Financing SME growth –
A view from the private sector

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Erste Group

OECD Working Group on Financial Markets Development and Impact of Central Banks
“Financial Sector Reform in Transition Economies and Policies for SME Growth”

Warsaw, 17. November 2009
SMEs are a core for many Europe’s economy

99% of all companies operating in the European Union (EU27) are SMEs

SMEs provide more than two-thirds of all jobs in EU27

SMEs produce 58% of the value added in EU27

On average there is a density of 40 SMEs per 1000 inhabitants
Micros build the strongest group among SMEs ...

Source: IMAS Research, July 2009, all figures based on client research (n= 15,750 interviews)
There is a large variation of SME density throughout Europe

SMEs per 1000 inhabitants

Source: Eurostat
Per 1000 inhabitants there are much fewer SMEs in Romania, Ukraine and other countries of the Black Sea region

**SME density (1000 inhabitants):**

- Romania 18.0 SMEs per 1000
- Armenia 11.0 SMEs per 1000
- Azerbaijan 7.2 SMEs per 1000
- Ukraine 4.8 SMEs per 1000
- Moldova 4.8 SMEs per 1000
- Georgia 1.4 SMEs per 1000

*according to IFC figures*
In some CEE countries SMEs have less access to loans

Percentage of companies who use any kind of loan

Source: IMAS research, July 2009
There are also large variation in the SMEs’ use of deposits

Percentage of companies who have any kind of deposit

Source: IMAS research, July 2009
In 2009 most SMEs have negative expectations concerning the impact of the current crisis

Percentage of companies which expect negative, none or positive effects of the current economic situation on their company in 2009

Source: IMAS research, July 2009
SMEs should use downturn to improve their business model

Preconditions for success:

– Strong management (financial, information)
– Ability to adopt to changes
– Well balanced financial structure
– Adequate share of own capital
– Strong risk management
**Erste Group**

**Our position in the corporate market**

- **Austria**
  - Corporate deposits: 15.8%
  - Corporate loans: 18.7%
  - Branches: 652
  - Commercial Centers: 15

- **Česká spořitelna**
  - Corporate deposits: 10.4%
  - Corporate loans: 18.7%
  - Branches: 652
  - Commercial Centers: 15

- **SPARKASSE**
  - Corporate deposits (inc. SBs): 15.8%
  - Corporate loans (inc. SBs): 16.9%
  - Branches: 1.061
  - Commercial Centers: 4

- **Croatia**
  - Corporate deposits: 14%
  - Corporate loans: 13.9%
  - Branches: 122
  - Commercial Centers: 13

- **Serbia**
  - Corporate deposits: 3.5%
  - Corporate loans: 14.1%
  - Branches: 73
  - Commercial Centers: 10

- **Slovenská spořitelná**
  - Corporate deposits: 9.7%
  - Corporate loans: 14.1%
  - Branches: 271
  - Commercial Centers: 15

- **Ukraine**
  - Corporate deposits: 0.3%
  - Corporate loans: 0.4%
  - Branches: 135
  - Commercial Centers: 23

- **BCR**
  - Corporate deposits: 15.4%
  - Corporate loans: 24.4%
  - Branches: 652
  - Commercial Centers: 50

- **Hungary**
  - Corporate deposits: 5.5%
  - Corporate loans: 8.4%
  - Branches: 203
  - Commercial Centers: 24

Percentage numbers refer to market shares.
Erste Group serves almost 30% of the overall SME market across CEE

Erste Group serves in CEE (incl. Austria)
~ 800,000 SME clients:¹

~ 760,000 micro companies
~ 25,000 small companies
~ 15,000 medium size comp.

¹ according to EBG segment definitions

Erste average RO AT HR SK CZ HU SR UA

Erste SME market shares

November 17, 2009
Even in difficult times Erste Bank is committed to SMEs across CEE regions

- In April 2009 BCR and the Romanian Ministry of Commerce signed a collaboration protocol to support Romania’s SMEs.
- In May 2009 EIB and Erste Group launched a program to finance SMEs in CEE. Erste Group provides a total of EUR 440 million.
- In June 2009 Ceska sporitelna introduced advantageous program „TOP company II“ aimed for SME in total amount CZK 1 billion (ca. EUR 40 million).
- In July 2009 EBRD and Erste Bank Hungary concluded an agreement to lend a total amount of €100 million to SMEs.
- Slovenska sporitelna has a co-operation with Slovak Guarantee Bank (state owned) which provides bank guarantees covering up to 50% of SMEs bank exposure (max EUR 350 000 per client).
good.bee – Our microfinance & social entrepreneurship initiative

Established in 2008 to strategically enter the „unbanked“ segment in Erste Group's markets

Main aim: to increase financial inclusion via:
- financial products for the “unbanked” and “underbanked”
- social entrepreneurship: market-based financing solutions for the social sector

Good.bee is owned by ERSTE Foundation (40%) and Erste Group (60%)
The “social sector” is largely “underbanked”

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Philanthropic, Charitable Investors
Governments

Little or no market-based financing solutions

High

Low

Availability of market-based financing solutions

Typical financing sources

Philanthropic, Charitable Investors
Governments

Venture Capital Investors & Commercial Banks

Social enterprises with hybrid funding strategies
Social enterprises with income
Social businesses
Profit oriented companies

availability of market-based financing solutions

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availability of market-based financing solutions
Good.bbe focusses on social businesses with earned-income and/or hybrid funding strategies

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governments

Social Investment / Returns

Good.bbe
Changemakers Initiative

Financial Investment / Returns

Venture Capital Investors & commercial banks

Non profit organizations dependent on charity

Social enterprises with hybrid funding strategies

profit oriented Social Entrepreneurs

profit oriented Social businesses

profit oriented companies

A part of Erste Group’s strategic social activities

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A part of Erste Group’s strategic social activities
Our offer

Micro-insurance
Micro-payments (mobile)
Micro-loans
Micro-savings

November 17, 2009

Financing SME growth
An example: good.bee micro-lending in rural Romania

- Started in early 2009
- Total portfolio of USD 10.2 million
- 4,500 clients
- Excellent portfolio quality (default rate <1%)
- Extensive use of group lending
- Focused on rural areas
- Strong share of agricultural sector (87% of the portfolio)
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