

## **FITCH RATES AZERBAIJAN MORTGAGE FUND AT 'BB'; OUTLOOK STABLE**

Fitch Ratings-London/Istanbul/Moscow-26 October 2009: Fitch Ratings has today assigned Azerbaijan Mortgage Fund under the Central Bank of Azerbaijan ("AMF") Long-term foreign and local currency ratings of 'BB' respectively. The Outlooks on the ratings are Stable.

AMF's ratings are notched down from Azerbaijan's Long-term local currency rating ('BB+' Outlook Stable) to reflect its public-sector (PSE) status, sovereign control through the central bank, and the important role that AMF fulfils in the national government's housing finance policy. The notching further captures Fitch's view on the currently available support mechanisms for the entity.

Any change in Azerbaijan's sovereign rating, and/or AMF's legal status and control would automatically be reflected through a change in AMF's rating and/or rating Outlook. AMF has no share capital and its reserves primarily consist of retained earnings from state budget allocations.

AMF's total own sources from state budget appropriated funds reached AZN72.4m as of August 2009. The funds have been on-lent by intermediary local banks as special mortgage loans, with below market interest rates, to mainly low and middle income Azerbaijani families who fulfil certain eligibility criteria.

Following its establishment in 2006, AMF's long-term residential mortgage portfolio grew quickly to AZN59.6m by end-2008, and had risen to AZN81.4m as of August 2009. AMF started to borrow from capital markets in 2009 and its financial debt, through the issuance of covered bonds, is projected to reach AZN55m at end- 2009. The expected growth in AMF's business indicates that its funding requirements may total AZN150m during 2009-2010.

AMF was established as a PSE in September 2005 by decree No: 299 of the President of the Republic of Azerbaijan. Its charter was approved by a separate presidential decree in December of the same year. 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.

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