

 <p>European Bank for Reconstruction and Development</p> <p>Contact: Ina Coretchi Tel: +44 20 7338 7874 Email: coretchi@ebrd.com</p>		 <p>Contact: Vugar İsrailov Tel: +994 12 498 22 44 Email: vugar.israfilov@unibank.az</p>
 <p>Contact: Anja Strautz Tel: +49 221 4986 1474 Email: stz@deginvest.de</p>	 <p>Contact: Patrick Harms Tel: + 31 70 314 97 91 Email: phm@fmo.nl</p>	 <p>Contact: Marcel Spechtler Tel: +43 1 533 12 00 2967 Email: marcel.spechtler@oe-eb.at</p>

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Joint financing package boosts lending to businesses in Azerbaijan

\$83 million to enhance crediting activities of Unibank

In response to the impact of the financial crisis, EBRD and a group of European development finance institutions are supporting the banking sector in Azerbaijan with a financing package to one of the leading independent commercial banks in the country.

The financing package to Unibank amounts to a total of \$83 million, of which the EBRD is providing \$37 million, Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) \$15.6 million, the Netherlands Development Finance Company (FMO) \$15 million, and the Development Bank of Austria (OeEB) \$10 million. Unibank's local shareholders are contributing with \$5.4 million.

The package includes a \$7 million equity investment, a \$25 million senior convertible bond and a \$51 million senior loan. The financing will be used to strengthen Unibank's capital base and will assist Unibank to carry on lending to the real economy in the current difficult environment.

The package is complemented by technical assistance provided by the partnering institutions to help Unibank strengthen its credit and risk management policies in the face of economic recession and develop a long term-funding base.

“This project is a continuation of EBRD's support to the banking sectors in countries of its operations in times of scarce external funding. It will provide Unibank with access to sustainable funding, offering a confidence boost to the Azeri banking sector. Moreover it will help to maintain much needed lending to the real economy in Azerbaijan”, said the EBRD Business Group Director for Financial Institutions, Nick Tesseyman.

“This is the largest financial package in the history of private banking in Azerbaijan, and it demonstrates the high level of confidence that the international investors maintain in Unibank as well as in the Azeri banking sector, specifically in the times of the global financial and economic crisis. Notwithstanding instability and reduced liquidity in the global capital markets, the successful implementation of the past projects together with our valuable international partners as well as the timely fulfilment of the relevant liabilities enabled Unibank to attract additional funds to finance small and medium businesses and to foster the development of non-oil industry in Azerbaijan,” said Faig Huseynov, Chairman of the Management Board of Unibank.

“At FMO we value entrepreneurship as a key driver for development. Unibank has shown in recent years to be able to support the development of the private sector and this additional credit line will help further to increase access to finance for medium sized companies in Azerbaijan”, stated Ruurd Brouwer, FMO’s Director Financial Institutions.

"With this financing DEG continues its long-standing relationship with Unibank. As one of the bank’s focus activities is on financing of small and medium-sized enterprises, the project contributes to securing jobs in this field. Given the current economic crisis, we have a special responsibility as a development finance agency, said Holger Rothenbusch, Head of DEG’s Structured Finance division.

“This credit line to Unibank represents our kick-off project in a region which is of high importance for Austria. We trust that we can contribute to the stabilization of the financial sector and in consequence can actively promote the support of the Azeri economy,” said Andrea Hagmann, Member of the Board of Executive Directors at OeEB.

Unibank is one of the top ten banks in Azerbaijan in terms of its financials. As of 1 June 2009, the assets and the loan portfolio of Unibank amounted to more than \$456 million and \$332 million respectively, regulatory capital (as per the Central Bank of Azerbaijan guidelines) comprised \$93 million.

Since 2003 the EBRD has provided to Unibank \$21 million through equity and debt financing. EBRD and DEG are among Unibank’s shareholders, holding respectively 15 per cent and 8 per cent of the shares.

Overall, since the beginning of its operations in Azerbaijan, the EBRD has committed over €800 million across more than 90 projects.

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The EBRD, owned by 61 countries and two intergovernmental institutions, is supporting the development of market economies and democracies in countries from central Europe to central Asia. www.ebrd.com

DEG, member of KfW Bankengruppe (KfW banking group), finances investments of private companies in developing and transition countries. www.deginvest.de

FMO is the entrepreneurial development bank of the Netherlands. Our vision is that a thriving private sector will help create long-term, sustainable development impact. Our mission is to provide capital, share knowledge and create partnerships. www.fmo.nl

OeEB, the official Development Bank of Austria, is specialised in realising private-sector projects that have a sustainable impact on the regional economic development. www.oe-eb.at