

## **Elman Rustamov: "Currently closure of banks is not on the agenda of the Central Bank"**

*Exclusive interview of the Governor of the CBA Mr. Elman Rustamov to 1news.az*

*-Mr. Governor, according to the latest news and statements of international organizations, the active phase of the global economic crisis got behind. However, the crisis is not over yet. How is Azerbaijani economy viewed amid all these happenings?*

-On net, Azerbaijan has successfully defeated the results of the global economic crisis. Notwithstanding considerable decrease of foreign financial flows to the country economy as a result of sharp reduction of oil and other export products prices on the world market at the peak of the crisis (the first half of 2009) it was possible to achieve this success. Large volume financial reserves of the country collected within the previous years enabled to flexibly balance the sources of economic growth. At the same time, currency reserves of the country are sufficient to non-stop finance import for 2 years. Currency reserves 6 times as much exceed foreign debt of the country. Proper coordination of the Government and the Central Bank performance enabled to operatively minimize potential impact channels of the global crisis on the national economy. The obtained achievements have been in-depth commented on in the press-release disclosed by the mission of the International Monetary Fund visited Baku the other day for consultations on Article IV. Our country possesses significant profit of the balance of payments. Our inflation level is very low. Exchange rate of manat against USD has been protected from devaluation which in its turn was the key factor in securing macroeconomic stability. Exchange rate stability enables to prevent price rise, deterioration of social welfare and depreciation of deposits of the population. Despite this, stability of manat does not damage international

competitiveness of the country economy. Observed is favorable dynamics of average weight effective exchange rate index through low level inflation.

*-It is clear that financial sector was the catalysis of the global crisis. Analyses show that global financial system performance not fully recovered, the process of recovery of the world economy may recess. What could you say about the status of the banking sector of Azerbaijan?*

-Financial Stability is of top targets of the Central Bank. Timely response of the Central Bank to the financial crisis as well as package of effective measures on enhancement of financial sustainability enabled to achieve this goal. Anti-crisis measures of the Central Bank constrained impact of the global financial crisis on the banking sector. Unlike most countries, no bankruptcies, cataclysms or any other strains were observed in the banking sector of Azerbaijan. The Banking sector is providing intermediary function that is its primary function. The sector has preserved its volume and stability which is proved through growth of bank assets in 2009. 30% growth of deposits of the population within the period once more proves high confidence of the population in the banking sector. Banks are continuing to make profits and are attractive for investments. Results obtained on securing financial stability were highly appreciated by international financial institutions. The Central Bank will endure its policy to enhance stability and financial sustainability of the banking sector as well as the policy of institutional development.

*-Mr.Rustamov, what could you say on consolidation strategy and on overall development of the banking sector in the nearest future?*

-Indeed, consolidation is a long term objective to realize within the development framework of the banking sector. Economy is growing, requirements of the real sector are increasing and banks should keep up with growing requirements of business. We consider the consolidation

process in the banking sector within the context of expansion of financial and capital base, increase of investment potential as well as corporate management quality. Consolidation of the banking sector is a long-term as well as high attention requiring process that is to meet the requirements of modern society. There are diverse approaches to realize the process in different countries. Consolidation in our country is generally based upon the decision taken by market players on becoming a more stable financial institution through volunteer merger. To this date we have several precedents regarding the decision on consolidation by market participants. I should specifically emphasize here that all precedents were successful from the standpoint of creation of investment potential. Moreover, in our case, the consolidation process was a catalyst for conduction of sound banking business on the basis of corporate governance principles being guided by protection of interests of shareholders and banking services consumers. What is more important, the process was provided quite invisibly and in a sound way from the standpoint of banking service consumers. Currently, banks closure is not on the agenda of the Central Bank, since financial condition of the institutions forming the banking sector is stable and do not cause any concerns.