

FITCH REVISES AZERBAIJAN MORTGAGE FUND'S OUTLOOK TO STABLE; AFFIRMS AT 'BBB-'

Fitch Ratings-London-18 May 2012: Fitch Ratings has revised the Outlook on the Azerbaijan Mortgage Fund under the Central Bank of Azerbaijan Republic (AMF) to Stable from Positive and affirmed its Long-term foreign currency and local currency ratings at 'BBB-'.

The rating action reflects the revision of Azerbaijan's Outlook (see "Fitch Revises Azerbaijan's Outlook to Stable; Affirms at 'BBB-'" dated 11 May 2012 at www.fitchratings.com) as well as Fitch's assessment of continuing robustness of the support framework in place for AMF from its sponsor (Central Bank of Azerbaijan Republic).

AMF's ratings are equalised with the Azerbaijan sovereign rating, reflecting the entity's public sector status, its tight control by the sovereign through the central bank and its important role in the government's housing finance policy. Fitch uses its public-sector entities rating criteria and applies a top-down approach in its analysis of AMF. Provision of affordable housing is a high priority for the state. Article 43 of the constitution recognises the need to respond to the country's housing demand, particularly in light of the increasing demand for higher standard urban housing within the country.

AMF was established as a public sector entity by decree No. 299 of the president of the Republic of Azerbaijan in September 2005. AMF's main purpose is to create funding mechanisms which provide home ownership to Azerbaijani citizens, through long-term financing, and to attract domestic and foreign investment into mortgage financing. It reports directly to the central bank whose management board act as AMF's board of directors. Although it has its own separate budget, AMF receives budget income appropriations. The entity's accounts are audited by an independent auditor appointed by the central bank.

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Additional information is available at www.fitchratings.com.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been

compensated for the provision of the ratings.

Applicable criteria, "Tax-Supported Rating Criteria", dated 15 August 2011, and "Rating of Public Sector Entities outside the United States", dated 5 March 2011, are available on www.fitchratings.com.

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648898

Rating of Public Sector Entities - Outside the United States

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=665613

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