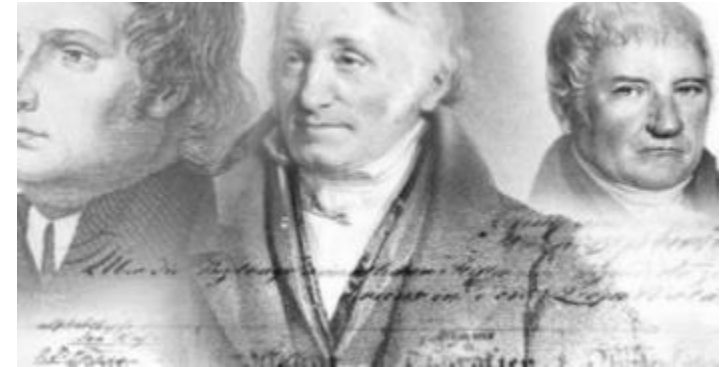


# Social Enterprise Finance at Erste Group

Peter Surek  
Head of Social Banking Development

# This is where Erste has started...

- In 1819 Erste österreichische Spar-Casse was founded as first saving bank in the territory of Austrian monarchy
- Banking services were at that time available only for rich people
- The new saving bank enabled low income inhabitants to save and borrow money
- Educated citizens worked on voluntary basis for the new savings bank



# ...and this is where we are now

**16.2mn clients**

**47,100 employees**

**2,635 branches**

**EUR 1,26bn net profit 2016**

**EUR 222.8bn total assets**

**EUR 16.9bn total equity**

**13% CET 1 ratio (B3 ph.-in)**



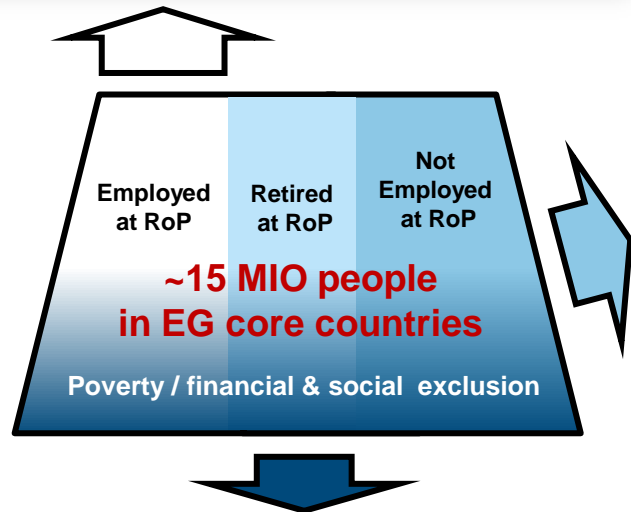
country	position	clients
austria	No 1	3,6m
croatia	No 3	1.2m
czechia	No1	4.7m
hungary	No3	0.9m
romania	No1	3.1m
serbia	No10	0.4m
slovakia	No1	2.3m

# Social Banking scope at Erste

## Target segments

### Programs for low income people

**Goal:** Improve financial stability of 25.000 low income people by EOY 2019 via financial education and inclusive banking services



### Programs for starting enterprises

**Goal:** Support creation of 5.000 jobs via new entrepreneurs by EOY 2019

### Programs for social organizations

**Goal:** Finance projects of 500 NGO / NPO /SE by EOY 2019 bringing positive impact for the society

## Criteria for Social Banking

### Creating impact

- improving financial stability and financial inclusion of low income people
- enabling job creation via financing new entrepreneurs
- enlarging impact of social organizations

### Enabling accessibility

- service / products not provided to certain segment by local financial sector

### Reaching sustainability

- covering marginal costs of SB activity from client revenues
- all potential profits reinvested in SB

# Program for social organizations 1/2

## Goal?

Support development / growth of social organizations and thus scale-up their social impact in various areas

## Why?

- (1) Impact** - social organizations tackle big societal issues which a bank directly cannot address (Roma integration, homeless, drug addictions, elderly care...), in helping them to grow we indirectly foster improving our societies
- (2) Need** - NGO/NPO in CEE are underfinanced (low donations), dependent on state grants / EU projects, exit of international foundations; SE lacking business know-how, scale
- (3) Access** – in CEE (but also WE limited) no bank financing available for social sector
- (4) Rising market** - 2 million social economy enterprises in Europe (10% of all businesses in the EU); more than 11 million people (about 6% of the EU's employees)
- (5) Support** - EaSI guarantee & technical assistance by EIF; Support in creating impact funds incl. first-loss, matching schemes (e.g. SIA, EFSI); European Social Fund...

# Program for social organizations 2/2

## What?

- (1) Bridge loans to pre-finance local subsidies or EU projects and working capital loans
- (2) Investment loans to finance property or needed equipment max 500.000
- (3) Education support – NGO academy, fundraising academy, impact accelerator, business model consulting, networking, mentoring

## Results?

- (1) Program rolled out in Austria, Slovakia, Czechia, Hungary and Romania
- (2) 160 financed organizations with 14 MIO EUR, ~90.000 average loan size, mostly bridge and investment loans
- (3) Very low risk (young portfolio)
- (4) Good response from society, media, politics

# MFIs developing social finance

## Why?

- (1) High impact – if we really mean our social impact mission
- (2) High future potential – growing market supported by EU, local public sector
- (3) Diversification of portfolio – usually substantially lower risk to microfinance
- (4) Cooperation – SE/NGO as link to vulnerable microfinance clients

## Challenges?

- (1) Local SE market – number of financeable organizations
- (2) Funding – substantially higher ticket size and longer maturities
- (3) Low pricing – compared with microfinance, makes business case challenging
- (4) Risk assessment – need to get know-how and develop experience

# One client video story – association Neratov in Czechia

