

## FITCH REVISES AZERBAIJAN MORTGAGE FUND'S OUTLOOK TO POSITIVE, AFFIRMS AT 'BBB-'

Fitch Ratings-London-24 October 2011: Fitch Ratings has revised the Outlook on the Azerbaijan Mortgage Fund under the Central Bank of Azerbaijan Republic (AMF) to Positive from Stable 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 Positive; Affirms at 'BBB-'" dated 17 May 2011 at [www.fitchratings.com](http://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 and a significant number of displaced people and refugees within the country.

The residential mortgage portfolio (including initially financed loans) had increased to AZN225.3m at end-June from AZN193m by end-2010. This fast growth is backed by increasing borrowing from capital markets and consistent budget contributions by the state which is projected to continue. AMF started to borrow in 2009 through issuance of covered bonds and senior debt. Its financial debt was AZN177m at end-August 2011.

AMF was established as a PSE 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.

### Contacts:

Primary Analyst

Turda Ozmen

Director

+90 212 284 7882

Fitch Turkey Finansal Derecelendirme Hizmetleri A.S.

Is Kuleleri, Kule 2, Kat 4

Levent 34330 Istanbul

Secondary Analyst

Vladimir Redkin

Director

+7 495 956 7064

Committee Chairperson

Guilhem Costes

Senior Director

+34 93 323 8410

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email: peter.fitzpatrick@fitchratings.com.

Additional information is available at [www.fitchratings.com](http://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 21 April 2011, are available on [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=648898](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648898)

Ratings of Public Sector Rating Entities - Outside the United States

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=611486](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=611486)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.