

It's all systems go for Old Mutual's new bank

Old Mutual has announced that it will be launching a new bank.



Source: Wikipedia.

Earmarked to be opened in South Africa in 2024, the South African Reserve Bank's Prudential Authority has given the Old Mutual group Section 13 approval to apply for a banking license.

"The establishment of a bank within the group will allow us to hold the primary relationship with our customers, driving greater regular interaction with them and enhancing the cross-sell opportunity across the group," Old Mutual said.

The group has existing lending and transactional solutions which, in South Africa, consist of its Money Account and an unsecured lending product. These solutions are offered mainly to its Mass and Foundation Cluster customer base and the unsecured lending solution is already a strong contributor to the group's profitability.

The current transactional solution is delivered through a commercial arrangement with a third-party bank.

"While this commercial arrangement has allowed us to gain experience in transactional banking services, a divergence of aspiration requires us to reassess our future arrangement to deliver on our customer needs," Old Mutual said.

Integrated into a cloud-based technology stack, the group's new bank aims to deliver scalable, value-for-money client-

centric solutions.

It will accept retail deposits as part of its aim to offer a less-expensive source of funding.

The cost of building the transactional capability is estimated to be R1.75bn.

The new bank is expected to break-even three years after its initiation.

As the capability matures post break-even, the return is expected to be significantly above the target return of 4% in excess of the cost of equity.

"We are currently working on our application under Section 16 of the Banks Act for the registration of the bank," Old Mutual said.

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