

## > Retail Banking in Central Europe

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# > Retail Banking in Hungary

## Market Overview

- » Population: 10.3 million inhabitants
- » GDP / capita in 2002: EUR 6,876 EUR
- » Total banking assets /GDP: 68.5% - lower than CE average 98.5%
- » Corporate Loans /GDP: 21.7% - developed market
- » Retail loans /GDP: 8.6% - high growth potential
- » Total deposit /GDP: 36.2% - stable market
- » Investment funds /GDP: 5.5% - rapidly growing market
- » Oversaturated market - consolidation process expected
- » Relatively high banking penetration (80%) - average banking relation 1.7 (higher than CE average 1.3)

# > Market overview

Market share retail loans			Market share retail deposit			Total assets 2002 (million EUR)		
1.	OTP Bank	43.1%	1.	OTP Bank	37.5%	1.	OTP Bank	9,368
2.	K&H Bank	7.6%	2.	K&H Bank	10.2%	2.	K&H Bank	4,831
3.	ERSTE	4.5%	3.	POSTABANK	5.4%	3.	MKB	3,780
4.	CITI	4.2%	4.	MKB	4.4%	4.	CIB	3,274
5.	RAIFFEISEN	3.0%	5.	ERSTE	4.0%	5.	HVB	2,270
6.	POSTABANK	2.9%	6.	BB	3.1%	6.	RAIFFEISEN	2,110
7.	MKB	2.7%	7.	CIB	2.9%	7.	POSTABANK	1,988
8.	BB	2.2%	8.	RAIFFEISEN	2.8%	8.	ERSTE	1,592
9.	CIB	1.7%	9.	HVB	2.5%	9.	BB	1,537
10.	ING	0.6%	9.	CITI	2.5%	10.	CITI	1,478
11.	HVB	0.5%	11.	ÁÉB	0.8%	11.	ÁÉB	1,176
12.	ÁÉB	0.2%	12.	ING	0.2%	12.	ING	949

## > Client segment

### » **Middle class private clients**

- » Average and/or above average monthly income (ca. 550-600 EUR net income)
- » Already existing banking relationship with any of the banks

### » **Professionals - profitable growth market (ca. 60,000)**

### » **Micro clients - high market potential (ca. 600,000) but unexploited due to risk profile**

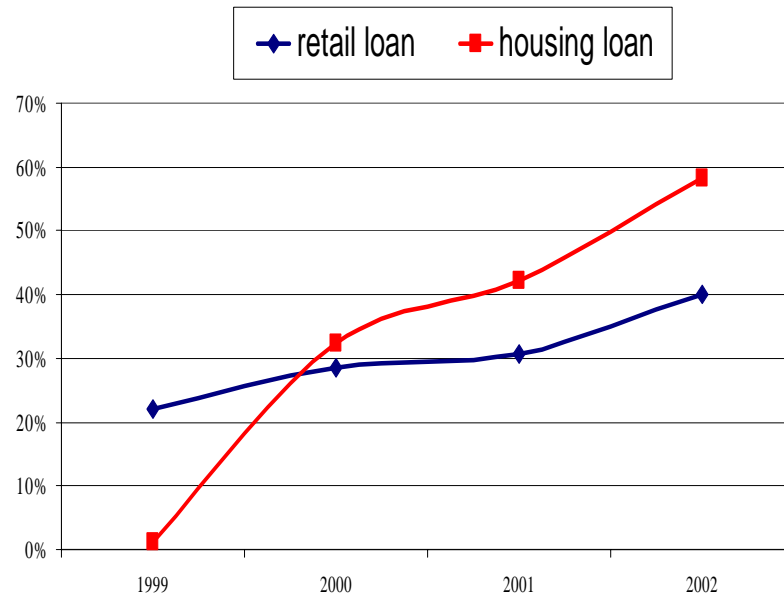
### » **SME clients - well developed market, competitive but with high market potential**

## > Products & growth potential

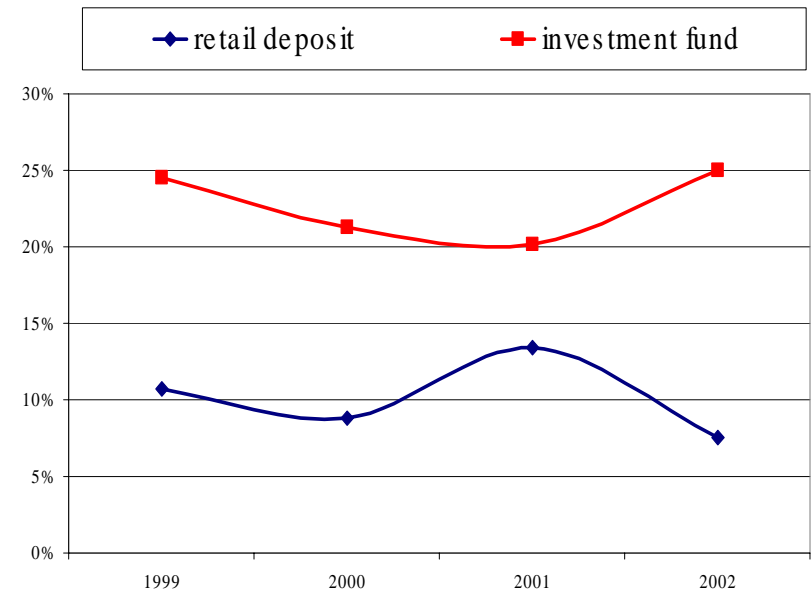
- » **Dominance of traditional short term deposits vs. middle and long term alternative savings forms - Trend shift expected**
  - » Rapid deposit volume increase - only due to the current market situation (base rate increase from 6.5% to 9.5%)
  - » Stagnating investment fund portfolio - but mid and long term good performance expected
- » **Mortgage loan portfolio - dynamic and continuous growth due to state subsidy system**
- » **Mortgage loans (free utilisation and housing) - introduction of Euro based financing in the private segment**

# > Products & growth potential

## Retail loan growth 1998-2002



## Retail savings growth 1998-2002



## > Channels & future potential

Channel	Use	Future potential*
<b>Branch</b>	Mainly advisory services, active sales of complex and para-banking products (new client acquisition and cross selling)	++
<b>Call Center</b>	Self service (transactional banking) and basic advisory function with active sales (cross selling)	+++
<b>Netbanking</b>	Complete self service for transactions (mostly for private customers)	+++
<b>Electronic Banking</b>	Complete self service for transactions (for micro and SME customers)	++
<b>Agent network</b>	New client acquisition and basic advisory service in the lending business, future potential in savings business	+++
<b>Cooperation partner</b>	Cross selling in the partner's sales network, product packages, new client acquisition	+

\* Planned development & cost saving

## > Strategy going forward

### **Goal of 20-25% retail market share**

- » **Autonomous growth and acquisition of banks and/or client bases**

#### **Strategy of autonomous growth**

- » **Intensive cross-selling (based on client segmentation)**
- » **Use of external distribution channel & e-channels**
- » **Focus on Euro based financing in private lending**
- » **Continued mortgage loan growth**
- » **Greater emphasis on investment fund business**
- » **Expansion of branch network**