

# ***Financing SME growth – A view from the private sector***

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***OECD Working Group on Financial Markets Development and Impact of  
Central Banks***

***“Financial Sector Reform in Transition Economies and Policies for SME  
Growth”***

***Warsaw, 17. November 2009***

# ***SMEs are a core for many Europe's economy***

***99% of all companies operating in the European Union  
(EU27) are SMEs***

***SMEs provide more than two-thirds of all jobs in EU27***

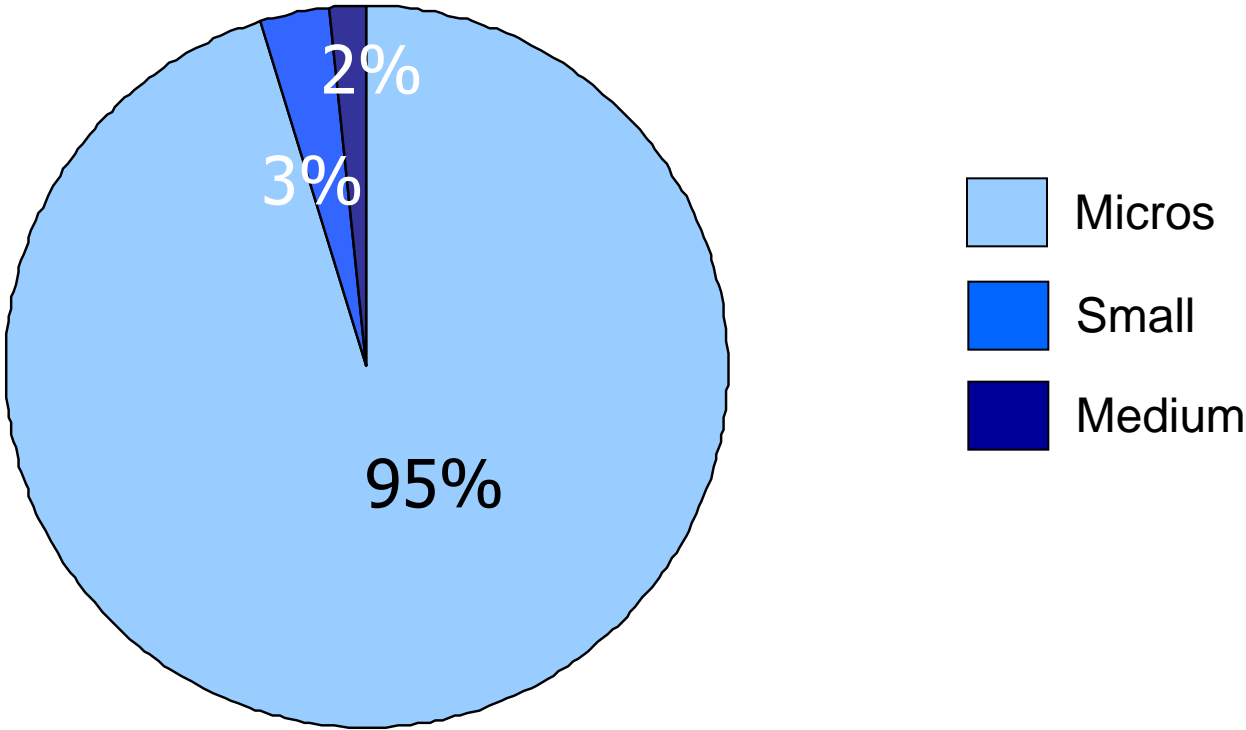
***SMEs produce 58% of the value added in EU27***

***On average there is a density of 40 SMEs per  
1000 inhabitants***



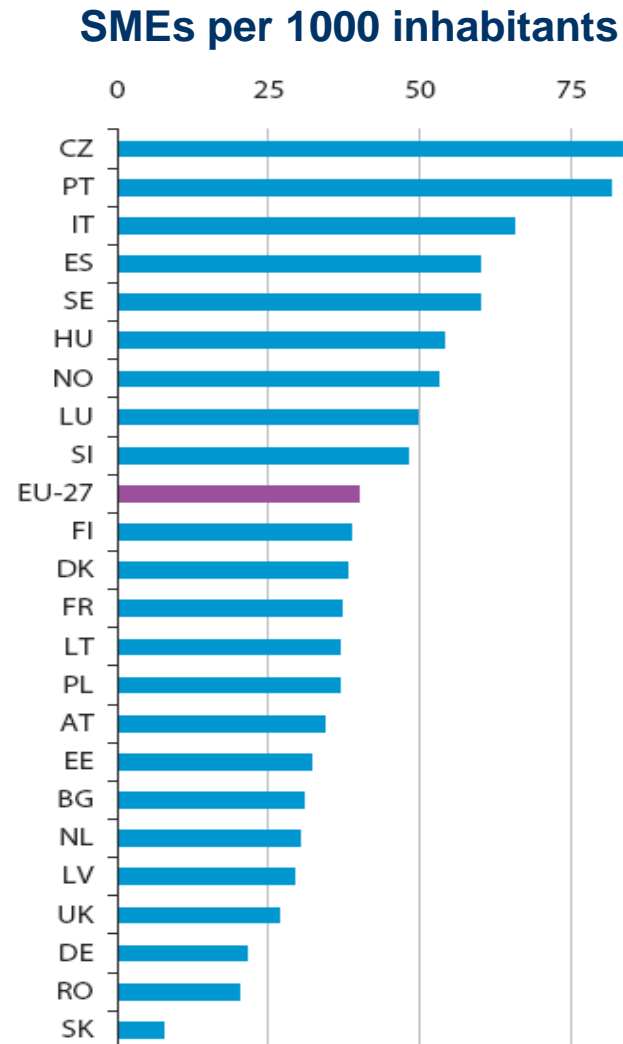
# Micros build the strongest group among SMEs ...

All SME bank clients in CEE



Source: IMAS Research, July 2009, all figures based on client research (n= 15.750 interviews)

# There is a large variation of SME density throughout Europe



Source: Eurostat

# ***Per 1000 inhabitants there are much fewer SMEs in Romania, Ukraine and other countries of the Black Sea region***

## ***SME density (1000 inhabitants):***

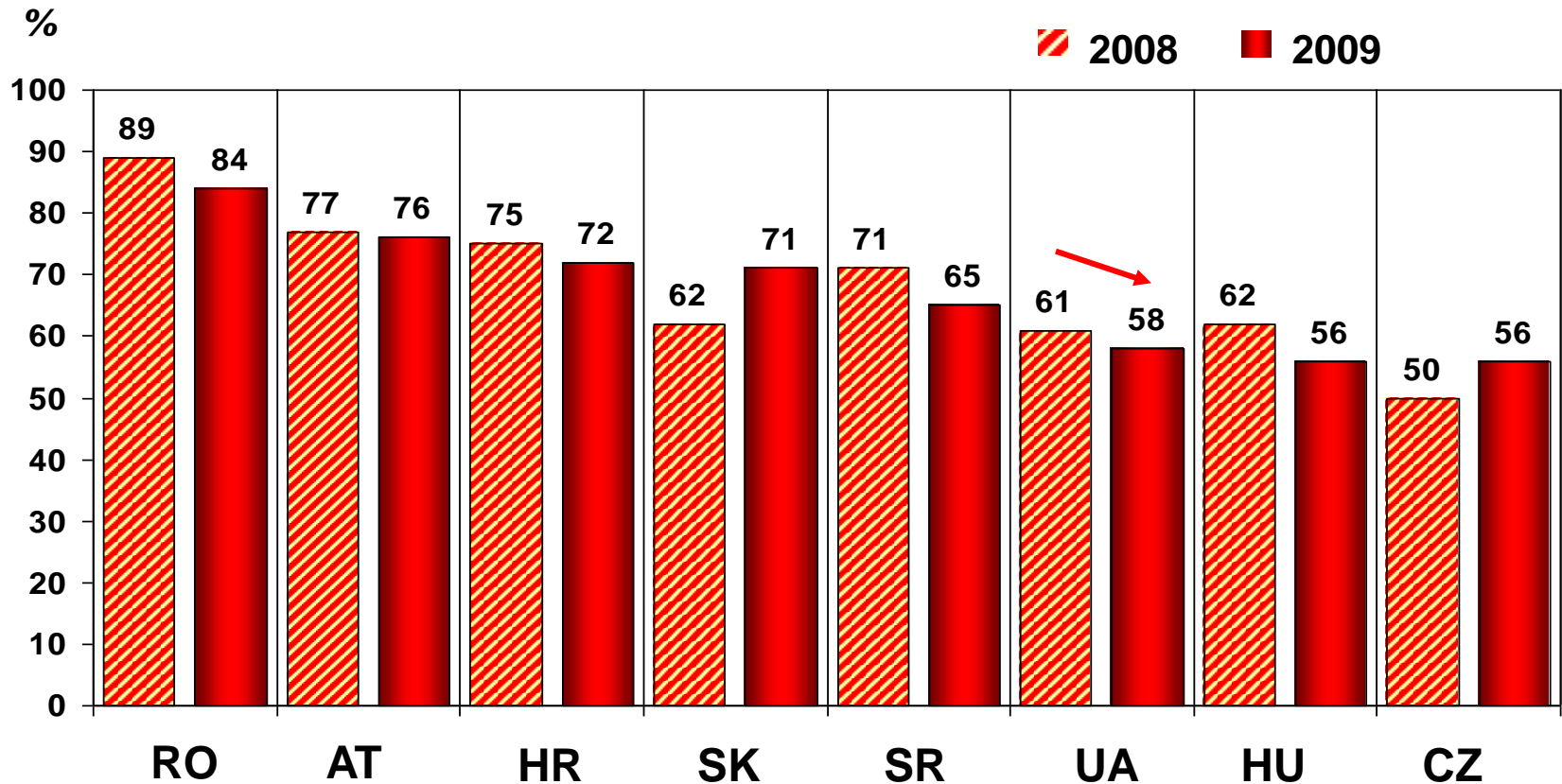
- Romania 18.0 SMEs per 1000***
- Armenia 11.0 SMEs per 1000***
- Azerbaijan 7.2 SMEs per 1000***
- Ukraine 4.8 SMEs per 1000***
- Moldova 4.8 SMEs per 1000***
- Georgia 1.4 SMEs per 1000***



\*according to IFC figures

# In some CEE countries SMEs have less access to loans

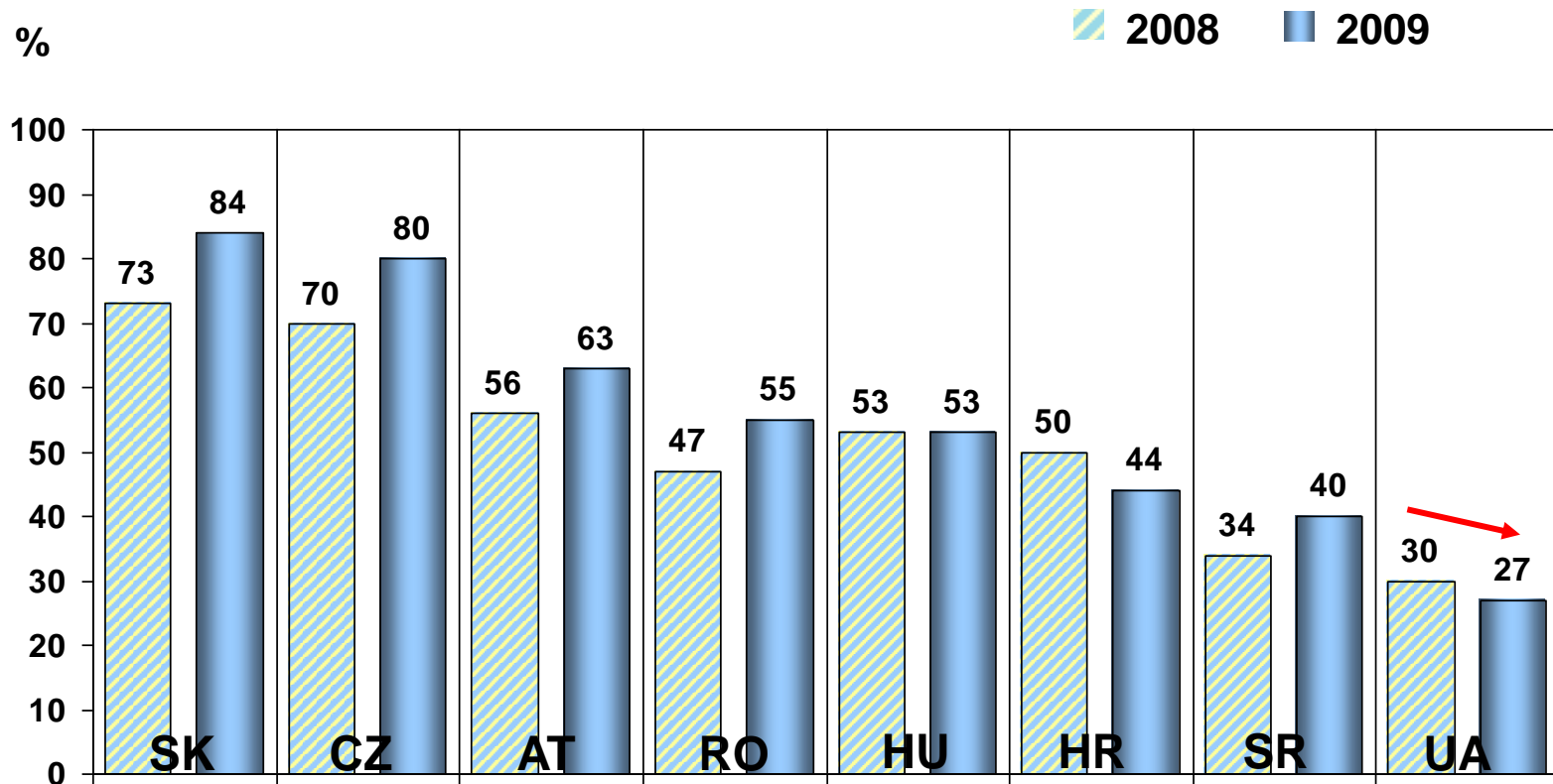
## Percentage of companies who use any kind of loan



Source: IMAS research, July 2009

# There are also large variation in the SMEs' use of deposits

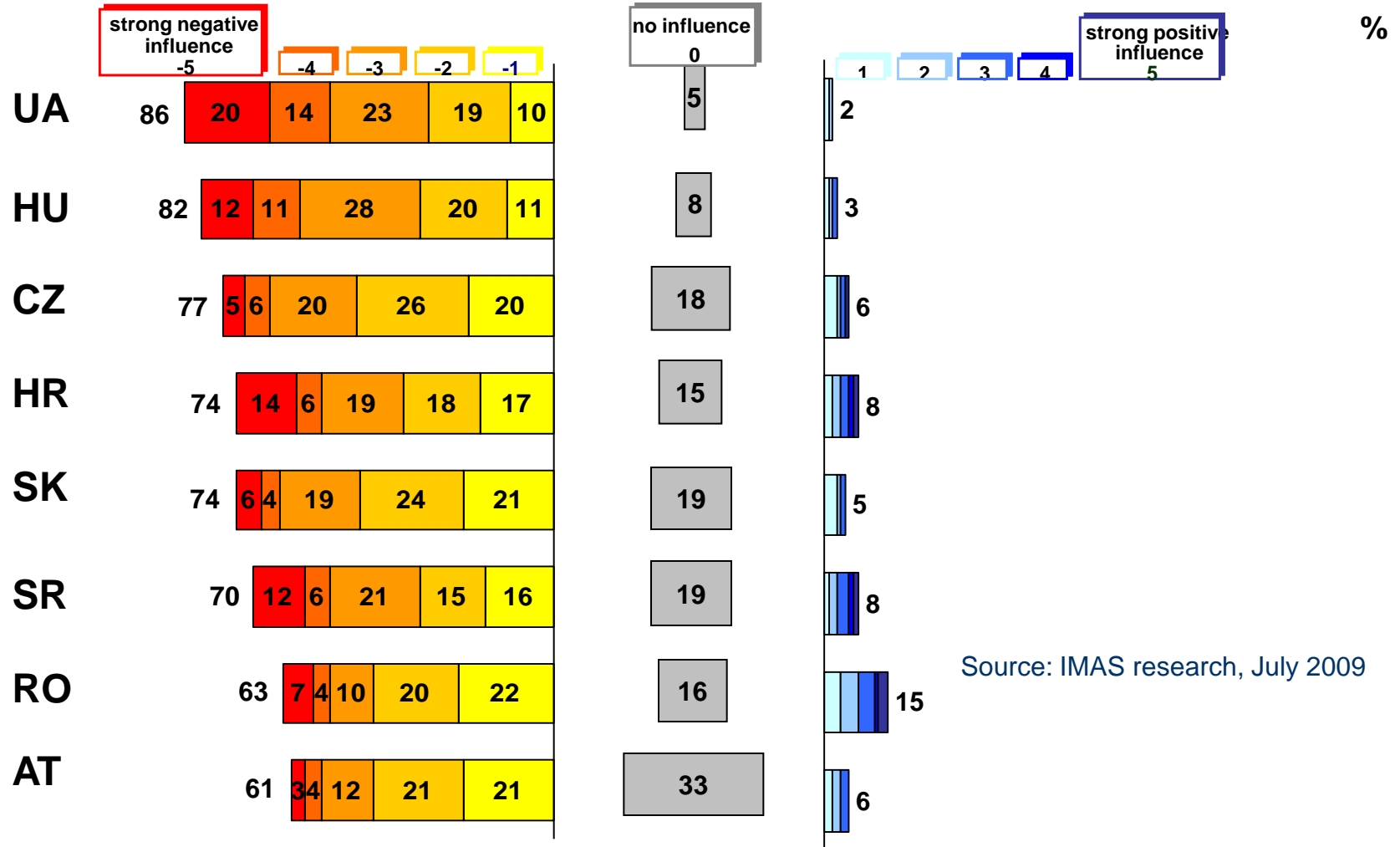
## Percentage of companies who have any kind of deposit



Source: IMAS research, July 2009

# In 2009 most SMEs have negative expectations concerning the impact of the current crisis

Percentage of companies which expect negative, none or positive effects of the current economic situation on their company in 2009



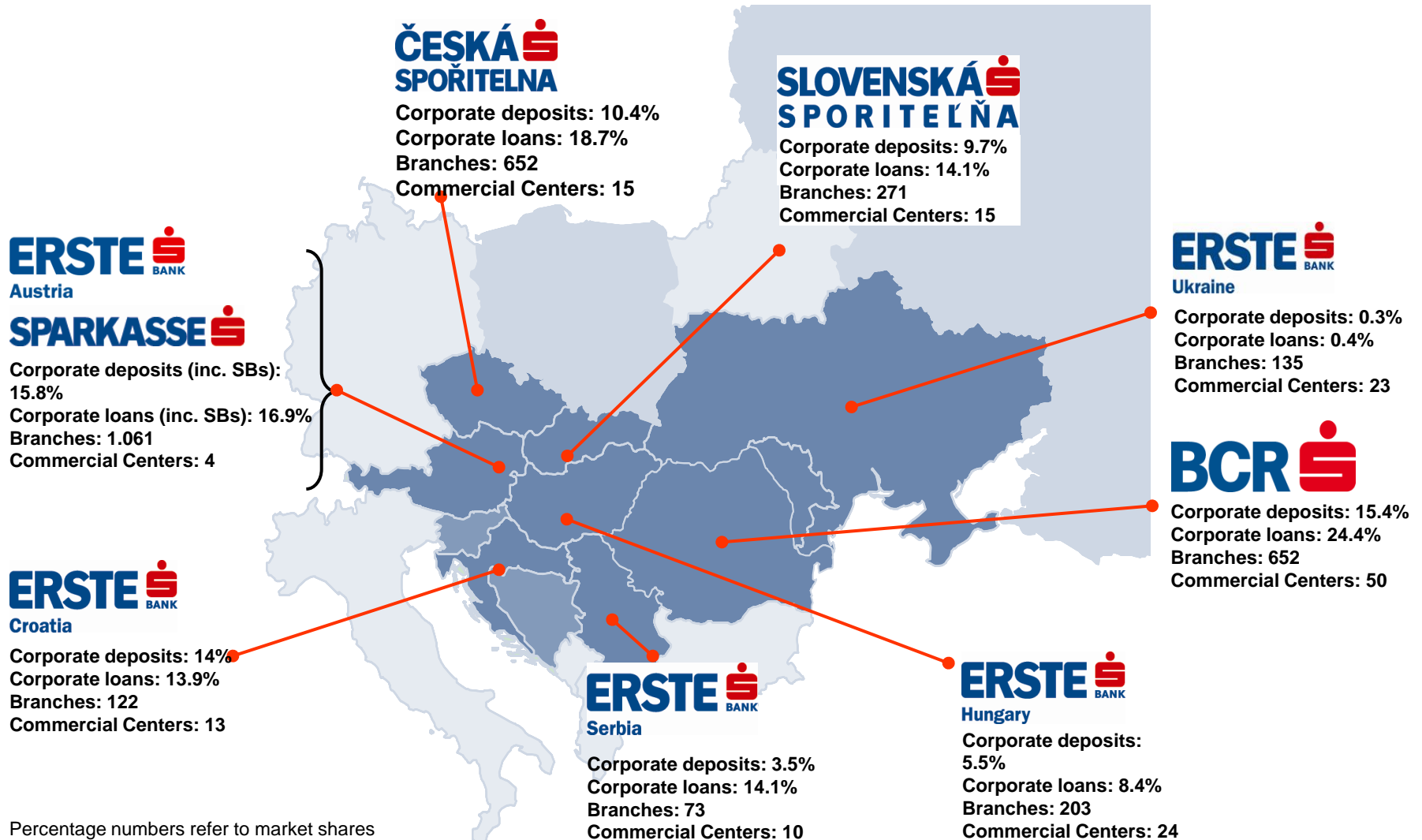
Source: IMAS research, July 2009



# ***SMEs should use downturn to improve their business model***

## ***Preconditions for success:***

- Strong management (financial, information)***
- Ability to adopt to changes***
- Well balanced financial structure***
- Adequate share of own capital***
- Strong risk management***



Percentage numbers refer to market shares

# Erste Group serves almost 30% of the overall SME market across CEE

**Erste Group serves in CEE (incl. Austria)**

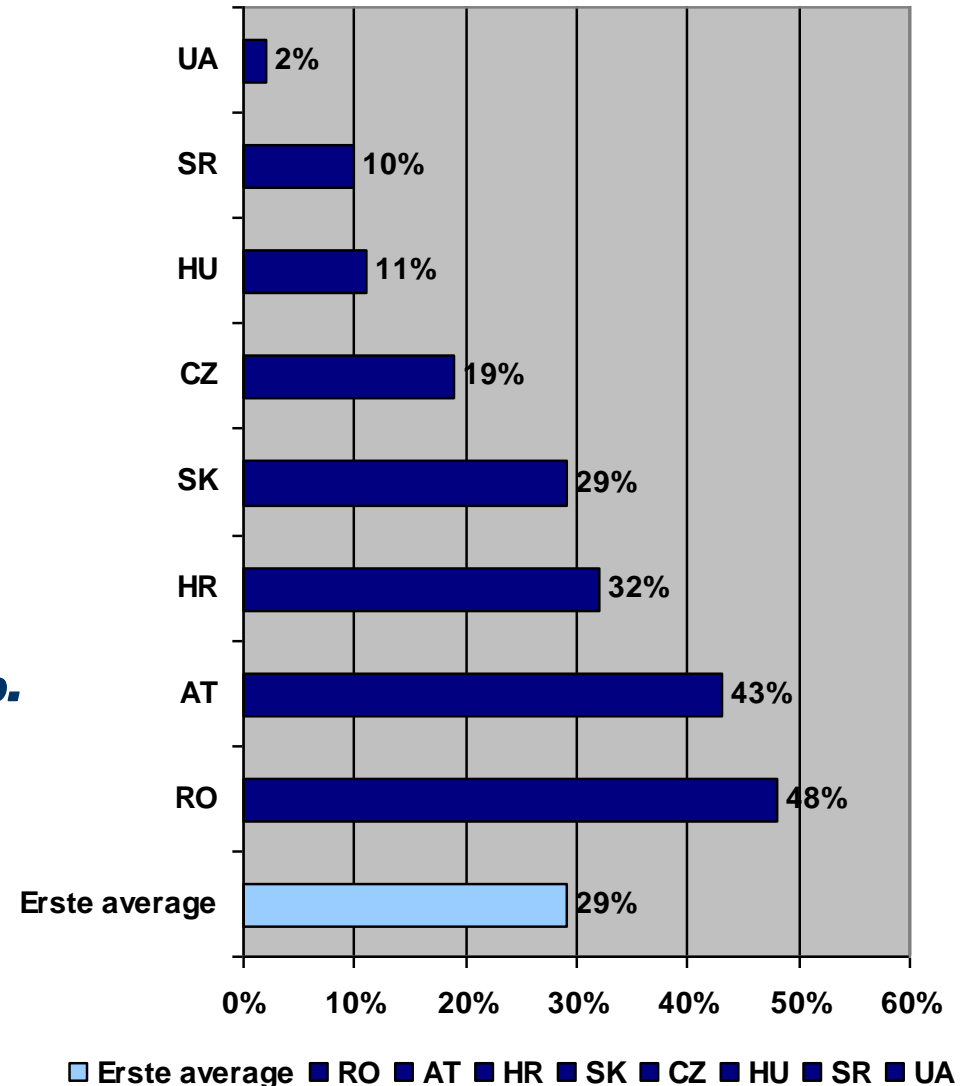
**~ 800.000 SME clients:<sup>1</sup>**

**~ 760.000 micro companies**

**~ 25.000 small companies**

**~ 15.000 medium size comp.**

Erste SME market shares



<sup>1</sup> according to EBG segment definitions

## ***Even in difficult times Erste Bank is committed to SMEs across CEE regions***



- In April 2009 BCR and the Romanian Ministry of Commerce signed a collaboration protocol to support Romania's SMEs.**
- In May 2009 EIB and Erste Group launched a program to finance SMEs in CEE. Erste Group provides a total of EUR 440 million.**
- In June 2009 Ceska sporitelna introduced advantageous program „TOP company II“ aimed for SME in total amount CZK 1 billion (ca. EUR 40 million).**
- In July 2009 EBRD and Erste Bank Hungary concluded an agreement to lend a total amount of €100 million to SMEs.**
- Slovenska sporitelna has a co-operation with Slovak Guarantee Bank (state owned) which provides bank guarantees covering up to 50% of SMEs bank exposure (max EUR 350 000 per client).**

# **good.bee – Our microfinance & social entrepreneurship initiative**

Established in 2008 to strategically enter the „unbanked“ segment in Erste Group's markets

Main aim: to increase financial inclusion via:

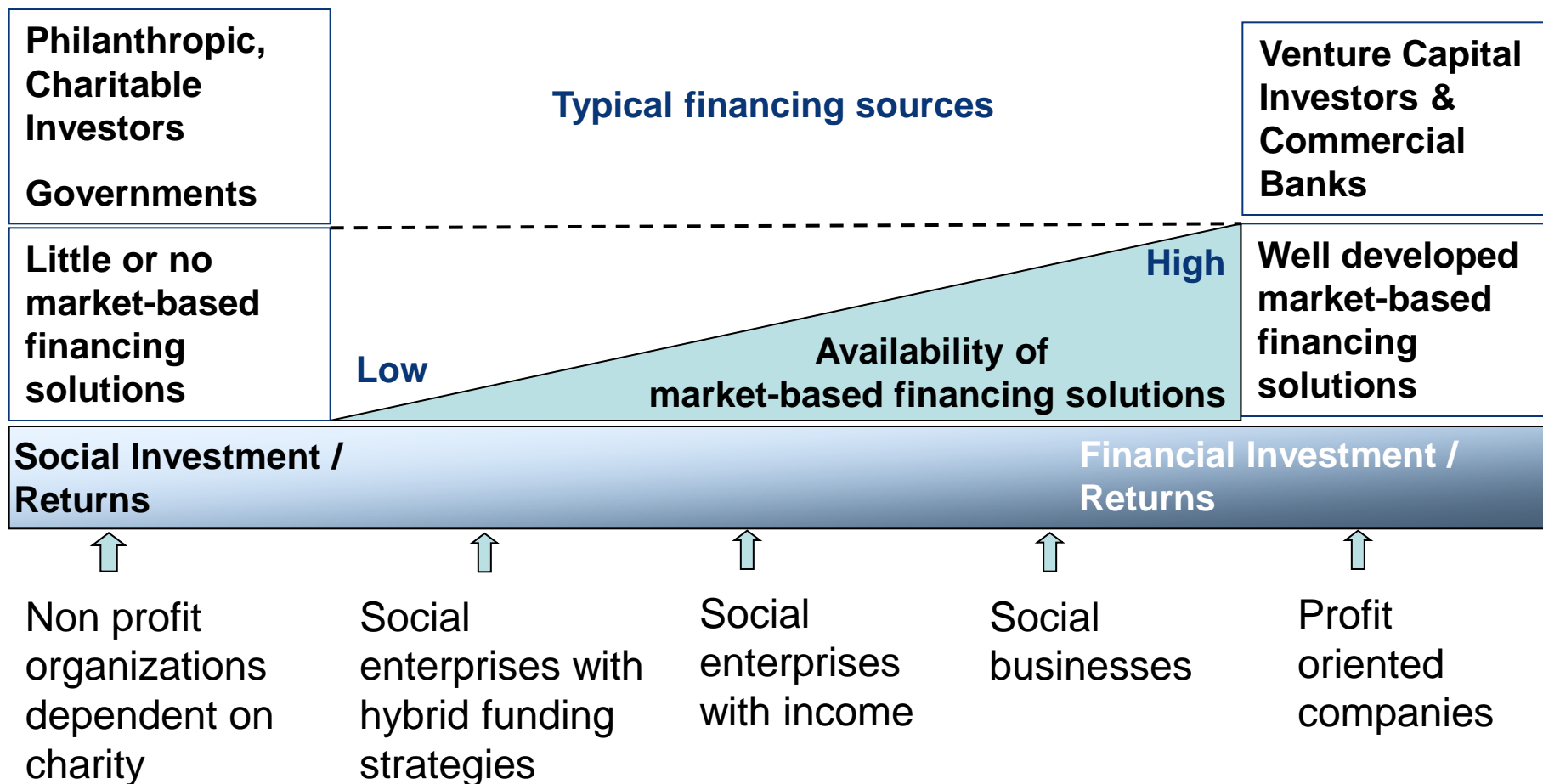
- financial products for the “unbanked” and “underbanked”
- social entrepreneurship: market-based financing solutions for the social sector

Good.bee is owned by ERSTE Foundation (40%) and Erste Group (60%)

**good.bee**

Financial Services. Simple. Human. For All.

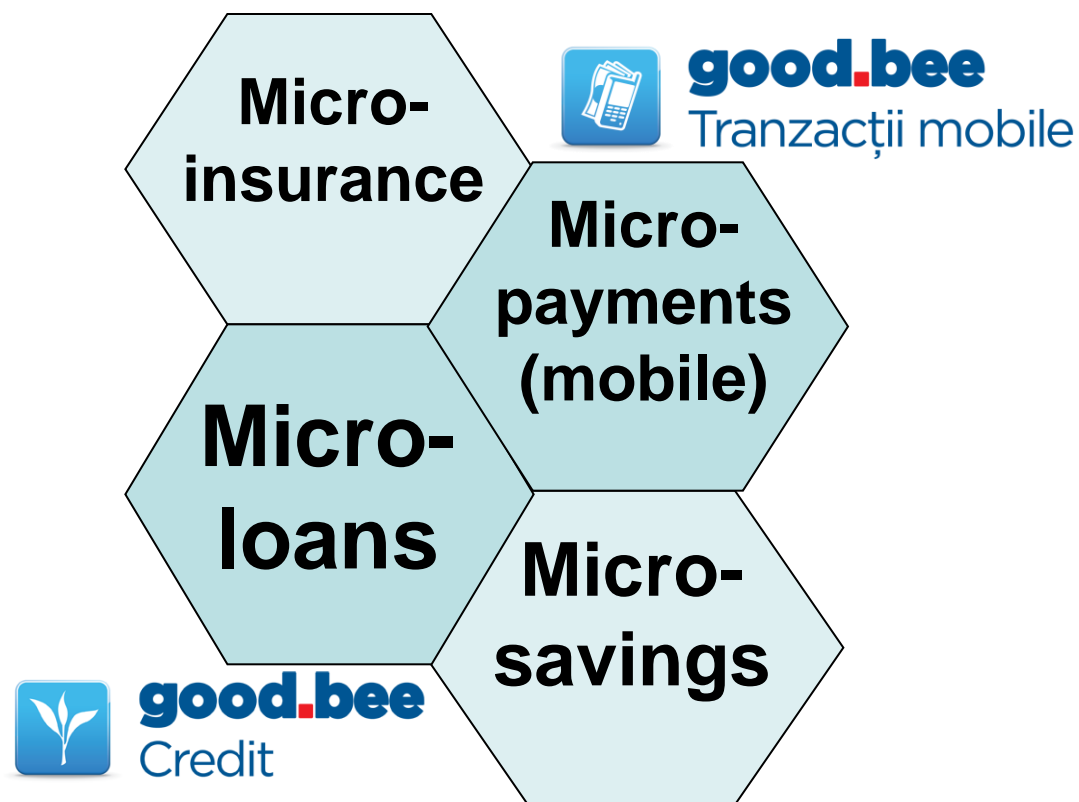
# The “social sector” is largely “underbanked”



# Good.bbe focusses on social businesses with earned-income and/or hybrid funding strategies



# Our offer





# An example: good.bee micro-lending in rural Romania



- **Started in early 2009**
- **Total portfolio of USD 10,2 million**
- **4.500 clients**
- **Excellent portfolio quality (default rate <1%)**
- **Extensive use of group lending**
- **Focused on rural areas**
- **Strong share of agricultural sector (87% of the portfolio)**



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