



25th Meeting of the EBF Associates

Azerbaijan Banks Association

Brussels, December 6, 2007

AZERBAIJAN



- ★ Population - more than 8.5 mln.
- ★ Territory – 86.6 km²
- ★ *Border countries:* Georgia, Iran, Russia, Turkey and Armenia
- ★ The first democratic republic on the Muslim Orient, which was declared on 1918

- ★ As result of the military conflict with Armenia over Azerbaijani region Nagorny Karabakh 16% of this territory is under occupation and we have to maintain about 1 million refugees and IDPs.

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AZERBAIJANI ECONOMY

- ★ Azerbaijan's economy is one of the most speedy growing in the world. During the last 3 years Azerbaijan invariably is number one in the world in GDP growth rate. In 2005 – 26.4%, in 2006 – 34.5% and in 2007 – approx 27%.
- ★ According to UNCTAD, in 2002-2005 Azerbaijan was number one in the world also in scope of Inward FDI Performance Index.
- ★ ... is the biggest in the Caucasus with GDP more than USD 25 bln. GDP per capita – USD 3 500 (PPP – USD 7 800). State budget – USD 7,2 bln. International reserves – USD 7 bln. (and it is expected to grow because of the government's conservative policy with respect to petrol incomes.
- ★ Number one export is oil. A consortium of Western oil companies pumps 1 mln barrels a day through Baku-Tbilisi-Ceyhan (BTC) pipeline. In the next 20 years Azerbaijan is expected to gain about USD 200 bln from the oil exports. Rich gas resources will be exported via Baku-Tbilisi-Erzurum pipeline. Azerbaijan will play important role in securing energy safety in Europe.
- ★ As result of economic reforms, privatization and liberalization currently more than 80% of GDP (99% – in agriculture) is produced by private sector.

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BANKING SYSTEM

- ★ Banking legislation comprises "Law on the National Bank" and "Law on Commercial Banks" that were adopted in 1992, and then amended in 1996 and 2004.
- ★ 44 commercial banks function on the Azerbaijan market. Some of them have branches abroad – in UK, Germany, Russia and Georgia.
- ★ Total assets are USD 4.6 bln. Rates of assets growth are very high: they increased on 88% in the last year. Liabilities of the banks (excluding capital) make up to USD 3.8 bln. 53% of this falls to deposits. Banks' capital amounts to USD 800 mln.
- ★ The share of the foreign banks' assets riches 23%.
- ★ The level of so-called dollarization of economy is pretty high. Only 47% of deposits and savings are kept in national currency. However we forecast drastic increase here.
- ★ The main problem of the Azerbaijan's bank system is out of it and consists of unacceptably high share of informal economy. Today the government makes efforts for maximum engaging of financial streams to the bank circulation. The Azerbaijan banks are interested in it and support these reforms.

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Azerbaijan Banks Association

- ✦ Established in 1990. Functions under current name since 1999. Current management headed by the President, Mr. Eldar Ismaylov, was elected in summer of 2006.
- ✦ MEMBERS - 43 banks plus 4 credit organizations.
- ✦ MISSION - protecting and lobbying common interests of banks and credit organization acting in the country and providing effective support to their development.
- ✦ MAIN GOAL FOR THE NEAREST FUTURE - to promote self-regulation and self-development principles in banking community.
- ✦ The highest body - General Assembly.
The highest executive body - Board of Governors consisting of 11 banks.
Routine has been carried out by the Executive Staff (10 people).

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Association has:

- ✓ Banking Training Center (established in 2000);
- ✓ Arbitrage (for out of court consideration of possible disputes between members);
- ✓ Center of Banking Technologies (established in 2003 to provide the banks with consultations on modern information technologies),
- ✓ "Banks and Business" monthly magazine, published since 2003
- ✓ Bilateral agreements with banking associations of Russia, Georgia, Greece, Cyprus, Ukraine, Latvia and Moldova. Association is a member of Coordination Council of the banking associations of the CIS countries, Central and Eastern Europe (International Bank Council).

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We have comprehensive plans of development of the Association, which were reflected into the new development strategy, adopted at the last General Assembly in July, 2007.

Realization of these plans undoubtedly would be more successful if we could obtain the support of global banking community, in particular, of such an influential and competent organization as the European Banking Federation.

That is what why we are here.

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