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Innovative Transaction Pricing

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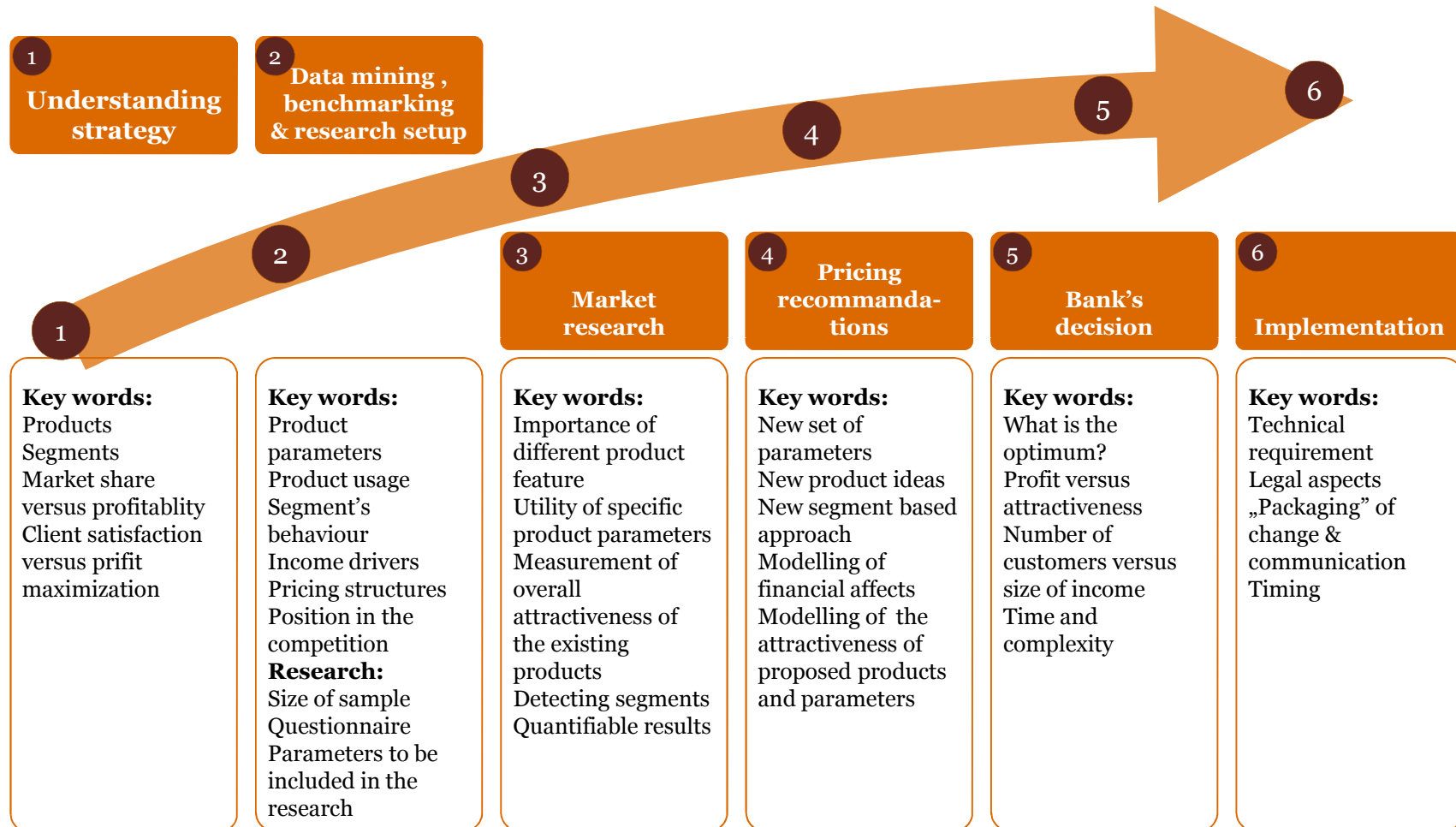
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Methodology

1



Our approach to pricing reviews



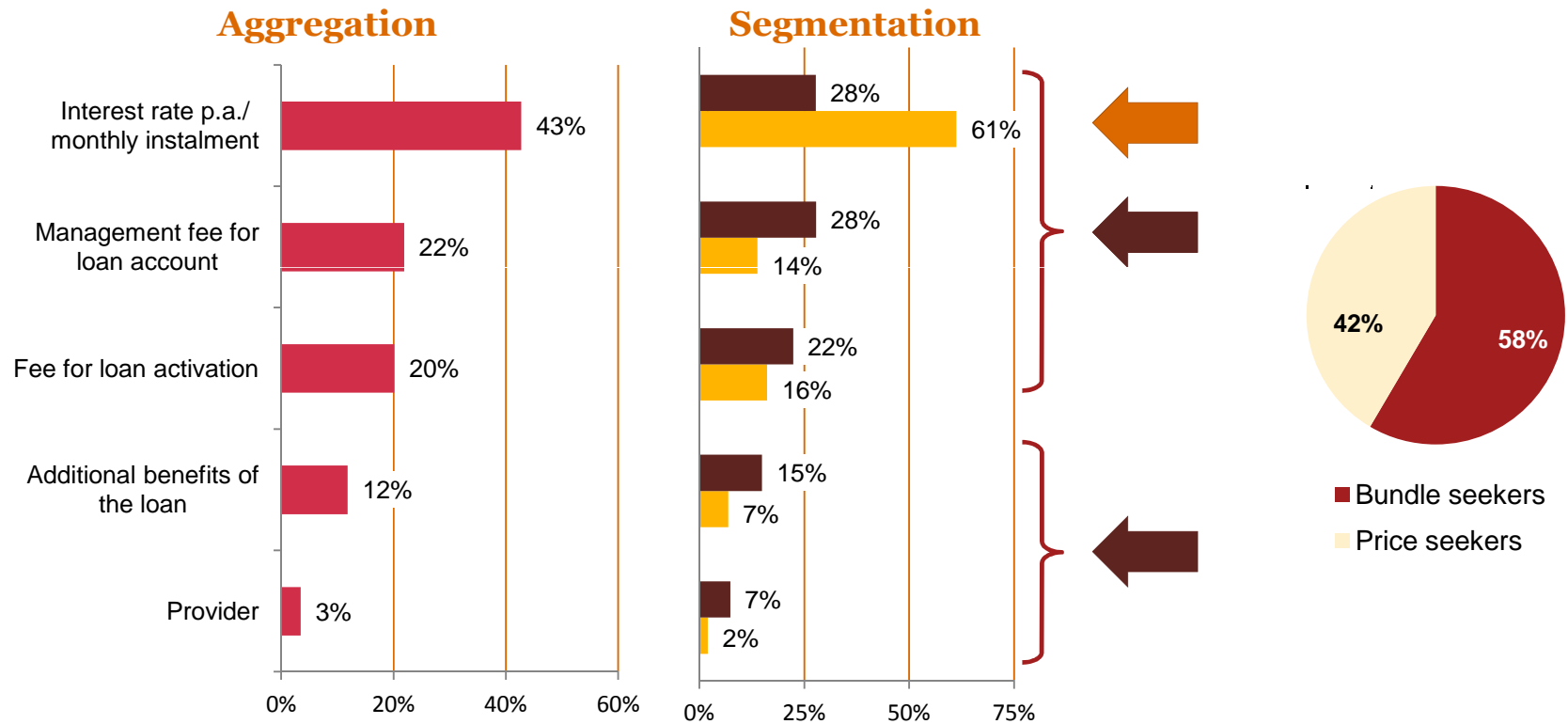
Case Study 1

Cash loan – Czech Republic

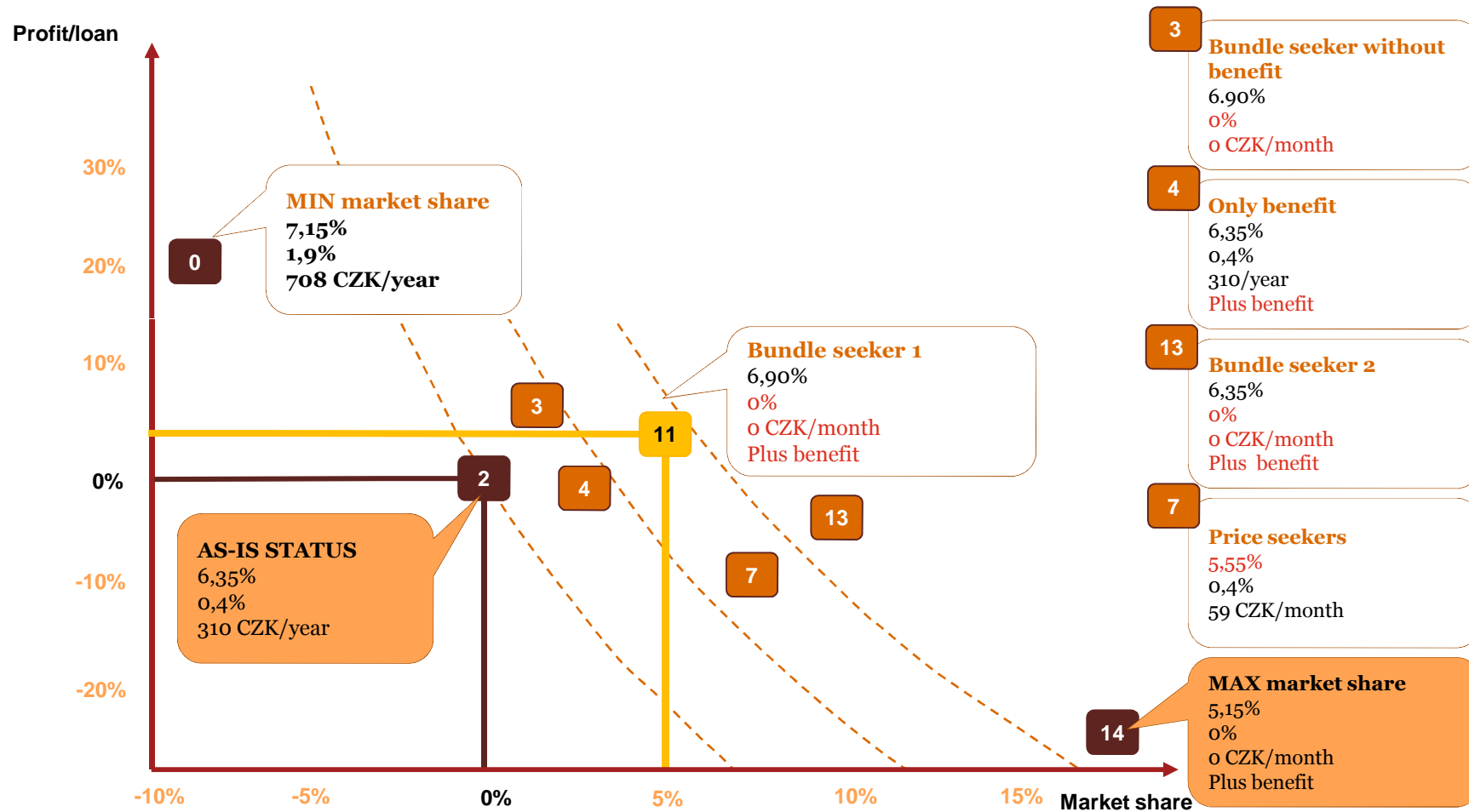
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- Segmentation Example

There are two major segments with different preferences – price seekers and bundle seekers



Profitability and market share – can you have both?



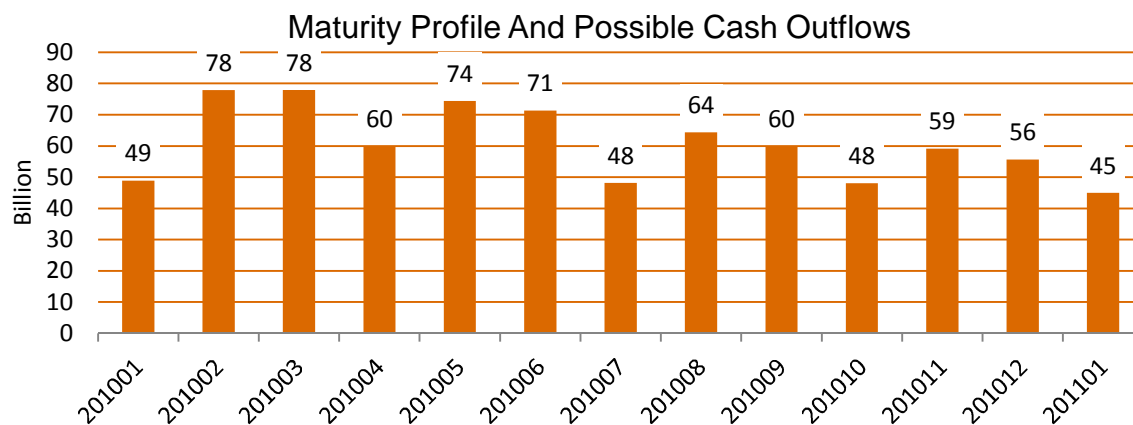
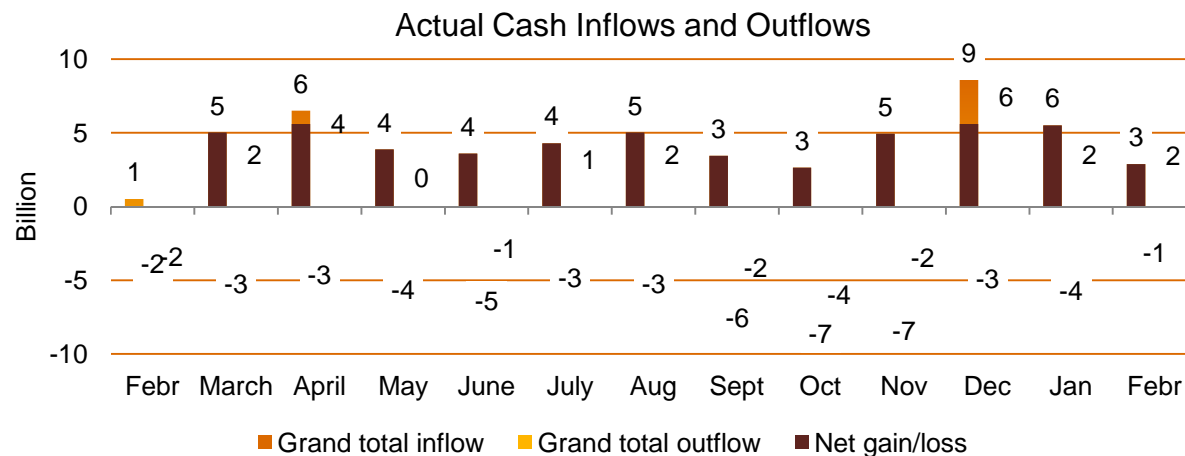
Case Study 2

Savings & Deposits – Hungary, Poland

3

- Retiering and Repricing

Sticky deposits – outflows are low and can be influenced by your salespoints directly



The outflow stream does not seem to correlate with the maturity stream, which means:

- Either deposits are kept in the bank
- Or it is taken out in cash – which can be influenced through the sales personnel/cashiers in branches

Redesigned tiering and interest rates increases ticket size per client and/or decreases paid interest

3 M	Volume tiers	↑ TD 1	TD 1	TD 2
	0,1-0,5 million	4,5%	3,6%	4,5%
	0,5-2 million		3,7%	4,5%
	2-5 million		3,8%	4,5%
	Above 5 million	5,0%	3,9%	5,0%

3 M	Volume tiers	↑ TD 1	TD 1	TD 2
	0,1-0,5 million	4,0%	2,6%	4,0%
	0,5-1,2 million	4,1%	2,7%	4,1%
	1,2-2,4 million	4,2%	2,8%	4,2%
	2,4-5 million	4,3%	2,9%	4,3%
Above 5 million	4,5%	3,0%	4,5%	

6 M	Volume tiers	↑ TD 1	TD 1	TD 2
	0,1-0,5 million	6,0%	3,9%	5,0%
	0,5-2 million		4,0%	5,0%
	2-5 million		4,1%	5,0%
	Above 5 million		4,2%	5,2%

3 M	Volume tiers	↑ TD 1	TD 1	TD 2
	0,1-0,5 million	5,00%	3,6%	4,0%
	0,5-1,2 million	5,25%	3,7%	4,1%
	1,2-2,4 million	5,50%	3,8%	4,2%
	2,4-5 million	5,75%	3,9%	4,3%
Above 5 million	6,00%	4,0%	4,5%	

Case Study 4

Credit Cards – Czech Republic

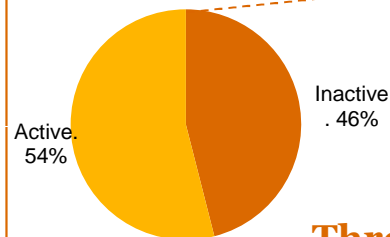
4

- Customer Sensitivity Approach

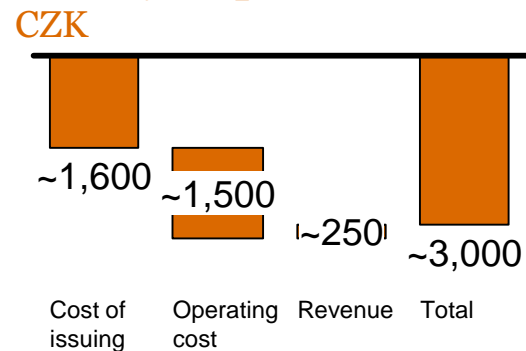
Low level of customer activity, despite lowest annual maintenance fee on the market

Almost half of current credit cards users are inactive – they lose money for you

Credit card usage
Percent of users

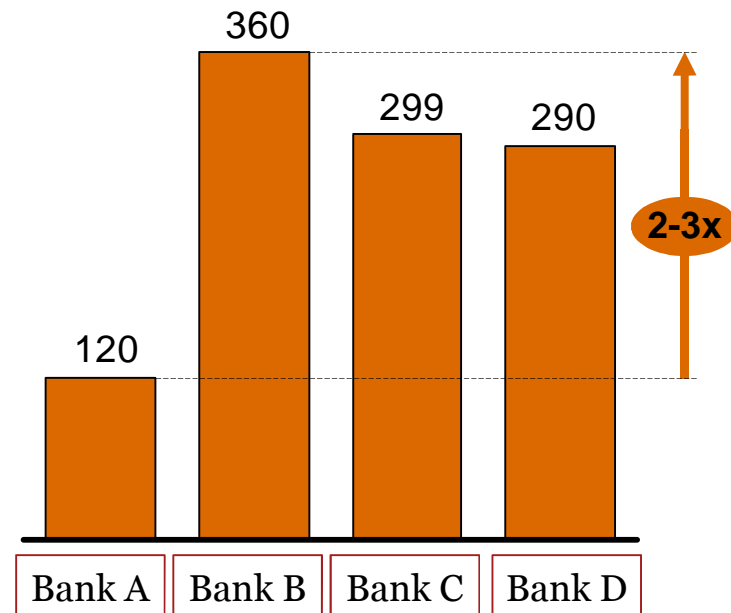


Three-year profit (estimate)
CZK



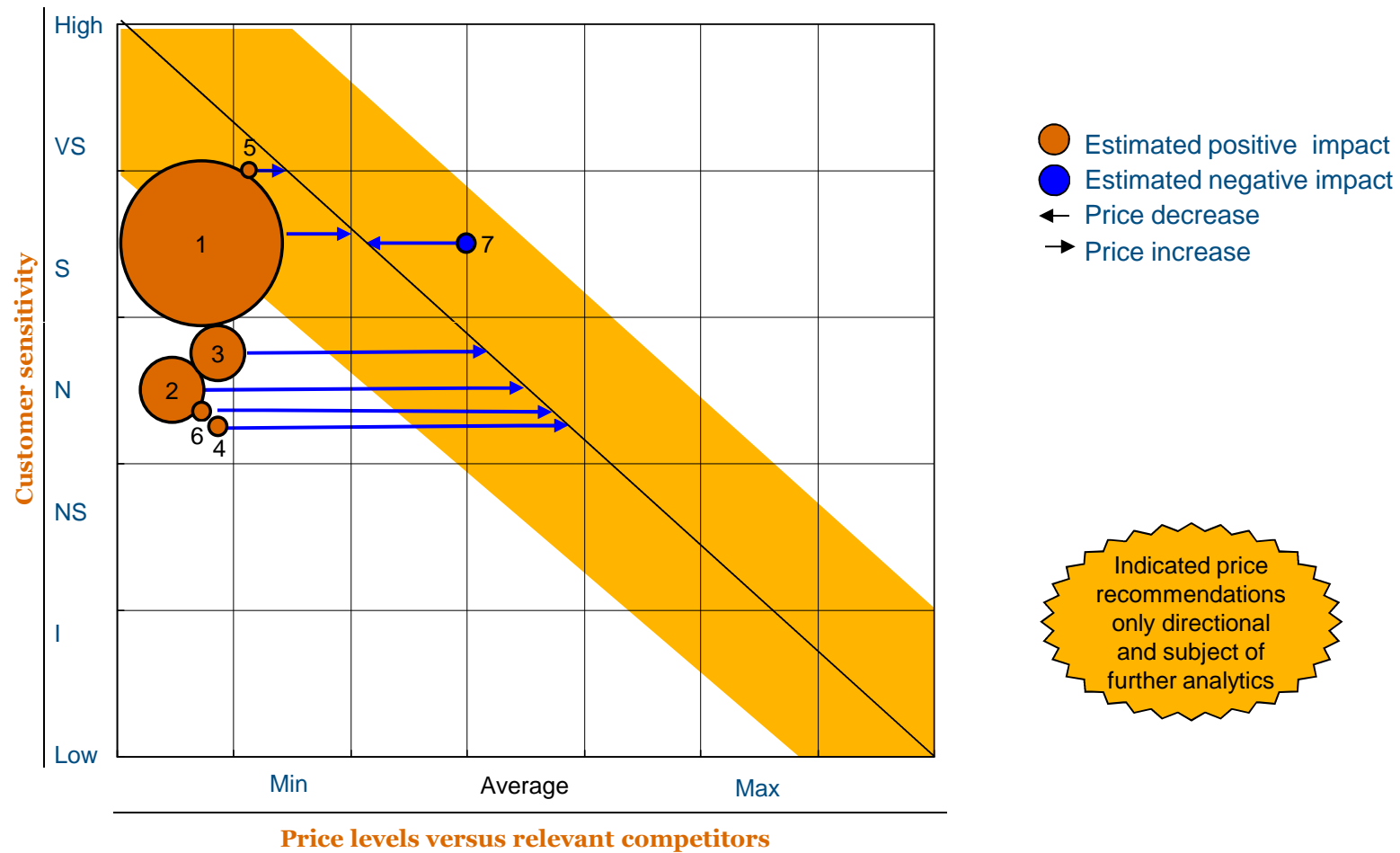
Credit card pricing is at the bottom of the market

Annual maintenance fee⁽¹⁾
CZK



(1) Depending on bank, consists of annual fee, and monthly fee and card account fee
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Many analytical tools were used to identify optimal price level of pricing parameters



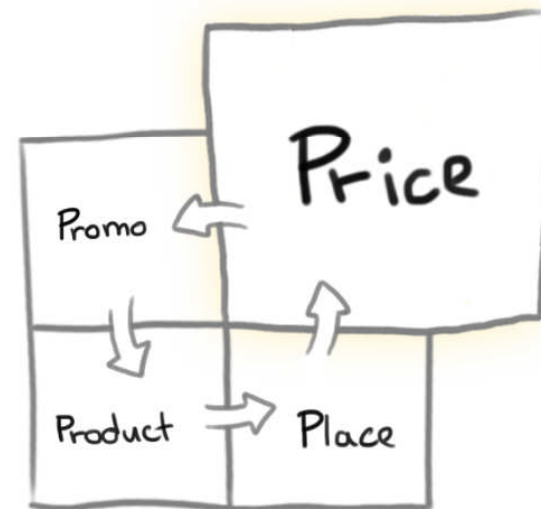
Recommendations

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- What to do tomorrow differently

Pricing is a blend of science and art

1. Look for simple things to do now
 - Communication of offers
 - Instalment vs. interest rates vs. fees
2. Look for easy segmentation wins
3. Look for new tiering/repricing strategies
4. Look for customer preferences, try to understand product attributes and segments
5. The same people do it all – from analysis to implementation



We are ready to start...



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