

Austrian Sparkassen have granted EUR 8.1 billion in new loans in 2011

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Erste Bank expects demand for credit to decrease in 4Q 2011 and in 2012

Management Board member Thomas Uher: “No credit crunch for 2012, the credit pipeline is open”

Erste Bank and Sparkassen (Austrian savings banks) extended a total of EUR 8.1 billion in loans in the first three quarters of 2011 and therefore, 22.1% more than in the same period of the previous year and even more than for the full year 2010 (see Table). “Demand for loans was higher than we had originally expected,” said Thomas Uher, Management Board member of Erste Bank Oesterreich, the savings banks lead institute. Loans for capital goods and housing have increased the most. Thomas Uher expects a trend reversal in 4Q and the year 2012: “We expect to see a decrease in demand for credit in 2012 despite the interest rate cut by ECB. The propensity to invest among businesses is decreasing perceptibly.”

However, the bank does not believe there is any risk of a credit crunch: “I do not perceive any credit crunch – neither this year nor in 2012. Our credit pipeline is open and will remain open,” Thomas Uher summarized the assessment of the Sparkassen Group. For the year 2012, experts at Erste Bank expect rather moderate market growth (credit volume) of some 2% or EUR 6.3 billion. Private individuals as well as small and medium-sized companies will continue to be granted loans in the view of Erste Bank, but the cost of credit will increase. “It is like with gasoline. When the price of crude oil rises, the price of gasoline also goes up. Presently, liquidity costs are rising due to Basel III and the capital requirement rules of the supervisory authorities throughout Europe, which are making credit more expensive,” explained the financial expert.

Erste Bank and Sparkassen reported a credit volume of EUR 65.7 billion as of 30 Sept. 2011, which is 1.6% or EUR one billion higher versus the end of 2010 (EUR 64.7 billion). Credit volume increases when there are more new loans being granted than maturing loans. At present, the net balance of loans granted by the Sparkassen is positive. In the segment of private households, the Sparkassen holds a market share in the financing business of 19%, and in the corporate segment of 17%.

New loans to Austrian retail and corporate customers by Erste Bank and Sparkassen

in EUR Mio	Full year 2009	Full year 2010	1-9 2010	1-9 2011	Change in % (vs. period)
Retail customers	2,175	2,178	1,710	2,113	23.6
Corporate customers	5,185	4,803	4,134	4,859	17.5
Guarantees	1,078	855	764	1,096	43.5
Total	8,438	7,836	6,608	8,068	22.1