

**Rating Action: [Moody's assigns B2/NP/E+ to Bank of Baku \(Azerbaijan\)](#)**

## **First-time ratings**

Moscow, November 29, 2010

Moody's Investors Service has today assigned the following global scale ratings to Bank of Baku OJSC: an **E+** bank financial strength rating (BFSR), and **B2** long-term and **Not-Prime** short-term local and foreign currency deposit ratings. The outlook on the long-term global scale ratings is **stable**.

### **RATINGS RATIONALE**

According to Moody's, Bank of Baku's ratings are constrained by the bank's relatively small size and currently limited -- albeit growing -- franchise. In addition, Bank of Baku's ratings reflect its increasing credit risk appetite as demonstrated by recent rapid growth and its focus on the risky segment of the retail loan market, the so-called "express loans".

At the same time, Moody's notes that Bank of Baku's ratings are supported by: (i) the high granularity of its loan book and funding base; (ii) satisfactory financial fundamentals including asset quality, liquidity and profitability; and (iii) sufficient capitalisation to absorb expected credit losses.

According to Moody's, visible improvement of Bank of Baku's franchise along with demonstration of a sustained track record of satisfactory financial fundamentals may have positive rating implications. However, any mismanagement of the bank's growth strategy -- resulting in a significant deterioration of asset quality and financial fundamentals, or loss of market franchise -- could potentially negatively affect Bank of Baku's ratings.

Moody's notes that Bank of Baku's local and foreign currency deposit ratings do not factor in any probability of shareholder or systemic support in the event of a stress situation. Although support from the bank's shareholders cannot be ruled out, its extent and timeliness are uncertain.

The principal methodologies used in this rating were Bank Financial Strength Ratings: Global Methodology published in February 2007, and Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology published in March 2007.

Headquartered in Baku, Azerbaijan, Bank of Baku reported total assets of US\$227.6 million, shareholders' equity of US\$40.9 million and net income of US\$7.6 million, according to its audited IFRS financial statements at year-end 2009.

### **REGULATORY DISCLOSURES**

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, and public information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of assigning a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website [www.moodys.com](http://www.moodys.com) for further information.

Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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