

## Banking that matters: Erste Group measures impact of its Social Banking activities

- **Social Banking activities helped to create and preserve almost 45.000 jobs across CEE**
- **Since its launch, 30,000 clients were supported with financing, education and/or mentoring**
- **Erste Social Banking supports starting entrepreneurs, microfinance businesses, social organisations and people in financial difficulties**
- **Financing efforts are combined with financial education to ensure sustainable financial well-being**

Erste Group is systematically growing its comprehensible Social Banking programme in Central and Eastern Europe (CEE): The 2<sup>nd</sup> impact assessment of social banking activities, based on methodology developed in cooperation with the Vienna University of Economics and Business, measures the impact of the social banking efforts on local communities. More than 19,000 people in financial difficulties, 7,000 small farmers, 3,100 entrepreneurs starting their micro-businesses in areas with high unemployment and poverty and 600 social organizations across CEE accessed offerings of Erste's Social Banking. Overall, Erste dispersed a total of EUR 235 million in loans across CEE, with EUR 65 million provided in 2018/2019 alone

Thus, Erste lives up to its belief that growth must be inclusive. While the overall poverty rate in CEE has decreased by 6% since last year, 14 million people in Erste's core markets Austria, Croatia, Czechia, Hungary, Romania, Serbia, and Slovakia are still at risk of poverty. A majority of these can barely make ends meet, cannot cover unexpected expenses or lack basic household amenities such as heating or proper sanitation.

### Job creation in local communities through supporting small businesses, entrepreneurs and NGO

Erste's Social Banking programme collaborates closely with a broad variety of local partners – offering a set of measures ranging from access to finance up to mentoring and training. This collaboration ensures that funding translates into sustainable and measurable social impact – such as the creation of 15,000 new jobs and the preservation of 30,000 jobs across the region.

Since its start, Erste's Social Banking financed 3,100 starting entrepreneurs and almost 7,000 microfinance businesses in order to fight unemployment in rural areas across CEE. For a third of entrepreneurial clients, a start-up loan meant a path from unemployment to their own business – not only for themselves but also for others: On average, every starting entrepreneur creates two further jobs in a local community. 50% of these entrepreneurs report that starting or expanding their business without Erste's support would have been impossible. In addition, Erste disbursed to these clients more than EUR 160 million in loans

*“One of the most difficult tasks for micro-businesses is raising finances to get their ideas up and running. For women entrepreneurs the hurdle is even higher, as they need to battle against gender bias, too. With our help, they can start and successfully expand a generation café in Vienna, a sheep farm in Romania or organic baby clothing business in Croatia”,* explains Peter Surek, Head of Social Banking Department.

An additional growth of social banking impact was achieved by services provided to social organizations across CEE. The number of financed organizations grew by 50% y-o-y, from 400 in 2017/2018 to more than 600 in 2018/2019. Overall volume of loans increased from 41 to 72 EUR million. More financing led to preservation of 10,500 and creation of 2,300 new jobs in social sector, 60% of which were created for socially excluded.

*“Many NGOs and social entrepreneurs have poor access to financing as their business models are per definition not profit-oriented and thus unattractive to mainstream banks. They have scant support from the state and*

*difficulties in accessing EU subsidies. The development of the civil society is limited when NGOs and social entrepreneurs, who deal with some of the most challenging issues in our society, lack adequate funding. To meet their needs, we provide working capital loans, bridging loans and investment facility loans”, states Peter Surek.*

### **Financial education to ensure sustainable financial well-being**

As the level of financial literacy remains generally low across CEE, Erste’s education programmes help clients to achieve sustainable, long term improvements in their financial health. Erste’s efforts for financial inclusion started with Zweite Sparkasse, a volunteer-run “bank for the unbanked” founded in Austria by Erste Group and ERSTE Foundation in 2006. The 2<sup>nd</sup> impact assessment shows that financial inclusion programmes in Austria and Slovakia helped over 19,000 people in financial difficulties in partnership with local NGOs. 76% of low-income clients report that they can now pay regular expenses on time.

Business skills and financial advisory are crucial also for Erste’s entrepreneurial clients: 8,500 participated in training and mentoring programmes using various formats from online tools to individual support. In, 2,600 social organizations participants benefited from business training and capacity building. 9 out of 10 supported social organizations reported that they can now better fulfill their social mission, serving over 123,300 socially excluded beneficiaries across CEE.

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