

Country and Market risk

Market risk

Bank Vozrozhdenie is exposed to market risk through open positions in foreign currencies, debt and equity instruments, which are subject to the risk of adverse price changes on the market. It distinguishes the following types of market risk: currency risk (operations on FOREX market), interest-rate risk (bonds) and equity risk (quoted shares). The Bank treats each of these risks separately. The system of market risk management includes setting limits for on the accepted level of risk and control over compliance with these limits on a daily basis.

The Bank's Treasury currently manages, calculates and monitors these risks. The Bank's Management Board and Asset and Liability Committee (ALCO) supervise risk management. The Credit and Investment Committee sets individual risk limits per issuer upon the recommendation of the Treasury and approval by the Management Board. The Internal Control and Audit Service also controls the Treasury's risk management activity.

The Bank conducts stress testing of market risk on a regular basis. This testing is capable of evaluating the stability of the asset portfolio in case of "extreme" events that can lead to abnormally large losses. To calculate market risk, the Bank uses the methodology of the Bank of Russia Regulation No. 313-P "On the Procedure for Calculating Market Risk by Credit Institutions", dated 14 November 2007.

Country risk

Bank Vozrozhdenie's main activities involve providing services to residents of Russia. Country risk arises primarily when carrying out FX settlement, credit and guarantee transactions as well as securities trading transactions in foreign currencies.

Management of country risk is governed by the Regulation On Organizing Country Risk Management at Bank Vozrozhdenie. The Treasury is responsible for monitoring country risk

The Bank uses ratings from S&P and Moody's and classifications derived from the Bank of Russia documents to assess country risk. The levels of country risk acceptable for the Bank are '0' and '1', according to the classification of the export credit agencies that are signatories to the agreement with OECD member states "On the Fundamental Principles concerning Providing and Using Export Credits with Official Support countries with a rating of at least 'BBB' according to S&P's classification or the equivalent Moody's rating and countries in the first group of offshore territories in the Bank of Russia Regulation No. 1317-U, dated 7 August 2003, are also acceptable.

All other risks are subject to individual consideration and evaluation before a transaction is completed, while adequate provisioning shall be made. As a rule, country risk is analyzed when reviewing applications for loans and bank guarantees and when implementing currency control.