITIVE ISSUE

The financial terms of contract between Bradesco and Correios are not public and have been during the past criticized even by the Government.

In 2007, for instance M. Costa, Ministry for Communications declared that “Bradesco paid 300 millions reais but receive back twice this value each year.”

For this reason, there was a re-negotiation of the contract and the tariffs to be paid by Bradesco were increased by 69%.

Summary

1 Positioning

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6 – Leverage effect

A – Evaluation of access

BEFORE BANCO POSTAL



2 531 districts in Brazil didn't have access to financial services
18.7 Million people
11 % of the Brazilian population

AFTER BANCO POSTAL



1 675 districts are newly provided with financial services
13.5 Million people are new customers

Source Correios

6 – Leverage effect

B – Evaluation of the use

MOBILIZING SAVINGS

In the 50 % poorest municipalities

Less than 30 % of the total population

Half of the total savings accounts of Banco Postal

ACCESS TO MICROFINANCE AND LOANS

In the 20 % poorest municipalities

10 % of the total population

25 % of all loans and micro-loans

Source UPU

6 – Leverage effect

C – Impact on development

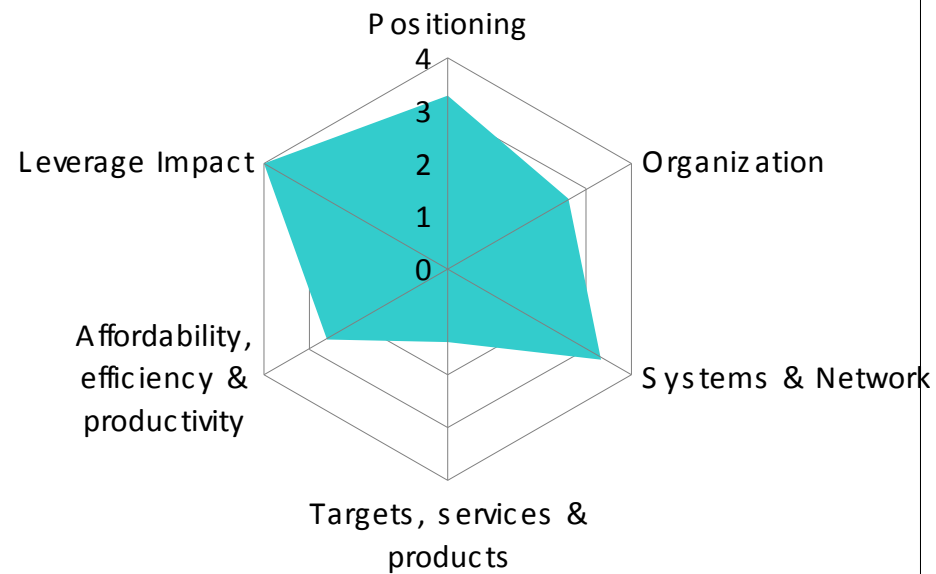
Without BP within a municipality	With BP within a municipality: average effect
◇ up to 163 new firms	◇ up to 201 new firms (+ 23%)
◇ up to 1,209 new jobs	◇ up to 1,381 new jobs (+ 14%)
◇ up to 9 new banks for 100 municipalities	◇ up to 14 new banks for 100 municipalities (+ 56%)
◇ Effects more likely if some degree of financial intermediation (1 to 5 banks before BP opening)	

Conclusion

- ① **Positioning : clear and successful**
- ② **Organization : what about the long-term ?**
- ③ **Systems & Network : what about employees' skills ?**
- ④ **Targets, services & products : what about the clients ?**
- ⑤ **Affordability, profitability & efficiency : who is the winner ?**
- ⑥ **Leverage effect : outstanding !**

Results

Evaluation of Banco Postal Model



Thank you for your attention

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