

Erste Bank to dramatically expand its corporate customer business

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Business with local companies is set to grow twice as fast as the market

Main-client share for small & medium-sized businesses set to rise from 24 to 33% in the next 3 years

Thomas Uher: "This is the perfect time for credit growth"

After a clear focus on private customer business in recent years – Erste Bank has increased its client share in Vienna from 18 to 25% since 2005 - the new management team of Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) has set to expand its corporate customer business dramatically. Erste Bank plans to increase its main client share in the small & medium-sized business area to 33% over the next 3 years (it is currently around 24%). The bank's lending business is set to grow twice as fast as the market over the next three years, i.e. by 6%. Overall Erste Bank wants to provide companies with new loans totalling 6.3 billion Euro over the next three years.

Thomas Uher, Member of the Managing Board of Erste Bank Oesterreich explains: "As a savings bank, we have an enviable financial structure. The savings deposits constitute an excellent liquidity basis for the lending growth we are planning".

New products for small businesses and founders will also form part of the corporate customer strategy. "We are planning special development loans for growing businesses. The more jobs they create, the lower the loan interest they get", says Peter Bosek, Member of the Managing Board of Erste Bank Oesterreich. "In the currently difficult economic context, Austria's business-owners need credit and capital to be able to continue investing and strengthening their crisis resilience. And we want to give this to them," Bosek adds. In terms of capital, Erste Bank has joined forces with the Salzburger and Tiroler Sparkasse to provide 60 million Euros of mezzanine capital.

Erste Bank und Sparkassen now want to gain 70,000 customers

Erste Bank will continue its expansion of the private customer business. The bank, together with the Sparkassen, now wants to gain 70,000 new customers. Erste Bank und Sparkassen currently serve 3.1 million customers at 1,052 branches and 170 banking service points. In Austria, their client share is just under 29%. This is set to be increased to over 30% in the next 3 years.

According to Peter Bosek, "We have used new sales co-operations such as OMV and Tchibo to show that an innovative bank can also grow in Austria. Over the next few years, we want to expand these partnerships to include the telecommunications and online sectors". Erste Bank also sees potential in the Private Banking sector, where it is a market leader with 25% of customers. Here, it wants to pursue a joint strategy with Sparkassen to increase its customer volume of around 37 billion Euros by 10% per year.

In terms of revenue, Erste Bank has put the financial crisis behind it. In the first three quarters of 2010, Erste Bank und Sparkassen posted an operating result of 630 million Euros; the net profit after tax was 120.2 million Euros (2009: 96 million Euros). The cost/income ratio dropped from 66.7% to 64.8%.

Erste Bank establishes its own department for "Social Banking"

Over the next few years, Erste Bank wants to keep pursuing its aim of being a "Social Entrepreneur". Last year, it thus established its own "Social Banking" department which addresses social issues and devises measures to be taken. According to Thomas Uher, "It is our responsibility to provide entrepreneurial answers to social questions". The Zweite Sparkasse is a good example of this. After three years, it serves 7,000 people who, due to their situation, have no access to bank services.

The bank now wants to address the issue of education. A survey conducted by IMAS International on behalf of the Erste

Bank shows clear backlog demand in the area of economic and financial education: Only 47%, i.e. less than half the population, can correctly define “interest” and only 39% of all Austrians know what a “gross domestic product” is. This is even more drastic among young people: 77% have no idea about gross domestic products.

In any case, most people (53%) believe that the education offered by schools in the areas of economics and finance is inadequate. Some of the initial steps taken by the Erste Bank include an exhibition on financial life for children, the educational “Sparefroh TV” programme, and workshops on debt prevention for young people.