

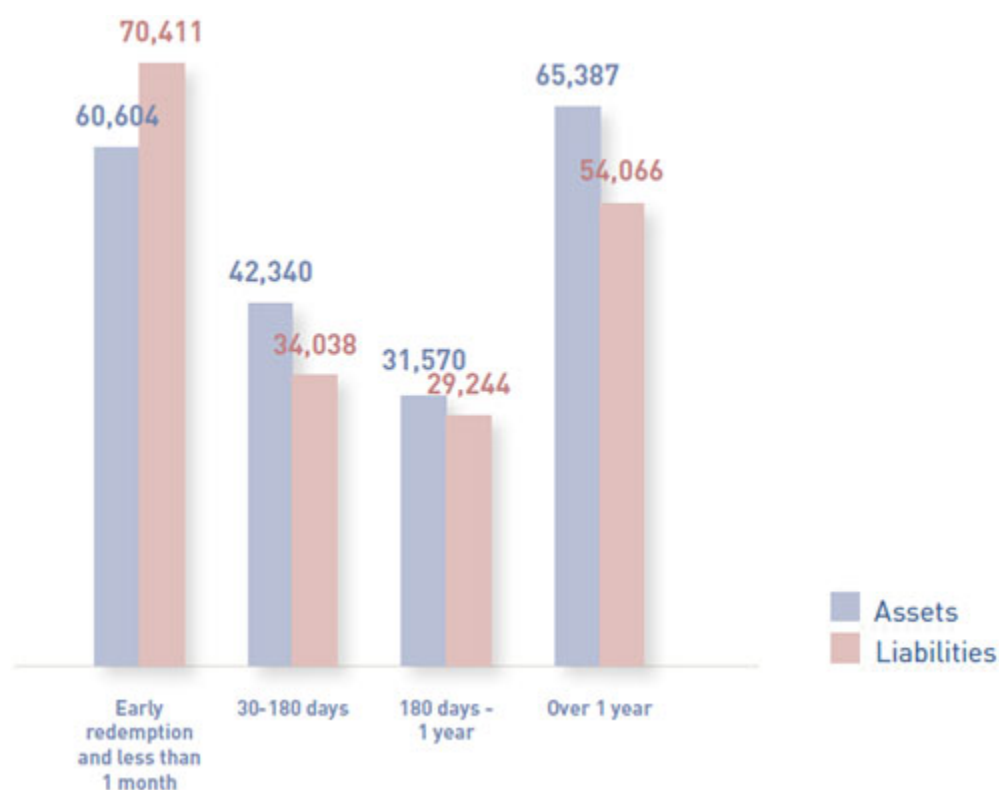
Liquidity risk

Liquidity risk refers to the possibility that at some point in time, the Bank will not have enough free cash or assets that can be instantly transformed into cash to make all required payments on demand of customers and on its own behalf, as well as meet all other cash requirements, or the Bank will not be able to buy the necessary funds on the market at affordable prices.

Bank Vozrozhdenie has a centralized procedure for managing liquidity. A unified system operates at both internal divisions of the Head Office and branches. The Head Office carries out operations on financial markets, including international markets. Most client operations (cash and settlement service, lending, deposits, etc.) are carried out through the branch network.

The liquidity risk management system complies with both external requirements (standards set by the Bank of Russia) and with internal limits and operating procedures. These ensure that Bank Vozrozhdenie always has sufficient funds to meet the cash demands of its clients and counterparties in a full and timely fashion, as well as ensuring that the Bank's business systems run smoothly.

Assets and Liabilities by redemption term, RUB million



The Board of Directors stipulates the Bank's strategy for risk management. The Management Board is responsible for general management and control over bank liquidity. Current issues are considered by the

Committee for Asset and Liability Management, a working committee subordinate to the Management Board.

The Treasury manages day-to-day liquidity and also regularly conducts liquidity stress tests using various scenarios.

The procedure for interactions between internal divisions and the control mechanism are regulated by the Policy for Managing and Assessing the Bank's Liquidity and the Regulation on the Basic Principles for Managing the Resources of Bank Vozrozhdenie in Rubles and Foreign Currency, as well as the financial plan for the year.

Liquidity risk is managed by matching maturities of assets and liabilities, as well as maintaining the necessary volume of high liquid funds (cash, balances on correspondent accounts at the Bank of Russia, interbank lending, REPOs).

Bank Vozrozhdenie adheres to the following basic principles in liquidity management:

- Liquidity management is a constant, day-to-day process;
- When making decisions, the Bank always prioritizes liquidity over profitability in case of a conflict;
- Every transaction that has implications for liquidity shall be taken into account when liquidity risk is calculated.

Bank Vozrozhdenie takes strict account of the maturity and size of its investments in various financial instruments. Monitoring of actual and estimated short-term liquidity is carried out daily on the basis of a payment calendar and using projections of short-term cash needs. Calculation of liquidity needs is based on:

- Ongoing compilation and revision of the current payment calendar (the calendar is compiled to reflect needs for one day, one week, one month and three months);
- Regular (monthly) analysis of gaps in the maturity of demands and liabilities.

Bank Vozrozhdenie maintains sufficient liquidity to comply with the requirements of the Bank of Russia, primarily the standards for instant, current and long-term liquidity detailed in Instruction 139-I on Mandatory Bank Norms dated December 3, 2012. Monitoring of compliance with the Bank of Russia liquidity norms is carried out on a daily basis.

Risk of liquidity shortage is analyzed by considering the Bank's dependence on the interbank market, operations by large clients, and concentration of credit risks. Particular attention is paid to quality and diversification of assets. Bank Vozrozhdenie strives to maintain a stable resource base consisting mainly of corporate and individual deposits and funds from other banks in order to minimize the risk.

The Bank uses the Bank of Russia Lombard list as a guideline when choosing instruments for its securities portfolio, in order to ensure access to refinancing.

