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## **'Haypost' and 'Postbank' to be integrated structures**

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Interview of the Trustee Manager of 'HayPost' Company Hans Boon to Mediamax Agency and Banks.am web-portal (Yerevan, 20.08.2007)

- The transfer of large backbone companies to trust management is a new tool for Armenian economy. Will you, please, uncover on the example of 'HayPost' the peculiarities of the given tool, its advantages and the possible risks, as well as the mutual commitments, which make the basis of the trust relationship?

- The government of Armenia made a courageous decision, transferring to trust management a major company, such as 'HayPost'. The trust management will be realized in the course of 5 years, and it is basically aiming at establishing favorable conditions for the further commercialization of 'HayPost'.

In this connection, we will be coming across certain risks. The first and one of the most important risks is that the both sides might expect early dividends. In reality, however, our aim is not to gain immediate profit, but to increase the potential to secure the further growth and commercialization. We are largely guided by a long-term prospect and will consider a success the final result and not the immediate profit.

In fact, the point is the strengthening and the commercialization of the whole sector of postal services, and not an individual company. Thus, we should also think about setting up a fair and favorable basis for the further competition.

In the end, we have to be sure that in a relatively short period of time 'HayPost' will be able to provide the population with international level postal services, which, as a matter of fact, is our basic commitment.

- More that 8 months have passed since the agreement on the transfer of 'HayPost' CJSC to the Dutch 'HayPost Trust Management' for trust management was signed. Which were your main achievements during this period and what do you plan to accomplish by the end of the year?

- I believe that in this case it is more correct to talk about the achievements, which are visible. For instance, the opening of the first renovated post office in the center of Yerevan is, figuratively speaking, only the top of the iceberg. We have carried out certain work for improving the quality of postal services and the very process of postal delivery. If you have sent a letter within Yerevan today before 18:00 o'clock, tomorrow morning the letter must be received by the addressee. Within Armenia, the addressee will receive your letter on the third day after you send it. The given indicators were reached due to the reorganization of the process of mail.

A special service of receiving electronic files from the customer, printing those out and then further mailing to a large number of addressees started functioning in 'HayPost'. It is a very convenient

tool for the business clients .

More services will be provided in the sphere of money transfers as well, which will become an basis for opening the `PostBank'. We also plan to provide the customers with services of buying goods by catalogues, which will be delivered by post.

Besides, much work is carried out inside the company. This work is not visible for the large public. We conclude contracts with foreign partners; discuss prospects of cooperation with foreign financial institutions.

Much time and means are invested in the reformation of the very structure, in building the human capital by the `top-down' model.

- The population usually distrusts the arrival of new owners or managers, being afraid of growth of tariffs. Are there grounds for such concern in the case of `HayPost,' and how do you assess the tariffs, which exists today?

- I can confidently say that the fact of `HayPost' Company's transfer to trust management will not lead to the growth of tariffs for traditional postal services. In the sphere of postal services, we have a certain monopoly and we should be extremely careful while establishing the prices and the tariffs.

Our most important task is to make the postal services available for people with all kinds of income, especially when we talk about the traditional services. I should also note that despite the economy changes of the recent years, the tariffs for postal services have not changed in the country since 2001.

The problem with the prices of postal services is the fact that today in Armenia there is an extremely small volume of postings - according to the statistical data, there is one postal item per year for one person in Armenia. If we increase the volumes, we will manage to continue working with low prices. That is why we give special importance to increasing of the volumes of postings, and this implies the increase of quality and formation of the image of `HayPost' as a reliable company.

At the same time, we have a few special services, for example, registered mail, which we provide by a lower price than its real cost is. In this connection, we want to inform the society that in case of special services, certain changes are possible towards the increase of the tariffs.

We want to work out a reasonable price policy, based on real business calculations, and we hold joint work in that direction with the Committee on Regulations of Public Services.

- Nevertheless, don't you think that the tariffs for traditional postal services existing in the country are quite high? Fore example, it is cheaper to send a letter from Germany to Armenia, than vice versa...

- Indeed, in Armenia, as compared to western countries, the tariffs

for main services are high, but the tariffs for special services are much lower than in the West. Thus, we should not talk about the increase or decrease of tariffs, but about their being balanced and corresponding to certain logic.

For instance, if we are sending a letter from Armenia to Germany or vice versa, the tariff is composed of two components. If the letter goes to Germany from Armenia, Armenia should pay a certain sum to the German post and vice versa. We should balance the volumes of the given payments.

The second component, which influences the tariffs - is the fee for transport carriers. At this stage, we should take into consideration all the aspects and balance the tariffs for basic and special services.

It is possible that after the reconsideration of all the links of the chain, we will get an opportunity to decrease the tariffs for basic, traditional postings.

- Speaking during the ceremony of signing the agreement on the transfer of 'HayPost' CJSC to trust management to 'HayPost Trust Management', Chairman of the Central Bank of Armenia Tigran Sarkisian stated that the development program, elaborated together with the Dutch ING Group, provides for implementing 18 postal services on the Armenian market instead of the former two. What new services are already implemented and what services may be expected in the nearest future?

- As I already mentioned, for the diversification of the range of services, we should in the first place think about improving the quality of the existing ones. If the baker bakes bad bread, you should agree that you would never buy his cake.

One of the most important components we work on is the increase of the opportunities and the options of money transfers. We are at a stage of signing contracts with large international financial institutions in the USA, Europe and Russia.

An agreement is signed on the membership in EuroGiro network, which will give an opportunity to increase the volumes of money transfers. As a result, the post will become a 'supermarket' of remittances and money transfers.

Work is carried out to modernize the post offices, which will be providing services of internet access, thus also extending the spectrum of the services.

- The efficiency of a postal organization in many respects depends on the development of transport infrastructures. Armenia has been in transport blockade for over 15 years. To what degree is the influence of this fact on the efficiency of 'HayPost' services?

- This is a very serious problem not only for 'HayPost', but also for the whole economy of the country. Holland, where I come from, is comparable to Armenia as to its territory, but it is completely open for trade with the outside world. Whereas, direct sea and railway

communication are absent in Armenia. The main way of transferring the mail is the air, less frequently - the automobile transportation.

In case of air transportation, we come across the problem of absence of everyday flights in certain directions. This means that we cannot always guarantee that the postings will reach the addressee in time.

In the existing situation, there comes up the necessity to develop an integrated chain of supplies. For example, let us take the mechanism of sales by catalogues - 'HayPost' should take upon itself the function of the provider of the given services to the Armenian market, fulfilling the role of the mediator and the transporter at the same time.

- Recently, you opened the first renovated post office in Yerevan. How many such offices will appear in Armenia by the end of the year?

- We work on developing of various formats of post offices. The post office on Toumanian Street, the presentation of which took place recently, is a middle-size city-type office, which provides a set of commercial and the whole complex of postal services.

We also elaborate the models of the so-called postal supermarkets, which will represent a shop inside a shop - in the post office, beside the particularly postal service, you will be offered a large range of commercial services as well.

Work is carried out to establish the so-called points of postal services - small post offices, located in supermarkets.

By the end of the year, some 3-4 more post offices of middle size will be opened; work is carried out to open two mini-post offices in Yerevan. To open large post supermarkets, we need more time, taking into consideration the large volume of the work.

- What role do you give to IT-technologies in the process of modernization of postal services?

- The improvement of IT-component is one of the basic elements of our work. Having 900 post offices all over the country, we should be confident that all those offices work reliably inside one single network as a single constitution.

Besides, the post should not only play the role of a provider of postal services, but also give the opportunity of internet access for the whole population of the country.

- During the recent meeting with OMX Group in Yerevan, you talked about the plans of 'HayPost' of entering the market of securities. How do the matters stand in that direction?

- 'HayPost' plans to start independent work on the market of capital in the course of the nearest 1.5-2 years. We plan to hold the placement of bonds of the company, participate in setting up mutual funds, which are a kind of an alternative to savings accounts. The given tool will become a basis for the further pension reforms in Armenia.

-To what degree the function of `HayPost' will change with the arrival of `PostBank'? Figuratively speaking, where will the functions of `HayPost' end, and the functions of `PostBank' begin?

- The post will never become a branch or a department of the bank. However, in our concrete case the specific nature is that in post offices you will always manage to use the standard financial services. Even today, the population has the opportunity to make certain kinds of payments in post offices. One may say that this is already a service of `PostBank'.

With the arrival of `PostBank' the services in the sphere of payments will become more effective, transparent and insured from any possible risks.

`HayPost' and `PostBank' will be integrated structures: for example, the office, where the operators are, will be single for the customers of `HayPost' and `PostBank'. And if you come to the post office and express a wish to open a banking account, the postal operator will give you a blank to be filled in, but the decision on opening the account will be made by `PostBank', which will be the one working with the customer in future.

The functions on managing the financial means will be attached to `PostBank', and `HayPost' will take up the role of a mediator, an agent.

One should not consider the post office as a branch of bank; The Post Offices will be fulfilling only the functions of sale points. Moreover, the post offices will not provide you such services as granting mortgage and business credits. That will be done in the headquarters of the Post Bank.

-When will `PostBank' start functioning in Armenia?

-We hope that in fall we will announce the definite dates of opening the `PostBank'. Today we carry out work with the Central Bank of Armenia on obtaining licenses and registering the bank.

Simultaneously, we go thorough testing of all the components and services, of `PostBank' and will be doing this until we are completely sure that we have eliminated any possibility of making even minor mistakes.

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