

ORDER OF THE CABINET OF MINISTERS OF THE REPUBLIC OF AZERBAIJAN

**on approval of the 'Regulations on issue of mortgage loans by state owned banks
from their own funds'**

In order to ensure the implementation of Item 9.6 of Decree No 940 of the President of the Republic of Azerbaijan 'on some issues of mortgage lending in the Republic of Azerbaijan' dated 22 June 2016 the Cabinet of Ministers **decides:**

to approve the 'Regulations on issue of mortgage loans by state owned banks from their own funds' (attached).

Artur Rasizadeh

Prime Minister of the Republic of Azerbaijan

Baku city, 11 October 2017

№ 422

Approved
by Resolution No 422 of the
Cabinet of Ministers of the
Republic of Azerbaijan
dated 11 October 2017

Regulations on issue of mortgage loans by state owned banks from their own funds

1. General provisions

1.1. These Regulations have been developed to ensure the implementation of Item 9.6 of Decree No 940 of the President of the Republic of Azerbaijan 'on some issues of mortgage lending in the Republic of Azerbaijan' dated 22 June 2016 (hereinafter – the Decree) and determine the order of issue of mortgage loans by state-owned banks from their own funds, in accordance with the requirements set forth in Items 3.1-3.3 of the 'Regulations on issue of mortgage loans, including preferential mortgage loans from the funds of the *Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan*' approved by the said Decree.

1.2. Own funds of state-owned banks are defined as banks' assets available to be channeled to mortgage lending, except for the funds of the *Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan*.

1.3. Main definitions used herein bear the following banks:

1.3.1. state-owned bank – a bank more than 50 percent of shares of which are directly or indirectly owned by the state;

1.3.2. loan concentration – total loans by different classifications (types of loans, related parties, sectors of the economy, geographical areas);

1.3.3. critical concentration of loans – the amount of credit concentration exceeding the limits set by banks.

2. Issue of mortgage loans from the funds of state-owned banks

2.1. Mortgage loans issued by state-owned banks (hereinafter – SOB) from their own funds should meet the requirements determined in Items 3.1-3.3 of the 'Regulations on issue of mortgage loans, including preferential mortgage loans from the funds of the *Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan*' approved by the Decree.

2.2. Maximum amount of mortgage loans issued by the SOB from its own funds, including preferential mortgage loans and annual interest rates on these loans are determined by the general meeting of shareholders in accordance with the limits approved by the *Board of Trustees of the Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan* on mortgage loans issued from the funds of the Fund.

2.3. Issue of mortgage loans from the funds of the SOB is provided via the '*Electronic mortgage and credit guarantee*' system in the 'Electronic government' portal in accordance with Part 4 of the 'Regulations on issue of mortgage loans, including preferential mortgage loans from the funds of the *Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan*' approved by the said Decree.

2.4. The SOB sets limits on loans issued from its own funds and takes appropriate measures for regular monitoring and reporting.

2.5. The following issues should be considered when setting limits:

2.5.1. maximum amount of mortgage loans per type and concentration of mortgage loans by types;

2.5.2. the ratio of total volume of mortgage loans to volume of deposits;

2.5.3. the ratio of total volume of mortgage loans to the sum of deposits and other attracted funds;

2.5.4. maximum amount of a mortgage loan on a single borrower and a group of related borrowers and concentration of such loans;

2.5.5. concentration of mortgage loans by geographical location;

2.5.6. maximum amount of mortgage loans issued to related parties of the SOB and concentration of such loans;

2.5.7. concentration of mortgage loans with the same maturity;

2.5.8. concentration of non-performing mortgage loans;

2.5.9. maximum amount of mortgage loans issued by the SOB's branch and concentration of such loans (if the branch is permitted to carry out such operations).

2.6. The general meeting of shareholders and the Supervisory Board of the SOB should be regularly informed about critical concentration of mortgage loans.

Note. Changes to these Regulations may be made in accordance with Para 2.6-1 of the 'Statute on the procedure for preparation and adoption of normative legal acts of executive authorities' approved by Decree No. 772 of the President of the Republic of Azerbaijan dated 24 August 2002.