

Renminbi and digital banking

Budapest Renminbi Initiative 2016 Conference

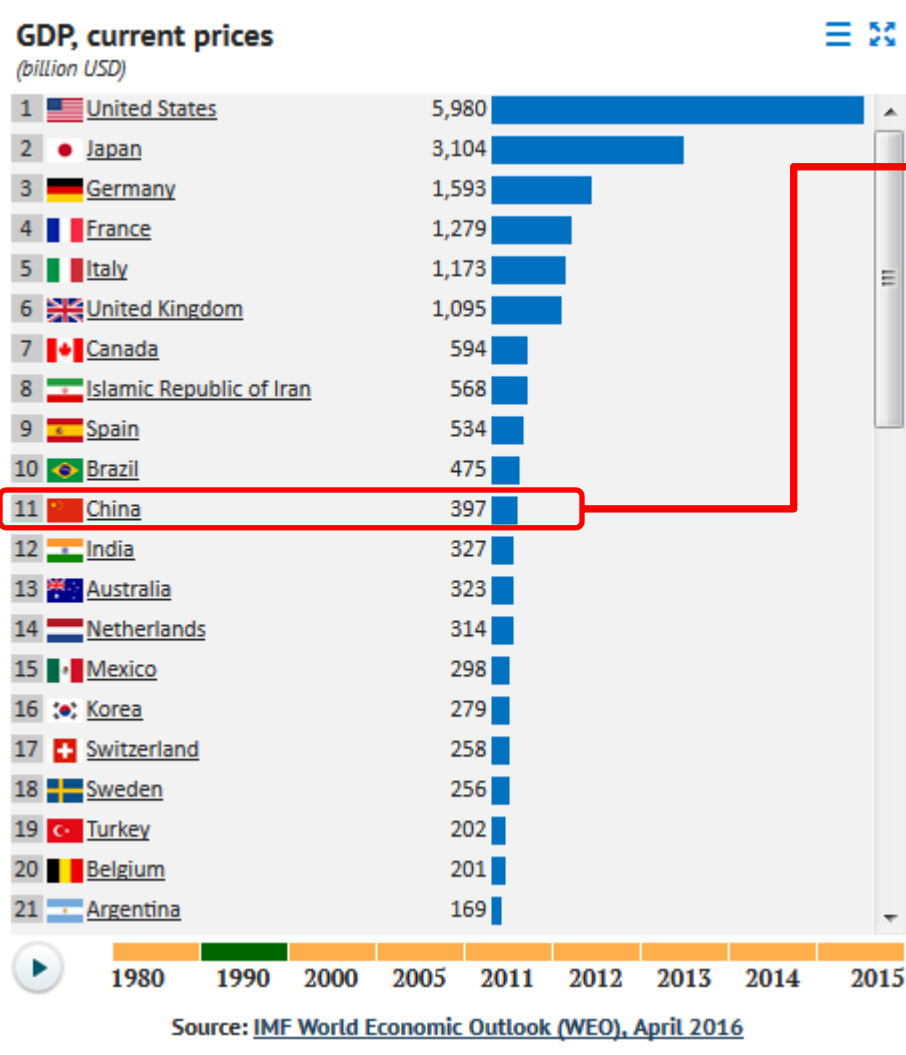
László Hankiss

Managing Director

GRÁNIT Bank, Strategy and Analysis Directorate

25th of May 2016, Budapest

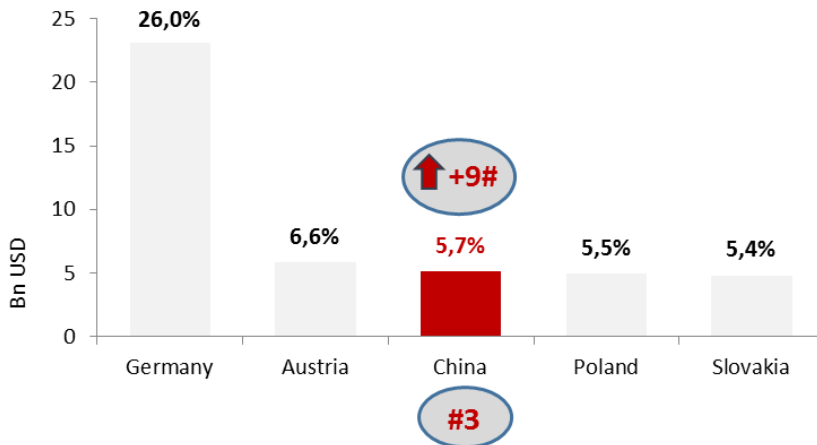
China's influence in world economy is increasing continuously



China's trade relationships is dynamically growing



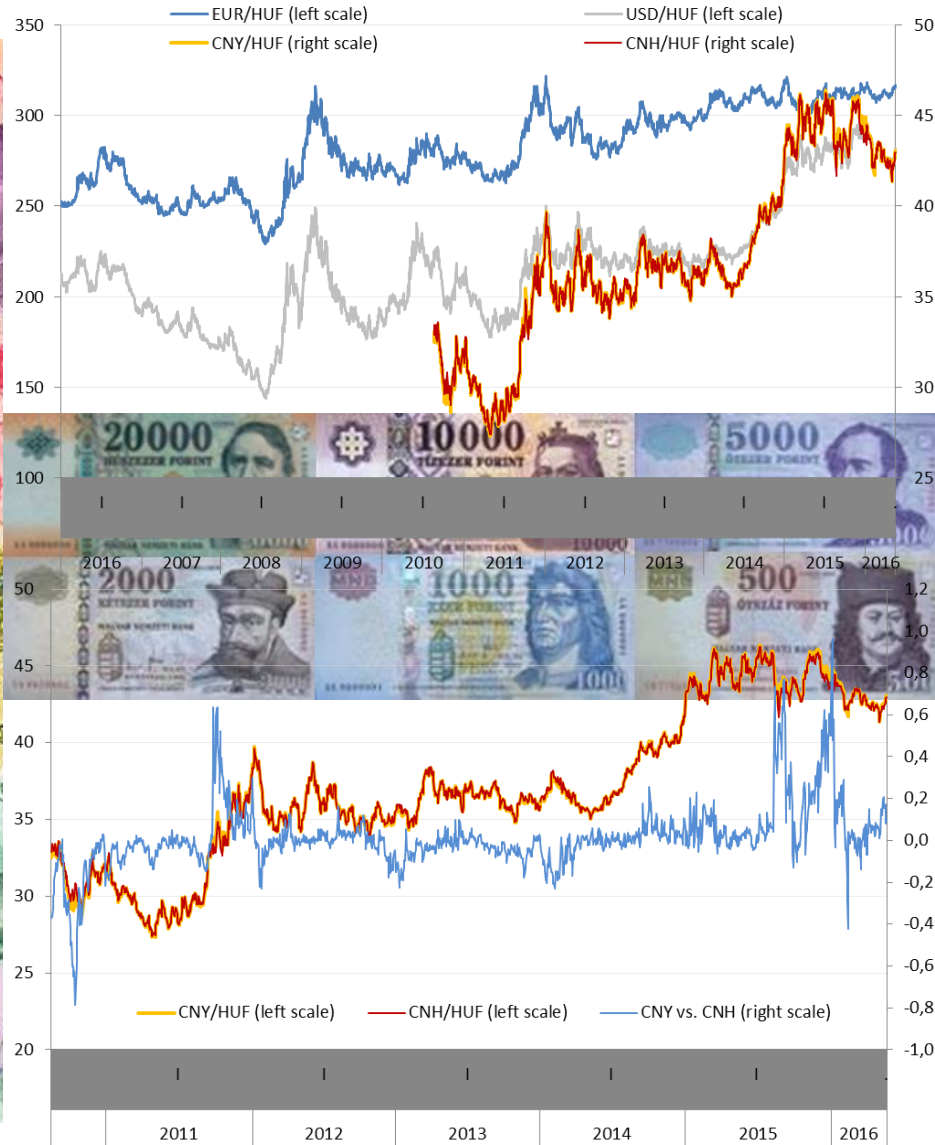
Leading import partners of Hungary in 2015



Leading export partners of Hungary in 2015



RNB has become more volatile while EUR/HUF has stabilized



Renminbi trading is private banking and treasury business at GRÁNIT Bank

Market

- Few financial institutions offer RNB account keeping and transaction services in Hungary

Exclusive client relationship model



Product development according to clients' needs

- Account keeping in 11 foreign currency including RNB with competitive pricing
- Financing Chinese-Hungarian related businesses
- Providing Special Purpose Residency State Bond

Target: broadening business relationships

- Ongoing discussion with Bank of China Hungary in order to begin renminbi business with each other.
- Acquiring Hungarian clients who has relationship with China.
- Promoting our services for potential Chinese clients who has Hungarian connection

GRÁNIT Bank is the first direct bank in Hungary with unique solutions

Strategy

Providing financial services in a simple, comfortable and cost effective way based on electronic banking solutions in order to maximize customers convenience and shareholders' value. Offering high quality, comprehensive financial solutions for corporate and retail clients in Hungary without developing physical branch network and later on expanding business activity internationally.

Cost effective business model ensures above the average profitability and maximize shareholders' value.

Majority owners of the Bank are Hungarian private investors, the Hungarian State has minority stake.

Target segment

- Clients who prefer electronic banking and card payment.
- Retail and corporate account keeping.
- Financing stable corporates and affluent retail customers.

Potential market

- Large, medium and small companies already using electronic banking platforms.
- In Hungary 15-30% out of 8 M private clients are not satisfied with the current financial provider.
- 38% of those who regularly browsing Internet in Hungary (2 M persons) use it for banking purposes.

Sales channels

- Internet (VideoBank, NetBank, MobilBank), agents and sales points of strategic partners.
- VideoBank ensures personal connection with bank tellers.
- No need to maintain expensive branch network, while benefiting from brand synergies with strategic partners.

Service quality and pricing

- Standardized account packages with quick and comfortable online platform and market leading pricing.
- On-line account opening within 6 minutes (full availability on the account after thoroughly checking clients)
- Online pre-scoring system for corporate and retail clients.
- Quick decision making with experienced bankers and conservative risk management.
- Committed shareholders: majority belongs to Hungarian private investors, Hungarian State has minority stake.

Strategy enables to maximize customers' satisfaction, to gain market share quickly and to reach above the average profitability.



GRÁNIT BANK - The DigitalBank



GRÁNIT Bank's growth strategy rests on three strategic pillars



INNOVATIVE ELECTRONIC BANKING SOLUTIONS IN CLIENT ACQUISITION AND TRANSACTION

Objective: **Keeping low cost of client acquisition**

- Client acquisition: through internet, sales points, retail chains
- Service & transaction: integrated electronic solutions (VideoBank, NetBank, Mobile Bank, GRÁNIT eBank, client centres)

„THE BANK OF THE FUTURE IN THE PRESENT”

THREE STRATEGIC PILLARS



FOCUS ON HIGH LIQUIDITY

Objective: **Keeping loan to deposit ratio well below 100%**

- Client deposits (retail and corporate)
 - Increasing proportion of core sight deposit
- Cooperation with institutions providing long term refinancing funds (development banks and state refinancing structures, funds)



CONSERVATIVE RISK MANAGEMENT

Objective: **Keeping NPL ratio low**

- Cash-flow based financing of corporates with wide range of guarantees
- Mortgage loans for affluent private clients
- Overdrafts for GRÁNIT Bank clients with excellent track record



GRÁNIT Bank introduced several unique online solutions and ...

Unique, innovative solutions

generating clients' deposit growth and satisfaction

- VideoBank - virtual branch
- GRÁNIT eBank:
 - i. overall bank account and card control (setting limits, locking and unlocking by one touch)
 - ii. free iMessages (bypass telecom providers)



- Retail clients' deposit yearly average growth rate is 74% (May 2010 – Dec 2015).
- Affluent clients prefer digital solutions.
- Average ticket size of retail deposit of GB is higher (HUF 2,1 M) than the market average (HUF 0,728 M).
- Ratio of non-performing loans: 0%.
- According to an independent survey clients ranked GRANIT Bank netbank service to the 3rd best on the Hungarian market.



GRÁNIT BANK - The DigitalBank



... developments are optimized for smart devices

GRÁNIT eBank

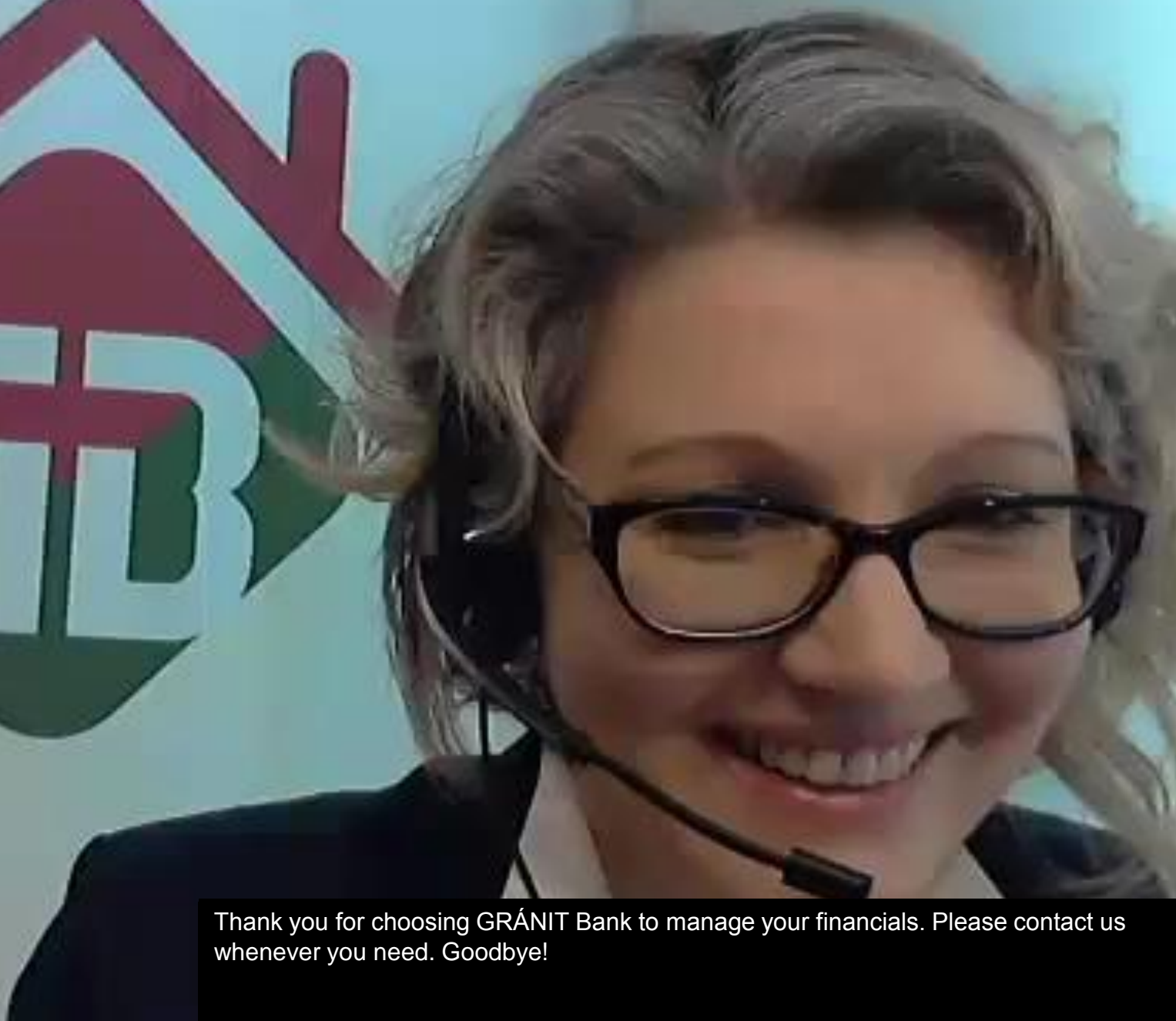
Security at your hand!

- ❖ Lock and unlock your card by one tap.
- ❖ Setting daily card limit.
- ❖ Receive free of charge messages.



Telepítse
okostelefonjára vagy tablettjére a
GRÁNIT eBank mobilalkalmazást

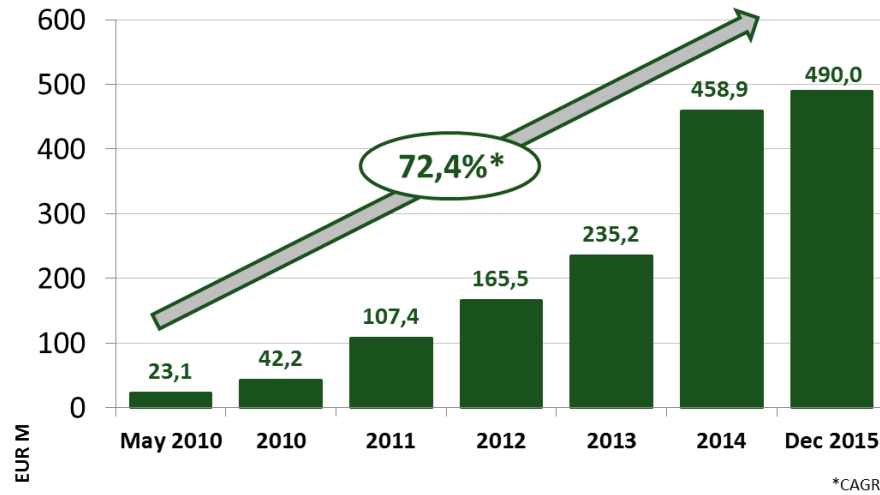




Thank you for choosing GRÁNIT Bank to manage your financials. Please contact us whenever you need. Goodbye!

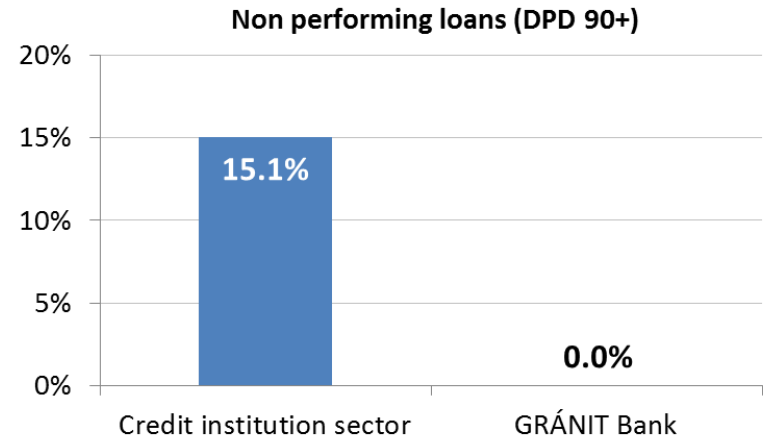
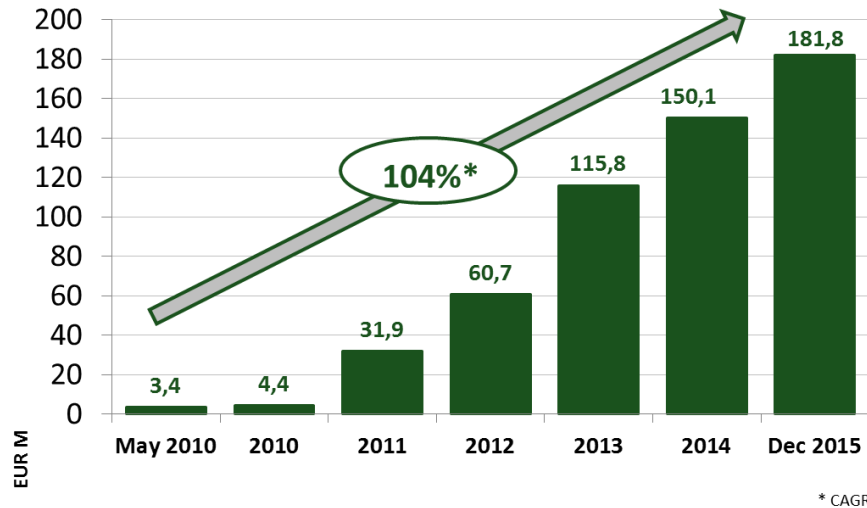
GRÁNIT Bank dynamic growth clearly demonstrate the success of new business model

Balance sheet



- Universal electronic banking services
- Innovative products, client oriented service model: quick, comfortable, flexible
- Favourable conditions based on cost effectiveness
- Prudent procedures, strict risk management, wide range of guarantees
- Strategic alliances with retail chains,
- Refinancing agreements (e.g. Hungarian National Bank, Hungarian Development Bank, Agricultural Credit Guarantee Foundation)

Asset portfolio



GRÁNIT BANK - The DigitalBank

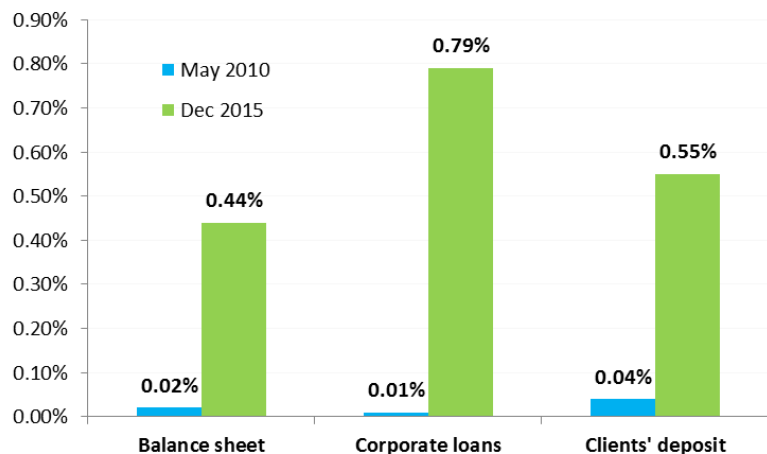


GRÁNIT Bank became a profitable mid size direct bank

A GRÁNIT Bank overperforms the credit institution sector

Main indicators 31-Dec-2015	Credit institutions	GRÁNIT Bank	
Corporate loans (y/y)	-12,2%	24,2%	✓
Retail loans (y/y)	-12,5%	21,9%	✓
Loan / deposit ratio	97,5%	47,4%	✓
DPD 90+	9,4%	0,0%	✓
Operating cost / balance sheet	2,2%	1,2%	✓
ROE	-0,1%	2,5%	✓

Market share of GRÁNIT Bank grows dynamically



- GRÁNIT Bank became a mid size bank with outstanding performance indicators as a result of the careful portfolio building.
- The Bank reached break-even in the fourth full business year which is outstanding result compering to the international benchmark of 6-8 years.
- Loan to deposit ratio is half of the market average, liquidity is far ahead of the competitors.
- Capital adequacy ratio is well above minimum level, and even higher than the long term target of the NBH.
- Non performing loan ratio is 0%, which is unique in the Hungarian financial institution sector.

Implementation of innovative business model already appreciated internationally



“Most Innovative Bank in Hungary” awarded by World Finance in 2011*



2012 (1st place);
MasterCard – Bank of the Year



Most innovative Bank 2nd place;
2. Mobile application for retail clients of the year 2nd place;
3. Young banker of the year
MasterCard – Bank of the Year



Bank of the Year – Hungary;
The European



1. Banker of the year 2015 – MasterCard
2. Bank of the year (3rd place) – MasterCard
3. Ms. Éva Hegedüs, CEO of the year 2015 – Hungary; Business Worldwide
4. Bank of the year – TheEuropean

2011

2012

2013

2014

2015



GRÁNIT BANK - The DigitalBank

* How to start a new financial institution? – Granit Bank is a new player on the Hungarian financial market, committed to bringing fresh ideas and a new approach (published in World Finance July-August, 2011)



Mid term vision and goals

- ❖ Becoming the most innovative mid size bank (ranking among 5-10th largest institution) on the Hungarian market focusing on SME sector and retail clients.
- ❖ Providing high quality and affordable services to its clients, applying conservative risk approach and thereby supporting the development of the Hungarian economy
- ❖ Further development of business activity and relationships especially with foreign partners
- ❖ Attract further capital by initial public offering (IPO) planned for the 2017-18 period
- ❖ Maximize shareholders value by maintaining our growth rate and portfolio quality well above market average and further decreasing our cost-income ratio through continuous innovation
- ❖ Business model enables fast international expansion

**Thank you for your kind
attention!**



GRÁNIT BANK

Investor relations:

Mr. László Hankiss

Managing Director
Strategy and Analysis Directorate

GRÁNIT Bank Zrt.

8. Lechner Ödön fasor
1095 – Budapest, Hungary

M: +36-70-708-0159

E: Hankiss.Laszlo@granitbank.hu

I: www.granitbank.hu