

Austrian Entrepreneurs Bank on Modernization Instead of Expansion

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- 70% want to modernize their business shortly
- Optimism about the future declines slightly
- 9 out of 10 battle with high labor costs

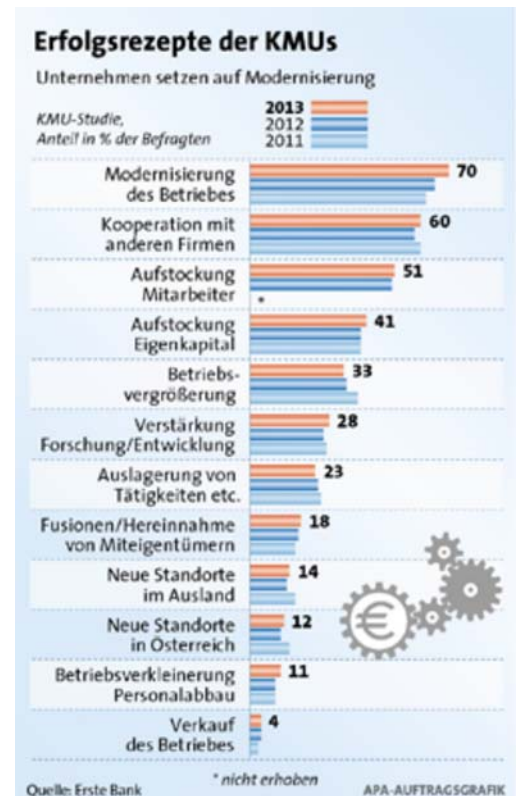
Austria's enterprises are still quite crisis-resistant compared to the rest of Europe. A growing proportion however no longer sees growth as the most important formula for success. 70% of companies focus on the modernization of their business. Concurrent with relatively steady credit requirements, the number of those that need more than half a million euro is rising. As a result of its excellent liquidity situation, Erste Bank und Sparkassen stands ready for the financing of Austria's economy and has already provided EUR 1.24 billion in fresh credit to Austria's companies in the first quarter of 2013. An IMAS study commissioned by Erste Bank und Sparkassen examines success factors and the future prospects of Austria's small and medium-sized enterprises.

Modernization as a Factor of Success

A clear change of thinking can be observed at Austria's SME's. 70% of the surveyed companies see the modernization of their business as the most important measure in order to develop successfully (+ 5 compared to the previous year). In second place is with 60% (+2) the cooperation with other companies. About half consider increasing the number of personnel as a realistic factor for success in the future. Enlarging the business, which was still considered as very important by 38% in 2011, has decreased to 33%.

Change of Banking Activities by Employing New Media

The modernization of their banking relationship is also important to Austria's companies. The conduct of banking activities has changed for every second company in the past few years. For 7 out of 10 entrepreneurs, online solutions offered by their bank are important. Erste Bank und Sparkassen therefore focuses on 'intelligent account innovations' for businesses. "As the first bank in Austria, we offer an account that is automatically linked to bookkeeping", says Gregor Deix, head of the division SME and Public Sector at Erste Bank und Sparkassen. Movements in and out of the account are thereby automatically loaded into bookkeeping software. Thus complete cash-based accounting or double-entry bookkeeping can be performed at the push of a button. For 52%, the use of new media has also altered the outward presence of their company, the business relationship with their principal bank is seen to be changing by 1/3 due to it. By now 9 of 10 commercial clients of Erste Bank und Sparkassen are making use of online banking services.



Intensified Polarization of Expectations for the Future

46% of Austria's companies are optimistic regarding the medium term outlook for their business. Two years ago this share was at 50%. The share of pessimists has doubled from 3% to 7% since 2011. Smaller firms are by comparison more inclined toward pessimism, as 9% expect their business to shrink. Half of the SMEs are however forecasting higher profits and bigger

market share. 3 out of 5 expect that their clientele is going to grow. In terms of competition, 51% of companies with annual revenues between 1.5 to 5 million euro consider their economic position to be better by comparison, while larger SMEs are a tad more self-confident (54%). Erste Bank und Sparkassen intends to grow its corporate business as well in the medium term. In coming years the goal is to increase the share to 33%. *"The financing of Austria's economy is among our core tasks"*, says Peter Bosek.

Credit Demand Remains Steady

Do you need a loan in the next two years? This question was answered with a clear 'yes' by an unchanged 26% (0). The quarter of respondents that considers a financing however needs more than 500,000 euro, which is 7% more than only last year. The loans taken out serve mainly (75%) for investments in modernization measures. Interest rates on loans are very low in Austria compared to the rest of Europe. *"It therefore makes a lot of sense for entrepreneurs at the moment to fix their interest rates"*, says Peter Bosek, member of the management board. Erste Bank und Sparkassen has already provided 1.24 billion euro ¹ in fresh credit this year. *"In view of the moderate economic outlook for 2013, this is quite good. Demand is however still not exactly roaring"*, says Gregor Deix. Furthermore, public grants are a big topic in the context of the financing question, in order to provide support in the mix of funding. Public funding sources are well endowed, but often entrepreneurs aren't even aware that they can apply for grants or guarantees. Erste Bank und Sparkassen has therefore created the 'grant-check' for entrepreneurs, where companies can look for available subsidies online:

<http://foerderungsscheck.erstebank.at>

Employment Developing Positively

Good news for the labor market: Austria's SMEs have not only increased their personnel over the past few years, they also plan to do so in the coming 12 months. About 2 out of 5 companies have added personnel in the past year. Larger SMEs most frequently added even more than 3 persons. About 4 in 10 companies expect to have a growing number of employees in the next year. That is also mirrored in Austria's unemployment rate, forecasts are looking for a minimal increase from 4.4% to 4.8% in 2013. By comparison, an unemployment rate of more than 12% is expected in the euro zone.

Useful Links for Entrepreneurs:

www.kmu-stresstest.at Austrian companies can check their crisis-resistance here. A tool that has been initiated by Erste Bank and has been implemented together with WKÖ and the Federal Ministry of Economy

foerderungsscheck.erstebank.at - Many entrepreneurs aren't even aware that they can apply for a grant. SMEs can check here whether and what subsidies and guarantees are available for them.

www.erstebank.at/businesskonto – the only corporate account in Austria that is automatically linked to bookkeeping software. Complete cash-based accounting, double-entry bookkeeping, delivery slips, bills, etc., at the push of a button.

1. 1st Quarter 2013