

Press Release

For immediate release

EFSE expands into Croatia – first investment to boost micro and small enterprise lending

EFSE credit facility for Zagrebačka banka totals EUR 20.0 million

Luxembourg and Zagreb, 20 December 2012 – The European Fund for Southeast Europe (EFSE, the Fund) – initiated by KfW (The German Development Bank) with the financial support of the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission – and Zagrebačka banka (ZABA, the Bank) in Croatia have signed a loan agreement of EUR 20.0 million. The Bank will dedicate the EFSE's credit facility to finance individual loans of up to EUR 100,000 to local micro and small enterprises (MSEs) in various sectors.

With a strong commitment to serving the MSE segment and a wide geographical coverage, particularly in more remote areas where access to finance for MSEs is rather limited, ZABA provides the full scale of banking services through its countrywide network of more than 130 branches. ZABA is a key source of finance for the Croatian MSE sector with a share of 26 per cent in terms of the total legal entities lending market¹.

The EFSE's credit facility will allow ZABA to scale up lending to MSEs, and in particular boost the volume of longer-tenor loan products, which addresses a major market need. This will significantly ease the pressure on MSEs in terms of debt servicing as well as help to increase their competitiveness as Croatia prepares for its entry into the European Union.

Croatian MSEs form the backbone of the country's economy: they represent 97.3 per cent of registered businesses, employ 34.3 per cent of the country's total workforce, and account for nearly 35 per cent of Croatia's GDP². MSEs, which traditionally have limited access to finance are especially hard hit by the current adverse economic and financial environment because they have only limited credit access to finance their growth.

"We are delighted to be partnering with Zagrebačka banka, which has recognised the importance of supporting MSEs and facilitating access to finance despite the current economic and financial environment. We are confident that the positive impact of this initial loan will encourage other banks to follow," said Monika Beck, Chairperson of the EFSE.

"Business operation with micro and small entrepreneurs is in the focus of activities of Zagrebačka banka, which has been trying to adapt its range of products and services to their needs as much as possible. We therefore wish to emphasise that the loan contract with the EFSE will help us expand our lending programmes intended specifically for them. We aim to aid small and micro entrepreneurs so that even in unfavourable economic environment they could not only maintain their business, but also invest in growth," said Nino Nikolić-Malora, Head of Commercial Strategy and Financing Products in Zagrebačka banka.

¹ Source: CNB Bulletin, October 2012

² Source: Main International Financial Facilities Available for SMEs – Project Recipient Country Survey Croatia 2011, Fit4SMEs, page 47

About the European Fund for Southeast Europe

The European Fund for Southeast Europe (EFSE) aims to foster economic development and prosperity in Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Georgia, Kosovo, Moldova, Montenegro, Romania, Serbia, Turkey and Ukraine. The EFSE focuses on assisting local financial sectors in strengthening their ability to ensure adequate and sustainable financing for micro and small enterprises (MSEs) as well as for private households in the form of home improvement loans. The funding the EFSE provides is channelled to these loan customers through local partner lending institutions (PLIs). In addition to funding, the EFSE provides PLIs with technical assistance, consulting and training services to build operational capacities and professional management. Initiated by KfW (The German Development Bank) in 2005, the EFSE is the first public-private partnership of its kind and the first privately managed fund in development finance. The capital is provided by the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Commission (EC), the Government of Albania, Small and Medium Business Credit Support CJSC (SMBCS), a subsidiary of the Central Bank of Armenia, the Development Bank of Austria (Oesterreichische Entwicklungsbank - OeEB), the Swiss Agency for Development and Cooperation, the Danish International Development Agency (Danida), KfW, the IFC, the Netherlands Finance Company (FMO), the European Bank for Reconstruction and Development, the European Investment Bank, and Sal. Oppenheim and Deutsche Bank. Oppenheim Asset Management Services S.à r.l, Luxembourg, and Finance in Motion GmbH, Germany, are, respectively, the EFSE's Fund Manager and Fund Advisor. For more information about EFSE, please visit: <http://www.efse.lu>

About Zagrebačka Banka

Zagrebačka banka has been the leading bank in Croatia in terms of the quality of products and services, technical innovations, as well as number of customers for years. In Croatia, the Bank operates with 80 thousands corporate customers and over 1.1 million private customers, which means that every fourth citizen is a customer of Zagrebačka banka. As a member of the UniCredit Italiano Group since March 2002, one of the most successful banking groups in Europe, Zagrebačka banka has also been among the leading banks in CEE. The Bank accounts for 25 per cent of total assets of the Croatian banking sector and, as a co-owner of the UniCredit Bank in Mostar, 17 per cent of the total assets of the banking sector in Bosnia and Herzegovina. The main branches of Zagrebačka banka are: ZB Invest, the Zagrebačka banka investment fund company that holds 35 per cent of market share. AZ Fund, an obligatory pension fund of Zagrebačka banka and Allianz, holds around 41 per cent of the market share, and the deposits of the First Housing and Savings Bank holds around 30 per cent the housing savings on the market. With more than 130 subsidiaries in total, and more then 873 ATMs, Zagrebačka banka has the largest network of physical channels for customer business. Almost half a million customers use online banking of Zagrebačka banka through direct channels and 167 thousand customers use mobile banking. More than once, the Bank has been nominated to have the most innovative and top-quality banking Internet service.

For more information about Zagrebačka banka, please visit: <http://www.zaba.hr>

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