

LSE and LSESU Polish Business Society public lecture



How to Make your First Million?

Leszek Czarnecki

Chairman, Supervisory Board, Getin Holding SA

Edward Lucas

Chair

LSE events

Suggested hashtag for Twitter users: #lsemillion



How to make the first million?

How to create a company?

Leszek Czarnecki, PhD



Graduated from Wroclaw University of Technology (Faculty of Sanitary Engineering)

Graduated from Wroclaw University of Economics (Faculty of Computer Science and Management)

Founded companies:

1. Tan – commercial diving services
2. Europejski Fundusz Leasingowy (IPO 2000) – leasing company
3. TU Europa (IPO 1999) – insurance company
4. Getin Bank – retail banking
5. Noble Bank (IPO 2007) – private banking
6. Idea Bank – corporate banking
7. Open Finance (IPO 2011) – financial advisory
8. Home Broker – real estate advisory

9. LC CORP. (IPO 2007) – property development company
10. Getin Holding (IPO 2001) – the biggest Polish private financial holding

And 20 other smaller firms

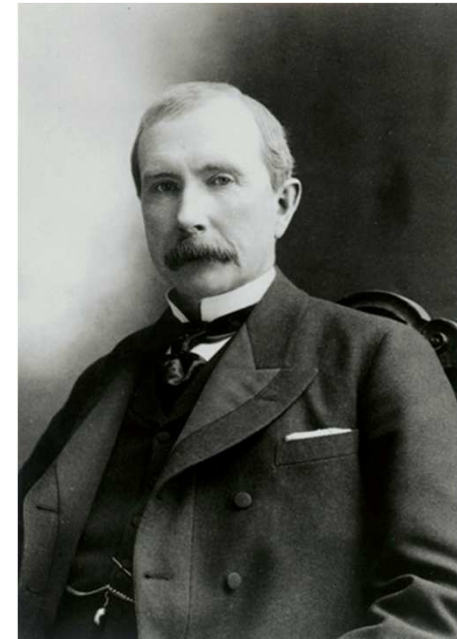
Positions held:

- CEO of EFL
- Acting CEO of Polbank
- CEO of Crédit Agricole Poland
- CEO of TU Europa
- CEO of Getin Bank
- CEO of Getin Holding

The first million

John D. Rockefeller (1839-1908) – in 1870 with three partners founded the Standard Oil Company. Rockefeller paid his employees more than the competitors and awarded all ideas that improved company's management

The company used natural resources in an extremely efficient way, and all the waste products were carefully reused. Due to this policy Rockefeller gained almost complete control of the oil refining industry in 1880, refining 85% of oil in the USA.

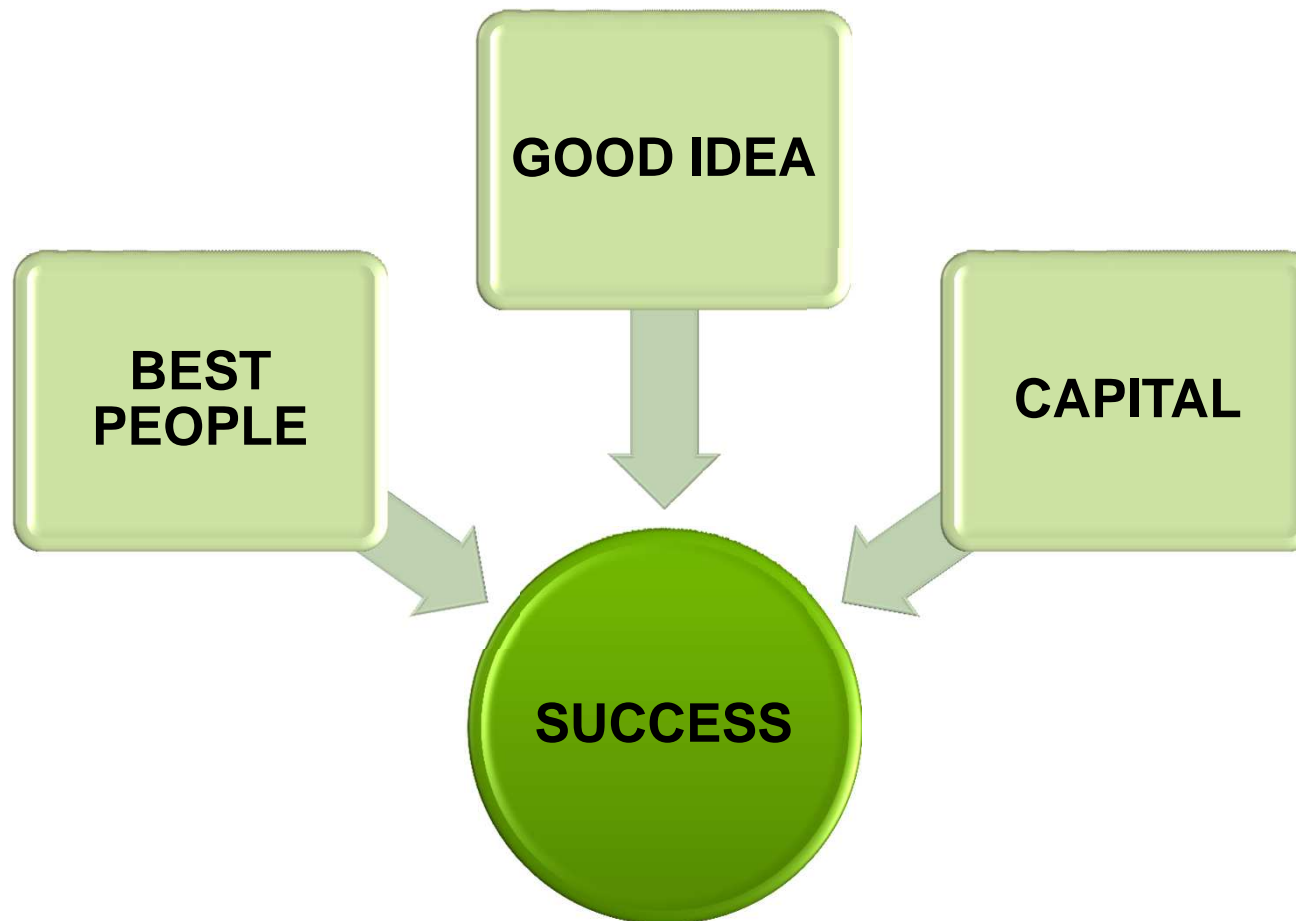


Source: Rockefeller Archive Centre

In Poland, due to the inflation it was much easier in the 80-ties. 100 US dollars was equal to one million Polish zloty.



A SYNERGY OF THREE ISSUES



- Is a **seller**
- Carefully **observes** the world
- Has a unique **combination of analytical and synthetic capabilities**
- **Emotional intelligence** (EQ) is more valuable than intelligence (IQ)
- Easy going person with **ability to make relations**
- Is a natural **leader**
- **Works hard**
- When creating a company **do it by yourself or with just one partner**
(unless you have more than 50% of the shares. The risk of conflict with 3 partners is 3 times bigger than with 2. With 4 partners the risk is as high as 6)

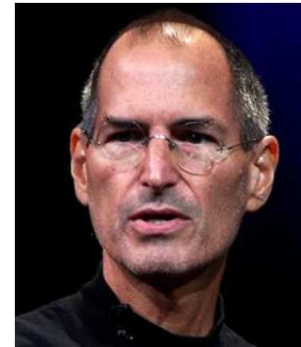


Entrepreneur has to have abilities of a sportsmen

- Long term training – minimal effects
- Regularity is more important than sudden bursts
- Spirit of competition
- Immune to failures as they happen more often than successes
- Team work, friendship

Is formal education necessary in business?

Bill Gates
Paul Allen
Andrew Carnegie
Steve Jobs



On the other hand, Robert Merton and Meyron Scholes with their LTCM.

- **Identification** of existing but not fulfilled **needs** (i.e. removing snow from streets or roofs – there are such services but the demand is higher than the supply)
- Foreseeing and **creating** new, as yet unknown needs (i.e. iPod or Tax Care)
- At the very beginning an **entrepreneur is the one that works the most** and without pay. So the business model must be profitable from the first day (the concept that losses are acceptable during the first years is nonsense – an entrepreneur sells his work)
- **A company has to operate with a high margin** – there will be a lot of mistakes at the beginning, therefore a **safety net is required**



- When starting a new business **be ready for the worst**. You will not succeed and will lose everything, so don't start in debt. Invest your time, your own or your family savings, invest money you can afford to lose
- **Do not take a loan** (or at least not as a private person) because at first you will be spending somebody else's money but later paying it back with your own
- **Aid funds** are a good idea
- As long as you can **finance your operations with the profits**
- Think about loans when you are sure your **prognosis of the market**, you're planning to do business in, is correct. Be sure that the **standards** of services provided by your company are high. And make sure that you have a **stable** base of suppliers and customers



Mediocre idea, good management and financing

System of satellite phones, 1992

6bn USD wasted



Good idea, good financing, bad management



Dean Kamen and Segway, 2002r.

Good idea, good management, lack of capital



The credit card was invented by John Biggs in 1946, but Frank McNamara was the first one to introduce it to the market in 1950 via American Express.

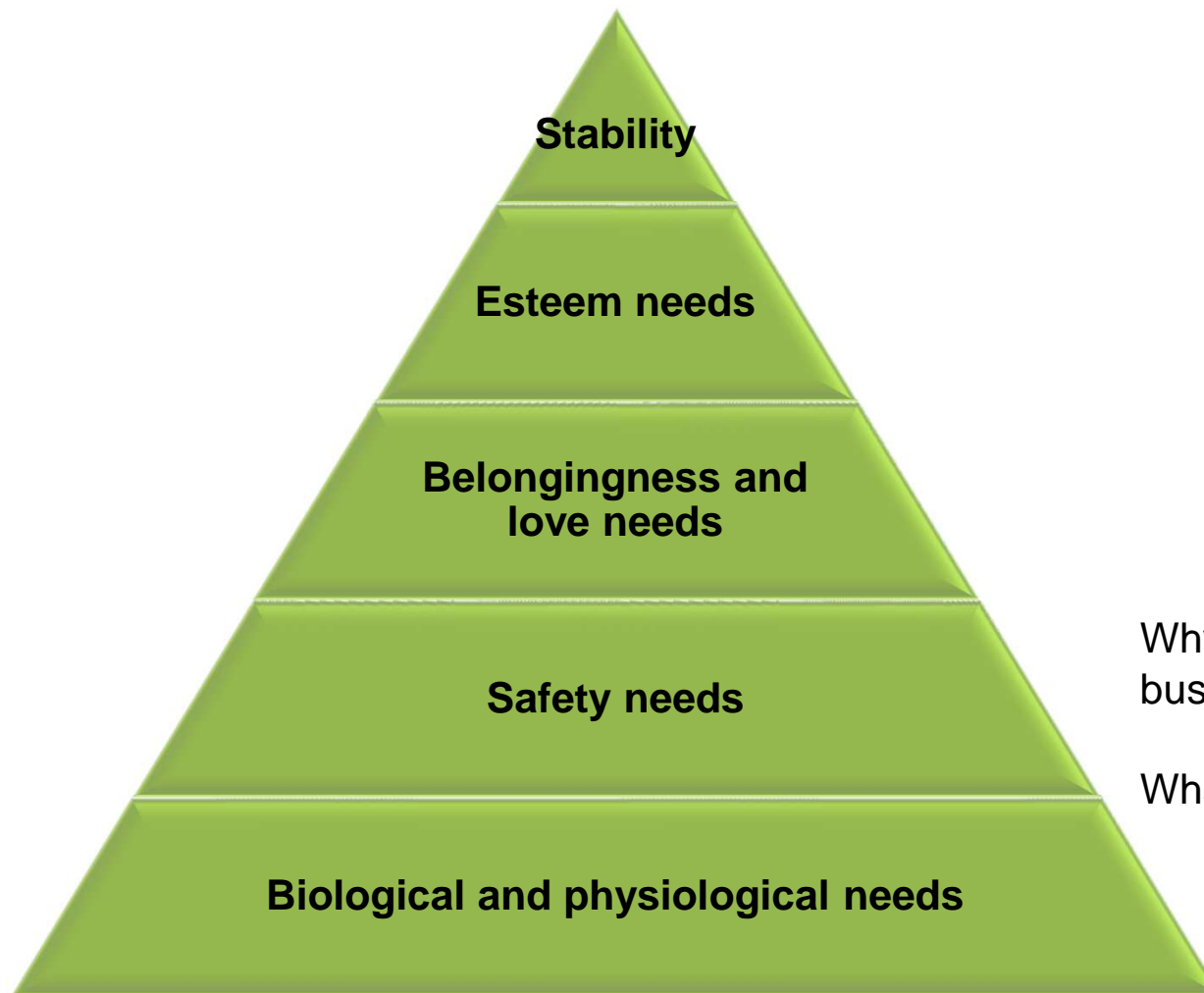
- Business idea (margins)
- Market and competition
- Marketing mix
- Investment and operational costs
- People
- Sources of financing
- Legal and tax issues
- Stress tests

Next steps

- **Employ people** that will do the simple tasks which consume a lot of your time and are not profitable
- **Standardise the business** and develop the scale. Create a network – let it work for you
- Think about a partner or selling the company when it's growing less than 10-15% a year. And even then **think what you will do afterwards**
- **Work and life balance** is important (it's bad if business replaces your family)



Maslow's hierarchy of needs



Why do you want to start the business?

What is on the top of your pyramid?



Getin Holding Group

The most dynamically growing financial group in Poland

Who are we?

The biggest Polish firm with private capital, according to market value, own capitals and profits.

Within 8 years the we have developed from a small company employing a few people into one of the biggest, most dynamic and fastest growing financial groups in Poland.

Major areas are:

- Banking
- Financial advisory
- Insurance
- Leasing
- Brokerage house

We also operate in Russia, Belarus and Ukraine

As far as capitalisation is concerned we are the 15th company listed on the Warsaw Stock Exchange (8bn of PLN in capitalisation)

Our investments are well perceived by the market – when we acquired MW Trade the price of its shares went up 120% within 2 months after the transaction.

Our business model and competitive edge

Organisation focused on results

- A well qualified and motivated management team
- High efficiency and low costs culture
- An effective and constantly growing sales network
- Very good execution of tasks

Efficiency in the management

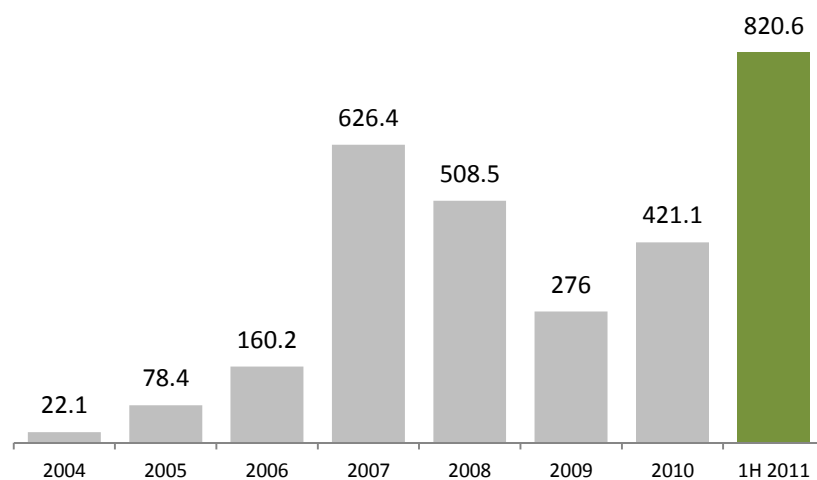
- Simple business model
- Fast decision making process
- Good understanding of the market we operate on
- Careful and proper risk management
- Zero tolerance for losses
- Focused on the core businesses (no speculation rule)
- Opportunist attitude toward acquisitions

Getin Holding Group's structure as of June 2011

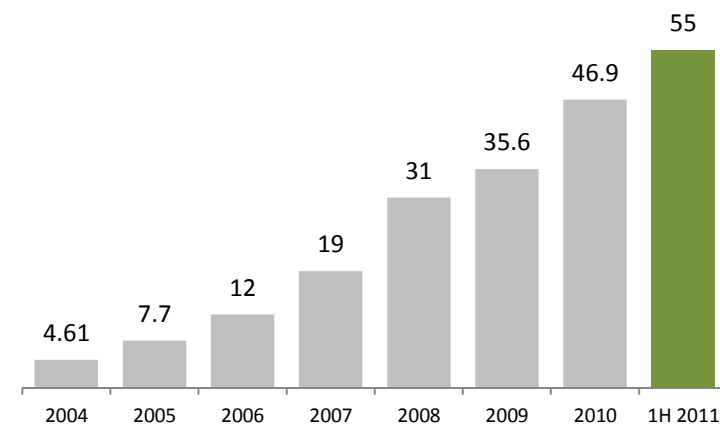


Development of Getin Holding Group

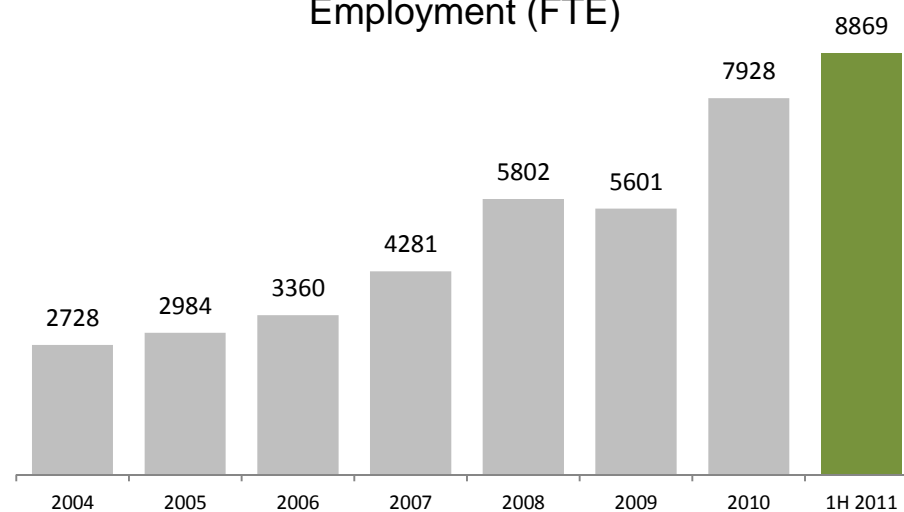
Net profit of the company's shareholders (PLN m)



Total assets (PLN bn)



Employment (FTE)



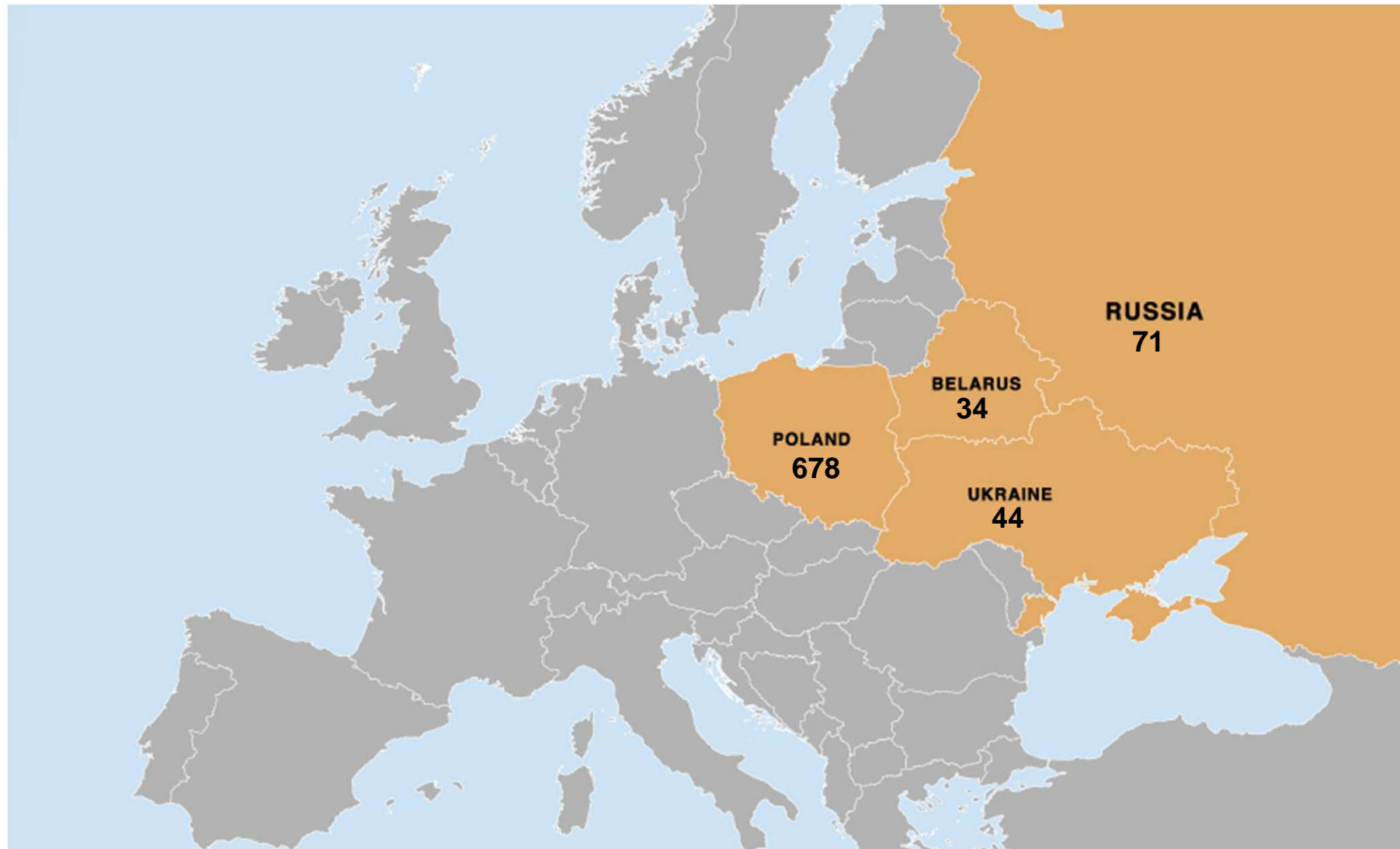
Dynamic growth is our goal

1	Financial advisory (Open Finance)
1	Car loans market (GNB)
1	Bancassurance (TU Europa)
2	Mortgage market (GNB)
2	Life insurance market (TUnŽ Europa)

Quick growth requires employment growth – very dynamic during the last six months

Our efforts are valued by customers and investors

Where can you find us?



Number of branches in each country

Poland: GNB, OF, Idea Bank, PDK

What do analysts think about Getin Holding?



Goldman Sachs

- Getin is the most dynamically growing bank among those assessed by us
- Since the beginning Getin has been increasing its market share due to its organic growth, as well as acquisitions
- The competitive edge of Getin is its business model and its flexibility to adjust the offer to market's needs
- We think that the market undervalues the growth potential of Getin
- We expect that Getin's market share will increase above average

Credit Suisse

- We expect an 89% increase in profits
- Market share in new sales in 2007 – 2008 was higher than market share based on the portfolio size
- Getin will have the best profitability with lower reserves
- We think that the cost base will remain under constant control, and the costs will grow slower than assets

Business is like a road movie.
Each trip, even the longest one, starts with the first step

getin
holding



TAN -1985



EFL – 2001

getin
holding

Getin Holding – 2011

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