Impact Report
2023

Social Banking Group

Supported by

ERSTE Stiftung

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Foreword Erste Group

As we reflect on our journey, it is evident that our commitment to enabling and securing prosperity for all people in the region has been the cornerstone of our existence since our foundation. This commitment has driven us to integrate key Environmental, Social, and Governance issues into our corporate strategy, recognising it as the catalyst for fostering a fairer and more inclusive society.

Erste Group’s Social Banking has put a profound focus on people - their lives, needs, environment, education, and, above all, their financial health. Since 2016, we have been on a mission to foster prosperity and expand access to finance in Austria and CEE region. We track our progress in achieving our objectives regularly by a robust impact survey with our clients. This is the third Social Banking Impact Report and serves as a comprehensive summary of our activities targeting three main impact objectives: job creation & preservation, expanding the impact of social organisations and improving financial health and housing for people on low income.

To date, our Social Banking initiative has supported almost 50,000 clients, providing around 600 million EUR to those who typically lack access to bank loans. Some noteworthy highlights include 70% of our start-up clients improving their overall financial situation as a result of our funding, 68% of social organisation clients increasing their social impact through our support, and 82% of clients in financial difficulties reporting reduced worry about their financial situation. These metrics paint a vivid picture of the impactful years we have had.

As we invite you to join us in celebrating the milestones of the past years, we acknowledge that these achievements are a testament to the collaborative efforts of our dedicated teams, partners, and the communities we serve. Together, we propel forward on a trajectory toward a future where prosperity knows no bounds.

Willi Cernko, CEO
Foreword ERSTE Foundation

What is impact? There are plenty of definitions out there, but the essence of it is simple: having an impact means changing lives for the better. This is what we are striving for as ERSTE Foundation, and we approach this task with utmost sincerity and a lot of stamina.

If you want to achieve an impact it is not enough to have a great idea, inspiring enthusiasm, or the funds to bring an idea to life. To truly be impactful requires a set of capabilities and a fruitful environment. This is what we are building in a collaborative set up between ERSTE Foundation, Erste Group and a vivid network of non-profit-organisations. “Social Banking” is a broad ecosystem gathering around shared values to achieve common goals.

ERSTE Foundation focuses on creating this ecosystem. It opens the possibility to benefit from other organisations' learnings. It prepares the ground for creating social businesses that are financeable. And it is a hub of Innovation in the field of societal development.

2023 proved that the combination of understanding the needs of the society and its relevant actors and providing the right financial and banking products can have tremendous impacts. Great examples will inspire others to follow, and together we will share, learn and adapt to make the future a better one.

Representing the Board of ERSTE Foundation, I want to express our thankfulness that what started with the idea of founding the “Zweite Sparkasse – The Bank for the Unbanked” – has undertaken such a remarkable development presenting ERSTE Stiftung’s different tailormade offerings in all the countries where Erste Group displays its business. With this report, we demonstrate that we not only fulfill our founding fathers’ mission in creating access to our services where access is not a given. We also add a point of differentiation to Erste Group as the banking institution that stays open for all parts of the society to lead a better life.

Boris Marte, CEO ERSTE Foundation
Our approach to Social Banking

We foster Starting Entrepreneurs
- WITH Working-capital loans → Start-up loans
- AND PROVIDE Business trainings → Mentoring
- to create new jobs

We support Micro Businesses
- WITH Working-capital loans → Investment loans
- AND OFFER Cash flow assessment → Financial advisory
- to create and preserve jobs in rural areas

We empower Social Organisations
- WITH Quasi-Equity financing → Funding via SiBs*
- AND FACILITATE Capacity building → Networking
- to expand their social impact

We stand by People in financial difficulties
- WITH Special accounts → Housing micro loans
- AND CONDUCT Debt advisory → Financial education
- to improve their financial health and housing

Supported United Nations Sustainable Development Goals:

*SiBs: Social Impact Bonds
The report focuses on the output of our activities and the direct and intended outcomes on our clients.

1,190 clients were interviewed.

Impact assessment methodology

**RESEARCH APPROACH**

The report focuses on the output of our activities and the direct and intended outcomes on our clients.

1,190 clients were interviewed.

**Impact (outcome)**

- Job creation and preservation
- Financial health
- Housing
- Expansion of social organisations impact

**Input**

**Activities**

**Output**

**Housing**
- Job creation and preservation
- Financial health
- Housing
- Expansion of social organisations impact

**1.190 clients were interviewed**
Methodology Notes

**SURVEY**

Social Banking Impact report is based on a representative sample of 1,190 Social Banking clients (thereof 375 starting entrepreneurs, 291 microentrepreneurs, 362 social organisations and 162 people in financial difficulties) that have been telephonically interviewed in 7 core markets of Erste Group (Austria, Croatia, Czech Republic, Hungary, Romania, Serbia and Slovakia).

**%**

Percentage data in the report are based on responses of the representative sample of interviewed Social Banking clients in the survey (slide 7 and 8 – all interviewed clients, slides 9 to 41 – all clients within the indicated customer segment).

**INTERNAL DATA**

Absolute figures in the report such as number of clients, volume / number of disbursed loans, number of education participants (with the exception of number of preserved or created jobs) in the report are exact figures based on the internal information system and internally captured data.

**OVERALL**

Absolute figures in slides with a tag „OVERALL“ represent the cumulative result since the launch of Social Banking in 2016.

**CALCULATION**

Number of created or preserved jobs has been calculated using the following method: average number of jobs per financed client has been calculated based on the results of the representative sample in the survey and in the next step multiplied (extrapolated) by the respective total number of financed clients in the particular segment and timeframe.
Overall Social Banking highlights

- 47,291 supported clients
- 65,946 education support beneficiaries
- 595,6 mln EUR of funding provided

- 67% of clients improved their economic situation
- Around 97,000 preserved and created jobs

- Women: 61%
- Socially marginalised people: 30%
2023 Social Banking highlights

- 6,444 supported clients
- 17,444 education support beneficiaries
- 125,5 mln EUR of funding provided

- 2% People in financial difficulties
- 19% Micro Businesses
- 27% Social Organisations
- 52% Starting Entrepreneurs

125,5 mln EUR disbursed loans
Starting Entrepreneurs
Our approach to Starting Entrepreneurs

Identified problems
- Unemployment
- Limited or no access to financing

Our solutions
- Providing start-up loans
- Delivering business trainings
- Offering e-learning
- Connecting to peers & partners
- Mentoring and business plan assessments
Impact on Starting Entrepreneurs

10,012 financed clients

46,796 education support beneficiaries

255,9 mln EUR disbursed loans

70% improved their overall economic situation

34% could not start or expand their business without our loan

39,000 around preserved and created jobs
Education support impact

46,796 attended or received education support

- 67% improve communication and marketing skills
- 69% improve quality of products and services
- 65% expand network
- 69% increase sales
Business creation

70% improved their overall economic situation

24,013 opened current accounts

8,623 provided loans

255,9 mln EUR disbursed loans

81% stated it was the right decision to start / have their business

34% could not start or expand their business without our loan

70% increased their business turnover
Job creation and preservation

76% of all starting entrepreneurs preserved jobs.

Around 22,000 preserved jobs:
- Women: 39%
- Socially marginalised people: 27%

44% of all starting entrepreneurs created jobs.

Around 17,000 created jobs:
- Women: 68%
- Socially marginalised people: 26%
Financial and personal life

73% could better cover unexpected private expenses

84% could always cover regular household expenses

64% felt more respected

86% had more faith in their skills and capabilities

75% could better overcome current economic difficulties

86% looked more optimistic towards own and family future
Meet Yuriy

ONE OF OUR STARTING ENTREPRENEURS

Tesla Distribution
Croatia

“I have seven employees who are from Ukraine. I am trying to help, educate and lead them. We do the solar installations together.”

SOCIAL IMPACT

Fostering job opportunities for Ukrainian refugees, integrating them into the Croatian society and moving towards sustainable green energy sources.

Installation of solar panels.

Find out more about Yuriy’s start up here

Visit our webpage and meet more of our clients
Micro Businesses
Our approach to Micro Businesses

Identified problems
- Limited or no access to financing
- High unemployment in rural areas

Our solutions
- Providing working capital and investment loans
- Micro-finance
- Cash flow assessment
- Financial advisory
- Mobile relationship managers visiting clients at home
Impact of supporting Micro Businesses

10,390 financed clients
17,812 provided loans
166.3 mln EUR disbursed loans

74% are now in a better economic situation
80% stated it was the right decision to start their business

around 36,000 preserved and created jobs
Business growth

45% could only start or grow due to our loans

73% increased business turnover

8.0% education

3.1% production

26.3% services

8.3% trade

54.3% agriculture

166 mln EUR disbursed loans

OVERALL 8.3%
Job creation and preservation

- **87%** of all micro entrepreneurs preserved jobs
- **30%** of all micro entrepreneurs created jobs

**Around 27,000** preserved jobs:
- **Women**: 34%
- **Socially marginalised people**: 16%

**Around 9,000** created jobs:
- **Women**: 32%
- **Socially marginalised people**: 25%
Financial and personal life

90% could better cover unexpected private expenses

93% could always cover regular household expenses

85% felt more respected

92% had more faith in their skills and capabilities

89% could better overcome current economic difficulties

92% looked more optimistic towards own and family future
Meet Ioan-Liviu

ONE OF OUR MICRO BUSINESSES CLIENTS

Mountain Blueberry
Romania

“We have a very positive impact on the community, because many people who were going to another country to work, have now the opportunity to stay in their country and work close to home.”

SOCIAL IMPACT
Generating employment opportunities in rural regions and reinvesting profits to further enhance job creation.

BUSINESS
Production of blueberries.

Find out more Ioan-Liviu’s micro business here

Visit our webpage and meet more of our clients
Social Organisations

Social organisations include non-profits, non-governmental organisations and social and green enterprises.
Our approach to Social Organisations*

**Identified problems**
- Lack of business and financial know-how
- Poor access to financial products and services

**Our solutions**
- Providing bridge and investment loans
- Providing mezzanine finance with Quasi-Equity
- Funding via Social Impact Bonds
- Offering training courses, accelerators and mentoring
- Facilitating pitching and networking events

*social organisations include non-profits, non-governmental organisations and social and green enterprises
Impact on Social Organisations

- 1.220 financed clients
- 15.703 education support beneficiaries
- 164.9 mln EUR disbursed loans

- 57% are in a better economic situation than before
- 68% increased their social impact

- Around 22,000 preserved and created jobs
Education support impact

15,703 attended or received education support

HELPED TO

- 72% improve competencies / know-how of employees
- 65% improve quality of products and services
- 85% expand network
- 66% expand the number of beneficiaries

OVERALL
Economic situation improvement

1,220 financed clients

1,614 provided loans

164,9 mln EUR disbursed loans

66% secured sufficient liquidity / working capital

54% could better overcome current economic difficulties

62% increased existing or added new activities

51% were able to increase annual turnover
Job creation and preservation

66% of all social organisations preserved jobs

34% of all social organisations created jobs

Around 17,000 preserved jobs
Women 67%
Socially marginalised people 34%

Around 5,000 created jobs
Women 73%
Socially marginalised people 38%
Mission fulfillment

- **62%** succeeded to increase or add new activities
- **68%** increased their social impact
- **82%** managed to maintain the existing activities

Impact areas of social organisations:

- **43%** reduction of inequalities
- **35%** good health and well-being
- **32%** improvement of quality of education
- **22%** decent work and economic growth
Providing mezzanine finance with Quasi-Equity

PURPOSE

→ scale social or green business
→ develop social real estate

7 clients financed
26 education participants
1,9 mln EUR disbursed Quasi-Equity
Funding via Social Impact Bonds

→ test new approaches to solve social issues
→ reduce government spending
→ encourage innovation
→ foster collaboration in social and public sectors

PURPOSE

1. Pre-financing
2. Set up and deal management
3. Deliver services
4. Achieve impact
5. Evaluate impact
6. Repay pre-financing plus success fee only if impact goals are achieved
7. Transfer pre-financing plus success fee

INVESTOR

INTERMEDIARY

SERVICE PROVIDER

PEOPLE IN NEED

COMMISSIONER

EVALUATOR

OVERALL

74 women received training
29,253 paid hours
52 women found a job
Meet Cornelia and Andreas

TWO OF OUR SOCIAL ENTREPRENEURS

Unverschwendet
Austria

“This brings us even closer to our great mission and our dream of making rescued food easily accessible to as many people as possible.”

Conservation of biodiversity and minimalisation of food waste.

Food production from leftover fruits and vegetables.

Find out more about Cornelia’s and Andreas’s social enterprise here

Visit our webpage and meet more of our clients

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People in financial difficulties
Our approach to people in financial difficulties

Identified problems
- Over-indebtedness and financial exclusion
- Lack of financial literacy
- Precarious housing condition

Our solutions
- Enabling financial inclusion by offering bank accounts
- Offering individual consulting and debt advisory
- Social housing programs
- Providing financial education trainings
Impact on people in financial difficulties

- 23,740 clients supported via Zweite Sparkasse
- 1,266 clients supported via debt advisory

- 95% can now pay regular expenses on time
- 88% see more positive into their future now
- 67% decreased their debt level

OVERALL
Financial education and advisory

1,335 received personal advisory

6,893 hours of education and advisory provided

91% improved their financial knowledge and got a better overview of their financial situation

99% found our support offer useful
Providing decent housing

1,199 clients supported via housing programs

957 people have found new home

77 housing micro-loans

1,1 mln. EUR housing micro-loans
Improving financial health

95% can now pay regular expenses on time

7% repaid all their debts

92% can now pay debt obligations on time

67% stated that their overall debt level rather decreased

10,6 mln EUR restructuring loans
Personal life changes

82% 😊 are now less worried about their financial situation

88% 🎈 look now more positively towards their future

72% 💖 feel healthier
Meet Adriana

ONE OF OUR CLIENTS IN OUR HOUSING PROGRAM IN SLOVAKIA

Program for socially marginalised people
Slovakia

“NGO Projekt DOM.ov helped us quite a lot. They gave us a loan to finish the house.”

SOCIAL IMPACT

Offering housing micro loans to socially marginalised people to enable access to decent and affordable housing.

CLIENT CHALLENGE

Big families live in small illegally built houses without water or electricity, and without chances for a better life.

Find out more about Adriana’s challenges here
Visit our webpage and meet more of our clients

Visit our webpage and meet more of our clients
Visit our YouTube playlist and meet more of our clients.

Find out more about Social Banking here.

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