

Liquidity Risk Management Methods

Policy of the bank in the sphere of liquidity management is aimed at provision of necessary level of liquid assets, as well as optimization of the profit of Bank to use the assets more effectively and reduce possible payment risks. Liquidity risk is closely connected with the currency, credit, interest rate risks and capital adequacy. Liquidity risk management is carried out based on the following principles:

- To provide the Bank with liquid assets and maintain an optimum level of the current liquidity ratio;
- To increase the profitability subject to optimization of the liquid assets structure and maintain the defined risk level;
- To promptly inform the Bank management of the changes occurred in the degree of liquidity

Calculation of liquidity risks is performed in "AZN", "USD" and "EUR". Liquidity analysis is carried out by the same method for each currency separately and on all the currencies combined. In case the volume of transactions in any other foreign currency is increased in the future, the risks on this currency should be recalculated. Concerning the liquidity risk management, the implementation of the following indicators is monitored:

- Liquidity ratios of the Central Bank of Azerbaijan;
- Liquidity ratios undertaken by the agreements signed with the International financial institutions and other organizations;
- Monitoring the decisions taken by Risk Management committee in relation to bank's daily balance and off-balance sheet items