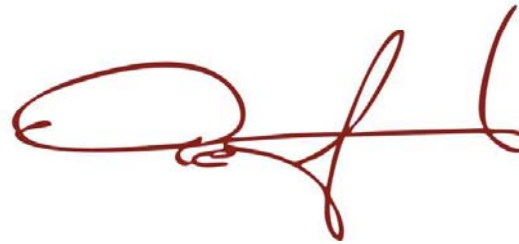
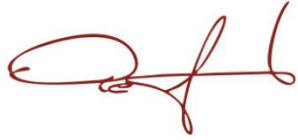


KLAUS SCHUSTER  
MANAGEMENT CONSULTING



***“HOW TO POSITION YOUR BANK IN A VERY  
COMPETITIVE HOUSING LOAN MARKET?”***

IV. CONGRESS ON HOUSING FINANCE IN CENTRAL AND EASTERN EUROPEAN COUNTRIES  
Warsaw/Poland, 29./30. November 2007



## THE FUTURE OF HOUSING FINANCE IN CEE

Although the home ownership rate in CEE countries is quite high – approximately 69% in 2006 <sup>1)</sup> – **the fight for market share in the housing loan segment will go on.** Reasons are:

- ❖ Mortgage loans as savings products for the next generation
- ❖ New target groups like “Me PLCs” (in german: “Ich-AGs”)
- ❖ Freelancers will be treated as VIP customers like for instance doctors, dentists etc in Austria
- ❖ True and fair picture of financial information available in all customer segments
- ❖ Housing loans not just for “purchasing” real estate, also for reconstructions and renovations
- ❖ One mortgage loan for different purposes instead of different mortgage loans for different purposes
- ❖ Modernized cadastral land register will enable mortgages also on flats and buildings under construction

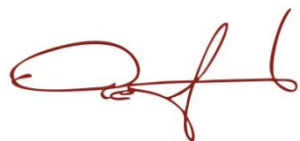
<sup>1)</sup> UniCredit research



## SERBIA & SLOVENIA IN COMPARISON

<i>as of 30.9.2007</i>	Serbia	Slovenia
Total number of banks	36	24
Total assets (banking sector)	EUR 18 bn	EUR 40 bn
Population	9,8 mio citizens (incl. Kosovo) ~ 7,6 mio citizens (without Kosovo)	2,0 mio
<i>Year 2006</i>	Serbia	Slovenia
# of dwellings completed	18.162	7.538
# of dwellings non-completed	31.287	13.677
Dwelling stock	2,811.000	812.370
Average floor space/person	25,1 m <sup>2</sup>	31,6 m <sup>2</sup>

Sources: Nationalbanks of Serbia and Slovenia, Statistical Offices of the Republics of Serbia and Slovenia, Nova Ljubljanska Banka  
Estimated population in Kosovo ranges between 1,9 and 2,4 mio citizens



# HOUSING FINANCE INTEREST RATES

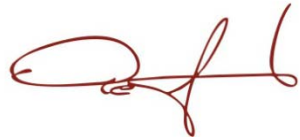
*A simple calculation*

	Serbia	Slovenia
3M Euribor <i>(as of 19.11.2007)</i>	4,57%	4,57%
Country risk <i>(experiences from international banking groups)</i>	100 bps	0 bps
Obligatory reserve requirements	45%	0%
<i>Cost price</i>	9,95%	4,57%
Average annual long-term interest rate <sup>*)</sup>	10,05% (EUR indexed)	7,06%
<b>Margin</b>	<b>0,1%</b>	2,49%

<sup>\*)</sup> Sources: Nationalbanks of Serbia and Slovenia

Interest rates per annum

Subsidized loans (e.g. Nacionalna Korporacija in Serbia) not considered

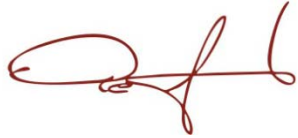


## WHY I AM TELLING YOU THIS...

... is because most of the commercial banks in CEE countries and especially in ex-Yugoslavia are competing only on the price.

With different **"creative" ideas** like other currencies than their local ones (JPY, CHF), longer terms (up to 35 years already in Croatia), grace periods of 2-3 years or LTV of 100% almost every bank tries **to offer the best conditions or lowest annuities to customers** at the moment.

*In my opinion this is just a short term and quite dangerous solution. On the long run a proper positioning of your bank in the housing loan market will be the basis for your competitive advantage!*



# POSITIONING

*What is it?*

SEGMENTATION



DIFFERENTIATION

CONSUMER  
ANALYSIS

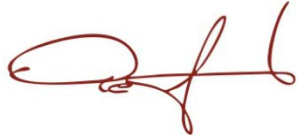
COMPETITIVE  
ANALYSIS

TO WHOM?

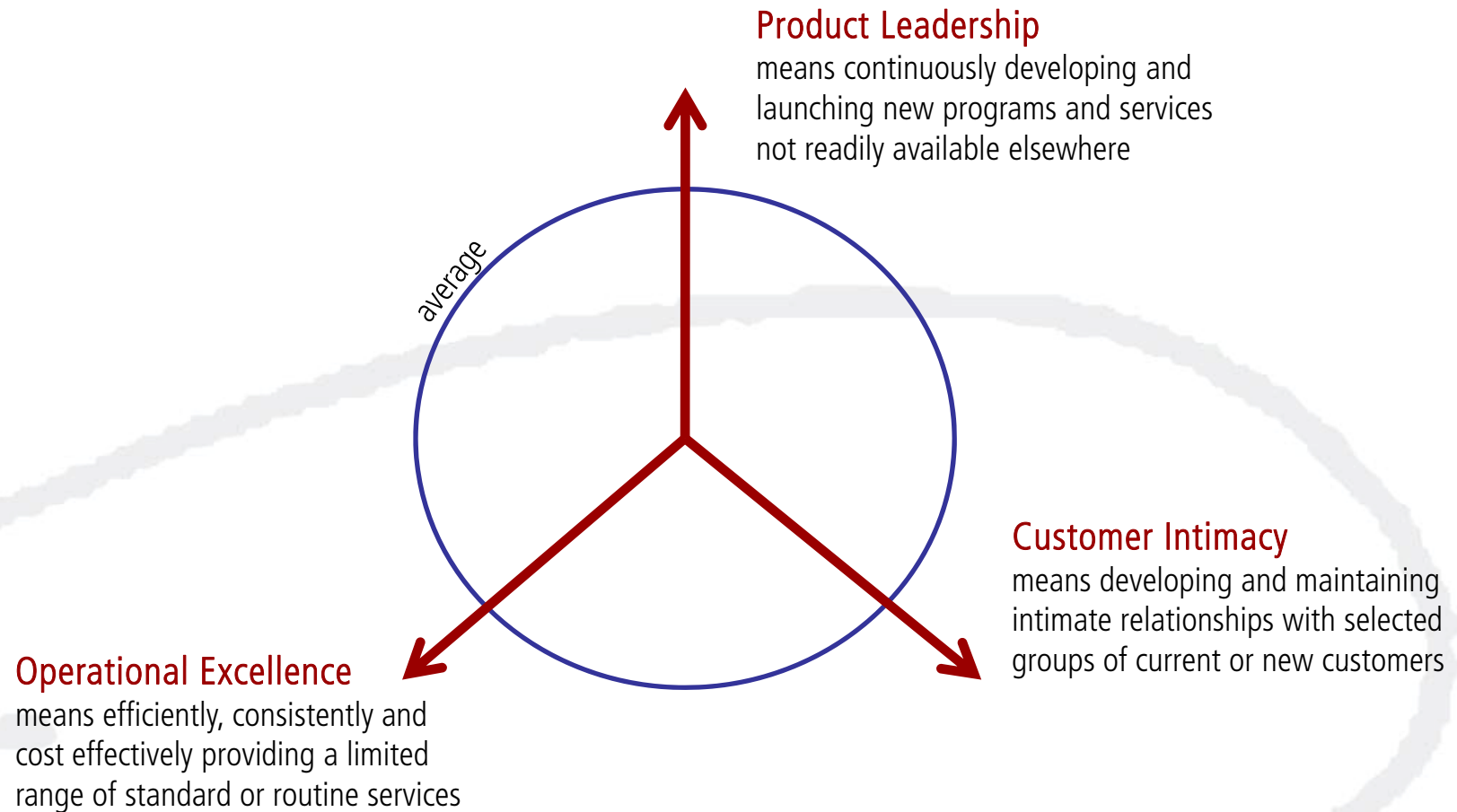
WHAT?

*Source: Prof. Joe Pons, IEDC School of Management/Bled*





# WHERE TO POSITION YOUR BANK?



*Tracy and Wiersema in "Discipline of Market Leaders"*

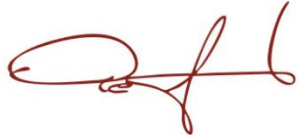


## 6 IMPORTANT QUESTIONS

1. What position – if any – does your bank already own in your customer's mind?
2. What position do you want to own?
3. Which banks must be "displaced" if your bank is to establish that position?
4. Do you have enough marketing money to occupy and hold that position?
5. Will your bank be capable to stick to a consistent position?
6. Does your creative approach match your marketing strategy?

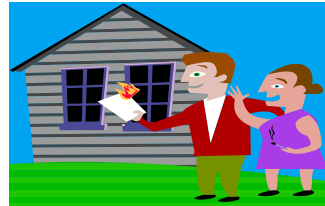


Source: Prof. Joe Pons, IEDC School of Management/Bled



# HOW TO CREATE ADDED VALUE?

*The "housing loan life cycle"...*



purchasing and/or renting  
real estate

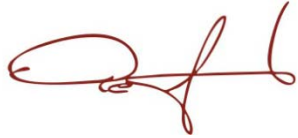


(re)constructing, renovating



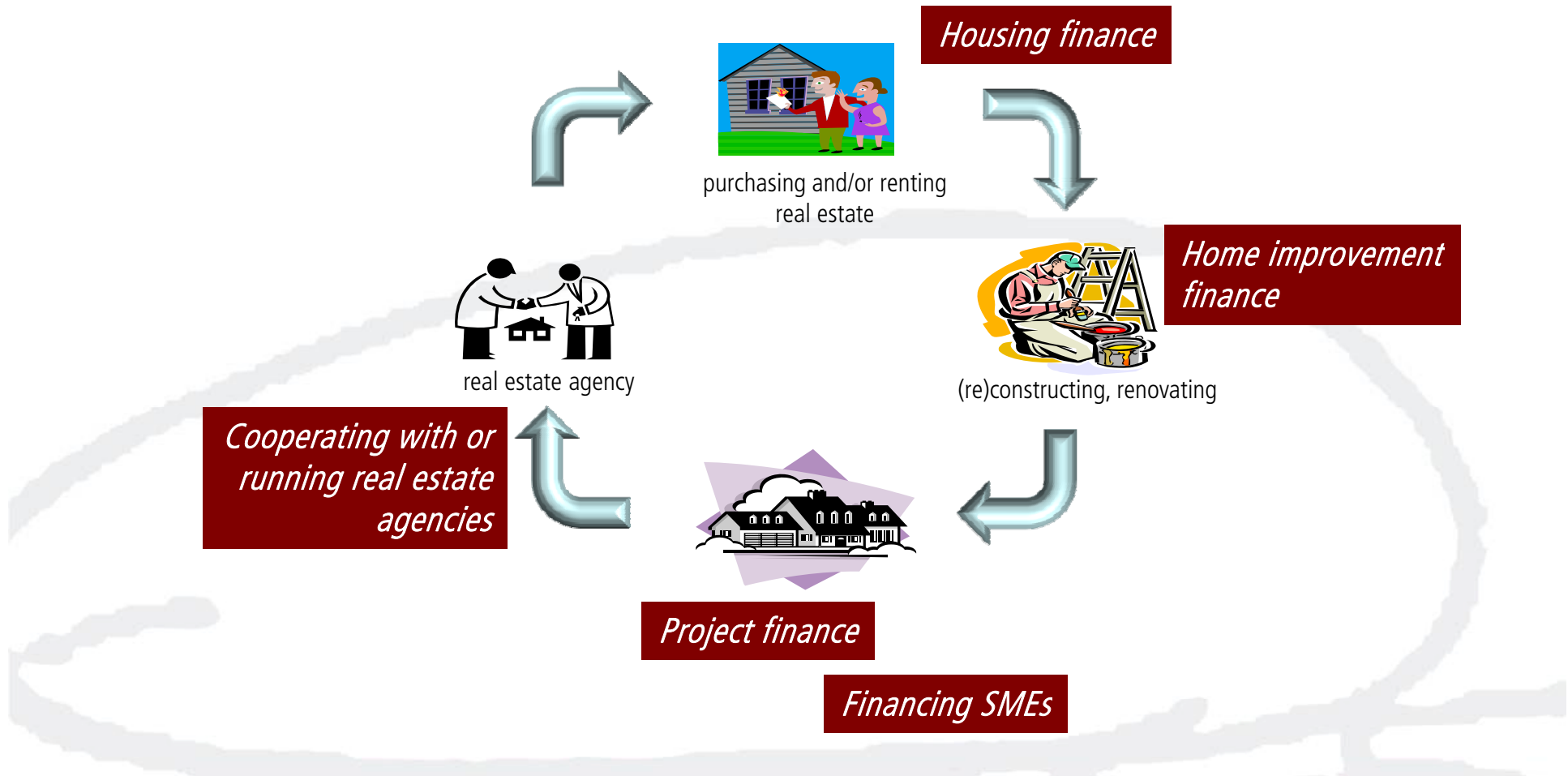
real estate agency

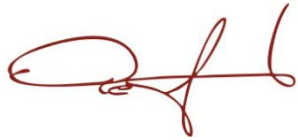




# HOW TO CREATE ADDED VALUE?

*...and the bank's role and contribution*





## NEW TARGET GROUPS <sup>1/2</sup>

Some years ago the airline industry suffered about tremendous losses, some carriers like the well-known Swissair also went bankrupt.

Exactly during this time a new carrier appeared on the market. **He changed the logic in "bringing people from A to B", defined new products and processes and targeted a new customer segment:** travelers with low budget and sense for costs like city tourists, owners of small enterprises, freelancers etc. **Today easyJet is one of the most successful carriers in the airline industry with a GBP 130 million profit in 2006.**

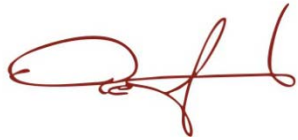
In comparison to that just a few banks – most of them Micro Credit Organizations – are offering mortgage loans to private entrepreneurs and freelancers. Why? Because in most of the cases they can't provide sufficient financial figures.



## NEW TARGET GROUPS 2/2

*Offering housing loans to a target group that is not able to receive loans under standard conditions and according to banks' standard procedures is just one of the examples how to move as a bank from a price-driven market player to the strategic positions "Operational Excellence" or "Customer Intimacy"...*

*...and surely together with higher margins!*



# PRIVATE ENTREPRENEURS & FREELANCERS

*What did we learn from Micro Credit Organizations?*

PROFIT & LOSS STATEMENT		2006
Revenues from sales		
Other revenues		
Interest income		
<b>Total revenues</b>		
Costs of goods and materials		
Personnel expenses		
Rent		
Electricity, water, phone, marketing, gas		
Loan obligations (installment)		
Leasing		
Other expenses		
Depreciation		
Tax		
<b>Total expenses</b>		
<b>PROFIT</b>		



Additional  
sources of  
income



CORRECTED PROFIT & LOSS STATEMENT		2006
Revenues from sales		
Other revenues		
Interest income		
<b>Total revenues</b>		
Costs of goods and materials		
Personnel expenses		
Rent		
Electricity, water, phone, marketing, gas		
Loan obligations (installment)		
Leasing		
Other expenses		
Depreciation		
Tax		
<b>Total expenses</b>		
<b>CORRECTED PROFIT</b>		

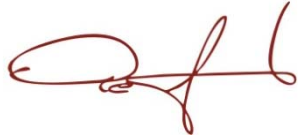
ASSETS		2006
Real estate		
Cash		
Life insurances (with savings element)		
Share in capital in other companies		
Securities		
Other assets		
<b>LIABILITIES</b>		
Bank loans		
Private debt		
Leasing obligations		
Other liabilities		
<b>EQUITY (difference between Assets and Liabilities)</b>		



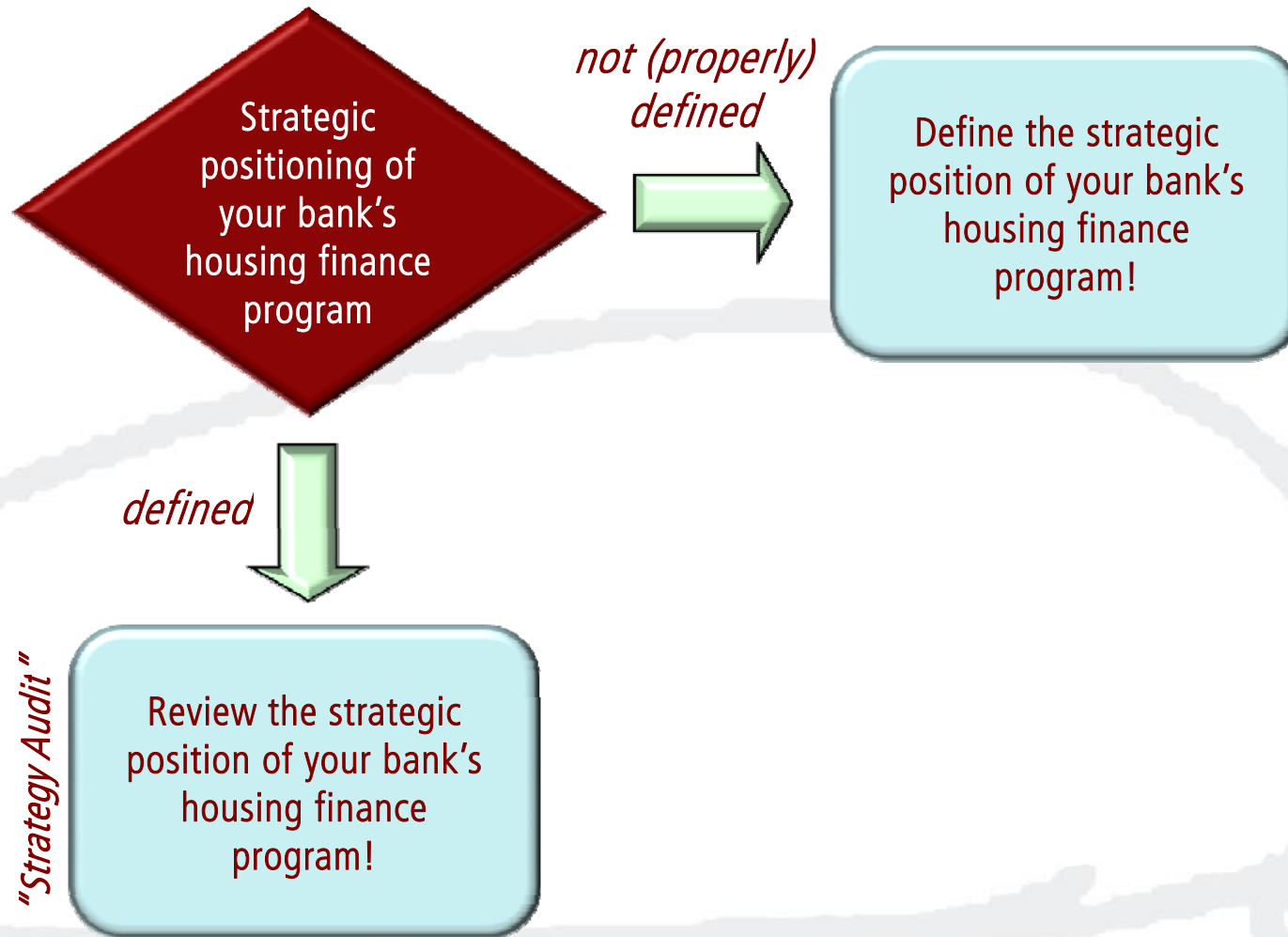
Hidden  
reserves



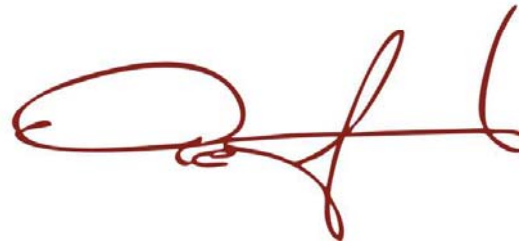
CORRECTED ASSETS		2006
Real estate		
Cash		
Life insurances (with savings element)		
Share in capital in other companies		
Securities		
Other assets		
<b>CORRECTED LIABILITIES</b>		
Bank loans		
Private debt		
Leasing obligations		
Other liabilities		
<b>CORRECTED EQUITY</b>		



# MY RECOMMENDATIONS



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