

AccessBank

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

Viability Rating	b+
Support Rating	3

Sovereign Risk

Long-Term Foreign-Currency IDR	BBB-
Long-Term Local-Currency IDR	BBB-
Country Ceiling	BBB-

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Financial Data

AccessBank

	31 Dec 11 ^a	31 Dec 10
Total assets (USDm)	487.4	458.7
Total assets (AZNm)	383.6	366.0
Total equity (AZNm)	85.6	74.5
Pre-impairment	19.3	28.3
operating profit (AZNm)		
Published net income (AZNm)	17.9	26.2
Comprehensive income (AZNm)	n.a.	26.9
Operating ROAA (%)	4.8	7.9
Operating ROAE (%)	25.0	41.1
Internal capital generation (%)	14.9	40.6
Eligible capital/weighted risks (%)	25.3	24.3
Basel Tier 1 ratio (%)	25.7	24.8

^a Unaudited managerial accounts

Key Rating Drivers

Support-Driven Ratings: The Long- and Short-Term IDRs and Support Rating of AccessBank (AB) are underpinned by potential support from the international financial institutions (IFIs) that directly control the bank. Due to the absence of a single controlling shareholder, Fitch Ratings expresses some uncertainty over whether provision of such support would always be timely.

Fragile Operating Environment: AB's Viability Rating (VR) is constrained by its small size by international standards, its modest franchise and potential cyclicity in its performance in a rather challenging operating environment. Although AB proved resilient to the market downturn in 2009, its business model of SME lending could be adversely affected by a deeper, longer-lasting recession. The VR, however, also factors in AB's sound profitability and reported asset quality to date, its considerable equity cushion and its adequate liquidity position.

Growth Slowdown: AB's rapid expansion slowed down in 2011 as its loan book increased by a moderate 11%. Planned growth for the medium term is 10%-15% per year. AB's loan book is diversified by name, fairly liquid and short-term, with average loan duration of one year, which is typical for a bank focusing on micro and SME lending.

Impressive Reported Asset Quality: Loans 90 days overdue (NPLs) reportedly remained low at 0.7% of end-2011 loans, while restructured loans and write-offs added a further 0.8% and 0.5%, respectively. NPLs were covered roughly 4x by loan impairment reserves (LIR) at end-2011. Fitch does not expect significant asset quality worsening in the medium term unless there is a marked deterioration in the operating environment, driven by external factors.

Sound Profitability: AB has outperformed the market in terms of profitability, with ROAA and ROAE roughly four times the sector average. Fitch expects profitability to remain stronger than the market average, but to decline somewhat in the medium term, pressured by increased price competition in the SME segment and more modest loan growth.

Diversified Funding, Adequate Liquidity: At end-2011, AB was funded 50% by local customer funding and 50% by IFI wholesale funding, which was well diversified by lender and by maturity. The funding structure is likely to be preserved in the medium term. AB's liquidity profile benefits from a fast-amortising loan book, modest near-term refinancing needs and a moderate cash buffer equivalent to 17% of end-2011 customer funding.

Sound Capitalisation: Fitch estimates that AB's equity cushion is sufficient to create additional provisions amounting to 25% of its loan book, which provides a significant margin of safety, noting AB's resilient asset quality so far. Dividend payout plans are modest.

What Could Trigger a Rating Action

Support Stance: AB's IDRs could be upgraded or downgraded in case of a marked change in the support stance of the shareholders. However, this is viewed as unlikely in the near term.

Country Ceiling: A marked increase in country risks, driving a two-notch downgrade of the sovereign IDRs and Country Ceiling, would result in a downgrade of AB too. However, this is also an unlikely scenario at present, given the Positive Outlook on the sovereign IDRs.

Marked Operating Environment Deterioration: Significant stresses in Azerbaijan's highly cyclical, oil-dependent economy could put pressure on AB's financial strength and therefore its Viability Rating.

Related Research

[Azerbaijan \(May 2011\)](#)

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Figure 1
Shareholder Structure

Shareholder	Stake (%)
KfW	20.0
IFC	20.0
EBRD	20.0
BSTDB	20.0
AMH	16.5
LFS	3.5

Source: AB

Profile

Internationally Owned Bank

AB (formerly Micro Finance Bank of Azerbaijan) was set up in 2002 by a group of well-known international investors to offer a full range of banking services to micro and small businesses in Azerbaijan. The bank is owned by KfW (IDR: 'AAA'), the European Bank for Reconstruction and Development (EBRD; IDR: 'AAA'), the International Finance Corporation (IFC), the Black Sea Trade and Development Bank (BSTDB), Access Microfinance Holding (AMH) and LFS Financial Systems GmbH (LFS) (see Figure 1). All these entities except AMH have been shareholders since the bank's foundation.

Initially, the IFIs provided substantial operational support to the bank, including consultancy, software and key managerial personnel. However, with the exception of the general manager – who is an expat with extensive banking experience in Former Soviet Union (FSU) countries and Central and Eastern Europe (CEE) – all management positions have gradually been filled by local employees.

Given the strong support track record and AB's small size relative to shareholders' assets, Fitch believes that its international shareholders have a high propensity to provide equity support to the bank, if needed. However, given the absence of a single controlling shareholder, the agency expresses uncertainty over whether provision of such support would always be timely.

Focus on Micro Finance Lending

AB concentrates on small, micro and retail lending at rather high rates. The bank has grown rapidly (see Figure 2), underpinned by the fast expansion of the Azerbaijani economy and relatively modest credit penetration. Until 2006, AB's growth was primarily financed through capital injections and funding raised from the shareholders. Since 2006, management costs have been fully borne by AB, and the bank has shifted to special microfinance funds and borrowings from IFIs under the framework of various development programmes to finance growth.

Since 2009, AB has substantially increased the proportion of local customer AZN-denominated funds. This move was intended to diversify funding rather than reduce its cost: the cost of customer funding is on average 1.1 percentage points higher than that of IFIs. AB's strategy is to roughly maintain a 50/50 split between interbank and customer funding in the medium term.

Sound Corporate Governance

Fitch considers AB's management disclosure and transparency to be very good, with almost no exposure to related-party business. Almost all important functions – such as group strategy, supervision, risk management and internal audit – are supervised and supported by the shareholders. The agency views corporate governance standards at AB as the best among Fitch-rated banks in Azerbaijan.

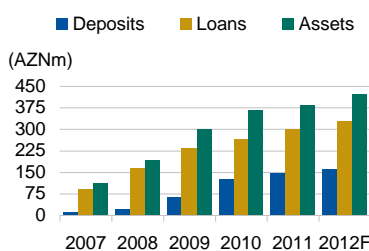
Expected CEO Replacement Creates Mild Uncertainty

The current CEO is expected to retire in H112, and this could have a negative impact on AB's operations. However, Fitch believes that the shareholders are mindful of potential risks relating to his replacement and will ensure that the post is taken up by a similarly experienced and capable candidate.

Relatively Modest Local Franchise

AB's ranking is constrained by the dominance of a single state-owned player and other large, formerly state-controlled banks. At end-2011, AB ranked eighth by total assets and seventh by total loans in Azerbaijan, with a 3% share of sector loans. At the same time, the bank remains the unquestioned leader in the SME lending segment. AB's network comprises 30 branches, half of which are located in regional districts across the country.

Figure 2
AB's Growth



Source: AB's data adapted by Fitch

Related Criteria

Global Financial Institutions Rating Criteria (August 2011)

Less Aggressive Growth Strategy in Still Challenging Operating Environment

Loan growth slowed down from its previous high rates to 11% in 2011, reflecting a weaker environment. The Azerbaijani banking sector is struggling with arrears (the impact of the 2009 downturn), but remains fairly liquid and is trying to absorb losses through portfolio growth. Competition in the SME segment has significantly increased as many private banks have turned to the sector in search of lending opportunities. AB's strategy is not to be involved in price competition, but rather to focus on asset quality. The bank already cherry-picks borrowers of the highest credit quality, and management has informed Fitch that AB will not compromise its underwriting standards to maintain the pace of growth. AB expects its loan book to increase by a modest 10% in 2012, in line with the long-term business plan.

Presentation of Accounts

The analysis below is based on AB's unaudited managerial accounts at end-2011 and on the bank's IFRS financial statements for 2008-2010 audited by PricewaterhouseCoopers.

Performance

Profitability Trimmed by Contracting Margins, but Still Respectable

AB has successfully navigated the crisis without a material increase in its cost of risk. While the bank has experienced price pressure from increased competition, its net interest margin remained a solid 19% in 2011 (compared with a sector average of 6%). At end-2011, AB's ROAA and ROAE of 4.8% and 25.0% respectively remained extremely high compared with sector averages of 1.2% and 6.8%.

Profitability Likely to Decline but Remain Strong

Fitch expects AB's profitability to decline somewhat in the medium term due to further gradual sector-wide margin compression and a slowdown in loan book growth, but to remain solid as the bank has significant room for manoeuvre. AB also expects to mitigate the decline in profitability by strengthening its fee-generating capacity (currently weak, as fee income equalled a low 3% of 2011 net interest income) and by improving operational efficiency, as the physical expansion of the bank and its branch network is over.

Peer Analysis

AB has no direct peers in Azerbaijan as it clearly outperforms the market in terms of profitability and reported asset quality. On an international basis, AB has much in common with banks belonging to ProCredit Holding AG & Co. KGaA (PCH; 'BBB-/Stable/'bb-'), a group of 21 development-oriented banks, focusing on SME lending in emerging economies. A comparison (see Annex) of AB with some PCH banks indicates that AB is soundly positioned in terms of profitability, asset quality, capitalisation and, to a lesser extent, liquidity. AB's is more dependent on borrowings from IFIs, while PCH peers are mostly funded from local markets.

Fitch also notes that both AB and PCH banks demonstrate much better asset quality metrics than the sector average, which indirectly demonstrates that low NPL numbers are achievable in emerging markets with less mature banking systems.

Risk Management

Granular, Fast-Amortising Loan Book

AB divides its business lending operations into two major segments: micro lending and SME lending (see Figure 4), while minor business lines include loans to salaried individuals and staff loans. The composition of the book has not changed significantly (see Figure 5) and borrower concentrations remain low (the 20 largest exposures equalled a low 5% of end-2011 loans) thanks to the nature of AB's business.

Figure 3
Profitability Metrics (%)

	2011	2010	2009
NIM	18.8	22.4	22.5
Loan yield	26.9	33.8	32.5
Cost of funds	9.0	9.6	9.2
Cost of risk	0.5	0.8	1.3
Cost/income	68.6	55.6	55.3
ROAA	4.8	7.9	8.1
ROAE	25.0	41.1	46.1
Net income (AZNm)	17.5	26.2	19.9

Source: AB's data adapted by Fitch

Figure 4
AB's Product Range

(AZN 000)	Maximum volume	Average volume
Micro loans	10	3
Small loans	100	23
Medium loans	2,000	234
Salaried individuals	n.a.	1.5
Staff loans	n.a.	9

Source: AB

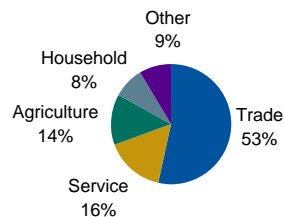
Figure 5
Loan Book Composition

(%)	End-2011	End-2010
Micro loans	48.5	52.2
Small loans	17.3	19.6
Medium loans	23.6	19.9
Staff and other	10.5	8.2
Total loans	100.0	100.0
Gross loans/assets	78.1	74.8
Top 20 loans/gross loans	5.2	4.0

Source: AB's data adapted by Fitch

Figure 6

Loan Book by Industry



Source: AB's data adapted by Fitch

The industry profile of the loan book shows a large concentration on trade and services (see Figure 6), which is typical for a small business lending model, but it is much better diversified in terms of sub-sector. The loan book is fairly liquid: the average loan duration is one year.

Collateral requirements are rather strict, with a negligible share of unsecured loans. However, Fitch notes that the efficiency and timeliness of collateral foreclosures in Azerbaijan are hampered by the weak rule of law and the low accountability of borrowers.

Exceptional Reported Asset Quality Metrics

The success of AB's business model is largely dependent on the quality of its loan portfolio. Reported asset quality appears to have remained sound (see Figure 7) and resilient to market downturns. NPLs are sufficiently covered by LIR. Although good asset quality is indirectly demonstrated by the low share of accrued interest income (less than 0.3% of interest income for 2010 was not received in cash) and the low duration of the loan book, Fitch expects asset quality to weaken somewhat in the medium term, noting that estimated average NPLs in the SME segment are close to 10%.

Management points out several drivers of portfolio quality, including: the average short-term tenor of loans; daily online monitoring of the loan book and overall sophisticated management information systems; united sales and risk management functions; credit officers' salaries being highly dependent on the quality of issued loans (with floating bonuses accounting for around 40% of loan officer salaries); and zero tolerance for corruption. It is AB's policy not to lend to start-ups and not to lend with grace periods. According to management, underwriting standards are conservative.

Operational Risk Inherent to AB's Business Model

Operational risk is still challenging for a fast-growing emerging-market bank to manage. The internal audit has developed and grown in parallel with the bank. Each branch and head office are audited at least twice a year, reporting weaknesses through the audit committee to the supervisory board on a quarterly basis. The bank prefers to hire young staff (mostly university graduates), providing them with several months' intensive training and testing, after which candidates take up entry-level positions.

High Proportion of FX Loans, but Risks of Devaluation are Remote

Although the share of USD-denominated loans is constantly decreasing (see Figure 8) as AB gradually replaces foreign funding with AZN-denominated customer accounts, the share of foreign-currency-denominated loans is still very high (approximately 50% of the gross loan book at end-2011). The bank therefore bears indirect credit risk should the USD appreciate against the AZN. However, this is not Fitch's base-case scenario due to the historical stability of AZN exchange rates (even during periods of turbulence in global markets) and the strong sovereign external balance sheet.

Funding and Liquidity

Funding Reasonably Diversified; Customer Funding Gradually Growing

AB's non-equity funding (see Figure 9) mainly consists of customer funding, which increased by 17.6% in 2011 (at end-2011, 76% of customer funding was term). The other major funding source is loan facilities attracted from AB's shareholders and from other IFIs (including a USD10m subordinated loan), mostly under the framework of various SME development programmes. These IFI loans are low-concentrated, mainly USD-denominated, well diversified in terms of maturity and less costly than customer funds (the average annualised cost for IFI funding is 8.8% versus 9.9% for customer funding).

Figure 7

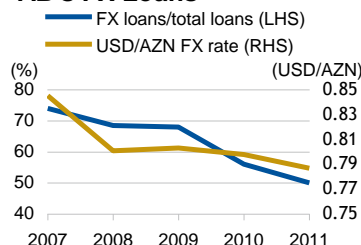
Asset Quality (%)

	End-2011	End-2010
1 day overdue	0.81.0	1.2
90 days overdue (NPLs)	0.7	1.1
Restructured	0.8	0.5
Write-offs	0.5	0.5
LIR/NPLs	384.3	253.3

Source: AB's data adapted by Fitch

Figure 8

AB's FX Loans



Source: AB's data adapted by Fitch

Figure 9

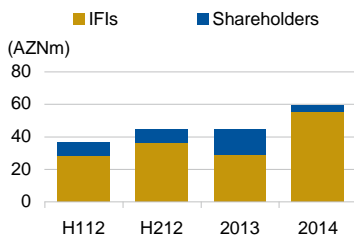
Funding (%)

	End-2011	End-2010
Customers, incl	49.3	43.5
Term	37.7	38.1
Demand	11.7	5.4
IFIs	35.0	34.5
Shareholders	11.5	18.2
Other	4.2	3.9
Total	100.0	100.0
Equity/assets	22.3	20.4

Source: AB's data adapted by Fitch

Figure 10

AB's Refinancing Needs



Source: AB's data adapted by Fitch

Refinancing Risk Manageable

The bank has to repay rough USD35m of wholesale funding in H112 and a further USD45m in H212 (see Figure 10), which AB expects to refinance. Management has informed Fitch that AB has approximately USD100m of potential funding currently being negotiated and the bank has rather comfortable flexibility in terms of pricing and covenants.

Adequate Liquidity Position But Thinner Cash Buffer

The bank's liquidity position is underpinned by a reasonable – although reduced – cash cushion (the cash/deposits ratio stood at 17% at end-2011) and its ability to de-leverage, as the loan book is very short-term and liquid. Moreover, customer funding is highly granular, which reduces the risk of a sharp outflow of funding due to one-off withdrawals.

Capitalisation

Solid Loss Absorption Capacity and Capital Cushion

Since its foundation, AB's capitalisation has regularly been supported by its shareholders through equity injections; the latest occurred in H108. Since 2008, AB's internal capital generation capacity has strengthened enough to maintain capital adequacy at a high level, as the bank retains most of its profits.

At end-2011, AB's regulatory Tier 1 and Total capital ratios stood at a comfortable 19.8% and 27.9%, respectively, while the Basel II ratios were even higher at 25.7% and 28.4%. Management has informed Fitch that there are no planned equity contributions, and its medium-term Basel II ratio target is 18%. Fitch considers AB's current loss absorption capacity to be high (see Figure 11), as the bank would be able to write off roughly 20% of its loan book before breaching its regulatory capital ratios.

AB's dividend payments in 2010 and 2011 were equivalent to less than 20% of its net income. The dividend rate is likely to increase in 2013 (following the ending of the tax holiday for Azerbaijani banks) to an estimated 60%-70%.

Figure 11

Loss Absorption Capacity

	Regulatory	Basel
Tier 1 capital (AZNm)	63.9	85.5
Total capital (AZNm)	90.3	94.5
Tier 1 CAR (%)	19.8	25.7
Total CAR (%)	27.9	28.4
RWA (AZNm)	323.6	332.7
Current LIR (AZNm)	2.1	7.8
Additional LIR capacity ^a (AZNm)	55.9	73.8
Maximum LIR capacity ^a (AZNm)	58.0	81.6
Additional LIR capacity ^a /gross loans (%)	18.8	24.6
Maximum LIR capacity ^a /gross loans (%)	19.5	27.2

^a Capacity to create LIRs while maintaining capital adequacy ratios above respective minimums

Source: AB's data, Fitch's calculations

Annex

Figure 12
Peer Comparison

	AccessBank (Azerbaijan)			ProCredit Bank (Bulgaria) AD		ProCredit Bank (Georgia)		ProCredit Bank (Romania)		ProCredit Bank (Macedonia)	
	'BB+/'Stable; 'b+'			'BB+/'Stable; 'b+'		'BB+/'Stable; 'b+'		'BB+/'Stable; 'b'		'BB+/'Stable; 'b'	
(%)	2011	2010	2009	H111	2010	H111	2010	H111	2010	H111	2010
Franchise and sector data^a											
Sovereign IDR	('BBB-/Positive)			('BBB-/Stable)		('BB-/Stable)		('BBB-/Stable)		('BB+/'Stable)	
Sector ROAA	1.2	1.0	2.3	0.8	0.9	2.2	1.7	n.a.	-0.2	n.a.	n.a.
Sector NPLs ^b /gross loans	14.2	13.4	12.2	13.5	12.0	4.3	5.9	13.4	11.9	n.a.	10.6
Sector loan growth (ytd)	4.0	7.7	16.8	3.8	1.7	24.5	24.8	1.3	4.7	n.a.	7.0
% of sector assets	2.8	2.8	2.6	1.6	1.6	7.3	8.2	0.3	0.3	n.a.	n.a.
% of sector equity	3.6	3.4	2.6	1.3	1.3	6.6	6.7	0.3	0.3	n.a.	n.a.
Profitability											
Interest income/average earning assets	27.0	31.7	31.0	11.2	11.3	18.3	19.5	18.2	19.4	11.8	13.1
Net interest margin	18.9	22.4	22.5	7.7	7.6	11.7	11.8	11.6	12.3	7.0	7.5
Net interest/total operating income	96.6	97.3	98.0	74.9	70.6	88.6	86.7	83.9	85.3	88.3	81.4
Interest expense/average interest-bearing liabilities	9.0	9.6	9.2	3.6	3.9	6.0	7.0	5.6	5.9	4.4	5.0
Cost/income ratio	68.6	55.6	55.3	65.7	70.5	72.4	67.5	93.6	95.0	81.4	85.3
Pre-impairment operating ROAA	5.3	8.5	9.1	3.0	2.7	2.8	3.5	0.7	0.5	1.2	1.1
Payroll costs/operating costs	60.1	59.2	59.0	43.3	46.5	55.7	56.5	45.7	47.2	39.7	39.7
Provisioning charge/pre-impairment operating profit	7.3	7.4	11.6	73.3	87.2	3.6	11.6	100.0	369.2	51.4	51.9
ROAA	4.8	7.9	8.1	0.7	0.3	2.3	2.6	n.a.	-1.3	0.6	0.6
ROAE	25.0	41.2	46.1	6.7	2.7	15.7	19.3	n.a.	-14.1	6.9	7.7
Loan book and quality											
Net loans/assets	76.0	72.7	77.8	79.9	79.0	68.2	67.0	75.0	74.2	70.4	72.4
Loan growth	10.9	14.7	42.8	15.2	2.5	3.3	6.0	21.4	-8.4	5.9	1.0
Generated NPLs (recovery)/average performing loans	n.a.	1.0	2.1	n.a.	5.5	n.a.	1.2	-0.4	1.3	n.a.	n.a.
Credit costs/average loans	0.5	0.8	1.3	2.7	2.8	0.1	0.6	0.9	2.7	0.9	0.8
NPLs/gross loans	0.7	1.1	0.8	5.4	5.4	1.5	1.0	2.3	3.3	n.a.	2.7
LIR/gross loans	2.6	2.8	2.8	4.3	4.0	2.6	2.8	5.1	4.5	2.9	2.5
LIR/NPLs	384.0	253.3	330.0	80.4	74.7	168.5	286.2	219.2	137.3	n.a.	94.9
Maximum LIR/gross loans ^c	25.3	25.0	20.6	n.a.	12.1	16.2	18.7	n.a.	9.1	n.a.	n.a.
Liquidity and funding											
Liquid assets ^d /total assets	14.1	17.8	18.8	12.8	14.9	22.7	25.2	21.9	22.4	24.5	22.3
Liquid assets ^d /customer funding	36.7	51.5	83.2	20.6	23.6	41.0	45.2	36.0	35.7	36.0	33.1
Loans/customer deposits	203.8	216.1	354.4	134.0	130.5	126.6	123.8	129.8	124.0	106.5	110.1
Customer funding/total liabilities	49.3	43.5	27.4	74.2	75.6	64.8	64.8	67.9	69.6	75.4	75.0
Wholesale funding/total liabilities	46.5	52.7	68.4	22.4	23.1	25.1	24.8	27.4	25.6	19.1	19.3
Capitalisation											
Equity/assets	22.3	20.4	17.7	11.0	11.1	14.7	14.1	10.3	10.0	8.3	8.4
Total Basel II capital ratio	28.4	28.2	26.2	18.9	20.4	25.7	31.3	14.7	14.2	n.a.	16.7
Fixed assets and intangibles/equity	13.8	14.8	16.4	40.0	38.6	53.2	48.3	15.0	20.5	41.1	43.9
Total assets (USDm)	487.4	458.7	373.9	901.3	793.8	495.3	487.1	366.4	306.9	289.9	267.1
Total equity (USDm)	108.8	93.4	66.0	98.7	87.9	72.8	68.8	37.6	30.6	24.2	22.4

^a The source for sector data is national banks and bank regulators, Fitch estimates. Data for Azerbaijan is at end-Q311 rather than at end-2011.

^b Definitions of impaired loans, as disclosed in regulatory data, differ across markets, meaning that sector NPL ratios are not always comparable. Sector NPLs for Romania are calculated as the bottom two of five regulatory categories; the remaining sectors' NPLs are calculated as loans overdue for 90 days. For Azerbaijan, NPLs are based on a survey of Fitch-rated banks rather than on regulatory data.

^c Maximum LIR that the bank can create before its total Basel II ratio falls below 10%

^d Cash due from banks and sovereign debt

Source: Banks' IFRS (unaudited managerial for AccessBank at end-2011) accounts adapted by Fitch

AccessBank
Income Statement

	31 Dec 2011			31 Dec 2010		31 Dec 2009		31 Dec 2008	
	Year End USDm Unaudited	Year End AZNm Unaudited	As % of Earning Assets	Year End AZNm Unqualified	As % of Earning Assets	Year End AZNm Unqualified	As % of Earning Assets	Year End AZNm Unqualified	As % of Earning Assets
1. Interest Income on Loans	107.2	84.4	24.63	86.9	29.42	66.3	25.49	42.2	23.73
2. Other Interest Income	0.5	0.4	0.12	0.8	0.27	1.6	0.62	0.3	0.17
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	107.8	84.8	24.74	87.7	29.69	67.9	26.11	42.5	23.90
5. Interest Expense on Customer Deposits	16.3	12.8	3.74	10.9	3.69	4.2	1.61	1.4	0.79
6. Other Interest Expense	16.1	12.7	3.71	14.7	4.98	14.4	5.54	11.1	6.24
7. Total Interest Expense	32.4	25.5	7.44	25.6	8.67	18.6	7.15	12.5	7.03
8. Net Interest Income	75.3	59.3	17.30	62.1	21.02	49.3	18.95	30.0	16.87
9. Net Gains (Losses) on Trading and Derivatives	n.a.	n.a.	-	0.7	0.24	0.4	0.15	0.4	0.22
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	2.7	2.1	0.61	1.0	0.34	0.6	0.23	2.6	1.46
14. Other Operating Income	n.a.	n.a.	-	n.a.	-	n.a.	-	0.6	0.34
15. Total Non-Interest Operating Income	2.7	2.1	0.61	1.7	0.58	1.0	0.38	3.6	2.02
16. Personnel Expenses	32.1	25.3	7.38	21.0	7.11	16.4	6.31	10.3	5.79
17. Other Operating Expenses	21.3	16.8	4.90	14.5	4.91	11.4	4.38	7.7	4.33
18. Total Non-Interest Expenses	53.5	42.1	12.28	35.5	12.02	27.8	10.69	18.0	10.12
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	24.5	19.3	5.63	28.3	9.58	22.5	8.65	15.6	8.77
21. Loan Impairment Charge	1.8	1.4	0.41	2.1	0.71	2.6	1.00	2.1	1.18
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	22.7	17.9	5.22	26.2	8.87	19.9	7.65	13.5	7.59
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	22.7	17.9	5.22	26.2	8.87	19.9	7.65	13.5	7.59
30. Tax expense	n.a.	n.a.	-	n.a.	-	n.a.	-	3.0	1.69
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	22.7	17.9	5.22	26.2	8.87	19.9	7.65	10.5	5.91
33. Change in Value of AFS Investments	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	0.7	0.24	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	22.7	17.9	5.22	26.9	9.11	19.9	7.65	10.5	5.91
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	22.7	17.9	5.22	26.2	8.87	19.9	7.65	10.5	5.91
40. Memo: Common Dividends Relating to the Period	8.1	6.4	1.87	5.0	1.69	n.a.	-	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = AZN0.78700

USD1 = AZN0.79790

USD1 = AZN0.80310

USD1 = AZN0.80100

**AccessBank
Balance Sheet**

	31 Dec 2011			31 Dec 2010		31 Dec 2009		31 Dec 2008	
	Year End USDm	Year End AZNm	As % of Assets	Year End AZNm	As % of Assets	Year End AZNm	As % of Assets	Year End AZNm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	39.6	31.2	8.13	22.6	6.17	16.6	5.53	13.4	6.91
4. Corporate & Commercial Loans	154.6	121.7	31.73	108.5	29.64	n.a.	-	n.a.	-
5. Other Loans	186.1	146.5	38.19	142.7	38.99	223.7	74.49	154.4	79.63
6. Less: Reserves for Impaired Loans/ NPLs	9.9	7.8	2.03	7.6	2.08	6.6	2.20	4.1	2.11
7. Net Loans	370.5	291.6	76.02	266.2	72.73	233.7	77.82	163.7	84.42
8. Gross Loans	380.4	299.4	78.05	273.8	74.81	240.3	80.02	167.8	86.54
9. Memo: Impaired Loans included above	3.2	2.5	0.65	3.0	0.82	2.0	0.67	0.4	0.21
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	37.0	29.1	7.59	7.0	1.91	26.4	8.79	8.1	4.18
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Available for Sale Securities	n.a.	n.a.	-	0.0	0.00	n.a.	-	5.9	3.04
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	0.1	0.05
7. At-equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Other Securities	n.a.	n.a.	-	0.5	0.14	n.a.	-	n.a.	-
9. Total Securities	n.a.	n.a.	-	0.5	0.14	n.a.	-	6.0	3.09
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	6.0	3.09
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	28.0	22.0	5.74	21.7	5.93	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	435.5	342.7	89.34	295.4	80.71	260.1	86.61	177.8	91.70
C. Non-Earning Assets									
1. Cash and Due From Banks	31.5	24.8	6.47	58.2	15.90	30.0	9.99	9.3	4.80
2. Memo: Mandatory Reserves included above	8.0	6.3	1.64	0.4	0.11	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	13.1	10.3	2.69	9.4	2.57	7.1	2.36	5.1	2.63
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
6. Other Intangibles	1.9	1.5	0.39	1.6	0.44	n.a.	-	1.0	0.52
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	0.1	0.03	0.0	0.00	0.0	0.00
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	5.5	4.3	1.12	1.3	0.36	3.1	1.03	0.7	0.36
11. Total Assets	487.4	383.6	100.00	366.0	100.00	300.3	100.00	193.9	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	43.2	34.0	8.86	15.7	4.29	8.9	2.96	4.8	2.48
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	143.5	112.9	29.43	111.0	30.33	58.9	19.61	16.9	8.72
4. Total Customer Deposits	186.7	146.9	38.30	126.7	34.62	67.8	22.58	21.7	11.19
5. Deposits from Banks	176.1	138.6	36.13	153.7	41.99	169.1	56.31	116.6	60.13
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Deposits, Money Market and Short-term Funding	362.8	285.5	74.43	280.4	76.61	236.9	78.89	138.3	71.33
9. Senior Debt Maturing after 1 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
10. Subordinated Borrowing	10.2	8.0	2.09	8.2	2.24	8.2	2.73	19.7	10.16
11. Other Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	10.2	8.0	2.09	8.2	2.24	8.2	2.73	19.7	10.16
13. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Funding	372.9	293.5	76.51	288.6	78.85	245.1	81.62	158.0	81.49
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Current Tax Liabilities	n.a.	n.a.	-	0.1	0.03	n.a.	-	1.8	0.93
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	5.7	4.5	1.17	2.8	0.77	2.2	0.73	0.8	0.41
10. Total Liabilities	378.7	298.0	77.69	291.5	79.64	247.3	82.35	160.6	82.83
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	108.8	85.6	22.31	74.5	20.36	53.0	17.65	33.3	17.17
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
6. Total Equity	108.8	85.6	22.31	74.5	20.36	53.0	17.65	33.3	17.17
7. Total Liabilities and Equity	487.4	383.6	100.00	366.0	100.00	300.3	100.00	193.9	100.00
8. Memo: Fitch Core Capital	106.9	84.1	21.92	72.9	19.92	51.0	16.98	32.3	16.66
9. Memo: Fitch Eligible Capital	106.9	84.1	21.92	72.9	19.92	51.0	16.98	32.3	16.66

Exchange rate

USD1 = AZN0.78700

USD1 = AZN0.79790

USD1 = AZN0.80310

USD1 = AZN0.80100

**AccessBank
Summary Analytics**

	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
	Year End	Year End	Year End	Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	29.42	33.80	32.48	31.05
2. Interest Expense on Customer Deposits/ Average Customer Deposits	9.41	11.20	9.38	7.87
3. Interest Income/ Average Earning Assets	26.90	31.57	31.00	29.58
4. Interest Expense/ Average Interest-bearing Liabilities	9.00	9.59	9.23	9.56
5. Net Interest Income/ Average Earning Assets	18.81	22.35	22.51	20.88
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	18.36	21.60	21.32	19.42
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	18.81	22.35	22.51	20.88
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	3.42	2.66	1.99	10.71
2. Non-Interest Expense/ Gross Revenues	68.57	55.64	55.27	53.57
3. Non-Interest Expense/ Average Assets	11.47	10.65	11.25	11.44
4. Pre-impairment Op. Profit/ Average Equity	23.92	44.36	52.08	63.16
5. Pre-impairment Op. Profit/ Average Total Assets	5.26	8.49	9.11	9.91
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	7.25	7.42	11.56	13.46
7. Operating Profit/ Average Equity	22.18	41.07	46.06	54.66
8. Operating Profit/ Average Total Assets	4.87	7.86	8.05	8.58
9. Taxes/ Pre-tax Profit	n.a.	n.a.	n.a.	22.22
10. Pre-Impairment Operating Profit / Risk Weighted Assets	5.80	9.42	9.14	8.79
11. Operating Profit / Risk Weighted Assets	5.38	8.72	8.08	7.61
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	24.98	41.07	46.06	42.51
2. Net Income/ Average Total Assets	4.84	7.86	8.05	6.67
3. Fitch Comprehensive Income/ Average Total Equity	22.18	42.16	46.06	42.51
4. Fitch Comprehensive Income/ Average Total Assets	4.87	8.07	8.05	6.67
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	4.87	7.86	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	5.38	8.72	8.08	5.92
7. Fitch Comprehensive Income/ Risk Weighted Assets	5.38	8.95	8.08	5.92
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	25.26	24.27	20.71	18.20
2. Fitch Eligible Capital/ Weighted Risks	25.26	24.27	20.34	18.20
3. Tangible Common Equity/ Tangible Assets	22.01	20.01	17.65	16.74
4. Tier 1 Regulatory Capital Ratio	25.70	24.80	21.60	18.76
5. Total Regulatory Capital Ratio	28.40	28.20	26.20	24.56
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	22.31	20.36	17.65	17.17
8. Cash Dividends Paid & Declared/ Net Income	35.75	19.08	n.a.	n.a.
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	35.75	18.59	n.a.	n.a.
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	13.43	28.46	37.55	31.53
E. Loan Quality				
1. Growth of Total Assets	4.81	21.88	54.87	72.20
2. Growth of Gross Loans	9.35	13.94	43.21	74.79
3. Impaired Loans(NPLs)/ Gross Loans	0.74	1.10	0.83	0.24
4. Reserves for Impaired Loans/ Gross loans	2.61	2.78	2.75	2.44
5. Reserves for Impaired Loans/ Impaired Loans	384.00	253.33	330.00	1,025.00
6. Impaired Loans less Reserves for Imp Loans/ Equity	-6.19	-6.17	-8.68	-11.11
7. Loan Impairment Charges/ Average Gross Loans	0.49	0.82	1.27	1.55
8. Net Charge-offs/ Average Gross Loans	0.52	0.43	1.22	n.a.
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	0.84	1.10	0.83	0.24
F. Funding				
1. Loans/ Customer Deposits	203.81	216.10	354.42	773.27
2. Interbank Assets/ Interbank Liabilities	21.00	4.55	15.61	6.95
3. Customer Deposits/ Total Funding excl Derivatives	50.05	43.90	27.66	13.73

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