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Ubank moves to take on Capitec

Johannesburg - Ubank, formerly Teba Bank, has its eye firmly fixed on attracting lower-income earners and taking on the established players.

Finmark Trust researcher Jabulani Khumalo said the organisation's figures last year showed that 40% of the population was unbanked.

Within that group, three out of every four people had never had a bank account.

Finmark Trust is due to release its findings for this year on Tuesday.

The bank announced this week that it had teamed up with Blue Label Telecoms to launch a mobile money-transfer product to compete with Nedbank's M-Pesa, Absa's PayPass, FNB's eWallet and Shoprite's Money Transfer.

Ubank chief executive [Mark Williams](#) said the bank would be expanding its presence by opening more branches nationally and rolling out more ATMs.

"Since we have rebranded from Teba Bank, our main focus is to enhance our value proposition, acquire new customers and build a larger footprint.

"The bank is rapidly adopting a retail banking model that will modernise our approach to banking, increase sales capacity, broaden the product range and substantially increase the banking network," said Williams.

This focus will put the bank, which has previously operated mainly as a money-transfer institution, in direct competition with [Capitec Bank Holdings \[JSE:CPI\]](#).

There appears to be a significant market at the lower end of banking.



A banking analyst whose company policy bars him from speaking to the media, said Ubank needed to focus on growing its branches if it wanted to compete with other commercial banks, including Capitec which has three million clients.

Ubank, in contrast, has 500 000 clients and aims to reach a base of 1.5 million customers within two years.

“We will accomplish this through additional traditional branches, more ATMs and a greater retailer point-of-sale network,” said Williams.

Banking Association of SA chief executive [Cas Coovadia](#) said Ubank’s expansion strategy would expand access to banking.

“To have any bank increase its products and services to the unbanked is always a good thing for the industry,” he said.

Earlier this week, Williams attended a conference organised by the National Federated Chamber of Commerce and Industry (Nafcoc), strengthening speculation that the two were advanced in their talks about a potential acquisition.

Williams and the Nafcoc executives did not want to comment on whether or not they had discussed a possible tie-up between the two on Monday.

“A transaction of that nature is subject to the highest level of corporate governance, regulatory involvement and approval.

Exploration

“Ubank subscribes to this process and any pronouncement would follow the normal due process,” said Williams.

Nafcoc secretary-general Gilbert Mosena said the chamber had been exploring ways

of entrenching itself in key economic sectors that included financial services and mining.

He said part of that exploration involved talking to various businesses to devise the best possible way of increasing the organisation's role in the mainstream economy.

"Nafcoc wants to move away from being associated only with small businesses," he said.

Nafcoc and Ubank would have to request permission from the central bank's registrar of banks and the finance minister if they planned to make an acquisition.

"The request for permission is very important because the registrar of banks wants to have proof that a major shareholder would have enough money to save the bank if it got into trouble," said Coovadia.

Ubank, which operates 150 branches and agencies, will focus on putting up new branches at mines, as it enjoys a large amount of support there.

Williams said the bank had increased its products and now offered personal and home loans, funeral cover, fixed deposits and education insurance.

Khumalo said the industry no longer regarded Capitec as a small bank, because it had managed to make the financial system work for the previously marginalised poor and aimed to reduce their exclusion by offering a wide variety of entry-level products.

"I think there is space for Ubank to play a role in the sector that they are operating in and I think they will expand and perform well," he said.