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Bank ICBC (Joint Stock Company)

Auditor's report

Based on the results of the audit for the period from 01 January to 31 December 2016

Moscow | 2017

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Auditor's report

on the annual financial statements of Bank ICBC (Joint Stock Company) for 2016

To the shareholder
of Bank ICBC (JSC)
and other parties

Audited entity

Name:

Bank ICBC (joint stock company) (hereinafter, Bank ICBC (JSC)).

Address:

29, Serebryanicheskaya nab., Moscow, 109028

State registration:

Certificate of Registration in the Unified State Register of Legal Entities No.1077711000157 dated 30 August 2007. License No.3475 issued by the Central Bank of the Russian Federation.

Auditor

Name:

FBK, LLC.

Address:

44/1, bld.2 AB, Myasnitskaya Str., Moscow, 101990

State registration:

Registered by the Moscow Registration Chamber on November 15, 1993, Certificate of Registration series YZ 3 No.484.583 RP. An entry in the the Unified State Register of Legal Entities made on July 24, 2002 under the principal number of state registration entry 1027700058286.

Membership in self-regulatory organization of auditors:

The Self-regulatory organization of auditors "Auditor Association Sodruzhestvo".

Number in the register of audit firms:

Membership certificate in the Self-regulatory organization of auditors "Auditor Association Sodruzhestvo" No. 7198, ORNZ (Principal Number of Registration Entry) 11506030481.

FBK 001
Auditor's report

We have audited the accompanying annual financial statements of Bank ICBC (joint stock company), hereinafter the Bank, comprising the Balance Sheet (a public disclosure form) as of 1 January, 2017, the Statement of Financial Results (a public disclosure form) for 2016, the Report on Capital Adequacy to cover risks, Loss provisions for loans and other assets (a public disclosure form) as of 1 January 2017, information on mandatory ratios, financial leverage indicator and short-term liquidity ratio (a public disclosure form) as of 1 January, 2017, the Statement of Cash Flows (a public disclosure form) as of 1 January, 2017 and explanatory notes.

Audited Entity's Responsibility for Preparation of Annual Financial Statements

The management of the audited entity is responsible for preparation and fair presentation of the above-mentioned annual Financial Statements in accordance with Russian Accounting and Reporting Standards for preparation of annual financial statements by credit institutions, as well as for maintenance of internal control system required for preparation of annual financial statements free from material misstatements whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on fairness in all material respects of the annual Financial Statements based on our audit. We have conducted our audit in accordance with the Federal Auditing Standards. These standards require that we comply with ethical requirements and plan and conduct the audit to obtain reasonable assurance whether the annual Financial Statements are free from material misstatements.

The audit included audit procedures to obtain audit evidence about amounts and disclosures in the annual Financial Statements. The procedures selected depend on the auditor's judgment, including assessment of risks of material misstatements whether due to fraud or error. In making such a risk assessment, the auditor considers internal control relevant to an entity's preparation and fair presentation of the annual Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. The audit also included evaluation of appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank's management, as well as evaluation of the overall presentation of the annual Financial Statements.

We believe that the auditor's evidence obtained in course of the audit presents a sufficient basis to form an opinion on fairness of the annual Financial Statements.

Opinion

In our opinion, the annual Financial Statements present fairly, in all material respects, the financial position of the Bank as of 1 January, 2017, its financial performance for 2016 and cash flows as of 1 January 2017 according to the Russian Accounting and Reporting Standards used for preparation of financial statements by credit institutions.

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Emphasis of Matter

Without modifying our opinion we draw attention to the evidence presented in Section 10 "Information on operations with related parties of the Bank" of the Explanatory Notes. According to Section 10, as of 1 January 2017 the Bank had a material concentration of operations with related parties mainly included in the Balance sheet lines "Funds due from credit institutions" and "Funds due to credit institutions".

Report on the audit results in accordance with the requirements of Federal Law 395-I of 2 December 1990 "On Banks and Banking Activities"

The Bank management is responsible for observance of the mandatory ratios set by the Central Bank of Russia as well as for compliance of the Bank internal control system and risk management system with the requirements of the Central Bank of Russia.

According to Article 42 of Federal Law No.395-I "On Banks and Banking Activities" dated 2 December 1990 in course of our audit of the Financial Statements of the Bank for 2016 we have checked whether:

- as of 1 January 2017 the Bank observes the mandatory ratios set by the Central Bank of Russia;
- the internal control system and risk management system at the Bank are set up in compliance with the requirements of the Central Bank of Russia for such systems.

The audit checks have been limited to procedures selected based on audit judgment such as requests, analysis, document examination, comparison of the Bank-approved requirements, procedures and methodologies with the requirements of the Central Bank of Russia, as well as recalculation and comparison of numerical data and other information.

As a result of our audit we have established the following:
1) as to observance by the Bank of the mandatory ratios set by the Central Bank of Russia:

- values of the mandatory ratios set by the Central Bank of Russia as of 1 January 2017 were within the limits set by the Central Bank of Russia.

We have not carried out any procedures as to the Bank's accounting records other than those that we have found relevant for the purpose of expressing our opinion on whether the Bank's annual financial statements present fairly in all material respects its financial position as of 1 January 2017, financial results of its activities and cash flows for 2016 in accordance with Russian Accounting and Reporting Standards for preparation of annual financial statements by credit institutions;

2) as to compliance of the internal control system and risk management system of the Bank with requirements set by the Central Bank of Russia to such systems:

a) in accordance with the requirements and recommendations of the Central Bank, as of 31 December 2016, the Bank's Internal Audit reports directly to the Board of Directors of the Bank, risk management divisions of the Bank are not subordinate to those divisions that assume respective risks, Internal Audit and risk management

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heads in the Bank meet the qualification requirements prescribed by the Central Bank of Russia;

b) the Bank's internal documents effective as of 31 December 2016, which constitute procedures and methodologies of significant risk identification and management at the Bank in the areas of credit, operational, market, interest rate, legal, liquidity, and reputation risks, as well as stress-testing were approved by the authorized management bodies of the Bank as prescribed and recommended by the Central Bank of Russia;

c) as of 31 December 2016 the Bank has a reporting system on all relevant risks for the Bank, such as credit, operational, market, interest rate, legal, liquidity and reputation risks, as well as on equity (capital) of the Bank;

d) frequency and consistency of reports prepared by the risk management divisions and Internal Audit of the Bank during 2016 with regard to management of credit, operational, market, interest rate, legal, liquidity, and reputation risks by the Bank were in compliance with the Bank's internal documents; such reports comprised the results of monitoring by the Bank's risk management divisions and Internal Audit regarding efficiency of respective Bank methodologies and recommendations on their improvement;

e) as of 31 December 2016 the authority of the Board of Directors and the executive bodies of the Bank includes control over compliance with risk limits as well as equity (capital) adequacy threshold set by the Bank's internal documents. To control efficiency of the Bank's procedures of risk management and consistency of their application during 2016 the Board of Directors of the Bank and its executive bodies regularly discussed reports prepared by the risk management divisions and Internal Audit of the Bank, and considered suggestions to eliminate shortcomings.

Audit procedures regarding internal control and risk management systems at the Bank were conducted by us solely to check compliance of the internal control and risk management system in the Bank with the requirements established by the Central Bank of Russia for such systems.

President of FBK, LLC	S.M. Shapiguzov acting under the Articles of Association, auditor's qualification certificate No. 01-001230, ORNZ 21606043397
Audit team leader	N.P. Mushkarina auditor's qualification certificate No. 01-000988, ORNZ 21606041880

Date of the Auditor's report
31 March 2017

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OGRN 1027700058286 Moscow
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Bank reporting form

Territory code OKATO	Credit institution (its branch)	
	code OKPO	registration number (/sequence number)
45286580000	83086298	3475

Balance Sheet
(public disclosure form)
As of 01.01.2017

Credit organization
ICBC Bank (Joint Stock Company)
/ICBC Bank (JSC)

Mailing address
109028 Moscow, Serebryanicheskaya nab.,29

Code OKUD 0409806
Quarterly (Annual)
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Line code	Narrative	Reference number	As of the reporting date	As of the beginning of the reporting period
1	2	3	4	5
	I. ASSETS			
1	Cash	4.1; 8.4	99124	47125
2	Funds of credit institutions held with the Central Bank of the Russian Federation	4.1; 8.4	3393383	2024265
2.1	Mandatory reserves	4.1; 8.4	425045	390558
3	Funds due from credit institutions	4.1; 8.4	6766083	19503044
4	Financial assets assessed at fair value through profit or loss	4.2	4294	0
5	Net loans	4.3	37887574	45933098
6	Net investments into securities and other financial assets available for sale		0	0
6.1	Investments in subsidiaries and associates		0	0
7	Net investments in securities held to maturity	4.4	1719039	2112743
8	Current income tax claims	4.5	39678	63153
9	Deferred tax asset		0	0
10	Fixed assets,intangible assets and inventories	4.6	58859	12491
11	Non-current assets available for sale		0	0

12	Other assets	4.7		148691	395908
13	Total assets			50116725	70091827
	II. LIABILITIES				
14	Loans, deposits and other funds of the Central Bank of the Russian Federation			0	0
15	Funds due to credit institutions	4.8		19536245	22578110
16	Funds due to customers, other than credit institutions	4.9		24486278	42711704
16.1	Accounts of individuals including sole proprietors			4196	170
17	Financial liabilities assessed at fair value through profit or loss	4.10		1305	0
18	Issued debt liabilities			0	0
19	Current income tax liability	4.11		26616	862
20	Deferred tax liabilities			0	119
21	Other liabilities	4.12		261863	316251
22	Provisions for possible losses on credit-related contingencies, on other possible losses and on operations with residents of offshore zones			717	0
23	Total liabilities			44313024	65607046
	III. EQUITY AND RESERVES				
24	Share capital	4.13		2309500	2309500
25	Own shares (stakes) bought out from shareholders (participants)			0	0
26	Share premium			0	0
27	Reserve fund	6.1		108764	42806
28	Fair value revaluation of securities available for sale, reduced by deferred tax liability (increased by deferred tax asset)			0	0
29	Revaluation of fixed and intangible assets reduced by deferred tax liability			0	0
30	Revaluation of liabilities (claims) with regards to payments of long-term remunerations			0	0
31	Revaluation of hedging instruments			0	0
32	Cash received as a free contribution (contributions to property)			0	0
33	Undistributed profit (uncovered loss) of prior periods	6.2		2066517	813319
34	Undistributed profit (loss) of the reporting period	2.2; 6.2		1318920	1319156
35	Total equity and reserves			5803701	4484781
	IV. OFF-BALANCE SHEET LIABILITIES				

36	Irrevocable liabilities of the credit institution			11204331	1353658
37	Guarantees and sureties issued by the credit institution			3185160	4028832
38	Non-credit-related contingencies			0	0

President Li Wencong

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Chief Accountant Kuzmina N.V.

Drafted by Galkina V.V.

Telephone: (495) 287-30-99

31.03.2017

Bank reporting form

Territory code OKATO	Credit institution (its branch)	
	Code OKPO	Registration number (/sequence number)
45286580000	83086298	3475

Statement of Financial Results
(public disclosure form)
for 2016

Credit organization
ICBC Bank (Joint Stock Company)
/ICBC Bank (JSC)

Mailing address
109028 Moscow, Serebryanicheskaya nab.,29

Code OKUD 0409807
Quarterly(Annual)

Section 1. On Profit and Loss

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Line code	Narrative	Reference number	For the reporting period	For the prior reporting period
1	2	3	4	5
1	Total interest income, including:		2821007	1877019
1.1	interest income from interbank placements		2032623	1214328
1.2	interest income on loans to customers,other than credit institutions		674720	600257
1.3	interest income on financial leasing		0	0
1.4	interest income from investments in securities		113664	62434
2	Total interest expense, including:		620355	824467
2.1	interest expense on interbank deposits		273513	269166
2.2	interest expense on customer deposits, other than credit institutions		346842	555301
2.3	interest expense on issued debt		0	0
3	Net interest income (negative interest margin)	2.2	2200652	1052552
4	Total change of provision for possible losses on loans and loan equivalents, funds due from credit institutions and accrued interest income, including:	2.2	-97250	-84819
4.1	change of provision for possible losses on accrued interest income		-295	-86
5	Net interest income (negative interest margin) after provision for possible losses	2.2	2103402	967733
6	Net income from operations with financial assets valued at fair value through profit or loss	2.2	23191	29617

7	Net income from operations with financial liabilities valued at fair value through profit or loss		0	0
8	Net income from operations with securities available for sale		0	0
9	Net income from operations with securities held to maturity	2.2	2172	825
10	Net income from operations with foreign currency	2.2; 5.2	142562	926671
11	Net income from revaluation of foreign currency	2.2; 5.2	11470	181729
12	Net income from operations with precious metals		0	0
13	Income from participation in capital of other legal entities		0	0
14	Commission income	2.2	71138	98402
15	Commission expense	2.2	6665	14178
16	Change of provision for possible losses on securities available for sale		0	0
17	Change of provision for possible losses on securities held to maturity		0	0
18	Change of provision for other losses	2.2	-7434	-9466
19	Other operating income	2.2	21899	6909
20	Net income (expense)		2361735	2188242
21	Operating expenses	2.2	673188	512486
22	Profit (loss) before income tax		1688547	1675756
23	Income tax expense (refund)	2.2; 5.3	369627	356600
24	Profit (loss) from continued operations	2.2	1318920	1319156
25	Profit (loss) from discontinued operations		0	0
26	Profit (loss) for the reporting period	2.2	1318920	1319156

Section 2. On Other Comprehensive Income

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Line code	Narrative	Reference number	For the reporting period	For the prior reporting period
1	2	3	4	5
1	Profit (loss) for the reporting period		1318920	1319156
2	Other comprehensive income (expense)		X	X
3	Total items not subject to reclassification to profit or loss, including:		0	0
3.1	change in the fixed assets revaluation reserve		0	0
3.2	change in the revaluation of liabilities (claims) on employee pensions under defined benefit pension plan		0	0

4	Income tax on items that are not subject to reclassification to profit or loss		0	0
5	Other comprehensive income (expense) that is not subject to reclassification to profit and loss, net of income tax		0	0
6	Total items that are not subject to reclassification to profit and loss, including:		0	0
6.1	change of revaluation reserve of financial assets available for sale		0	0
6.2	change of reserve for cash flows hedging		0	0
7	Income tax on the items that are entitled to reclassification to profit or loss		0	0
8	Other comprehensive income (expense) which can be reclassified into profit or loss, net of income tax		0	0
9	Other comprehensive income (expense), net of income tax		0	0
10	Financial result for the reporting period		1318920	1319156

President Li Wencong

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Chief Accountant Kuzmina N.V.

Drafted by Galkina V.V.

Telephone: (495) 287-30-99

31.03.2017

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Auditor's report

Bank reporting form

Territory code OKATO	Credit institution (its branch)	
	code OKPO	registration number (/sequence number)
45286580000	83086298	3475

REPORT ON CAPITAL ADEQUACY LEVEL TO COVER RISKS, SIZE OF LOAN LOSS PROVISION
AND PROVISION FOR POSSIBLE LOSSES ON OTHER ASSETS
(Public disclosure form)
As of 01.01.2017

Credit organization
ICBC Bank (Joint Stock Company)
/ICBC Bank (JSC)

Mailing address
109028 Moscow, Serebryanicheskaya nab.,29

Code OKUD 0409808
Quarterly(Annual)

Section 1. Information on capital adequacy level

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Line number	Instrument type	Reference number	Instrument value (indicator's size) as of the reporting date		Instrument value (indicator's size) на начало отчетного года	
			included into capital calculation	not included into capital calculation until 1 January 2018	included into capital calculation	not included into capital calculation until 1 January 2018
1	2	3	4	5	6	7
Sources of Core capital						
1	Total Share capital and share premium including those already formed:	6.1; 4.13	2309500.0000	X	2309500.0000	X
1.1	by ordinary shares (stakes)	6.1; 4.13	2309500.0000	X	2309500.0000	X
1.2	by preference shares		0.0000	X	0.0000	X
2	Undistributed profit (loss):	6.2	2066517.0000	X	813319.0000	X
2.1	of prior years	6.2	2066517.0000	X	813319.0000	X
2.2	of the reporting year					

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			0.0000	X	0.0000	X
3	Reserve Fund	6.1	108764.0000	X	42806.0000	X
4	Shares of Share capital subject to gradual exclusion from calculation of equity (capital)		not applicable 0.0000	X	not applicable 0.0000	X
5	Instruments of Core capital of daughter organization belonging to third parties		not applicable 0.0000		not applicable 0.0000	
6	Total sources of Core capital (line 1 +/- line 2 + line 3 - line 4 + line 5)		4484781.0000	X	3165625.0000	X
Items reducing sources of Core capital						
7	Adjustment of trading portfolio		not applicable 0.0000		not applicable 0.0000	
8	Business reputation (goodwill) less deferred tax liabilities		0.0000		0.0000	
9	Intangible assets (except for business reputation and value of rights to service mortgage customers) less deferred tax liabilities	6.2	6517.0000	4344.0000	0.0000	
10	Deferred tax assets dependent on future profit		0.0000		0.0000	
11	Reserves for hedging cash flows		not applicable 0.0000		not applicable 0.0000	
12	Insufficient provisions for possible losses		0.0000		0.0000	
13	Income from securitization transactions		not applicable 0.0000		not applicable 0.0000	
14	Income and expense connected with change of credit risk on liabilities assessed at fair value		not applicable 0.0000		not applicable 0.0000	
15	Assets of defined pension plan		not applicable 0.0000		not applicable 0.0000	
16	Investments in own shares (stakes)		0.0000		0.0000	
17	Mutual cross-ownership of shares (stakes)		not applicable 0.0000		not applicable 0.0000	
18	Insignificant investments in Core capital instruments of financial organizations		0.0000		0.0000	
19	Insignificant investments in Core capital instruments of financial organizations		0.0000		0.0000	
20	Rights to service mortgage customers		not applicable 0.0000		not applicable 0.0000	

21	Deferred tax assets not dependent on future profit		0.0000		0.0000	
22	Total aggregate amount of significant investments and deferred tax assets to the extent, higher than 15% of the Core capital, including:		0.0000		0.0000	
23	significant investments in instruments of Core capital of financial organizations		0.0000		0.0000	
24	rights to service mortgage customers		not applicable 0.0000		not applicable 0.0000	
25	deferred tax assets not dependent on future profit		0.0000		0.0000	
26	Total other elements reducing sources of Core capital, as defined by the Central Bank of Russia, including:		0.0000		0.0000	
26.1	indicators subject to gradual exclusion from calculation of equity (capital)		0.0000	X	0.0000	X
27	negative value of Supplementary capital	6.2	4344.0000	X	0.0000	X
28	Total value of indicators reducing sources of Core capital(sum of lines from 7 through 22, and lines 26 & 27)		10861.0000	X	0.0000	X
29	Total Core capital (line 6- line 28)		4473920.0000	X	3165625.0000	X
Sources of Supplementary capital						
30	Total instruments of Supplementary capital and share premium, including:		0.0000	X	0.0000	X
31	those classified as capital		0.0000	X	0.0000	X
32	those classified as liabilities		0.0000	X	0.0000	X
33	Instruments of Supplementary capital subject to gradual exclusion from the calculation of equity (capital)		0.0000	X	0.0000	X
34	Total instruments of Supplementary capital of daughter organizations, that belong to third parties, including:		not applicable 0.0000	X	not applicable 0.0000	X
35	Instruments of Supplementary capital of daughter organizations belonging to third parties and subject to gradual exclusion from calculation of equity (capital)		0.0000	X	0.0000	X
36	Total sources of Supplementary capital(line 30 + line 33 + line 34)		0.0000	X	0.0000	X
Items reducing sources of Supplementary capital						

37	Investments in equity instruments of Supplementary capital		0.0000		0.0000	
38	Mutual cross ownership of instruments of Supplementary capital		not applicable 0.0000		not applicable 0.0000	
39	Insignificant investments in Supplementary capital instruments of financial organizations		not applicable 0.0000		not applicable 0.0000	
40	Significant investments in Supplementary capital instruments of financial organizations		0.0000		0.0000	
41	Total other items reducing sources of Supplementary capital as defined by the Central Bank of Russia, including:	6.2	4344.0000	X	0.0000	X
41.1	Total items subject to gradual exclusion from calculation of equity (capital), out of this:	6.2	4344.0000	X	0.0000	X
41.1.1	intangible assets	6.2	4344.0000	X	0.0000	X
41.1.2	own shares (stakes) purchased/ bought back from shareholders (participants)		0.0000	X	0.0000	X
41.1.3	shares(stakes) of daughter and associate financial and credit organizations - residents		0.0000	X	0.0000	X
41.1.4	sources of equity capital, that are based on assets of improper quality		0.0000	X	0.0000	X
41.1.5	negative value of Additional capital due to adjustments made to the equity (capital) in the amount of sources of Additional capital formed with improper assets by investors		0.0000	X	0.0000	X
42	Negative value of Additional capital		0.0000	X	0.0000	X
43	Items reducing sources of Supplementary capital (sum of lines from 37 through 42)	6.2	4344.0000	X	0.0000	X
44	Total Supplementary capital (line 36 - line 43)		0.0000	X	0.0000	X
45	Total Core capital (line 29 + line 44)	6.1	4473920.0000	X	3165625.0000	X
Sources of Additional capital						
46	Instruments of Additional capital and share premium	6.1; 6.2	4347726.0000	X	4951019.0000	X
[illegible]	Instruments of Additional capital subject to gradual exclusion from the calculation of equity (capital)		0.0000	X	0.0000	X

Audit Moscow

48	Total instruments of Additional capital of daughter organizations, that belong to third parties, including:		not applicable 0.0000	X	not applicable 0.0000	X
49	Instruments of Additional capital of daughter organizations, subject to gradual exclusion from the calculation of equity capital		not applicable 0.0000	X	not applicable 0.0000	X
50	Provisions for possible losses		not applicable 0.0000	X	not applicable 0.0000	X
51	Total sources of Additional capital (line 46 + line 47 + line 48 + line 50)	6.1; 6.2	4347726.0000	X	4951019.0000	X
Items reducing sources of Additional capital						
52	Investments in instruments of Additional capital		0.0000		0.0000	
53	Mutual cross-ownership of instruments of Additional capital		not applicable 0.0000		not applicable 0.0000	
54	Insignificant investments in Additional capital instruments of financial organizations		0.0000		0.0000	
55	Significant investments in Additional capital instruments of financial organizations		0.0000		0.0000	
56	Total Other items reducing sources of Additional capital as defined by the Central Bank of Russia, including:		0.0000	X	0.0000	X
56.1	Total items subject to gradual exclusion from the calculation of equity (capital), out of this:		0.0000	X	0.0000	X
56.1.1	sources of capital formed by investors with use of improper assets		0.0000	X	0.0000	X
56.1.2	overdue Accounts receivable(over 30 calendar days overdue		0.0000	X	0.0000	X
56.1.3	subordinated loans issued to credit organizations-residents		0.0000	X	0.0000	X
56.1.4	excess of the total sum of loans, banking guarantees and sureties issued to own shareholders (participants) and insiders, over its maximum size		0.0000	X	0.0000	X
56.1.5	investments into construction and purchases of fixed assets and inventories		0.0000	X		X
56.1.6	difference between actual value of a stake due to leaving participants and the value at which the stake was sold to a new participant		0.0000	X	0.0000	X
57	Total items reducing sources of Additional capital (sum of lines from 52 through 56)		0.0000	X	0.0000	X

58	Total Additional capital (line 51 - line 57)	6.1; 6.2	4347726.0000	X	4951019.0000	X
59	Total Equity (capital) (line 45 + line 58)	6.1	8821646.0000	X	8116644.0000	X
60	Risk-weighted assets:		X	X	X	X
60.1	those subject to gradual exclusion from the calculation of equity (capital)		0.0000	X	0.0000	X
60.2	those required for determination of Core capital adequacy		43539115.0000	X	47356378.0000	X
60.3	those required for determination of Main capital adequacy		43539115.0000	X	47356378.0000	X
60.4	those required for determination of equity (capital) adequacy		43539115.0000	X	47356378.0000	X
Ratios of equity(capital)adequacy and extra adjusting coefficients, (%)						
61	Adequacy of Core capital (line 29 / line 60.2)	6.1	10.2756	X	6.6847	X
62	Adequacy of Main capital (line 45 / line 60.3)	6.1	10.2756	X	6.6847	X
63	Adequacy of equity (capital) (line 59 / line 60.4)	6.1	20.2614	X	17.1395	X
64	Adjusting coefficients to ratios of equity capital adequacy including:		0.6250	X	0.0000	X
65	coefficient regarding sufficiency of capital level maintenance		0.6250	X	0.0000	X
66	anticyclical coefficient		0.0000	X	0.0000	X
67	coefficient regarding systemic importance of banks		0.0000	X	0.0000	X
68	Core capital available for support of coefficients to equity (capital) adequacy ratios		3.6506	X	0.0000	X
Ratios of equity(capital)adequacy, (%)						
69	Adequacy of Core capital		4.5000	X	5.5000	X
70	Adequacy of Main capital		6.0000	X	6.0000	X
71	Adequacy of equity (capital)					

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			8.0000	X	10.0000	X
Items allowed to reduce sources of capital, subject to the set materiality levels are not exceeded						
72	Insignificant investments into instruments of capital of financial organizations		0.0000	X	0.0000	X
73	Significant investments in instruments of capital of internal models		0.0000	X	0.0000	X
74	Rights to service mortgage loans		not applicable 0.0000	X	not applicable 0.0000	X
75	Deferred tax assets not dependent on future profit		0.0000	X	0.0000	X
Restrictions regarding inclusion into the calculation of Additional capital of provisions for possible losses						
76	Provisions for possible losses, included into calculation of Additional capital, with regard to positions upon which a standardised approach is used for credit risk calculation		not applicable 0.0000	X	not applicable 0.0000	X
77	Restrictions as to inclusion into calculation of Additional capital of provisions for possible losses calculated under the standardised approach		not applicable 0.0000	X	not applicable 0.0000	X
78	Provisions for possible losses, included into calculation of Additional capital, with regard to positions upon which an internal model approach is used for credit risk calculation		not applicable 0.0000	X	not applicable 0.0000	X
79	Restrictions as to inclusion into calculation of Additional capital of provisions for possible losses calculated under the approach that uses internal models		not applicable 0.0000	X	not applicable 0.0000	X
Items that are subject to gradual exclusion from the calculation of equity (capital)(applicable from 1 January 2018 till 1 January 2022)						
80	Current restrictions as to inclusion into sources of Core capital of instruments, that are subject to gradual exclusion from the calculation of equity (capital)		0.0000	X	0.0000	X
81	Part of instruments not included into sources of Core capital due to restrictions		0.0000	X	0.0000	X
82	Current restrictions as to inclusion into sources of Supplementary capital of instruments, that are subject to gradual exclusion from the calculation of equity (capital)		0.0000	X	0.0000	X
83	Part of instruments not included into sources of Supplementary capital due to restrictions		0.0000	X	0.0000	X
84	Current restrictions as to inclusion into sources of Additional capital of instruments that are subject to gradual exclusion from the calculation of equity(capital)		0.0000	X	0.0000	X
85	Part of instruments not included into sources of					

	Additional capital due to restrictions			0.0000	X		0.0000	X

Note:
The balance sheet data used as the source for preparation of Section 1 of the Report is provided in the explanatory notes to accompanying information to Form 0409808.

Section 2. Size of credit, operating and market risks covered by capital

Subsection 2.1. Credit risk and application of a standardised approach

thous.RUB

Line number	Narrative	Reference number	as of the reporting date			as of the beginning of the reporting year		
			Value of Asset (instruments) under standardised approach	Asset (instruments) value less set up provisions for possible losses	Risk-weighted value of assets (instruments)	Value of Asset (instruments) under standardised approach	Asset (instruments) value less set up provisions for possible losses	Risk - weighted value of assets (instruments)
1	2	3	4	5	6	7	8	9
1	Credit risk by asset recorded on balance sheet accounts	9.3	35422186	35363127	15184068	43500017	43483515	22291559
1.1	Total assets with risk coefficient <1> 0 % out of this:	9.3	3771568	3771568	0	2758490	2758490	0
1.1.1	cash and mandatory reserves with the Bank of Russia		3140930	3140930	0	2011309	2011309	0
1.1.2	credit and other claims secured by guarantees of the Russian Federation, the Russian Ministry of Finance and the Central Bank of Russia, as well as by collateral of state bonds of the Russian Federation, the Russian Ministry of Finance and the Central Bank of Russia		0	0	0	0	0	0
1.1.3	credit and other claims to Central Banks or governments of the countries with country ratings "0", "1" and <2> including those secured by guarantees of those countries etc.		0	0	0	0	0	0
1.2	Total assets with risk coefficient 20%, out of this:	9.3	15233326	15233326	3046665	13291510	13291510	2658302
1.2.1	credit and other claims to territorial units of the RF, municipal bodies, other organization, organizations secured by guarantees and collateral of securities issued by subjects of the RF and by municipal bodies.		0	0	0	0	0	0
1.2.2	credit and other claims to Central Banks or governments of the countries with country rating "2", which includes also those secured by their guarantees - (pledge of securities)		0	0	0	0	0	0
1.2.3	credit and other claims on loans to customers - residents of the countries with country rating "0", "1", with a long-term rating of long-term creditworthiness <3>, including those secured by their guarantees.		481	481	96	430	430	86

Auditor's Report

1.3	Total assets with risk coefficient 50% out of this:	9.3		8441661	8441661	4220831	15600516	15600516	7800258
1.3.1	credit and other claims in foreign currency, secured by guarantees of the RF, the Ministry for Finance of the RF and of the Central Bank of Russia secured by pledge of debt securities of the RF, of the Ministry of Finance, the RF and of the Central Bank of Russia, denominated in foreign currency			0	0	0	0	0	0
1.3.2	credit and other claims to Central Banks or governments of the countries with a country rating "3", including those secured by their guarantees (pledge of securities)			0	0	0	0	0	0
1.3.3	credit and other claims to credit organizations-residents in the countries with a country rating"0","1", and without ratings of long-term creditworthiness; as well as to credit organizations - residents in the countries with country rating "2", also those secured by their guarantees			8441661	8441661	4220831	14878878	14878878	7439564
1.4	Total Assets with risk coefficient 100%, out of this:	9.3		7975630	7916572	7916572	11849501	11832999	11832999
1.4.1	credit claims to credit organizations			3739495	3712582	3712582	6609985	6609985	6609985
1.4.2	credit claims to legal entities			3939943	3930488	3930488	4877270	4876000	4876000
1.5	Assets with risk coefficient 150% - credit and other claims to Central Banks or governments of the countries with a country rating "7"			0	0	0	0	0	0
2	Assets with other risk coefficients:		X	X	X	X	X	X	X
2.1	total with low risk coefficient, including:	9.3		2002618	2002618	199731	842132	842132	71957
2.1.1	mortgage loans with risk coefficient of 50%			0	0	0	0	0	0
2.1.2	mortgage loans with risk coefficient of 70%			0	0	0	0	0	0
2.1.3	clearing participants' claims			2002618	2002618	199731	842132	842132	71957
2.2	Total with higher risk coefficients, including:	9.3		12733839	12539721	12013508	24385029	24252251	19518059
2.2.1	with risk coefficient 110%			815631	740473	814520	831301	724603	797063
2.2.2	with risk coefficient 130%			7646922	7646922	4970499	19494676	19494676	12671539
2.2.3	with risk coefficient 150%			4271286	4152326	6228489	4059052	4032971	6049457
2.2.4	with risk coefficient 250%			0	0	0	0	0	0
2.2.5	with risk coefficient 1250%			0	0	0	0	0	0
2.2.5.1	transactions on cession of claims to mortgage agents or professional claims collector groups, including claims supported by mortgage bonds			0	0	0	0	0	0
3	Total consumer loans, including:			0	0	0	0	0	0
3.1	with risk coefficient 140%			0	0	0	0	0	0
3.2	with risk coefficient 170%			0	0	0	0	0	0
3.3	with risk coefficient 200%			0	0	0	0	0	0

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3.4	with risk coefficient 300%		0	0	0	0	0	0
3.5	with risk coefficient 600%		0	0	0	0	0	0
4	Total credit risk on credit-related contingencies including:	9.3	7736639	7735922	4990970	5382490	5382490	4422777
4.1	on financial instruments with high risk	9.3	3095160	3095160	3336589	4830332	4830332	4195948
4.2	on financial instruments with medium risk	9.3	3281479	3280762	1640381	453658	453658	226829
4.3	on financial instruments with low risk	9.3	70000	70000	14000	0	0	0
4.4	on financial instruments with no risk	9.3	1290000	1290000	0	98500	98500	0
5	Credit risk on derivative financial instruments	9.3	22951		29836	0		0

<1> The assets classification by risk group was performed in accordance with par.2.3 of Instruction No.139-И of the Central Bank of Russia.
<2> Country ratings are stated according to classification of exports credit agencies, that participate in the initiative of OECD countries "On the main principles of issuance of export credits, with official support" (information on country ratings is published on the official web site of the Central Bank of Russia in information and telecommunication network "Internet" in Section "Banking Supervision").
<3> Ratings of long-term creditworthiness of a credit organization are determined on the basis of assigned international credit ratings of credit rating agencies: Standard & Poor's or Fitch Rating's or Moody's Investors Service.

Subsection 2.1.1. Credit risk under internal ratings approach

Thous.RUB

Line number	Narrative	Reference number	as of the reporting date			as of the beginning of the reporting year		
			Value of assets (instruments) based on internal ratings	Assets (instruments) less provisions for possible losses	Aggregate size of credit risk	Value of assets (instruments) based on internal ratings	Assets (instruments) less provisions for possible losses	Aggregate size of credit risk
1	2	3	4	5	6	7	8	9
1	Credit risk calculated by application of a basis approach underpinned by internal ratings		0	0	0	0	0	0
2	Credit risk calculated by application of an advanced approach underpinned by internal ratings		0	0	0	0	0	0

Subsection 2.2 Operating risk

Thous.RUB(quantity)

Line number	Narrative	Reference number	as of the reporting date	as of the beginning of the reporting year
1	2	3	4	5
6	Total Operating risk, including :	9.3	181416.0	84162.0
6.1	Total Income for the purpose of calculation of capital to cover operating risk, including:	9.3	2277509.0	871865.0

020

6.1.1	Net interest income	9.3	1052552.0	635986.0
6.1.2	Net non-interest income	9.3	1224957.0	235879.0
6.2	Number of years preceding the calculation of operating risk size	9.3	3.0	3.0

Subsection 2.3 Market risk

Thous.RUB

Line number	Narrative	Reference number	as of the reporting date	as of the beginning of the reporting year
1	2	3	4	5
7	Total Aggregate market risk, including:		8847546.3	0.0
7.1	total interest rate risk, including:		0.0	0.0
7.1.1	general		0.0	0.0
7.1.2	specific		0.0	0.0
7.1.3	gamma-risk and vega-risk regarding options included into interest rate risk calculation		0.0	0.0
7.2	total equity risk, including:		0.0	0.0
7.2.1	general		0.0	0.0
7.2.2	specific		0.0	0.0
7.2.3	gamma-risk and vega-risk regarding options included into equity risk calculation		0.0	0.0
7.3	total foreign currency risk including:		707803.7	0.0
7.3.1	gamma-risk and vega-risk regarding options included into foreign currency risk calculation		0.0	0.0
7.4	total commodity risk including:		0.0	0.0
7.4.1	main commodity risk		0.0	0.0
7.4.2	additional commodity risk		0.0	0.0
7.4.3	gamma-risk and vega-risk regarding options included into commodity risk calculation		0.0	0.0

Section 3. Information on size of Provision for possible losses on loans and other assets

Thous.RUB

Line number	Narrative	Reference number	as of the reporting date	Reduction (-)for the reporting period	Increase(+)/ as of the start of the reporting year
1	2	3	4	5	6
1	Total actual Provision for possible losses, including:	5.1	253894	104613	149281
1.1	Provision for possible losses on loans and loan equivalents	5.1	235811	97250	138561
1.2	provision for possible losses on other balance sheet assets, where a risk of losses exists	5.1	17366	6646	10720
1.3	provision for possible losses on credit-related contingencies; provision on securities, rights to which are determined by depositaries not meeting the Russia's Central Bank's requirements, that are accounted for on off-balance sheet accounts	5.1	717	717	0
1.4	provision for operations with residents of offshore zones		0	0	0

Section 4. Information on financial leverage indicator

Line number	Narrative	Reference number	As of the reporting date 01.01.2017	One quarter back from the reporting date 01.10.2016	Two quarters back from the reporting date 01.07.2016	Three quarters back from the reporting date 01.04.2016
1	2	3	4	5	6	7
1	Core capital, thous.RUB	7.2	4473920.0	4474357.0	4479562.0	3160200.0
2	Total balance sheet assets and off-balance sheet claims at risk for calculation of financial leverage, in thous.RUB	7.2	54222054.0	62236167.0	58107304.0	63769616.0
3	Financial leverage indicator under Basel III, (%)	7.2	8.3	7.2	7.7	5.0

Section 5. Main parameters of capital instruments

No / Parameter name	Short name of the issuer of the instrument	Identification number of the instrument	Applicable law	Regulatory environment: Capital tier where the instrument is included during transition period of "Basel III"	Capital tier where the instrument is included after transition period of "Basel III" is over	Consolidation level when the instrument is included into capital	Type of instrument	Instrument value used for calculation of capital	Nominal value of the instrument
	1	2	3	4	5	6	7	8	9
1	ICBC Bank (JSC)	10103475B	643 (Russsian Federation)	not applicable	Core capital	not applicable	ordinary shares	2309500	2309500
2	JSC "Industrial and Commercial Bank of China Limited" (China)	not applicable	643 (Russian Federation)	not applicable	Supplementary capital	not applicable	subordinated loan (deposit, loan)	3032845	50000

Section 5. Continued

No / Parameter name	Regulatory environment: Instrument classification for accounting purposes	date of issue (attracted, placed) of instrument	Maturity of the instrument	Date of repayment of instrument	Right of early buy-back (redemption) of instrument agreed with the CentralBank of Russia	Original date(s) of possible realization of right of early buy-back (redemption) of instrument, terms of such right and amount of buy-back (redemption)	Subsequent date(s) of possible realization of right of early buy-back (redemption) of instrument	Interest/dividends/coupon income: Type of rate for instrument	Rate	Terms of instrument regarding termination of dividend payment on ordinary shares	Obligatory nature of dividend payments	Terms of instrument regarding higher payments on instrument or other motivation of early buy-back (redemption) of instrument
	10	11	12	13	14	15	16	17	18	19	20	21
1	share capital	13.09.2007	no set maturity	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	fully at the discretion of head company and/or of a banking group participant	none
		30.10.2012										
2	liability, balance sheet cost	29.10.2013	term	30.10.2023	none	early repayment not earlier than 5years after the date of subordi-nated loan inclusion into Supplementary capital. Date of early repayment is not earlier 29.10.2018,price of early repayment is not stated in the contract	not applicable	floating rate	2.56	not applicable	not applicable	none

Section 5. Continued

No. / Parameter name	Interest/dividends/coupon income											
	Type of payments	Instrument convertibility	Convertibility terms	full or partial convertation	convertation rate	obligatory convertation	Capital tier where the instrument is included after convertation	Short name of the instrument after convertation	possibility to write off instrument to cover losses	Terms of write-off	full or partial write-off	regular or ad hoc write-offs
	22	23	24	25	26	27	28	29	30	31	32	33
1	non-cumulative	non-convertible	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	as per laws 86-FZ and 127-FZ	always partially	regular
2	non-cumulative	convertible	Capital adequacy ratio for core capital calculated in line with the Instruction 139И of the Central Bank of Russia is at level below 2% for 6 and more banking days running during any 30 consecutive	fully or partially	not applicable	obligatory	core capital	ICBC Bank (JSC)	yes	per legislation	partially or fully	regular

Section 5. Continued

No / Parameter name	Recovery mechanism	Subordinated nature of instrument	Compliance with requirements of Regulation No.395-П and Regulation No.509-П of the Central Bank of Russia	Description of non-compliance
	34	35	36	37
1	not applicable	not applicable	yes	
2	not applicable	not applicable	yes	

Note: a full information about terms and conditions of the issue (placement) of capital instruments, as well as the most updated information of Section 5 of the Report is presented in Section "Disclosure of regulatory information" on the web site 1 www.icbcmoscow.ru

Section "For reference". Information about loan loss provision movements.

1. Creation of (charge to) the loan loss provision in the reporting period (thous.RUB),
Total 612263, including due to:

1.1. loan issuance 32342;

1.2. changes in loan quality 337115;

1.3. changes of the official exchange rate of foreign currency to rouble, established by the Central Bank of Russia 228960;

1.4. other reasons 13846.

2. Recovery (reduction) of the loan loss provision in the reporting period (thous.RUB), Total 515013, including due to:

2.1. uncollectible loans 0;

2.2. loan repayments 198921;

2.3. changes in loan quality 267684;

2.4. changes of the official exchange rate of foreign currency to rouble, established by the Central Bank of Russia 48408;

2.5. other reasons 0.

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31.03.2017

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Bank reporting form

Territory code OKATO	Credit institution (its branch) code OKPO	Credit institution (its branch) registration number (/ sequence number)
45286580000	83086298	3475

INFORMATION ON STATUTORY RATIOS, FINANCIAL LEVERAGE INDICATOR AND SHORT-TERM LIQUIDITY RATIO
(public disclosure form)
As of 01.01.2017

Credit organization
ICBC Bank (Joint Stock Company)
/ICBC Bank (JSC)

Mailing address
109028 Moscow, Serebryanicheskaya nab.,29

Code OKUD 0409813
Quarterly(Annual)

Section 1. Mandatory ratios

In (%)

Line number	Narrative	Reference number	Regulatory requirement	Actual value: as of the reporting date		Actual value: as of the beginning of the year	
1	2	3	4	5		6	
1	Core capital adequacy ratio (H1.1), with regard to a banking group (H20.1)	6.1; 7.1	4.5		10.3		6.7
2	Main capital adequacy ratio of a Bank (H1.2), with regard to a banking group(H20.2)	6.1; 7.1	6.0		10.3		6.7
3	Equity (capital)ratio of a Bank (H1.0), with regard to a banking group (H20.0)	6.1; 7.1	8.0		20.3		17.1
4	Equity (capital) ratio of a non-banking credit organization, which has right to perform wire transfers without opening an account and is related to other banking operations(H1.3)		0.0		0.0		0.0
5	Ratio of instant liquidity of a Bank (H2)	7.1	15.0		49.1		34.5
6	Ratio of a current liquidity of a Bank(H3)	7.1	50.0		76.4		66.2
7	Ratio of a long-term liquidity of a Bank(H4)	7.1	120.0		64.4		105.7
8	Ratio of the maximum risk per one borrower or group of related borrowers (H6)	7.1	25.0	Maximum	19.8	Maximum	22.5
				Minimum	3.2	Minimum	1.9
9	Ratio of the maximum large credit exposure (H7), with regard to a banking group(H22)	7.1	800.0		269.2		385.8
10	Ratio of the maximum exposure to credit, bank guarantees and sureties, provided by the Bank to its shareholders (participants) (H9.1)	7.1	50.0		19.8		10.4

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11	Ratio of the aggregate risk on the Bank's insiders (H10.1)		3.0	0.0	0.0
12	Ratio of use of equity (capital) of the Bank for aquisition of shares (stakes) in other legal entities (H12), ratio of use of equity (capital) of a banking group for aquisition of shares (stakes) in the parent credit organization by a banking group and participants banking group of shares (stakes) of other legal entities (H23)		25.0	0.0	0.0
13	Ratio of liquid assets with maturity within the next 30 calendar days to the sum of liabilities of the non-banking credit organization for settlements, RNCO (H15)		0.0	0.0	0.0
14	Liquidity ratio of a non-banking credit organization with the right to make wire transfers without account opening and related to that other banking operations (H15.1)		0.0	0.0	0.0
15	Ratio of the maximum aggregate size of loans to customers - participants of settlements to completed settlements (H16)		0.0	0.0	0.0
16	Ratio of loans made by RNKO on its own behalf and at its own expense to customers, except for customers-participants of settlements (H16.1)		0.0	0.0	0.0
17	The minimum ratio of mortgage coverage size and size of bond issue secured by mortgage (H18)		0.0	0.0	0.0
18	Ratio of the maximum risk size per one borrower or a group of related borrowers of a banking group (H21)		0.0	0.0	0.0

Section 2. Information on financial leverage indicator

Section 2.1 Calculation of balance sheet assets size and off-balance sheet claims at risk
For calculation of financial leverage indicator

thous.RUB

Line number	Narration	Reference number	Amount
1	2	3	4
1	Total assets as per the Balance sheet (public disclosure form)		50116725
2	Adjustment regarding investments into capital of credit, financial, insurance or other organizations as their reporting data is included into consolidated financial statements, but not included into calculation of equity capital size, mandatory ratios and limit sizes for open currency positions of banking group		not applicable for reporting of a credit organization, as of a legal entity
3	Adjustment regarding fiduciary assets recorded as per accounting rules but not included into financial leverage calculation		0

4	Adjustment regarding derivative financial instruments (DFI)		18657
5	Adjustment regarding lending operations by means of securities		0
6	Adjustment regarding bringing to a credit equivalent of credit-related contingencies		4878541
7	Other adjustments		791869
8	Total balance sheet assets and off-balance sheet claims at risk, with consideration of adjustments for financial leverage calculation		54222054

Section 2.2 Calculation table for financial leverage

thous.RUB

Line number	Narration	Reference number	Amount
1	2	3	4
	Risk on balance sheet assets		
1	Total Balance sheet assets size:		49331423.0
2	Adjustment to reduce the amount by the sum of balances for reduction of core capital sources		10861.0
3	Total Balance sheet assets at risk subject to the adjustment(difference between lines 1 and 2)		49320562.0
	Risk on operations with derivative financial instruments (DFI)		
4	Total current credit risk on operations with DFI (less calculated variation margin)		4294.0
5	Total potential credit risk on operations with DFI per counterparty		18657.0
6	Adjustment for the size of the nominal amount of the provided collateral on operations with DFI, subject to a balance sheet write-off in accordance with accounting rules		not applicable as per Russian accounting rules
7	Reducing adjustment to the amount of transferred variation margin (under defined circumstances)		0.0
8	Adjustment to the size of claims of the Bank, participant of clearing, to a central counterparty for executing customers' deals		0.0

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Moscow

9	Credit risk adjustment regarding the underlying asset on issued credit-related DFI		0.0
10	Reducing adjustment regarding issued credit-related DFI		0.0
11	Total risk size on DFI, subject to adjustments (sum of lines 4, 5, 9 less lines 7, 8, 10)		22951.0
	Risk on lending operations by means of securities		
12	Total claims on lending operations by means of securities (without netting)		0.0
13	Netting adjustment to the monetary part(of claims and liabilities)of lending operations by means of securities		0.0
14	Credit risk size per counterparty on lending operations by means of securities		0.0
15	Risk size on guarantee lending operations by means of securities		0.0
16	Total claims on lending operations by means of securities; subject to adjustments (sum of lines 12,14,15 less line 13)		0.0
	Risk on credit-related contingencies		
17	Total nominal value of risk on credit-related contingencies		7736639.0
18	Adjustment related to application of credit equivalent coefficient		2858098.0
19	Total risk size on credit-related contingencies subject to adjustments (line 17 less line 18)		4878541.0
	Capital at risk		
20	Core capital	7.2	4473920.0
21	Total size of balance sheet assets and off-balance sheet claims at risk for calculation of financial leverage (the sum of lines 3, 11, 16, 19)	7.2	54222054.0
	Financial leverage indicator		
22	Financial leverage indicator as per Basel III (line 20/ line 21) (in %)	7.2	8.3

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Section 3. Information on calculation of the ratio of short-term liquidity

thous.RUB.

Line number	Narrative	Reference number	as of 01.04.2016		as of 01.07.2016		as of 01.10.2016		as of 01.01.2017	
			size of claims (liabilities)	weighted size of claims (liabilities)	size of claims (liabilities)	weighted size of claims (liabilities)	size of claims (liabilities)	weighted size of claims (liabilities)	size of claims (liabilities)	weighted size of claims (liabilities)
1	2	3	4	5	6	7	8	9	10	11
	HIGH-QUALITY LIQUID ASSETS									
1	Highly liquid assets (HLA) including additional claims (assets), included into numerator of H26 (H27)		x		x		x		x	
	EXPECTED CASH OUTFLOWS									
2	Total cash of individuals, including:									
3	stable cash funds									
4	unstable cash funds									
5	Total cash of customers attracted without collateral, including:									
6	operating deposits									
7	deposits, other than operating (other deposits)									
8	unsecured debt liabilities									
9	Cash of customers attracted with collateral		x		x		x		x	
10	Additionally expected cash outflows,total including:									
11	on derivative financial instruments and due to potential need for additional collateral									
12	connected with loss of funding for secured debt instruments									
13	on bank liabilities under non-utilised irrevocable and quasi revocable lines of credit and liquidity lines									
14	Additionally expected cash outflows on other contractual liabilities									
15	Additionally expected cash outflows on other contingencies									
16	Total cash outflow (line 2 + line 5 + line 9 + line 10 + line 14 + + line 15)		x		x		x		x	
	EXPECTED CASH INFLOWS									
17	On operations to provide cash against collateral in form of securities, including operations of reverse REPO									
18	on contracts without violation of contractual maturities for liabilities									
19	Other inflows									
20	Total cash inflow (line 17 + line 18 + line 19)									
	AGGREGATE ADJUSTED VALUE									
21	HLA, less adjustments calculated subject to restrictions for the maximum size of HLA-2B and HLA-2		x		x		x		x	
22	Net expected cash outflow		x		x		x		x	
23	Ratio of short-term liuidity of a banking group (H26), of a credit organization (H27), (in %)		x		x		x		x	

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31.03.2017

Bank reporting form

Territory code OKATO	Credit institution (its branch) code OKPO	Credit institution (its branch) registration number (/ sequence number)
45286580000	83086298	3475

The Statement of Cash Flows
(public disclosure form)
As of 01.01.2017

Credit organization
ICBC Bank (Joint Stock Company)
/ICBC Bank (JSC)

Mailing address
109028 Moscow, Serebryanicheskaya nab.,29

Code OKUD 0409814
Quarterly/(Annual)
thous.RUB

Line code	Narrative	Reference number	Cash flows for the reporting period	Cash flows for the respective prior reporting period
1	2	3	4	5
1	Net cash flows received from (used in) operating activity			
1.1	Total cash received from (used in) operating activity before changes in operating assets and liabilities including:		1524484	1089168
1.1.1	interest received		2940643	1633920
1.1.2	interest paid		-699532	-672914
1.1.3	commission received		71138	98402
1.1.4	commission paid		-6665	-14178
1.1.5	income less expenses on operations with financial assets assessed at fair value through profit or loss and available for sale		23191	29617
1.1.6	income less expenses on operations with securities held to maturities		0	825
1.1.7	income less expenses on operations with foreign currency		142562	926671
1.1.8	other operating income		21748	6909
1.1.9	operating expenses		-663942	-501741
1.1.10	tax expense (refund)		-304659	-418343
1.2	Total increase (decrease) of net cash flows from operating assets and liabilities, including:		-12544862	-7615760
1.2.1	net increase (decrease) in mandatory reserves on accounts with the Central Bank of Russia		-34487	122895

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1.2.2	net increase(decrease)in investments in securities assessed at fair value through profit or loss		0	0
1.2.3	net increase(decrease)in loans		1858024	-3134016
1.2.4	net increase(decrease)in other assets		-285409	-40638
1.2.5	net increase(decrease)in loans, deposits and other funds of the Central Bank of Russia		0	0
1.2.6	net increase(decrease)in Funds due to other credit institutions	8.4	-520383	-2957234
1.2.7	net increase(decrease)in Funds due to other credit customers other than credit institutions	8.4	-13654492	-1538670
1.2.8	net increase(decrease)in financial liabilities assessed at fair value through profit or loss		1305	0
1.2.9	net increase(decrease)in issued debt liabilities		0	0
1.2.10	net increase(decrease)in other liabilities		90580	-68097
1.3	Total for part 1 (line 1.1 + line 1.2)		-11020378	-6526592
2	Net cash flows received from (used in) investing activity			
2.1	Purchase of securities and other financial assets of the category "available for sale"		0	0
2.2	Sale proceeds and redemption of securities and other financial assets of the category "available for sale"		0	0
2.3	Purchase of securities of the category "held to maturity"		21340	-1625133
2.4	Sale proceeds and redemption of securities of the category "held to maturity"		102140	61642
2.5	Purchase of fixed assets, intangible assets and inventories		-55614	-6668
2.6	Sale proceeds from sale of fixed assets, intangible assets and inventories		151	0
2.7	Dividends received		0	0
2.8	Total for part 2 (the sum of lines from 2.1 through 2.7)		68017	-1570159
3	Net cash flows received from (used in) financing activity			
3.1	Contributions of shareholders(participants)to the share capital		0	0
3.2	Purchase of own shares(stakes)bought out from shareholders (participants)		0	0
3.3	Sale of own shares(stakes)bought out from shareholders (participants)		0	0
3.4	Dividends paid		0	0
3.5	Total for part 3 (the sum of lines from 3.1 through 3.4)		0	0
4	Effect of changes of official rouble rate set by the Central Bank of Russia to foreign currencies on cash and cash			

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	equivalents			-689466	6743959
5	Increase(use) of cash and its equivalents	8.4		-11641827	-1352792
5.1	Cash and cash equivalents as of the beginning of the reporting year	8.4		21123795	22476587
5.2	Cash and cash equivalents as of the end of the reporting year	8.4		9481968	21123795

President Li Wencong

Chief Accountant Kuzmina N.V.

Stamp

Drafted by Galkina V.V.

Telephone: (495) 287-30-99

31.03.2017

ICBC

ICBC Bank (Joint Stock Company)
ICBC Bank (JSC)

EXPLANATORY NOTES
to the annual accounting (financial) statements
for 2016

These Explanatory Notes shall form an integral part of the annual accounting (financial) statements of **Bank ICBC (join stock company)** for 2016, prepared in accordance with the effective legislation of the Russian Federation.

The Explanatory Notes include information about events and operations relevant for understanding changes in the Bank's financial position and its financial results that happened in 2016.

The Explanatory Notes to the annual accounting (financial) statements of the Bank present all numerical data expressed in Russian roubles and rounded with an accuracy to whole thousands of roubles.

To ensure data comparability, the statements for 2016 have been compiled following the algorithm of preparation of accounting statements intended for publication, as prescribed by the Order of the Central Bank of Russia No. 2332-U dated 12.11.2009, and supplied with comparatives for 2015.

1. Material Information on the Credit Institution.

1.1 Information on the Credit Institution

Bank ICBC (joint-stock company), the abbreviated name - **Bank ICBC (JSC)** (hereinafter referred to as "the Bank") was incorporated on August 30, 2007.

The Bank is registered at the following address: 29 Serebryanicheskaya nab., Moscow, Russian Federation, 109028.

Place of business: 29 Serebryanicheskaya nab., Moscow, Russian Federation, 109028.

The Bank was included into the Unified State Register of Legal Entities on 30 August, 2007.

The Bank is a 100% subsidiary bank of Industrial and Commercial Bank of China Limited Joint-Stock Company (ICBC Ltd.), with the principal ultimate beneficiary being the People's Republic of China as represented by the Chinese Ministry of Finance.

The Bank is:

• a participant of the Section of the Electronic trading system (SELT) at the Moscow Exchange MICEX-RTS foreign exchange market;

• acting as market maker for the currency pair Yuan / Russian rouble;

• a Participant of the Association of Russian Banks;

• a Participant of the following Settlements systems: S.W.I.F.T.: ICBKRUMM
REUTERS-DEALING: DICB;

- a member of self-regulated organization "National financial association" (SRO NFA).

The Bank is also an operator of the payment system (registration number No.0040).

As of 01.01.2017 the Bank had the following ratings assigned by the international rating agency Standard & Poor's: long-term and short-term credit ratings – "BB+/B", a national scale rating – "ruAA+/", the forecast is "Stable".

On 24 March 2017 Standard & Poor's upgraded the Bank to "BB+/Positive/B".

On 23 September 2016 the National Bank of China nominated the Bank as a clearing bank for Yuan settlements in Russia.

1.2 Separate subdivisions

As of January 1, 2017 the Bank had one branch, a branch of Bank ICBC (joint stock company) in St.Petersburg.

The branch's registered address is 12-14, litera A, Khersonskaya Str., St.Petersburg, Russian Federation, 191024.

The Bank also has one internal structural subdivision:

Additional office "GREENWOOD": 143441, Moscow region, Krasnogorsky district, settlement Putilkovo, 69th km of MKAD, office and public complex CJSC "Greenwood", building 17.

1.3 Data on state registration of the Bank. Licenses

The Bank's Primary State Registration Number (assigned by the Federal Tax Service of Russia) is 1077711000157.

The Bank has a banking license No.3475 issued by the Central Bank of Russia on 1 September 2015. The Bank carries out its business in accordance with the Federal Law No. 395-1 "On Banks and Banking Activity" dated 2 December 1990.

In accordance with the Federal Law No. 395-1, as of January 01, 2017 the Bank was not a part of any banking (consolidated) group or any banking holding.

In addition to the banking license the Bank holds the following licenses:

Issuing body	License type	Date of issue	License number	Valid till
The Central Bank of the Russian Federation	License of a professional market participant of the securities market for brokerage operations	18.08.2016	045-13990-100000	No set validity period
The Central Bank of the Russian Federation	License of a professional market participant of the securities market for carrying out depositary operations	18.08.2016	045-13992-000100	No set validity period
The Central Bank of the Russian Federation	License of a professional market participant of the securities market for dealing operations	18.08.2016	045-13991-010000	No set validity period

On 17 November 2016 the Bank was entered into the register of banks participants in the Deposit Insurance System under No.1009.

1.4 Reporting period and the units of measurement of annual statements

The reporting period of the Bank is from January 01, 2016 to December 31, 2016, inclusively.

The annual accounting (financial) statements were prepared in the currency of the Russian Federation.

In the annual accounting (financial) statements all the assets and liabilities in foreign currency are presented in roubles at the official exchange rate of the corresponding foreign currency against roubles, as established by the Bank of Russia as of the reporting date.

Unless specified otherwise, the annual accounting (financial) statements are prepared in thousands of Russian roubles (hereinafter – "thous. roubles").

2. Short description of business of Bank ICBC (JSC).

2.1 Nature of operations and main areas of activity

According to the Federal Law of the Russian Federation No. 395-1 "On Banks and Banking Activities" dated 2 December, 1990, as subsequently amended and supplemented, as well as pursuant to the banking license issued by the Central Bank of Russia, the Articles of Association of the Bank, resolutions of the Management Board of the Bank and other regulatory acts applicable in the Russian Federation, the Bank performs the following operations:

- opening bank accounts for the benefit of legal entities in Russian roubles or foreign currency, as well as rendering comprehensive services related thereto;

- providing cash services to legal entities (including cash collection);

- taking demand and term deposits opened by legal entities, subject to guaranteed cash withdrawal and income returns for customers;

- servicing customers through the on-line Internet banking system "Bank-Client";

- executing wire transfers by order of individuals with no bank account opening;

- issuing loans to legal entities, including participation in syndicated lending, subject to maturity, repayment and interest payment;

- investing in securities (bonds and debentures) issued by residents;

- performing trade finance operations;

- opening correspondent vostro accounts;

- correspondent accounts maintenance at the instruction of correspondent banks;

- interbank lending operations;

- purchase and sale of foreign currency in cash or non-cash form;

- acting as a foreign exchange control agent (statutory);

- issuing banker's guarantees and opening letters of credit;

- carrying out professional services on securities market;

- opening and servicing accounts of individuals;

- taking demand and term deposits from individuals;

- placing demand and term deposits of individuals on behalf of the Bank and at its expense;

- executing wire transfers by orders of individuals from their bank accounts.

The Bank's priority areas of activity are provision of banking services to corporate customers in various industries, boosting Russia-China trade relations, as well as development of modern banking products and technologies.

2.2 Key performance indicators and factors that had an impact on the financial results of the Bank in the reporting year.

The key performance indicators of the Bank are presented in the table below:

	As of 01.01.2017	*As of 01.10.2016*	*As of 01.07.2016*	*As of 01.04.2016*	*As of 01.01.2016*
Book value of assets	50 116 725	56 249 418	52 764 112	60 340 868	70 091 827
Loan portfolio	37 887 574	42 392 874	44 519 315	47 650 189	45 933 098
Securities portfolio	1 719 039	1 791 105	1 854 575	1 923 410	2 112 743
Funds due to credit institutions	19 536 245	20 808 592	20 965 858	21 379 712	22 578 110
Funds due to customers	24 486 278	29 672 584	26 344 448	33 621 858	42 711 704
Income of the Bank	99 262 345	86 492 293	72 438 448	48 829 222	154 079 779
Expense of the Bank	97 953 189	85 456 228	71 839 462	48 357 620	152 760 623
Net profit	1 318 920	1 036 065	598 986	471 602	1 319 156

Despite challenging economic environment in Russia and in banking sector in 2016, as well as strengthening regulatory requirements, the Bank succeeded in closing books for 2016 with a positive financial result.

The reporting year results show that the Bank maintained its industry ranking positions, remaining among the TOP-100 largest banks of Russia, namely, holding the 97th ranking by size of net assets and the 41st ranking by profitability.

For 2016 the Bank posted a net profit of 1 318 920 thous.roubles, which is 0,02% lower than that for 2015 (2015: 1 319 156 thous.roubles).

The Bank's financial results for 2016 were mostly impacted by such activities as interbank lending, trade finance, market-making operations at the stock exchange, spot dealing, as well as lending to large corporate customers of the Bank.

The structure of income and expenses characterizing the Bank's activity for 2016 and 2015 is presented below:

	For 2016	*For 2015*

Net interest income (negative interest margin)	2 200 652	1 052 552
Change of provision for possible losses against loans and equivalents,		
funds on nostro accounts and accrued interest income – total, including:	(97 250)	(84 819)
Net interest income (negative interest margin) after provision for		
possible losses	**2 103 402**	**967 733**
Net income (expense) from financial assets assessed at their fair value through profit or loss	23 191	29 617
Net gains from operations with securities held to maturity	2 172	825
Net income from foreign currency operations	142 562	926 671
Net income from foreign currency revaluation	11 470	181 729
Fees and commissions income	71 138	98 402
Fees and commissions expense	6 665	14 178
Changes in the provisions for possible losses on securities and other losses	(7 434)	(9 466)
Other operating income	21 899	6 909
Operating expenses	673 188	512 486
Profit (loss) before tax	**1 688 547**	**1 675 756**
Income tax refund (expense)	369 627	356 600
Profit (loss) after tax	**1 318 920**	**1 319 156**

2.3 Information on the economic environment where the Bank carries out its business.

The Bank carries out its business on the territory of the Russian Federation and therefore is impacted by the economic environment in the country.

Given measures undertaken by the Russian Government in 2016 to boost markets, the carried out rate and monetary policies, consumer inflation in Russia declined to a single digit level.

For 2016 as a whole the inflation was 5.4%, with an average annual growth in consumer prices by 7.1% (2015: 12.9% and 15.5% respectively). Such a significant inflation slow-down was secured by low price growth for food products due to import-substitution and good harvest, which added to higher supply of cheaper domestic products. A positive effect on inflation had a lower indexation of rates and prices for products and services offered by companies in infrastructure sector. Inflation growth in 2016 was mainly caused by increasing prices for consumer non-food products, which was an effect of long deferred exchange rate losses due to lower consumer purchasing power. However, this negative factor almost subsided by the end of 2016.

According to an estimate, the GDP in 2016 amounted to 85 880.6 bn roubles. The GDP decline slowed down to 0.2% as opposed to 2.8% in 2015, which was due to positive dynamics in production industries and agriculture, as well as lower decline in construction.

The GDP structure by type of income source saw lower share of gross profit and gross mixed income, with a higher share of employee remunerations and reduction of net taxes in production and imports.

On the expense side, the GDP dynamics was supported by higher investment demand (3.3%) and external demand (2.3%), with the consumer demand showing a negative trend (-3.8%).

General environment for economic development in Russia and monetary policy of the Central Bank remained challenging, which was largely driven by external factors in trade and commerce.

World capital markets, similar to commodities markets, demonstrated volatility, expectations of market participants remained changeable.

Regulatory moves in macroeconomic policy in both developed and emerging countries were also closely watched by market players.

In 2016 the Central Bank of Russia pursued rather tough monetary policy aimed at lower target inflation rate of 4% by the end of 2017. The regulator took into account the existing economic developments in the country and necessity to achieve financial stability.

The key banking rate remained at 11% almost till the end of the first half of 2016. However, the first half of 2016 demonstrated higher resistance of the Russian economy to oil price fluctuations, slow-down of inflation and some lower inflationary expectations, which justified the key rate reduction by the Central Bank by 50 basis points (bp) to 10.5% in June.

The second half of 2016 saw some reduction of inflation risks, though remaining rather high, with high inflationary expectations still persisting. In September the Central Bank of Russia decided to reduce the key banking rate by further 50 bp. to 10%, stating that this level should stay till the end of 2016 with possible subsequent rate reduction in the first two quarters of 2017, subject to sustainable trend to consumer price reduction.

2016 was rather challenging for the banking sector in Russia but by the end of the year it saw a more promising statistics.

As per the data of the Central Bank of Russia, asset size of the Russian banking sector in nominal terms for the period of January through December 2016 shrinked by 3.2%. All the negative dynamics of the 12 months was fully attributable to foreign currency revaluation, a consequence of significant rouble strengthening.

Asset size continued to decline, though accompanied with a general improvement in the asset structure. Credit activity in December 2016 in comparison to November became worse. Nevertheless, loan portfolio quality was improving, with overdue loans in roubles and in foreign currency continuing to decline.

Liabilities of the Russian banking sector in 2016 were characterized by nominal growth of deposits from individuals (+2%) and significant reduction of corporate account balances (-9.7%).

Such a negative dynamics in corporate account balances was largely due to strengthening rouble. Removing the foreign currency revaluation effect gives a much lower corporate account balances reduction of 4.9%, with the growth of deposits of individuals being at 5.2%.

2016 was one in a sequence of years with a record high number of banking licenses revoked. The number of banks and non-credit organizations with their licenses revoked by the Central Bank in 2016 was 95, with 93 and 86 in 2015 and 2014 respectively. The number of operational credit institutions only in December 2016 reduced from 635 to 623.

As a positive trend typical for the banking sector in 2016 can be noted profits dynamics and size. In the period from January through November 2016 the Russian banking sector earned 788 bn of roubles.

Such a growth in profit was mostly a consequence of increasing lending income. Firstly, there was an increase in interest rate margin driven by significant reduction in cost of funds. Secondly, loan portfolio quality of Russian banks turned out to be better than expected.

On the whole, rating agencies experts estimate that high profit growth rates for the last several months of 2016 may suggest banking sector profit in 2017 at the level exceeding 1 trillion roubles.

Despite negative market trends as well as intensifying anti-Russian sanctions from the USA and Europe Management of the Bank has a positive outlook for business expansion in Russia due to continuing development of interstate relations and economic cooperation between Russia and China.

Therefore, strengthening of economic cooperation between Russia and China seems to be very positive, with China becoming one of the key markets for export and import operations.

Management of the Bank believes that it takes all necessary and appropriate measures to maintain economic soundness of the Bank under current circumstances and also is confident that the Bank has potential for further development. The key competencies of the Bank and its credit policy applied enable to build long-term business relations with key clients and ensure the Bank's operation as a going concern.

In 2017 the Bank is going to follow the approved credit policy and grant loans to large-scale Russian companies and Russian subdivisions of Chinese companies operating in different economic sectors.

Despite stagnation in the Russian economy and continued negative impact of the abovementioned factors, given a planned capital increase, in 2017 the Bank is going to restore and subsequently increase its loan portfolio.

2.4 Information on the development prospects of the institutional lender.

In its activity Bank ICBC (JSC) adheres to the developed "Strategy of Development of ICBC (Moscow) for the years 2015 – 2017".

Considering its strong points and competitive advantages, the Bank as a 100% subsidiary of the world's largest by capitalization bank, ICBC Ltd., has determined the following development targets for the nearest 3 years:

- increase and improve the Bank's work in all areas;
- establish in Russia a universal commercial bank carrying out its activities in accordance with the requirements of the Bank of Russia and possessing an advanced corporate governance structure;
- establish on the Russian market of a competitive bank able to bring to its shareholders a good return on the capital employed;
- sustain leading positions on the Russian market among the banks with Chinese capital.

In 2017 the Bank will undergo intensive development in form of expansion of its business and operations. Besides, in its work, the Bank will seek to become a top-of-the-range of the ICBC group and a major foreign bank on the Russian market.

2.5 Information on the management bodies of the institutional lender

The supreme managing body of the Bank is a sole Shareholder of the Bank owning 100% of its share capital – JSC "Industrial and Commercial Bank of China Limited".

General management of the Bank is undertaken by the Board of Directors of Bank ICBC (JSC).

The Chairman of the Board of Directors is Cui Liang.

Members of the Board of Directors are:

- Wu Minmin,
- Hong Guilu,
- Wang Ying,
- Li Wencong.

During 2016 there were changes in the Board of Directors as follows:

- Jiang Yulin was relieved of his duties as the Chairman of the Board of Directors;

From 2016 Li Wencong held the position of the President and the Chairman of the Management Board of the Bank.

Members of the Management Board:

- Lang Weijie – Vice President,
- Igor Glebovich Titlin – Vice President,
- Natalia Viktorovna Kuzmina – Chief Accountant.

In 2016, the following modifications occurred in the Management Board:

- Song Yang, was relieved of his duties as the President and the Chairman of the Board of Directors of the Bank.

None of the members of the Bank's Board of Directors or the Management Board holds shares in ICBC (Moscow).

3. Short review of the basis of preparation of the annual accounting statements and accounting principles of the institutional lender.

Pursuant to Regulation of the Central Bank of Russia No.3054-U dated 4 September 2013 "On preparation of annual accounting (financial) statements by credit institutions" (hereinafter, No.3054-U), the Bank completed all required preliminary work to facilitate preparation of the annual accounts for 2016 presenting actual assets, liabilities and claims of a credit organization. As of 1 December 2016 the Bank performed stock take of its property, claims and liabilities. As of the beginning of the banking day, on 9 January 2017, the Bank performed cash check and count, with no cash shortage or excess identified.

As of 1 January 2017 the Bank obtained written balance confirmations from its correspondent credit institutions and non-resident banks. The procedure to obtain account balance confirmations from legal entities will be continued until finalised.

3.1 Principles and methods of evaluation and accounting of significant operations and events

In its activity the Bank is guided by legislation of the Russian Federation, regulations of the Russian Government, instructions and recommendations of the Central Bank of Russia, the Russian Tax Service, as well as by the Accounting Policy of the Bank for 2016 (approved by the Bank's Order No.163 dated 31 December 2015).

The Accounting Policy of the Bank for 2016 is based on the following main principles and quality features:

- going concern,
- income and expense accrual method,
- consistency of accounting,
- prudency,
- timeliness of transaction records,
- separate recording of assets and liabilities,
- consistency of opening balance,
- substance over form concept,
- rationality,
- openness,
- preparation of a summary balance sheet,
- valuation of assets and liabilities.

In 2016 the Bank kept its accounting records in accordance with the Regulations of the Central Bank of Russia dated 16.07.2012 No. 385-П "On the Rules of Bookkeeping by Institutional Lenders Operating in the Russian Federation" (hereinafter "Regulations No. 385-П"), as well as with other regulatory acts of the Central Bank of Russia, which determine procedures of recording particular transactions.

According to the requirements of the Central Bank of Russia and the Accounting Policy, certain transactions of the Bank shall be recorded on the balance sheet as follows:

Monetary claims (liabilities) in the currency of the Russian Federation shall be accounted for in roubles, in the amount of the claims (liabilities) which actually aroused.

Assets and liabilities expressed in a foreign currency shall be recorded on the Bank's balance sheet in roubles at the current exchange rate of the corresponding foreign currency, as established by the Central Bank of Russia. Such assets and liabilities shall be revalued each time when the Central Bank of Russia changes the foreign currency exchange rate to rouble.

The accounts receivable arising in foreign currency shall be accounted for in rouble equivalent to the accounts receivable in this foreign currency, at the exchange rate of the Central Bank of Russia as of the day of recording such accounts receivable.

Pursuant to the Regulations No. 385-П, transactions related to accrual and payment (receipt) of interest on the deposited (placed) funds in form of credits or deposits shall be recorded according to the "accrual" method.

As to the placed funds included into the I-III classes of quality, income generation shall be deemed as definite.

As to the placed funds included into the IV-V classes of quality, income generation shall be deemed as indefinite, and interest shall be accrued on off-balance sheet accounts.

As to deposited funds, payment of expenses in form of interest shall be deemed as definite.

Securities shall be classified and recorded on the balance sheet accounts of the first level according to the following categories:

• securities assessed at their fair value through profit and loss.

From the moment of initial recognition and till the moment of derecognition, investments into securities shall be evaluated (revalued) at the current (fair) value, without establishment in their respect of any provisions for possible losses.

The current (fair) value of a security shall be deemed to be the price that would be obtained upon selling of the security when the transaction is conducted between participants of the securities market on a voluntary basis as of the valuation date. The current (fair) value shall be established in accordance with the procedure determined by the International Financial Reporting Standard (IFRS) 13 "Fair Value Measurement".

• securities held to maturity.

The debt obligations the Bank intends to hold to maturity (regardless of the period of time between the acquisition date and the maturity date) shall be recognised in the amount of the actual costs associated with the acquisition. Whenever required, a provision for possible losses shall be established.

• securities available for sale.

If the current fair value of securities may not be reliably determinable, the securities shall be recognised at the price of their acquisition and subsequently shall not be revalued; if there are any indications of their impairment, provisions for possible losses shall be established in their respect.

The FIFO method shall be used for evaluation of the cost of disposed (sold) securities.

On custodial accounts securities shall be recognised in pieces.

Accounting of derivative financial instruments is carried out by the Bank according to the Regulation of the Bank of Russia "On accounting for derivative financial instruments" No. 372-П of 4 July 2011.

Measurement of fair value of derivative financial instruments is carried out by the Bank as follows.

After initial recognition the Bank accounts for a derivative financial instrument at fair value and reflects in the accounting records the change in fair value of the derivative financial instrument.

Measurement of fair value of derivative financial instruments and its disclosure in the accounting records is carried out on the last working day of a month on the date of derecognition of derivative financial instruments and also on the date of occurrence of claims and (or) liabilities to make interim payments according to the contractual terms.

Measurement of fair value of derivative financial instruments and accounting for its changes are carried out in the currency of the Russian Federation.

Accounting of the Bank's economic transactions conducted for the purposes of supporting the Bank's activities shall be maintained subject to the following:

Expenses which are incurred in the given reporting period, but referred to future reporting periods shall be recognised as expenses in the corresponding amounts upon occurrence of the reporting period to which they refer.

Items with the useful life exceeding 12 months and with the value above 118 000 roubles inclusive VAT shall be recorded as fixed assets.

Fixed assets and intangible assets shall be posted to the relevant accounts at the book value, which is determined for items acquired for a valuable consideration or built by a contractor or independently, as a sum of actual expenditures incurred by the Bank when acquiring, developing (building) or creation (producing) an asset, including VAT.

For all groups of homogenous Fixed assets, except for Group 10 (property with useful life over 30 years) "Buildings", to account for inseparable improvements to rented property the Bank applies accounting at the original cost less accumulated depreciation and accumulated revaluation losses. Fixed assets revaluation losses shall be recognised at the moment of their identification.

Fixed assets Group 10 (property with useful life over 30 years) "Buildings", except for inseparable improvements to rented property, the Bank applies accounting at revalued book value.

The cost of a fixed asset is gradually written off during its useful life by means of depreciation. Depreciation is a regular cost reduction of a fixed asset during its useful life. The total amount of depreciation is determined as the original or revalued cost of the asset less its calculated liquidation value.

The calculated liquidation value of a fixed asset is the amount that the Bank would receive at the end of the useful life period upon the asset disposal net of the cost of disposal.

Depreciation of fixed assets of all groups shall accrue by a straight-line method.

Intangible asset is an asset that simultaneously meets the following conditions:

- is able to bring future economic benefits to a credit organization, namely, the asset shall be used for provision of works and services, or for management needs;
- the Bank has rights to receive the economic benefits from the asset use in the future;
- there are restrictions to access the economic benefits from the asset by third parties (the credit organization has control over the asset);
- the asset is identifiable, that is it can be separated from other assets;
- the intended use of the asset exceeds 12 months;
- the asset has no tangible form;
- the original cost of the asset is reliably determinable.

An intangible asset is recognised in the accounts at its original cost determined as of the date of the asset recognition.

For further valuation of an intangible asset, of any group of homogeneous intangible assets, the Bank applies accounting at original cost less accumulated amortization and accumulated revaluation losses. Revaluation losses of intangible assets shall be recognised at the time of their identification.

Amortization of intangible assets of all groups shall accrue by a straight-line method.

The costs of acquisition of inventory shall be posted to the Bank's expenditure accounts upon making of the materials available for use. Following the internal procedure to meet subdivisions' needs for general materials strictly supported by requests, materials shall be made available for use on the date of their delivery.

Provisions under the Bank's assets and operations, such as provision for possible loan losses, provision for other possible losses, shall be formed in accordance with the requirements of the regulatory documents of the Central Bank of Russia, as well as internal documents of the Bank.

The Bank shall determine the financial result (profit or loss) annually.

Guarantees and sureties received by the Bank as a security of granted credits, invested assets and credit-related contingencies shall be recorded on off-balance sheet accounts for collaterals in the amount of the assumed collateral value, i.e. in the amount securing fulfillment of actual liabilities of a borrower.

3.2 The nature and amount of adjustments due to changes of the accounting policy and accounting estimates influencing comparability of certain performance indicators of the institutional lender

The Bank shall maintain its accounting records in compliance with the accounting consistency concept. The Bank's Accounting Policy shall be amended in case of introduction of new types of operations (transactions), changes in legislation of the Russian Federation or regulatory documents of the Central Bank of Russia, which have an impact on the Bank's activities.

Starting 2016 several legislation pieces of the Central Bank of Russia entered into force, such as Regulation No.446-П dated 22.12.2014 "Procedures of determination of income, expense and other comprehensive income by credit institutions", Regulation No.465-П dated 14.04.2015 "Industry accounting standard for employee remunerations in credit institutions", Regulation No.448-П dated 22.12.2014 "Accounting procedures in credit institutions for fixed and intangible assets, temporarily unused property, non-current assets intended for sale, inventories, working tools received under contracts of settlement, collateral, without defined future use". Certain legislation pieces were amended, such as Regulation No.385-П, or abolished, namely, Regulations No.39-П of the Central Bank of Russia "Accrual of interest on operations of taking and placement of funds by banks" and No.54-П "Procedures of funds placement/taking by credit institutions and their subsequent repayment". In view of the above, the Accounting Policy of the Bank for 2016 was modified regarding such accounting areas as income and expense definition and recognition, specifics of accounting for employee remunerations, as well as valuation of and accounting for fixed and intangible assets.

In accordance with recommendations of the Central Bank of Russia and based on requirements of the International Financial Reporting Standard (IFRS) 13 "Fair Value Measurement" the Accounting Policy of the Bank provided for an adjusted methodology for fair value measurement for securities.

In particular, the Bank specified procedures of fair value measurement for securities and described classification procedure for assets and liabilities driven by fair value hierarchy of three levels.

The Bank's annual accounting (financial) statements are prepared in compliance with Regulation No.3054-У of the Central Bank of Russia. The Accounting Policy principles used in preparation of the annual accounts were consistently applied throughout all periods presented in the accounting (financial) statements. Therefore, there were no any adjustments related to changes of the accounting policy and accounting estimates, which could have had an impact on comparability of certain performance indicators.

3.3 Information on the nature of assumptions and the key sources of uncertainty in estimations as of the end of the reporting period

For the Accounting Policy application, the Bank used its professional judgment in respect of determination of the amounts recognised in the annual accounting (financial) statements. Below are examples of such professional judgment application by the Bank:

Provisions for possible losses

The Bank shall regularly analyze the assets (instruments) in order to reveal the risk of possible losses.

Provisions for possible losses on loans and their equivalents shall be established on the basis of the Bank's assumptions pursuant to Regulation of the Central Bank of Russia dated 26.03.2004 No. 254-П "On the Procedure of Establishment by Institutional Lenders of Provisions for Possible Losses on Loans and Loan Equivalents" (hereinafter referred to as "Regulation No. 254-П"). Provisions for possible losses on other assets (instruments) shall be established on the basis of the Bank's professional judgments pursuant to Regulation of the Central Bank of Russia dated 20.03.2006 No. 283-П "On the Procedure of Establishment by Institutional Lenders of Provisions for Possible Losses" (hereinafter referred to as "Regulation No. 283-П").

Taxation

When determining the amount of deferred tax assets, which may be recognised in the financial statements, the Bank's management shall assess the possibility of use of the available deferred tax asset in the full amount. Use of the deferred tax asset depends on generation of taxable profit in the periods when the temporary differences may be used against it. When conducting this assessment, the management shall consider the expected write-off of the deferred tax liabilities, the future projected taxable profits and tax planning strategies. The Bank shall assess the possibility of generation of taxable profits sufficient for recording on the balance sheet of the deferred tax assets amount only in case it is significant (10% from the amount of the income tax, calculated for the same reporting period).

3.4 Data on the adjusting events after the reporting date

A post-reporting event (PRE) shall be deemed to be the fact of the Bank's activity carried out during the period between the reporting date and the date of signing of the annual accounting report, which may significantly affect the Bank's financial position as of the reporting date.

The post-reporting events confirming the conditions, which existed as of the reporting date and during which the Bank carried out its activity, are reflected in the accounting statements.

1. In accordance with the clause 3.2.2. of the Order of the Central Bank of Russia No. 3054-У, on the first business day of the new year after preparation of a daily balance-sheet as of January 01, the balances reported on the account No. 706 "Financial Result of the Current Year" were carried forward to the account No. 707 "Financial Result of the Previous Year".

2. In accordance with the clause 3.1.2. of the Order of the Bank of Russia No. 3054-U, the adjusting events after the reporting date were the following:

- recovery of the provision for possible losses regarding other claims to customers in respect of commissions, as well as internal operations of the Bank;
- posting accrued amounts of taxes and fees to expenditure accounts;
- charging tax on income for December 2016;
- recording deferred tax assets and liabilities.

Expense/income items were also adjusted in line with the documents received during the period of post-reporting events till March 10, 2017 (2015: till March 25, 2016).

As a result of events after the reporting date the Bank's profit increased by 9 764 thous. roubles.

There were no non-adjusting post-reporting events in the Bank's activities.

3.5 Information about changes in the Accounting Policy of the institutional lender for the following reporting year

Starting 1 January 2017 the Bank Order No.237 dated 30.12.2016 put into effect "the Accounting Policy of the Bank for 2017" for RAR accounting.

The Accounting Policy of the Bank for 2017 was prepared in accordance with the Federal Law 402-FZ dated 06.12.2011 "On Accounting", Regulation No.385-П of the Central Bank of Russia (as amended from 01.01.2017) and internal regulatory documents of the Bank.

The Accounting Policy of the Bank for 2017 does not contain notable changes in comparison with the similar document for 2016.

The Bank intends carry out its business on a going concern basis and has no need to liquidate or downsize its activity, or operate on unfavorable terms. Therefore, the Accounting Policy of the Bank is consistently applied from one reporting period to another.

3.6 Information on the diluted earnings (loss) per share

For the Bank, information on earnings (loss) per share is not applicable, as there are no convertible securities in the Bank (according to the "Guidelines for Disclosure of Information on the Earnings per One Share", as approved by the Order of the Ministry of Finance of the Russian Federation dated March 21, 2000 No. 29n).

4. Accompanying information to the balance sheet.

4.1 Cash and cash equivalents

Cash and cash equivalents are presented in the following manner:

	as of 01.01.2017, thous. roubles	as of 01.01.2016, thous. roubles
Cash	99 124	47 125
Funds of credit institutions held with the Central Bank of the Russian Federation *(except for mandatory reserves and a security deposit of an operator of the payment system)*	2 616 761	1 573 626
Total cash and balances with the Central Bank	**2 751 885**	**1 620 751**
Funds due from credit institutions	6 766 083	19 503 044
Provisions for possible losses		
Total cash due from credit institutions	**6 766 083**	**19 503 044**
Total cash and cash equivalents	**9 481 968**	**21 123 795**

As of January 01, 2017 and January 01, 2016, balances of the required reserve accounts with the Central Bank of Russia amounted to 425 045 thous. roubles and 390 558 thous. roubles, accordingly. The Bank places required reserves on deposit with the Central Bank of the Russian Federation on a continuous basis.

Being an operator of the payment system, the Bank quarterly transfers a security deposit within the payment system "ICBC" to the Central Bank of Russia. The amount of the accumulated security deposit as of January 1, 2017 is 351 577 thous. roubles.

This cash has been excluded from the item "Cash and cash equivalents" as the Bank has restrictions for its use according to Article 82.5 of Federal Law No. 86-ФЗ "On the Central Bank of the Russian Federation (the Bank of Russia)" of 10 July 2002.

4.2 Financial assets assessed at fair value through profit or loss

There are no debt and equity securities carried on the Bank's balance sheet and assessed at fair value through profit or loss.

Derivative financial instruments (DFI) with a positive fair value are to be accounted for as an asset in the line "Financial assets at fair value through profit or loss" of form 0409806 "Balance sheet (a public disclosure form)".

The table below presents DFI assessed at fair value through profit or loss:

	As of 01.01.2017 thous.roubles	As of 01.01.2016 thous.roubles
Derivative financial instruments with expected flow of economic benefits (swap with an underlying asset foreign currency)	4 294	-
Derivative financial instruments assessed at fair value through profit or loss	**4 294**	-

Current (fair) value of DFI is understood as a difference between transaction price and settlement price of DFI determined by the Bank according to the approved "Methodology to determine fair value".

4.3 Loans and loan equivalents

Loans and loan equivalents issued to customers were divided by category as follows:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Loans to customers – credit institutions	29 107 616	34 405 218
Loans to customers – legal entities other than credit institutions	9 015 287	11 666 319
Loans to customers – individuals	65	-
Total loans and loan equivalents	**38 122 968**	**46 071 537**
Provision for possible loan losses	(235 394)	(138 439)
Total net loans and loan equivalents	**37 887 574**	**45 933 098**

Loans broken down by type of issued loan is presented below:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Loans and loan equivalents issued to customers – credit institutions:	**29 107 616**	**34 405 218**
- Interbank credits	16 778 112	18 136 642
- Trade financing operations	4 660 602	6 230 942
- Security deposits	823 497	-
- Postfinancing	108 199	1 250 689
- Acquisition of rights to claim	4 744 924	7 950 364
- Other invested assets	1 992 282	836 581
Loans and loan equivalents issued to customers – legal entities other than credit institutions:	**9 015 287**	**11 666 319**
- Financing of current activity	5 298 154	8 009 220
- Acquisition of rights to claim	3 710 825	3 651 316
- Other invested assets	6 308	5 783
Loans and loan equivalents issued to customers – individuals	65	-
Total loans and loan equivalents	**38 122 968**	**46 071 537**
Provision for possible loan losses	(235 394)	(138 439)
Total net loans and loan equivalents	**37 887 574**	**45 933 098**

As of January 01, 2017, the total funds provided to credit institutions reduced by 17.6% and amounted to 37 887 574 thous. Roubles (net of the loan loss provision), (as of 01.01.2016: 45 933 098 thous.roubles).

As of 01.01.2017 the volume of placed interbank credits amounted to 16 778 112 thous. roubles, which is a reduction by 7.5% with the corresponding period of the previous year (as of 01.01.2016 – 18 136 642 thous. roubles). Out of this, the volume placed with non-resident banks amounted to 698 259 thous.roubles (as of 01.01. 2016: 3256 642 thous.roubles).

In 2016 the Bank continued its active work with trade finance instruments used for facilitation of export and import operations of its customers (both legal entities and correspondent banks). As of 01.01.2017 the main volume of trade finance operations (including post financing) amounted to 8 174 089 thous. roubles, while as of the corresponding reporting date of the last year, this indicator amounted to 13 570 683 thous. roubles.

Decrease in the trade finance portfolio in 2016 was due to the following factors:

- lower demand from Chinese banks caused by existence of more favorable terms to get funds elsewhere on the internal market;
- higher costs to support liquidity on the Russian market;
- stricter requirements of the Bank to its potential borrowers to minimize transaction non-payment risks (including trade finance operations);
- lower demand for trade finance operations from Russian companies;
- significant growth in interbank financing rates in Chinese Yuan due to tougher monetary policy carried out by the National Bank of China.

In 2016 the total volume of funds with correspondent banks amounted to 29 262 463 thous. roubles (the corresponding number for 2015 was 36 780 552 thous. roubles).

Loans to individuals represent security deposits for rented premises.

The main area of the Bank's activities in 2016 was offering products and services to Russian companies from a "large-scale corporate business" segment, as well as to Russian subdivisions of Chinese companies.

As of 01.01.2017 the Bank's loan portfolio amounted to 9 008 979 thous.roubles, with a comparative as of 01.01.2016 being 11 660 536 thous.roubles.

The majority of the portfolio (94.7%) accounts for the Bank's participation in syndicated loans (both on the primary market and through acquisition of rights to claim on the secondary market) issued to large-scale corporate borrowers.

Among the Bank's borrowers are the largest Russian companies from the following economic sectors: oil and gas, metallurgy, power production, mineral fertilizers and other. Loans and acquired rights to claim (mainly in roubles and US dollars) have maturities in the range of 1 to 5 years.

The table below presents data on the volume and structure of loans broken-down by type of borrowers' business.

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Loans to customers – credit institutions	29 107 616	34 405 218
Loans to customers – legal entities other than credit institutions	5 298 154	7 835 690
Manufacturing	3 570 520	5 406 106
Extraction of minerals	514 496	849 814
Wholesale and retail trading	-	211 360
Other types of activities (activities on management of holding-companies)	1 213 138	1 368 410
Loans to customers – legal entities (non-resident) other than credit institutions	-	173 530
Other invested assets	6 308	5 783
Acquired rights to claim	3 710 825	3 651 316
Loans to customers – individuals	65	-
Total loans	38 122 968	46 071 537
Provision for possible loan losses	(235 394)	(138 439)
Total net loans	37 887 574	45 933 098

In 2016 the loan portfolio declined by 22.8%, which was caused by the following factors:

- challenging economic environment led to shrinking volumes of credit market and lower demand of the Russian largest corporate companies for borrowings;
- the Bank's target corporate borrowers from Russia (primarily from oil and gas sector) were included on sanction lists;
- limited market size and increased competition sent loan interest rate level downwards.

Information about remaining loan maturities (before deduction of the provision for possible loan losses) is presented in the table below:

as of 01.01.2017

	Up to 30 days	*31-90 days*	*91-180 days*	*181-365 days*	*Over 1 year*	*Total*
Loans	19 412 901	2 712 484	3 847 592	4 356 005	7 793 986	*38 122 968*
Provision for possible loan losses						*(235 394)*
Loans after deduction of the provision						*37 887 574*

as of 01.01.2016

	Up to 30 days	*31-90 days*	*91-180 days*	*181-365 days*	*Over 1 year*	*Total*
Loans	14 768 753	7 984 536	7 395 837	4 794 378	11 128 034	*46 071 537*
Provision for possible loan losses						*(138 439)*
Loans after deduction of the provision						*45 933 098*

Geographical analysis of loans

	as of January 01, 2017, thous. roubles	**as of January 01, 2016, thous. roubles**
Russia	26 743 114	30 987 742
including:		
Moscow	17 888 613	21 227 538
Moscow region	1 080	1 080
St. Petersburg	4 223 203	1 668 481
The Kaluga Region	280 000	350 000
The Perm Territory	1 339 171	1 521 962
The Novgorod Region	606 569	728 827
The Jewish Autonomous Region	375 318	532 957
The Krasnoyarsk Territory	545 201	1 210 406
The Sverdlovsk Region	-	911 034
Belgorod region	800 334	1 822 068
Lipetsk region	416 171	1 000 106
Stavropol krai	-	13 283
The Chelyabinsk region	267 454	-
OECD	3 427 820	1 085 499
Other countries	7 952 034	13 998 296
Total loans	**38 122 968**	**46 071 537**
Provision for possible loan losses	(235 394)	(138 439)
Total net loans	**37 887 574**	**45 933 098**

The Bank continues to comply with the approved credit policy and issue loans to businesses in different industries.

4.4 Net investments in securities held-to-maturity

As of 01.01.2017 the Bank's security portfolio of 1 719 039 thous. roubles comprises as follows:

	as of January 01, 2017, thous. roubles	**as of January 01, 2016, thous. roubles**

Bonds of the Government of the Russian Federation and municipal bonds:	**630 638**	**602 047**
Russian Federation federal loan bonds (OFZs)	630 638	602 047
Corporate bonds, including:	**1 088 401**	**1 510 696**
Bonds of credit institutions	-	99 531
Bonds of non-resident banks	1 088 401	1 411 165
Total debt securities held-to-maturity	**1 719 039**	**2 112 743**
Provision for possible losses	-	-
	1 719 039	**2 112 743**

The Bank considers investments in securities as a tool allowing it to derive interest and investment income and simultaneously flexibly regulate its current and medium-term liquidity. All securities are classified by the Bank as "securities held-to-maturity".

The principal market segments for the Bank to continue its operations shall be as follows:

- Corporate securities;
- Government bonds;
- Eurobonds.

As of 01.01.2017 the Bank's debt securities portfolio comprises the following items:

Security type	Maturity	Coupon size, % p.a.
Russian Federation federal loan bonds (OFZs):		
OFZ 26204 RU000A0JRCJ6	15.03.2018	7,5
OFZ 25081 RU000A0JTKZ1	31.01.2018	6,2
OFZ-IN 52001 RU000A0JVMH1	16.08.2023	2,5
Bonds of non-resident credit institutions:		
CHINA DEVELOPMENT BANK BOND 2014 27 CND100007YK1	20.11.2019	4,08
CHINA DEVELOPMENT BANK BOND 2014 19 CND100007RT6	24.07.2019	4,92

As of January 1, 2017 there were no debt liabilities with delayed payments.

The portfolio comprises liquid securities traded in the open market and with current quotations.

Reliable prime-quality borrowers with sound market positions are seen as issuers of securities by the Bank. The composition of the securities portfolio is made up with regard to a balanced estimate of reliability, liquidity, maturity and profitability of each instrument.

The Bank will continue to perform operations with securities only for investment purposes, with its preference being state securities of the Russian Federation and highly liquid bonds and debentures of the largest Russian and foreign issuers.

4.5 Current income tax claims

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Current income tax claims	39 678	63 153
Total current income tax claims	**39 678**	**63 153**

The current income tax claims occurred as a result of income tax overpayment identified in course of calculation of the income tax base for 2016.

4.6 Fixed assets and inventories

The composition of fixed assets is presented in the table below:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Fixed assets	79 390	38 183
Investments in construction, creation and acquisition of fixed assets	-	-
Intangible assets	13 261	-
Inventories	6	-
Fixed assets, intangible assets and inventories:	**92 657**	**38 183**

Movements in fixed assets are presented below:

for 2016

	Equipment	Transport vehicles	Furniture, etc.	Intangible assets	Inventories	Total
Book value						
Balance as of January 01, 2016	34 920	1 109	2 154	-	-	38 183
Acquisitions	28 808	4 414	9 026	13 261	11 232	66 741
Disposals	(828)	(151)	(62)	-	(11 226)	(12 267)
Revaluation	-	-	-	-	-	-
Balance as of January 01, 2017	62 900	5 372	11 118	13 261	6	92 657
Depreciation and impairment losses						
Balance as of January 01, 2016	23 259	1 109	1 324	-	-	25 692
Accumulated depreciation for the quarter	6 542	48	157	2 400	-	9 147
Impairment losses	-	-	-	-	-	-
Disposals	(828)	(151)	(62)	-	-	(1 041)
Revaluation	-	-	-	-	-	-
Balance as of January 01, 2017	28 973	1 006	1 419	2 400	-	33 798
Balance value						
As of January 01, 2017	33 927	4 366	9 699	10 861	6	58 859

for 2015

	Equipment	Transport vehicles	Furniture, etc.	Inventories	Total
Book value					
Balance as of January 01, 2015	29 659	1 109	1 700	4	32 472
Acquisitions	6 173	-	500	12 178	18 851
Disposals	(912)	-	(46)	(12 182)	(13 140)
Revaluation	-	-	-	-	-
Balance as of January 01, 2016	34 920	1 109	2 154	0	38 183
Depreciation and impairment losses					
Balance as of January 01, 2015	13 492	1 109	1 303	-	15 904
Accumulated depreciation for the quarter	9 767	-	21	-	9 788
Impairment losses	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluation	-	-	-	-	-
Balance as of January 01, 2016	23 259	1 109	1 324	-	25 692
Balance value					
As of January 01, 2016	11 661	-	830	0	12 491

As of 31 December 2016 the Bank had no property right restrictions imposed on its fixed assets.

For all classes of homogenous fixed assets, except for Group 10 (property with useful life over 30 years) "Buildings", the Bank applies the cost model; the asset is carried at cost less accumulated depreciation and accumulated impairment losses.

For Group 10 (property with useful life over 30 years) "Buildings", the Bank applies the revaluation model.

The Bank revalues its fixed assets annually.

As of 31 December 2016 the Bank had no assets on the balance sheet that fall into Group 10 "Buildings". Therefore, no revaluation of fixed assets was performed.

4.7 Other assets

The volume, structure and changes of the carried balances of other assets, including those due to impairment, are presented in the table below broken down by type of other assets:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Financial, total	**144 035**	**320 460**
including:		
Uncomplete wire transfers and settlements of the Bank	-	-
Claims on interest	141 239	319 342
Claims on overdue interest	-	-
Commissions on letters of credit	36	43
Claims on loan agreements	2 576	921
Other commissions	69	39
Other	115	115
Non-finanical, total	**22 439**	**86 290**
including:		
Settlements with the budget and non-budgetary funds	-	572
Accounts receivable	18 053	69 356
Others	4 386	16 362
Total before deduction of the provision for impairment	**166 474**	**406 750**
Provision for impairment of other assets	(17 783)	(10 842)
Total after deduction of the provision for impairment	**148 691**	**395 908**

Other assets comprise short-term and long-term receivables.

Information on maturity terms of other assets as of January 1, 2017 (before provision for possible losses) is presented in the table below:

As of 01.01.2017 thous. roubles

	Up to 30 days	*From 31 to 90 days*	*From 91 to 180 days*	*From 181 to 1 year*	*More than 1 year*	*Total*
Financial, total	30 011	29 984	36 610	18 506	28 924	144 035
including:						
Claims on interest	*29 809*	*29 984*	*36 610*	*18 488*	*26 348*	*141 239*
Commissions on letters of credit	*18*	-	-	*18*	-	*36*
Claims on loan agreements	-	-	-	-	*2 576*	*2 576*
Other commissions	*69*	-	-	-	-	*69*
Other	*115*	-	-	-	-	*115*
Non-finanical, total	196	8 245	1 403	10 917	1 678	22 439
including:						
Settlements with the budget and non-budgetary funds	-	-	-	-	-	-
Accounts receivable	*196*	*8 175*	*1 368*	*7 140*	*1 174*	*18 053*
Others	-	*70*	*35*	*3 777*	*504*	*4 386*
Total before deduction of the provision for impairment	30 207	38 229	38 013	29 423	30 602	166 474
Provision for impairment of other assets	*(222)*	*(867)*	*(882)*	*(14 101)*	*(1 711)*	*(17 783)*
Total after deduction of the provision for impairment	29 985	37 362	37 131	15 322	28 891	148 691

By type of currency as of 01.01.2017:

	Roubles (810)	*US Dollars (840)*	*Yuan (156)*	*Total*
Financial, total	44 558	73 436	26 041	144 035
including:				
Claims on interest	*44 375*	*73 187*	*23 677*	*141 239*
Commissions on letters of credit	-	-	*36*	*36*
Claims on loan agreements	-	*8*	*2 328*	*2 336*
Other commissions	*68*	*241*	-	*309*
Other	*115*	-	-	*115*
Non-finanical, total	22 438	1	-	22 439
including:				
Settlements with the budget and non-budgetary funds	-	-	-	-
Accounts receivable	*18 052*	*1*	-	18 053
Others	*4 386*	-	-	4 386
Total before deduction of the provision for impairment	66 996	73 437	26 041	166 474
Provision for impairment of other assets				*(17 783)*
Total after deduction of the provision for impairment				148 691

4.8 Funds due to credit institutions

Balances due to credit institutions with a breakdown into separate types of accounts are represented in the table below:

	as of January 01, 2017, thous. roubles	**as of January 01, 2016, thous. roubles**
VOSTRO accounts	10 521 513	13 215 145
Interbank credits and deposits	5 981 887	5 718 830
Subordinated loans	3 032 845	3 644 135
	19 536 245	**22 578 110**

Information about terms and maturity of subordinated loan is provided below:

				Balance sheet value, thous. roubles	
Counterparty name	**Disbursement date**	**Maturity date**	**Rate, %**	**as of January 01, 2017, thous. roubles**	**as of January 01, 2016, thous. roubles**
ICBC LTD	29.10.2013	30.10.2023	2,56	3 032 845	3 644 135

In 2016 the Bank expanded its cooperation with Russian financial institutions and established correspondent relations and opened accounts in various currencies to five

Russian banks. Overall in the reporting period the Bank opened 13 correspondent accounts, including 5 accounts in Chinese Yuan (CNY). To increase its presence on interbank and currency conversion markets the Bank kept concluding contracts with Russian banks.

With the Bank as an intermediary, 6 Russian banks became indirect participants of the Cross-Border Interbank Payment System (CIPS) established under the supervision of the National Bank of China. The status of indirect CIPS participant have received such banks as CB "GLOBEXBANK" (JSC), "TransKapitalBank" (PJSC), "LOCKO-Bank" (JSC), "AK BARS Bank" (PJSC), Bank "RRDB" (JSC) and a bank from the Primorie krai SCBP "Primsotsbank" (PJSC).

Marketing activity of the Bank aimed at fostering settlements in CNY among Russian banks, its measures to stimulate account balances kept at the Bank and promoting settlements through Bank ICBC contributed to increased volumes of operations in CNY.

In 2016 the Bank made the total of 1 436 574 357 thous.roubles of payments (the rouble equivalent), out of this its payments in CNY amounted to 924 212 223 thous.roubles (the rouble equivalent). Despite unstable Yuan markets, the total volume of payments increased by 7.32% if compared with the previous year. Commission income on settlement operations in 2016 amounted to 8 654 thous.roubles.

Via the ICBC payment system registered in the Bank 2016 saw over 173 bn roubles of payments in total.

On 23 September 2016 the National Bank of China nominated the Bank as a clearing bank for CNY settlements in the Russian Federation. That was a turning point event in the Bank's history and marked new opportunities for broader cooperation between Russia and China in the future.

In 2016 the volume of interbank borrowing declined, which was related to the Bank's active use of swaps.

Despite this, the Bank plans to remain active and further expand its counterparty and resource base.

At present the Bank's key correspondents and counterparties are sound and reliable financial institutions.

4.9 Funds due to customers other than credit institutions

Balances on settlement and deposit accounts of customers – legal entities, by account type are presented in the table below:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Legal entities:	**24 486 275**	**42 711 700**
- Uncompleted transfers of customers	-	60 008
- Current/settlement accounts	10 071 992	14 668 436
- Funds in settlements	-	10 206
- Term deposits	14 251 933	27 508 061
- Other attracted funds	162 350	464 989
Individuals:	**3**	**4**
- Funds in settlements	3	4
	24 486 278	**42 711 704**

To sustain the Bank's image and strengthen its status of a reliable credit institution, as well as to expand its customer base, the Bank constantly works to develop and introduce personalised client servicing for large-scale customers.

In 2016 the Bank was active to attract new customers represented by large Russian and foreign companies. Cooperation with them made it possible for the Bank to continue expansion of its presence on the corporate lending market.

Below is the breakdown of customers balances by economy sector:

As of 01.01.2017:

Type of business activity	As of 01.01.2017 thous. roubles
Funds of legal entities, residents - total	**23 524 883**
including:	
Agriculture, forestry, hunting, fishing and fish farming	113 477
Extraction of minerals	148 325
Manufacturing	2 397 648
Production and distribution of power, gas and steam; airconditioning	5 355 430
Construction	8 479
Wholesale and retail trading; repair of motor vehicles and motorcycles	11 869 636
Transportation and storage	949 391
hotels and restaurants (HoReCa)	1 442
Communication and information	35 659
Finance and insurance	1 167 429
Operations with immovable property	341 541
Professional services, research and technologies	1 134 515
Administrative and other accompanying services	1 865
Culture, sports and leasure	15
Other services	31
Funds of legal entities, non-residents - total	**961 392**
Uncompleted transfers of customers	**-**
Funds of individuals - total	**3**
Funds due to customers, total	**24 486 278**

As of 01.01.2016:

	as of January 01, 2016, thous. roubles	as of January 01, 2015, thous. roubles
Funds of legal entities, total	42 651 692	35 099 123
including:		
agriculture	196	-
extraction of minerals	756 664	2 441 785
financial activity	6 527 582	729 653
construction	17 862 530	13 996 064
wholesale and retail trading; repair of motor vehicles, bicycles and household goods	3 323 220	6 244 789
operations with immovable property, leasing and provision of services and social security	2 736 405	5 011 408
production and distribution of electricity, gas and water	5 270 521	2 747 018
manufacturing	1 796 502	2 742 276
transport and communication	4 004 204	67 048
hotels and restaurants	2 314	-
healthcare and social services	25	-
other communal, social and personal services	5 472	-
other types of activities	366 057	1 119 082
Uncompleted transfers of customers	**60 008**	-
Funds of physical persons, total	**4**	**3**
Funds due to customers, total	**42 711 704**	**35 099 126**

4.10 Financial liabilities assessed at fair value through profit or loss

Financial liabilities assessed at fair value through profit or loss are represented by derivative financial instruments with expected reduction of economic benefits.

The table below presents financial liabilities assessed at fair value through profit or loss as follows:

	As of 01.01.2017 thous.roubles	As of 01.01.2016 thous.roubles
Derivative financial instruments with expected reduction of economic benefits (swap with an underlying asset - foreign currency)	1 305	-
Financial liabilities assessed at fair value through profit or loss	**1 305**	-

4.11 Tax liabilities

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Current income tax liabilities	26 616	862
Deferred tax liabilities	-	119

The current income tax liability occurred as a result of calculation of income tax on interest income received from government and municipal bonds in September 2016.

4.12 Other liabilities

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Interest payment liabilities	183 575	262 752
Other accounts payable	5	12 403
Unearned revenues	347	4 090
Other	1 011	26
Total other finanicial liabilities	**184 938**	**279 271**
Accounts payable including debt on other taxes	76 925	36 980
Total other non-finanicial liabilities	**76 925**	**36 980**
	261 863	**316 251**

Information on other liabilities by maturity is presented in the below table:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Up to a year	103 667	213 128
Over 1 year	158 196	103 123
Total other liabilities	261 863	316 251

By type of currency as of 01.01.2017:

	Roubles (810)	*US Dollars (840)*	*Euro (978)*	*Yuan (156)*	*Total*
Financial liabilities, total	2 274	28 906	11	153 747	184 938
including:					
Interest payment liabilities	*1 924*	*27 893*	*11*	*153 747*	*183 575*
Other accounts payable	*3*	*2*	-	-	*5*
Unearned income	*347*	-	-	-	*347*
Other	-	*1 011*	-	-	*1 011*

	Roubles (810)	US Dollars (840)	Euro (978)	Yuan (156)	Total
Non-financial liabilities, total	76 925	-	-	-	76 925
including:					
Accounts payable, including other tax liabilities	76 925	-	-	-	76 925
Other liabilities, total	79 199	28 906	11	153 747	261 863

4.13 Share capital of the Bank

As of January 01, 2017 the Bank's registered share capital amounts to 2 309 500 thous. roubles and consists of 92 380 ordinary registered non-certificated shares with the par value of 25 thous. roubles each.

5 Accompanying information to the Statement of financial results.

5.1. Losses and provisions for losses

Information about losses and impairment reversal amounts in respect of each type of assets for 2016 is presented below:

thous. roubles	Loans & loan equivalents and interests	Funds on correspondent accounts	Securities held-to-maturity	Provision for possible losses on credit-related contingencies	Other assets	Total
As of 01.01.2016	**138 561**	-	-	-	**10 720**	**149 281**
Creation	620 719	63 700	249 792	5 886	72 905	1 013 002
Reversal	523 469	63 700	249 792	5 169	66 188	908 318
Write-offs	-	-	-	-	(71)	(71)
As of 01.01.2017	**235 811**	-	-	**717**	**17 366**	**253 894**
as of 01.01.2015	**53 742**	-	-		**1 254**	**54 996**
Creation	131 242	890	-		39 180	171 312
Reversal	46 423	890	-		29 714	77 027
Write-offs	-	-	-	-	-	-
	138 561	-	-	-	**10 720**	**149 281**

5.2 Information about foreign exchange differences recognised as profit or loss

The net income/(loss) from foreign currency operations is presented as follows:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Income from foreign currency operations	3 092 780	5 694 231
Expenses from foreign currency operations	(2 950 218)	(4 767 560)
Net income from foreign currency operations	142 562	926 671
Income from foreign currency revaluation	92 316 539	146 278 908
Expenses from foreign currency revaluation	(92 305 069)	(146 097 179)
Net income from foreign currency revaluation	11 470	181 729
Total net income/(loss) from foreign currency operations	**154 032**	**1 108 400**

5.3 Information about the main components of income tax expenses (refund)

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Property tax	103	14
VAT paid for goods and services	22 019	17 789
VAT paid for non-deductible goods and services	1 081	827
Transport tax	13	10
Paid state duty	213	155
Tax on income from state securities	10 169	4 209
Tax withheld by tax agent	15 832	10 045
20% income tax	320 316	323 519
Increase (reduction) of income tax by deferred income tax	(119)	32
Income tax expense	**369 627**	**356 600**

During 2016 no new taxes were imposed and no tax rates were changed.

5.4 Information about emoluments to employees

Personnel expenses and other employee emoluments include the following components:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Salary of employees	463 962	348 735
Taxes and payroll contributions	36 646	28 658
Other personnel expenses	1 775	1 464
Personnel expenses	**502 383**	**378 857**

6. Accompanying information to the Report on capital adequacy

The Bank's capital management is aimed at the following:

- ensuring compliance with capital requirements, as stipulated by the Central Bank of Russia,
- enabling functioning of the Bank as a going concern, and
- maximising profit as a result of debt to equity ratio optimization.

The policy and principles of the Bank's equity capital management encompass actions aimed at:

- proper risk-return balance of operations, which is achieved by selection of the most beneficial funds placement terms and consistent observance of all the regulatory mandatory ratios;

- compliance of the Bank's development strategy with the scope of its activities;

- limited volumes of banking operations subject to the size of the Bank's equity capital.

The Bank's capital management is underpinned by correlation of risks assumed by the Bank, scope of its activities (taking into account its development plans according to the strategy approved by the Board of Directors) and the current level of capital adequacy ratio. To maintain a proper level of capital adequacy ratio when extending its activities the Bank can address its shareholder regarding a share capital increase and/or about getting a subordinated loan.

The Bank daily calculates capital adequacy value and assessment indicators in accordance with the Regulation of the Central Bank of Russia dated 28.12.2012 No. 395-П "On Methods of Assessment of Equity Funds (Capital) of Institutional Lenders (Basel III)" and the Instruction of the Central Bank of Russia dated 03.12.2012 No. 139-И "On Mandatory Ratios for Banks".

To determine the minimum capital size sufficient to cover risks, the Board of Directors of the Bank set internal capital adequacy ratios, which govern minimum allowed indicators of different type of available regulatory capital to risk-weighted assets of the Bank. Therefore, the level of the internal ratio H1 set by the Board of Directors was established at 10% as an uttermost limit and at 11% as an early-warning level (as per the Minutes of the Board meeting of the Bank No.05-16 dated 13.04.2016). Throughout 2016 the Bank observed its internal capital adequacy ratios.

Current planning of the Bank's operations is performed with due consideration of their impact on the capital value. Risk-weighted transactions, whenever required, shall be structured differently to bring the capital level back to the required level.

The Bank regularly monitors the regulatory requirements established for credit institutions with regard to calculation of the capital value and adequacy. The Bank maintains the capital adequacy ratio on the level which meets the nature and scope of operations conducted by the Bank.

Throughout 2016 the equity (capital) adequacy ratio of the Bank corresponded to the level set by the regulator.

In 2016 general policy of risk management in the Bank, namely, capital management policy, was not changed.

6.1 Information about maturities, terms and main parameters of capital instruments of the credit institution and its approaches to capital adequacy assessment for continued current and future activity

Main capital instruments

Share capital

The declared, issued and fully paid share capital includes the following components:

	as of January 01, 2017, thous. roubles		as of January 01, 2016, thous. roubles	
	Number of shares	Nominal value	Number of shares	Nominal value
Common shares	92 380	2 309 500	92 380	2 309 500
Share capital	**92 380**	**2 309 500**	**92 380**	**2 309 500**

The Bank's share capital fully belongs to Industrial and Commercial Bank of China Limited Joint-Stock Company.

Share premium

The Bank has no share premium.

Reserve fund

According to Federal Law No. 208-FZ "On Joint-Stock Companies" and the Articles of Association, the Bank shall form its reserve fund to cover possible losses on its operations at the expense of annual deductions from net profit.

The size of the reserve fund is 10% of the Bank's registered Authorised Capital.

The annual deductions to the reserve fund shall amount to 5% from net profit and shall be made until the reserve fund reaches the minimum size established by the Articles of Association of the Bank.

The reserve fund amounts to:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Reserve fund	108 764	42 806

Additional capital instruments

Subordinated loans

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As of January 01, 2017 the Bank had one subordinated loan for the total amount of 3 032 845 thous. roubles with maturity on October 30, 2023. During 2016 the Bank did not conclude any new contracts for raising subordinated loans.

The table below presents the regulatory capital as prepared by the Bank in its statutory reports in accordance with the Requirements of the Russian legislation. The comparative data for the previous reporting period was calculated in accordance with the procedure of statutory reporting under form 0409123 "Calculation of Equity Funds (Capital) (Basel III)":

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Core capital	4 473 920	3 165 625
Additional capital	4 347 726	4 951 019
Regulatory capital	**8 821 646**	**8 116 644**

In accordance with the requirements of the Regulations of the Central Bank of Russia dated 28.12.2012 No. 395-П "On the Methods of Assessment of Equity Funds (Capital) of Institutional Lenders (Basel III)", the Bank's capital adequacy ratios were the following:

	minimum allowable value, %	as of January 01, 2017, %
Equity capital adequacy ratio H 1.0 (%)	10.0	17.1
Core capital adequacy ratio H 1.1 (%)	5.0	6.7
Main capital adequacy ratio H 1.2 (%)	6.0	6.7

In the reporting period, the Bank observed the minimum allowed value of the capital adequacy ratio.

6.2 Information on the Balance Sheet data sourcing preparation of Section 1 of the Report on capital adequacy.

No.	Balance Sheet			Report on Capital adequacy (Section 1)		
	Narrative	Line code	Amount as of the reporting date	Narrative	Line code	Amount as of the reporting date
1	2	3	4	5	6	7
1	"Shareholder (participants) funds", "Share premium", total, including:	24, 26	2 309 500	X	X	X

No.	Balance Sheet			Report on Capital adequacy (Section 1)		
	Narrative	Line code	Amount as of the reporting date	Narrative	Line code	Amount as of the reporting date
1	2	3	4	5	6	7
1.1	those treated as Core capital	X	2 309 500	"Share capital and Share premium, total, including that already set up:"	1	2 309 500
1.2	those treated as Supplementary capital	X	0	Supplementary capital instruments and share premium treated as capital"	31	0
1.3	those treated as Additional capital	X	0	" Additional capital instruments and share premium"	46	4 347 726
2	"Funds due to credit institutions", "Funds due to customers - non-credit institutions", total, including:	15, 16	44 022 523	X	X	X
2.1	Subordinated loans treated as Supplementary capital	X	0	Supplementary capital instruments and share premium treated as liabilities	32	0
2.2	Subordinated loans treated as Additional capital	X	X	" Additional capital instruments and share premium", total	46	4 347 726
2.2.1	Out of this: Subordinated loans		3 032 845	Out of this: Subordinated loans	X	3 032 845
3	"Fixed assets, intangible assets and inventories", total, including:	10	58 859	X	X	X
3.1	Intangible assets reducing the Core capital, total, Out of this:	X	6 517	X	X	X
3.1.1	Business reputation (goodwill) net of deferred tax liabilities (line 5.1 of the Table)	X	0	Business reputation (goodwill) net of deferred tax liabilities (line 5.1 of the Table)	8	0
3.1.2	Other intangible assets (except for goodwill) net of deferred tax liabilities (line 5.2 of the Table)	X	6 517	"Intangible assets (except for goodwill and amounts of claims for servicing mortgage loans) net of deferred tax liabilities" (line 5.2 of the Table)	9	6 517
3.2	Intangible assets reducing Additional capital	X	4 344	"intangible assets subject to gradual exclusion	41.1.1	4 344

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No.	Balance Sheet			Report on Capital adequacy (Section 1)		
	Narrative	Line code	Amount as of the reporting date	Narrative	Line code	Amount as of the reporting date
1	2	3	4	5	6	7
4	"Deferred tax asset", total, including:	9	0	X	X	X
4.1	Deferred tax assets dependent on future profit	X	0	"Deferred tax assets dependent on future profit"	10	0
4.2	Deferred tax assets non-dependent on future profit	X	0	"Deferred tax assets non-dependent on future profit"	21	0
5	"Deferred tax liabilities" total, out of this:	20	0	X	X	X
5.1	those reducing goodwill (line 3.1.1 of the Table)	X	0	X	X	
5.2	those reducing other intangible assets (line 3.1.2 of the Table)	X	0	X	X	
6	"Own shares (stakes), bought out from shareholders (participants)", total, including:	25	0	X	X	X
6.1	those reducing Core capital	X	0	"Investments in own shares (stakes)"	16	0
6.2	those reducing Supplementary capital	X	0	"Investments in own instruments of Supplementary capital", "Own shares (stakes) bought out from shareholders (participants)", subject to gradual exclusion	37, 41.1.2	0
6.3	those reducing Additional capital	X	0	"Investments in own instruments of Additional capital"	52	0
7	"Funds due from credit institutions", "Net loans", "Net investments in securities and other financial assets available for sale", "Net investments in securities held to maturity", total, including:	3, 5, 6, 7	46 372 696	X	X	X
7.1	Insignificant investments into Core capital of credit institutions	X	0	" Insignificant investments into Core capital of credit institutions "	18	0

No.	Balance Sheet			Report on Capital adequacy (Section 1)		
	Narrative	Line code	Amount as of the reporting date	Narrative	Line code	Amount as of the reporting date
1	2	3	4	5	6	7
7.2	Significant investments into Core capital of credit institutions	X	0	Significant investments into Core capital of credit institutions	19	0
7.3	Insignificant investments into Supplementary capital of credit institutions	X	0	" Insignificant investments into Supplementary capital of credit institutions"	39	0
7.4	Significant investments into Supplementary capital of credit institutions	X	0	" Significant investments into Supplementary capital of credit institutions"	40	0
7.5	Insignificant investments into Supplementary capital of credit institutions	X	0	" Insignificant investments into Supplementary capital of credit institutions"	54	0
7.6	Significant investments into Additional capital of credit institutions	X	0	" Significant investments into Additional capital of credit institutions"	55	0
8	"Reserve Fund"	27	108 764	" Reserve Fund "	3	108 764
9	"Retained earnings (accumulated loss) of prior periods"	33	2 066 517	X	X	X
9.1				"Retained earnings (accumulated loss)" total:	2	2 066 517
9.2				Out of this: prior years	X	2 066 517
10	"Undistributed profit (uncovered loss) for the reporting period "	34	1 318 920	X	X	X
11	"Other assets" total, including:	12	148 691	X	X	X
11.1	those reducing Additional capital	X	4 386	X	X	X
12	" Other assets" total, including:	21	261 863	X	X	X
12.1	those increasing Additional capital	X	347	X	X	X

7. Accompanying information to the mandatory ratios and financial leverage indicator

7.1 Mandatory ratios

Mandatory ratios calculated as of 1 January 1, 2017 are presented in the table below:

Mandatory ratios	Regulatory requirement	Calculated ratios at the exchange rate as of 01.01.2017 (%)
Core capital adequacy ratio (H1.1)	Min 4.5%	10.3
Main capital adequacy ratio (H1.2)	Min 6%	10.3
Equity (capital) adequacy ratio (H1.0)	Min 8%	20.3
Ratio of instant liquidity (H2)	Min 15%	49.1
Ratio of current liquidity (H3)	Min 50%	76.4
Ratio of long-term liquidity (H4)	Max 120%	64.4
Ratio of maximum risk per one borrower or group of related borrowers (H6)	Max 25%	19.8
Ratio of maximum large credit risk exposure (H7)	Max 800%	269.2
Ratio of maximum exposure to credit, guarantees and sureties provided by the Bank to its shareholders (H9.1)	Max 50%	19.8

There were no significant changes in the calculation methodology of ratios in 2016.

7.2 Data for financial leverage indicator

As of January 1, 2017 the Bank calculated the financial leverage indicator. The financial leverage indicator is calculated as relation of the Bank's capital to the aggregate value of:

- assets accounted for in the books subject to revaluation;

- credit-related contingent liabilities; and

- credit risk on term transactions and derivative financial instruments less provision for possible losses on loans and loan equivalents or provision for possible losses.

The financial leverage indicator is presented in the table below:

	As of January 1, 2017
Main capital, thous. roubles	4 473 920
Value of balance sheet assets and off-balance sheet claims at risk for calculation of financial leverage, thous.roubles	54 222 054
Financial leverage under Basel III, %	8.3

The Bank had no considerable differences between the size of assets calculated according to the balance sheet (taking into account adjustments) and balance sheet assets used for calculation of the financial leverage as of January 1, 2017.

8. Accompanying information to the Statement of cash flows

8.1. Information on material balances of cash and cash equivalents possessed by the Bank but unavailable for use.

The amount of material cash balances not available for use as of January 1, 2017 was 776 622 thous. roubles where: funds deposited with the Central Bank of Russia (Mandatory Reserve Fund) 425 045 thous. roubles, and the security deposit of an operator of the payment system 351 577 thous. roubles.

8.2. Information on material investment and financial operations not requiring use of cash.

In the reporting period there were no material investment and financial operations not requiring use of cash.

8.3. Information on unutilized credit facilities with indication of the existing restrictions for their use.

In 2016 the Bank had unutilized credit facilities with restrictions for their use, namely, reserve deposits of non-resident banks to the total of 823 497 thous.roubles.

8.4. Information on cash flows:

Cash and cash equivalents	**as of January 01, 2017, thous. roubles**	**as of January 01, 2016, thous. roubles**
Cash	99 124	47 125
Accounts with the Central Bank of Russia (except for the mandatory reserves and the security deposit of an operator of the payment system)	2 616 761	1 573 626
Funds due from credit institutions - residents	32 722	7 559
Funds due from credit institutions - non-residents	6 733 361	19 495 485
Total cash and cash equivalents	**9 481 968**	**21 123 795**

The information on cash flows with a breakdown into geographical areas is presented below:

As of 01.01.2017 thous. roubles

	Russian Federation	OECD	Southeast Asia	Total
Cash	99 124	-	-	99 124
Balances of accounts with the Bank of Russia (except for the mandatory reserves and the security deposit of an operator of the payment system)	2 616 761	-	-	2 616 761
Funds due from credit institutions - residents	32 722	-	-	32 722
Funds due from credit institutions - non-residents	-	4 969 325	1 764 036	6 733 361
Total cash and cash equivalents	**2 748 607**	**4 969 325**	**1 764 036**	**9 481 968**

As of 01.01.2016 thous. roubles

	Russian Federation	OECD	Southeast Asia	Total
Cash	47 125	-	-	47 125
Balances of accounts with the Bank of Russia (except for the mandatory reserves and the security deposit of an operator of the payment system)	1 573 626	-	-	1 573 626
Funds due from credit institutions - residents	7 559	-	-	7 559
Funds due from credit institutions - non-residents	-	8 475 020	11 020 465	19 495 485
Total cash and cash equivalents	**1 628 310**	**8 475 020**	**11 020 465**	**21 123 795**

According to the reporting form 0409814 "Statement of cash flows" as of January 1, 2017 the value of line 5 "Increase/use of cash and cash equivalents" was (11 641 827) thous. roubles.

Cash outflow for 2016 was impacted by the following:

- change in line 1.2.6 "Net increase/decrease in funds due to other credit institutions" in the total of (520 383) thous. roubles;
- change in line 1.2.7 "Net increase/decrease in funds due to other customers, other than credit organizations" in the total of (13 654 492) thous. roubles.

9. Information on risks assumed by the credit institution and procedures of their assessment, measurement, monitoring and control

9.1 Information on types and sources of significant risks affecting the credit institution

In its activities the Bank is exposed to banking risks, which shall be understood as a possibility of losses inherent to banking due to potential occurrence of unfavorable events related to internal and/or external factors.

According to the Letter of the Central Bank of Russia dated 23.06.2004 No. 70-T "On Standard Banking Risks", the Bank treats the following types of risk as significant risks: credit risk, liquidity risk and market risk (in its turn, divisible into foreign exchange, interest rate and equity risk), as well as operating risk, reputation risk, legal risk and strategic risk.

Risk origins are the following:

• in respect of credit risk – financial liabilities of a debtor (borrower) to the Bank, which were not timely or fully discharged pursuant to the contractual terms;

• in respect of liquidity risk – unbalanced financial assets and liabilities of the Bank or an unforeseen need for immediate and one-off discharge by the Bank of its financial liabilities;

• in respect of market risk – unfavorable market value changes of the Bank's derivative financial instruments, as well as foreign exchange rates and precious metal quotes;

• in respect of foreign exchange risk – changes of foreign exchange rates and precious metal quotes affecting the Bank's open positions in foreign currencies and precious metals;

• in respect of interest rate risk – unfavorable changes of interest rates affecting the Bank's assets, liabilities and off-balance sheet instruments;

• in respect of equity risk – unfavorable changes of market prices for trading portfolio securities and derivative financial instruments caused by factors associated both with an issuer of securities and derivative financial instruments and also with general fluctuations of market prices;

• in respect of operating risk – internal rules and procedures to conduct banking operations, not appropriate for the nature and scope of activities of the Bank or to the requirements of the applicable legislation, their violations by the Bank's employees or by other persons, insufficient functional capabilities of information, technology and other systems of the Bank or else their failure, as well as effect of external events;

• in respect of legal risk – non-observance by the Bank of the requirements of laws and regulations and of concluded contracts, as well as legal mistakes affecting banking activity;

• in respect of reputation risk – formation among the general public of a negative opinion on the status of the Bank or on the quality of its services, or on the nature of its activity in general;

• in respect of strategic risk – mistakes and omissions made in adoption of decisions to define the Bank's business and development strategy.

9.2 Control and management of risks, main capital and risks management strategy principles, structure and work organization of the subdivisions in charge of risk management.

One of the most important strategic tasks of the Bank is keeping banking risks low and thus acceptable for the Bank's Shareholder and creditors. To achieve this goal the Bank has established a risk management system that provides for a set of inter-related measures and procedures aimed at prevention and minimization of damage, which may arise for the Bank as a result of realised banking risks.

Maximum integrity of the Bank's assets and capital supported by mitigation of risk exposure, which may otherwise realise in any unexpected loss, shall be the Bank's priority.

Risk management is also performed by the Bank for the purposes of:

- identification, measurement and assessment of an acceptable level of the aggregate banking risk;

- protection of interests of the Bank and of the Bank's customers;

- constant monitoring of the aggregate banking risk;

- adoption of measures aimed at maintenance of the aggregate banking risk at a level not threatening to the Bank's financial stability and interests of its creditors and depositors;

- observance by all the Bank's employees of laws, regulations and of the internal banking rules and procedures.

The purpose of the aggregate banking risk management by the Bank is achieved by means of a systematic and comprehensive approach involving the following:

- obtaining timely and objective data on the condition and size of all the Bank's risks affecting the level of the aggregate banking risk;

- qualitative and quantitative assessment (measurement) of the aggregate banking risk;

- identification of correlation between different types of risks to assess an effect of the measures intended to be taken to limit any particular risk on increase or decrease of other risks;

- establishing a risk management system for the risks assumed by the Bank and for the aggregate banking risk management at the time of an existing negative trend, as well as setting up an efficient early warning system to prevent critically high values of the risks for the Bank (i.e. risk minimization).

The main purpose of financial protection from banking risks shall be establishment of provisions for potential financial losses, if they occur. The Bank applies a range of financial instruments and resources available to protect its business from financial losses. The Bank's losses may be covered at the expense of two sources: set up provisions and the Bank's equity capital. The Bank's risk management system functions in a way that expected losses (eg, on the loan portfolio) shall be covered at the expense of established provisions. Unexpected losses shall be covered at the expense of the Bank's equity capital. Accordingly, the amount of the Bank's provisions and capital has an impact on the risk size assumed by the Bank.

To assess an overall impact of the risks assumed, the Bank calculates and further analyzes the aggregate banking risk and how much it is covered by the economic capital of the Bank. To this end the Bank puts a part of the economic capital aside as a reserve (necessary to cover current and expected risks and, on the other hand, to ensure the Bank's continued business in case of such risks realization) for the assumed aggregate risk and also allocates the economic capital between different risk types depending on their relevance to the Bank's activities.

The Bank believes that the economic capital equals to the Bank's equity capital calculated in accordance with Regulation of the Central Bank of Russia dated 28.12.2012 No.395-П "On Methods of Assessment of Equity Funds (Capital) of Institutional Lenders (Basel III)". The Bank regularly plans its capital size subject to various external factors and planned banking operations.

For the purposes of identification and monitoring of risks and development of risk minimization procedures, the Bank has an independent operating structural subdivision (Risk Management Service) reporting directly to the Bank's President. The main objectives of the Risk Management Service shall be:

- identification, assessment, current control and recommendations regarding risk minimization in the Bank, compliant with the strategy determined by the Bank's Board of Directors; and

- on-going control over banking operations carried out by the Bank's Treasury.

To achieve its objectives the Risk Management Service of the Bank

- implements and supports a comprehensive risk management system for banking risks, such as credit risk, market risk (including equity and foreign currency risks), interest rate risk, liquidity risk, legal risk, reputation risk, country risk, strategic risk, operating risk and concentration risk;

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- identifies origins of risks and their objects, performs risk classification and analysis;

- identifies, assesses and aggregates risks relevant for the Bank;

- drafts recommendations regarding risk appetite level and other risk limits at the Bank, controls risk appetite levels set in the Bank;

- develops policies and procedures for stress-tests of the main risks of the Bank, performs such tests and back testing procedures;

- drafts recommendations for risk minimization of the Bank's activities for the Bank's management bodies;

- organises Risk Committee work;

- monitors, controls and plans the mandatory ratio H6;

- monitors and subsequently controls mandatory ratios H2, H3, H4, H1, H1.1, H1.2, as well as the open currency position size of the Bank;

- controls transactions performed by the Bank's Treasury;

- elaborates certain areas of risk management at the Bank.

For the purposes of risks management and control, the Bank has running Credit Committee, Asset and Liability Committee and Risk Committee. Besides these, risk management functions in the Bank are performed by the Board of Directors.

The Credit Committee has been established as a body responsible for the following:

- analysis of credit risks;

- decision-making regarding credit operations with legal entities and individuals;

- establishment of credit risk limits on operations with legal entities, individuals and counterparty banks.

The main functions of the Asset and Liability Committee include the following:

- development and implementation of the tariff policy for the Bank's services and determination of material terms for providing such services;

- approval of terms and conditions for new types of banking services;

- decision-making regarding relevance and sources of financing for proposed projects and financial programs;

- regulation of the Bank's asset and liability structure on the basis of a risk-reward analysis.

The main functions of the Risk Committee include the following:

- review of the Bank's risk management system, including but not limited to covering such risks as credit risk, market risks, operating risk, liquidity risk, strategic risk, reputation risk, legal risk, as well as other risks arising in the Bank's activities;

- the Bank's risk management strategy review;

- review of the Bank's internal regulatory documents on risk management, organization of risk management process in the Bank; and

- review of risk assessment models used in the Bank.

Duties of the Board of Directors comprise selecting structure of risks management, approving control approaches and methodologies for key banking risks, and also approving the maximum aggregate risks level which can be covered by the Bank's capital and its sub-limits for particular risk types. Control over the key banking risks size and the size of the aggregate banking risk and its sub-limits is exercised by the Risk Management Service of the Bank.

As of 01.01.2017 the Bank's most relevant risks, subject to the type and scope of the Bank's operations, were the following:

- credit risk;
- market risk;
- liquidity risk;
- concentration risk; and
- interest rate risk of the Bank book.

9.3 Information on types and degree of concentration risks associated with various banking operations with a breakdown by geographical area, currency, borrower type and types of their business, markets, as well as description of concentration risk assessment methods.

The Bank's policy and procedures include specific principles aimed at maintenance of diversified portfolios and concentration risk management.

Management of excessive concentration risk is based on the requirements of the Central Bank of Russia, which includes daily monitoring of mandatory ratios related to concentration restrictions.

During the reporting period of 2016 the Bank used the following methods to manage risk of excessive business concentration:

• daily monitoring and control of operations, subject to observance of the mandatory ratios established by the Central Bank of Russia to restrict excessive concentration risk (H6, H7, H25 and other);

• monitoring of macroeconomic indicators in Russia (including industry-specific and regional indicators);

• analysis of segmentation of the Bank's assets and liabilities in accordance with the established segmentation criteria;

• diversification analysis of deposit portfolio, credit and interbank lending portfolios, including dependence of such portfolios on key clients and customers.

Concentration of risks by geographical area

Concentration risk by regions of the Bank's presence shall be understood a possibility (probability) of losses occurring as a result of unfavorable economic changes in the region where the Bank or the Bank's counterparty operates

In the reporting period regional concentration risk management included identification and analysis of research data and analytical information related to the risks of the regions where the Bank's large counterparties and issuers of debt securities were present.

The table below presents information about concentration risk level of the Bank's assets and liabilities by geographical areas, according to the data included in the reporting form No.0409806 "the Balance Sheet Statement (a public disclosure form)". The information is given separately for the Russian Federation, for the OECD countries, for the CIS and other countries. A separate disclosure is made for the People's Republic of China.

Types of assets and liabilities	Volume of assets and liabilities as of 01.01.2017, thous. roubles				Volume of assets and liabilities as of 01.01.2016, thous. roubles			
	Russia	OECD	CIS and other countries	China	Russia	OECD	CIS and other countries	China
Cash	99 124	-	-	-	47 125	-	-	-
Cash of credit institutions with the Central Bank of Russia, total	3 393 383	-	-	-	2 024 265	-	-	-
including: required reserves	*425 045*	-	-	-	390 558	-	-	-
Funds due from credit institutions	32 722	4 969 325	1 269 503	494 533	7 559	8 475 020	72 541	10 947 924
Financial assets with fair value through profit or loss	-	-	-	4 294	-	-	-	-
Net loans receivable	26 519 851	3 415 689	436 063	7 515 971	30 851 038	1 085 499	734 761	13 261 800
Net investments in securities held to maturity	630 638	-	-	1 088 401	701 578	-	-	1 411 165
Current income tax claims	39 678	-	-	-	63 153	-	-	-
Fixed assets, intangible assets and inventories	58 859	-	-	-	12 491	-	-	-

Other assets	89 870	882	3 777	54 162	183 173	3 058	3 892	205 785
Total assets	**30 864 125**	**8 385 896**	**1 709 343**	**9 157 361**	**33 890 382**	**9 563 577**	**811 194**	**25 826 674**
Funds due to credit institutions	4 441 029	1 239 159	1 871 945	11 984 112	2 118 975	42 409	6 421 917	13 994 809
Funds due to customers other than credit institutions	23 524 885	7	121 406	839 980	35 377 354	-	6 612 208	722 142
including deposits (funds) of individuals and sole proprietors	4 196	-	-	-	170	-	-	-
Financial liabilities with fair value through profit or loss	-	1 305	-	-	-	-	-	-
Current income tax liabilities	26 616	-	-	-	862	-	-	-
Deferred tax liabilities	-	-	-	-	119	-	-	-
Other liabilities	90 579	-	151 117	20 167	57 103	12 397	230 695	16 056
Provisions for possible losses on credit-related contingencies and other possible losses on operations with offshore zone residents	717	-	-	-	-	-	-	-
Total liabilities	**28 083 826**	**1 240 471**	**2 144 468**	**12 844 259**	**37 554 413**	**54 806**	**13 264 820**	**14 733 007**

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Concentration of risks by currency

In the reporting period concentration of risk by currency was managed by means of diversification of the Bank's portfolios by keeping open positions in various currencies and risk reduction achieved by maintenance of open positions of minimum size.

Credit risk

Credit risk shall mean a risk of losses which may be incurred by the Bank due to a debtor's failure to perform or any delay in performance or improper performance of its financial liabilities to the Bank as provided for by terms and conditions of any relevant agreement. The Bank's risk management system provides for the following:

- diversification of the Bank's loans and advances and investment portfolio;
- preliminary assessment of a borrower's creditworthiness (i.e. the Bank validates the borrower's credit history and examines its reputation. Besides, the borrower's business is analyzed and its ability to repay the debt is assessed (including analysis of the loan collateral and other related factors)
- preliminary classification of loans and any similar indebtedness in accordance with the regulatory documents of the Central Bank of Russia;
- determination of authority limits of the Bank's collective bodies and officers;
- specification of the maximum allowed level of credit risks;
- control over loans issued previously;
- determination of exposure limits and establishment of impairment provisions comparable in size with potential losses which may be eventually incurred as a result of any respective transaction.

For credit risk measurement, assessment of financial condition of borrowers and calculation of the maximum allowed credit risks assumed for each borrower (a group of borrowers) the Bank established a separate structural subdivision, Department for analysis of credit limits and operations.

To manage credit risk the Bank has established the Credit Committee, which is responsible for consideration and approval of credit limits for borrowers and the level of assumed credit risk. The Credit Committee meetings are held on a regular basis.

The methodological and practical approaches employed in the process of credit risk assessment are described in more detail in the Bank's internal documents governing asset-side banking operations carried out by the Bank. Credit risks are measured by the Bank on all loans and their equivalents at the time when a particular transaction is performed, and later on a regular basis.

The credit risks are mitigated by employing a strictly regulated approach when making lending transactions. The credit risk management procedure shall include the following:

- application of lending standards and formalised procedures at the time of decision making regarding any relevant loan issue or otherwise (i.e., assessment of collateral liquidity, evaluation of a borrower's/ counterparty's financial standing, as well as of the risk level), executing respective documents and loan disbursement;
- continuous monitoring of the loan indebtedness;

- establishment of loan loss provisions as provided for by the regulations of the Central Bank of Russia;
- compliance with mandatory ratios required by the Central Bank of Russia, such as ratio (H6) of the maximum risk exposure per borrower or a group of related borrowers; ratio (H7) of the maximum large credit exposure; ratio (H9.1) of the maximum value of loans, guarantees or sureties issued by the bank to its shareholders; ratio (H10.1) of the aggregate insider risk; ratio (H12) of the bank's equity capital used for purchasing shares of other legal entities; and also ratio (H25) of the maximum risk size for related parties of the Bank.

The Bank's system for monitoring of loans and their equivalents allows a timely identification of problem assets and facilitates taking immediate measures aimed at credit risk mitigation.

The Bank regularly monitors credit risk. The Risk Committee members receive reports on credit risks at least quarterly.

During the reporting period there were no changes in the Bank's methodology of credit risk assessment and control.

Classification of assets by group of risk according to the clause 2.3 of the Instruction of the Central Bank of Russia dated December 03, 2012 No. 139-И "On Mandatory Ratios for Banks"

	As of 01.01.2017	**As of 01.01.2016**
Assets exposed to risk and reported in the balance sheet accounts, total, including:	**35 422 186**	**43 500 017**
of which:		
Assets of the 1st risk group (with 0% risk ratio)	3 771 568	2 758 490
Provisions for assets of the 1st risk group	-	-
Credit risk for assets of the 1st risk group	-	-
Assets of the 2nd risk group (with 20% risk ratio)	15 233 326	13 291 510
Provisions for assets of the 2nd risk group	-	-
Credit risk for assets of the 2nd risk group	**3 046 665**	**2 658 302**
Assets of the 3rd risk group (with 50% risk ratio)	8 441 661	15 600 516
Provisions for assets of the 3rd risk group	-	-
Credit risk for assets of the 3rd risk group	**4 220 831**	**7 800 258**
Assets of the 4th risk group (with 100% risk ratio)	7 975 630	11 849 501
Provisions for assets of the 4th risk group	(59 058)	(16 502)
Credit risk for assets of the 4th risk group	**7 916 572**	**11 832 999**
Total credit risk for the assets reported in the balance sheet accounts	**15 184 068**	**22 291 559**
Credit risk on assets with decreased risk coefficient (claims of clearing participants)	**199 731**	**71 957**

	As of 01.01.2017	As of 01.01.2016
Assets with increased risk ratios (110%, 130%, 150%, 250%, 1000%)	12 733 839	24 385 029
Provisions for assets with increased risk ratios (110%, 130%, 150%, 250%, 1000%)	(194 118)	(132 778)
Credit risk for assets with increased risk ratios	**12 013 508**	**19 518 059**
Total credit risk for the assets reported in the balance sheet accounts (including assets with increased risk ratios)	**27 397 307**	**41 881 575**
Credit-related contingencies, total, of which:	7 736 639	5 382 490
Credit-related contingencies without risk	1 290 000	98 500
Credit-related contingencies with low risk	70 000	-
Credit-related contingencies with medium risk	3 281 479	453 658
Credit-related contingencies with high risk	3 095 160	4 830 332
Provisions for credit-related contingencies	(717)	-
Credit risk for credit-related contingencies	**4 990 970**	**4 422 777**
Term transactions and derivative financial instruments	**22 951**	-
Provisions for term transactions and derivative financial instruments	-	-
Credit risk on term transactions and derivative financial instruments	**29 836**	-

On volumes and maturities of overdue and restructured debts

Size of overdue debts is one of the indicators showing exposure of assets to risk.

As of January 01, 2017 according to the data of reporting form No. 0409115, the overdue assets amounted to 847 thous. roubles and had the following parameters (the Statements shall specify the total volume of assets with the maximum period of delay in overdue payments as of the moment of preparation of the Statements):

		as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Other overdue receivables:			
	up to 30 days	240	350
	31 - 90 days	-	9 813
	91 - 180 days	21	1
	over 180 days	586	220
Overdue receivables		847	10 384

As of 01.01.2017 the Bank's balance sheet includes no overdue loans.

	as of January 01, 2017	as of January 01, 2016
Loans classified as per subpar.3.14.3 of par.3.14 of Regulation No.254-П of the Central Bank of Russia, total (according to the data of reporting form No. 0409115, page 4.1.2)	5 891 805	8 437 905
Percentage in the total volume of the assets evaluated for creation of a provision (according to the data of reporting form No. 0409115)	12.60%	12.41%
Loans classified as per subpar.3.12.3 of par.3.12 of Regulation No.254-П of the Central Bank of Russia, total (according to the data of reporting form No. 0409115, page 4.1.3)	2 426 276	-
Percentage in the total volume of the assets evaluated for creation of a provision (according to the data of reporting form No. 0409115)	5.19%	-

On results of assets classification by quality category and on target and actual provisions size for possible losses

Classification of assets by quality category (according to the data of reporting form No. 0409115) is provided below:

	Balance as of 01.01.2017	Target provision	Actual provision	Balance as of 01.01.2016	Target provision	Actual provision
1 category	39 896 775	-	-	63 993 612	-	-
2 category	6 848 668	237 421	229 438	3 446 727	159 656	132 778
3 category	240	120	120	1 436	301	301
4 category	-	-	-	350 000	241 500	-
5 category	28 039	28 039	28 039	227 565	227 565	16 205
Total	**46 773 722**	**265 580**	**257 597**	**68 019 340**	**629 022**	**149 284**

On the nature and value of collateral received

The type and value of collateral required by the Bank depends on evaluation of the counterparty's credit risk. The Bank has established principles to determine acceptable collateral types and their evaluation parameters.

Below is presented the list of collaterals received by the Bank:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
Surety	4 941 381	8 156 566
including:		
accepted for reduction of the target provision	-	-
Guarantees	3 629 257	4 451 797
including:		
accepted for reduction of the target provision	1 553 910	1 558 353
Security deposit	162 347	464 990
including:		
accepted for reduction of the target provision	162 347	261 453

The key guarantor on the collateral received is the parent bank ICBC Ltd. with the following long-term credit ratings: S&P at "A" and Moody's at "A1".

Market risk

Market risk management is aimed at maintaining the assumed risk level defined by the Bank according to the strategic tasks. The priority is to ensure the maximum size of assets and capital, by means of minimization (exclusion) of possible losses.

For market risk management and control the Bank has approved the Regulations "On Market Risk Management" and other internal documents governing procedures for conducting transactions exposed to market risk (i.e. equity, interest rate or foreign exchange risks). Besides, limits for market risk indicators and a limit for the aggregate level of market risk have been assigned.

Identification and assessment of market risk level is performed by the Bank on a regular basis by using mathematical models (VaR). For interest rate risk assessment the Bank applies GAP-analysis and interest rate risk stress testing, which is done daily in accordance with the scenario recommended by the Basel Committee on Banking Supervision. The Bank has introduced a system of threshold values. Any excess of a threshold shall mean a higher risk exposure for the Bank as a whole, and proximity to the critical risk size.

As a part of monitoring of market risk, the Bank consistently exercises control over the following types of risks:

Equity Risk. The risk of loss which may arise due to unfavorable market price behavior with respect to equities (i.e., securities, including but not limited to, securities certifying any share in the authorised capital) being part of the trading portfolio, as well as derivative financial instruments as influenced by factors related both to the issuer of equities and derivatives and general market price behavior. For the equity risk mitigation purposes the Bank shall monitor liquidity, exercise control over compliance with set limits applicable to securities trading.

Throughout 2016 the Bank had no securities trading portfolios on the balance sheet, thus the Bank was not exposed to equity risk.

The *Foreign Exchange Risk* arises due to unfavorable fluctuations in foreign currency rates with respect to open positions of the Bank when making transactions for customers and specifying foreign currency buy/ sell rates and, therefore accepting open positions in particular foreign currencies. The foreign exchange risk management system of the Bank ensures control over currency positions opened within any respective banking day and compliance with regulations of the Central Bank of Russia in terms of limits of net foreign exchange positions as of the end of each banking day. During the whole 2016 the Bank maintained a low level of foreign exchange risk, not threatening its financial position. The Bank performed a daily monitoring and exercised control over size of open currency positions by foreign currency as well as of the aggregate open currency position. The system of open currency position management in the Bank enables minimization of foreign currency risk assumed by the Bank and control of the limits set by the Board of Directors.

Interest Rate Risk. This is a risk of unfavorable changes in the Bank's financial standing due to interest rate fluctuations having impact on both the Bank's income and value of its assets and liabilities.

Throughout 2016 the Risk Management Service of the Bank regularly exercised control over interest rate risk and balance of interest bearing assets and interest bearing liabilities of the Bank. As of January 1, 2017 the interest rate gap of interest bearing assets and liabilities was as follows (presented in roubles):

Financial instruments	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years
Assets						
Due from financial institutions	26 299 607 168	2 198 204 163	3 547 336 017	3 246 562 499	688 481 737	37 327 323
Loans and their equivalents – customers	29 350 113	514 266 891	297 897 769	1 101 034 398	5 014 585 421	2 051 844 875
Investment securities available for sale	0	0	0	0	0	0
Investment securities held to maturity	0	0	0	0	0	1 719 088 016
Total assets	26 328 957 282	2 707 471 054	3 845 233 786	4 347 596 892	5 703 067 158	3 808 210 215
Total assets on a cumulative basis	26 328 957 282	29 036 428 335	32 881 662 121	37 229 259 013	42 932 326 172	46 740 536 387
Liabilities						
Due to credit institutions	13 424 312 352	121 313 800	0	0	2 958 786 000	3 032 845 000
Customer accounts	19 768 584 469	4 414 318 635	0	242 717 148	60 656 900	0
Debt securities issued	0	0	0	0	0	0
Other borrowed funds	0	0	0	0	0	0
Total liabilities	33 192 896 822	4 535 632 435	0	242 717 148	3 019 442 900	3 032 845 000
Total liabilities on a cumulative basis	33 192 896 822	37 728 529 257	37 728 529 257	37 971 245 406	40 990 689 306	44 023 534 306
Gap	- 6 863 939 540	-1 828 161 382	3 845 233 786	4 104 879 744	2 683 624 258	775 365 215
Gap on a cumulative basis	- 6 863 939 540	-8 692 100 922	-4 846 867 136	-741 987 392	1 941 636 866	2 717 002 081
Gap coefficient	0.79	0.77	0.87	0.98	1.05	1.06

The Bank supports the structure of interest bearing assets and liabilities within gap coefficient ranges recommended by the Basel Committee on Banking Supervision.

Besides, the performed interest rate risk stress test (the main (base) scenario applied by the Bank when evaluating the interest rate risk level implies change of the interest rates curve by 400 basis points) confirms adequacy of the Bank's exposure to this type of risk (the size of interest rate risk was 186.88 million roubles):

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Total for the year
Time coefficient	0,95833	0,83333	0,62500	0,25000	
Range of interest rate change	-274.56	-73.13	153.81	154.20	-186.88
RUB	122.65	39.20	-	-	
USD	-472.49	-116.86	-120.01	154.23	
EURO	151.13	-	-	-	
CNY	- 87.76	4.53	33.80	9.95	

HKD	11.91	-	-	-	
SGD	0.00	-	-	-	
Change of net interest income (mln roubles)	- 263.12	-60.94	96.13	41.05	
RUB	117.54	32.67	-	-	150.21
USD	-452.81	-97.38	75.00	38.56	- 436.62
EURO	144.83	-	-	-	144.83
CNY	84.10	3.78	21.13	2.49	-56.71
HKD	11.41	-	-	-	11.41
SGD	0.00	-	-	-	0.00

The Bank employs the following principal methods to manage interest rate risk:

- assets and liabilities matching in terms of maturity;
- interest rate monitoring, thus allowing the Bank to promptly adjust interest rates applicable to the raised / placed funds;
- establishment of the limits in respect of this risk and their daily control;
- daily assessment of interest rate risk by the Risk Management Service.

The Bank regularly monitors market risk. The Risk Committee members receive reports on market risks at least quarterly.

During the reporting period there were no changes in the Bank's methodology of market risk assessment and control.

Liquidity risk

The purpose of liquidity risk management is to ensure that the Bank timely and fully meets its monetary and other liabilities arising from transactions with financial instruments.

Liquidity risk management comprises a set of measures to control

- the Bank's observance of the mandatory ratios H2, H3, H4 and their dynamics;

- observation of structural fluctuations of assets and liabilities, identification of maturity gaps of assets and liabilities with calculation of the respective indicators of liquidity (GAP analysis);

- and measures on forecasting the Bank's cash flows (daily preparation of the payment calendar).

Also the Bank regularly conducts stress-tests of liquidity risk.

Liquidity is an essential factor of solvency. Liquidity risk is monitored on a daily basis by preparation of current and forward-looking reports on maturity gaps of assets and liabilities.

For an unexpected scenario, namely in case of a liquidity crisis, an action plan to restore liquidity has been designed in the Bank. The liquidity crisis plan lists events that can provoke the Bank's loss of liquidity, nominates collective bodies of the Bank in charge of implementation of measures on liquidity crisis elimination, such as the Risk Committee, the Management Board and/or the Asset and Liability Management Committee. The plan also prescribes measures on assets and liabilities management to resolve liquidity crisis, which is the basis of definition of duties and actions of the respective employees and subdivisions of the Bank.

The plan also comprises description of external and internal factors of liquidity crisis, a pattern of events occurrence of which characterises liquidity crisis, and description of methods for recovery from liquidity crisis, with a set of measures assigned to the responsible subdivisions of the Bank and a nominated Management Board coordinator for each of such measures.

As of the last day of 2016 the Bank had a considerable stock of liquid assets. The Bank's asset and liability structure as well as a net liquid position of the Bank were kept on a high level throughout 2016 and there were no violations of the threshold liquidity deficit limits. The asset and liability structure of the Bank is presented in the table below in roubles.

	Net liquidity gap in the interval "on demand and for 1 day"	Net liquidity gap in the interval "from on demand to 7 days"	Net liquidity gap in the interval "from on demand to 30 days"	Net liquidity gap in the interval "from on demand to 90 days"	Net liquidity gap in the interval "from on demand to 180 days"	Net liquidity gap in the interval "from on demand to 1 year"	Net liquidity gap in the interval "from on demand to more than 1 year"
Cash	99 123 564	-	-	-	-	-	-
Correspondent accounts	9 732 069 131	-	-	-	-	-	-
Balances at the stock exchange	1 994 749 389	-	-	-	-	-	-
Interbank loans	-	-	16 567 538 038	2 193 204 163	3 547 336 017	3 246 562 499	725 809 061
Loans	-	-	29 350 113	514 266 891	297 897 769	1 101 034 393	7 066 430 296
Securities	-	-	-	-	-	-	1 719 038 016
Accounts receivable	-	-	-	-	-	-	28 825 519
TOTAL ASSETS	11 825 942 084	-	16 596 888 151	2 707 471 054	3 845 233 786	4 347 596 892	9 540 102 893
ASSETS ON A CUMULATIVE BASIS	11 825 942 084	11 825 942 084	28 422 830 234	31 130 301 288	34 975 535 074	39 323 131 966	48 863 234 859
VOSTRO-accounts	10 522 524 952	-	-	-	-	-	-
Liabilities at the stock market	-	-	-	-	-	-	-
Interbank loans	-	-	2 901 787 400	121 313 800	-	-	5 991 631 000
Settlement accounts	10 071 994 655	-	-	-	-	-	-
Deposits	162 349 446	-	9 534 240 368	4 414 318 635	-	242 717 148	60 656 900
Accounts payable	68 891 920	-	-	-	-	-	-
TOTAL LIABILITIES	20 825 760 974	-	12 436 027 768	4 535 632 435	-	242 717 148	6 052 287 900
LIABILITIES ON A CUMULATIVE BASIS	20 825 760 974	20 825 760 974	33 261 788 741	37 797 421 177	37 797 421 177	38 040 138 325	44 092 426 225

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Net gap	-8 999 818 890	0	4 160 860 383	-1 828 161 382	3 845 233 786	4 104 879 744	3 487 814 993
Cumulative Net gap	-8 999 818 890	-8 999 818 890	-4 838 958 507	-6 667 119 889	-2 821 886 103	1 282 993 641	4 770 808 633
Gap coefficient	-43%	-43%	-15%	-18%	-7%	3%	11%

The cumulative structure of the Bank's balance sheet by currencies according to the remaining maturities as at the end of 2016 is characterised by balanced foreign currency assets and foreign currency liabilities, with the maximum cumulative liquidity surplus is seen in roubles and is due to the Bank's capital. The biggest cumulative liquidity deficit as of the reporting date is in the category "on demand and for 1 day" and is due to significant vostro account balances.

Gap of assets and liabilities in all currencies is insignificant, the total of 4.77 bn roubles. The maximum liquidity surplus is in EURO and is due to SWAP transactions and nostro account balances. A significant cumulative liquidity surplus exists in roubles, which is mainly due to the Bank's capital (all included in the below table in roubles):

	On demand and for 1 day	From 2 to 7 days	From 8 to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 385 days	365+
RUB (810)	-6 640 103	-6 640 103	3 023 858	4 003 858	4 003 858	4 003 858	4 660 708
USD (840)	-7 128 265	-7 128 265	-11 744 106	-14 665 561	-11 665 362	-7 809 515	-4 323 665
EURO (978)	5 742 957	5 742 957	5 742 957	5 742 957	5 742 957	5 742 957	5 742 957
CNY (156)	-1 273 258	-1 273 258	-2 160 517	-2 047 223	-1 202 189	-953 157	-1 608 040
HKD (344)	298 822	298 822	298 822	298 822	298 822	298 822	298 822
SGD (702)	28	28	28	28	28	28	28
Total GAP	-8 999 819	-8 999 819	-4 838 959	-6 667 120	-2 821 886	1 282 994	4 770 809

For stress testing of liquidity risk the Bank considers potential outflow of customers' funds and vostro account balances (vostro balances of ICBC bank are assumed to remain unchanged) with a simultaneous honoring all current creditors' claims. The Bank considers three possible scenarios such as a crisis scenario (a 75% outflow of customers' funds and vostro account balances), a pessimistic scenario (a 50% outflow of customers' funds and vostro account balances) and a neutral scenario (a 25% outflow of customers' funds and vostro account balances). The source data for stress testing is the table of asset and liability liquidity gap (gap analysis). Stress test results are regularly submitted to the Risk Committee members of the Bank for decision-making purposes regarding reallocation of assets/liabilities and/or their reduction/increase (also by the Bank's balance sheet groups). Based on the stress test result the Bank can decide about launching the liquidity restoration plan in case of extraordinary events.

The Bank's management bodies and structural units participate in liquidity risk management in the following way:

Authority of the Board of Directors

- ensures establishment of an organization structure of the Bank that would meet the main principles of banking risk management;
- exercises control over completeness and regularity of checks performed by the Internal Audit Service regarding the Bank's compliance with the main risk management principles;
- evaluates risk management efficiency;
- controls activity of the Bank's executive bodies in risk management.

Authority of the Management Board

- ensures general liquidity management in the Bank;
- approves the maximum allowed liquidity deficit limits;
- considers and reviews internal documents and amendments of the Bank with regard to its activities (regulations, procedures, rules, methodologies, tariff documents, etc.) except for those internal documents that shall be approved by the Bank's shareholder and/or the Board of Directors, as set out in the Bank's Articles of Association.
- approves a set of measures and actions required in case of a prolonged liquidity crisis, including action plans under unforeseen circumstances (plans of continued operation and/or restoration of the Bank's business and financial performance);
- exercises control over completeness and regularity of reporting by the Internal Audit Service regarding level of the main banking risks.

Authority of the Bank's President (of the Chairman of the Management Board)

- controls the current status of liquidity and its current management;
- coordinates the Bank's subdivisions on the issues regarding asset/liability management based on the analysis of the Bank's gap of liquidity position;
- coordinates the Bank's subdivisions on the issues regarding asset/liability management based on cash flow forecasting;
- initiates proposals regarding changes in liquidity assessment indicators;
- encourages and stimulates the Bank's employees based on their input in liquidity management, as well as performs disciplinary actions in respect of employees, if needed.

Authority of the Internal Audit Service of the Bank

- determines compliance of actions and operations performed by the Bank's management and other employees with the requirements of current legislation, regulatory acts, internal documentation of the Bank, which define the Bank's policy and procedures with regard to decision-making and subsequent fulfillment of the decisions, organization of accounting and reporting in the Bank (including internal information on decisions made,

concluded operations and deals, results of the financial analysis of the Bank and banking risks);
- exercises control over compliance with procedures regarding liquidity management set out in the Bank's Regulation;
- participates in drafting internal documentation of the Bank to the end of checking its compliance with current legislation and regulatory requirements of the Central Bank of Russia.

Authority of the Asset and Liability Committee of the Bank

- decides about changes in maturity structure of assets and liabilities;
- identifies sources and limits to attract funds subject to particular maturity;
- defines liquidity crisis indicators;
- develops and submits for the Management Board approval measures to overcome liquidity crisis, controls implementation of such measures;
- determines the moment when the liquidity crisis ceased to exist and when the Bank can return to its normal functioning regime;
- coordinates actions of the Bank's subdivisions regarding development of internal documents and their amendments on the issues of liquidity management (regulations, procedures, rules, methodologies, tariff documents, etc.).

Authority of the Bank's Treasury

- controls the set limits;
- controls observance of the set liquidity ratios;
- concludes transactions to regulate the Bank's liquidity;
- weekly informs the Bank's Risk Management Service about planned disbursements/receipts of cash;
- drafts recommendations upon maturity of asset-side transactions;
- plans sale of liquid assets;
- redrafting liabilities maturities for the periods where liquidity ratios are observed;
- drafts recommendations when concluding liability-side transactions;
- maintains appropriate level of securities free from any pledge;
- initiates limit changes (decrease, increase, fixing and closure);
- initiates increase/decrease of interest rates;
- sets priority for execution of payments depending on their respective importance.

Authority of the Bank's Risk Management Service

- collects and analyzes information on liquidity in the Bank;
- analyzes instant, current and long-term liquidity;
- analyzes liquidity by applying the Bank's negative scenario;
- controls over observance of the set maximum levels of liquidity surplus (deficit) ratio;
- regularly compiles reports on liquidity risks and submits them the management bodies of the Bank;
- initiates changes to the indicators used to assess liquidity risk level;
- drafts recommendations regarding restoration of liquidity.

Authority of the Bank's Department for accounting and reporting

- daily informs the Bank's Treasury on planned disbursements/receipts of cash;
- drafts recommendations on lower purchases of fixed assets, reduction of capital investments and other non-operating expenses;
- plans sales of assets;
- prepares and submits to the Central Bank of Russia of the monthly reporting form No. 0409125 "Information on assets and liabilities by maturity";
- the Back-office Unit daily submits credit portfolio data to the Department of financial reporting, Treasury and Risk Management Service of the Bank;
- controls over observance of mandatory liquidity ratios within its competency and authority.

Authority of the Bank's Department for corporate business

- controls compliance with the set limits on loans and transactions by their maturity;
- structures transactions subject to liquidity regulation requirements of the Bank and in line with the Bank's President directions;
- daily informs the Bank's Treasury of planned loan repayments and disbursements/ receipts of cash under loan agreements and other transactions;
- daily submits the data on the Bank's credit portfolio to the Department of financial reporting, the Treasury and Risk Management Service of the Bank;
- controls observance of mandatory ratio H6 on loans and other transactions in the Department's/Division's competency;
- takes measures regarding early loan repayments within the subdivision's competency;
- initiates proposals regarding loan maturities for new loans;
- initiates changes of interest rates and tariffs on loans and other transactions;

- defines a list of customers for which lending should be ongoing/otherwise should be stopped.

Authority of the Bank's Department for international business

- controls over compliance with the set limits by amount of loans and other deals, as well as by their maturity;
- structures transactions subject to liquidity regulation requirements of the Bank and in line with the Bank's President directions;
- daily informs the Bank's Treasury of planned loan repayments and disbursements/ receipts of cash under loan agreements and other transactions;
- controls observance of mandatory ratio N6 on loans and other transactions in the Department's/Division's competency;
- takes measures regarding early loan repayments within the subdivision's competency;
- initiates proposals regarding loan maturities for new loans;
- initiates changes of interest rates and tariffs on loans and other transactions;
- defines a list of customers for which lending should be ongoing/otherwise should be stopped.

Authority of the Bank's Operation Department

- daily informs the Bank's Treasury of planned cash disbursements/ receipts from/on customer accounts;
- suggests and evaluates opportunities for introduction of new customers account maintenance services in the Bank to stimulate keeping higher account balances with the Bank;
- daily informs the Bank's Treasury of planned return of customers deposits and planned payments under deposit agreements and other transactions;
- initiates changes of banking tariffs.

Control over compliance with policies and procedures on liquidity management is a risk management instrument based underpinned by the following principles: comprehensive internal control, broad coverage of all organizational subdivisions of the Bank by control procedures and a multi-level type of internal control.

Control is executed at the following levels:

Level 1 (the lowest), Heads of structural subdivisions of the Bank

- monitoring of quantity indicators of set limits and liquidity ratios;
- consistent control over employees of the structural subdivisions as to their fulfillment of respective procedures prescribed by banking standards and having an impact on liquidity;
- control over implementation of measures preventing use of the Bank's infrastructure for money laundering and financial support of terrorism.

Level 2 (the medium level), Risk Management Service

- monitoring and analysis of liquidity situation;
- control over observance of liquidity ratios;

- control over implementation of measures aimed at crisis situations in case of a short-term pressure of excessive risks on the Bank;
- informing the Management Board and Internal Audit about a long-term deterioration of one or several liquidity parameters;
- control over appropriate authority levels for decision making under normal functioning regime and in case of crisis events.

Level 3 (the highest), Management Board of the Bank

- non-acceptability of a long-term deterioration of one or several liquidity parameters;
- control over comparability of status and size of certain business profitability risks of the Bank;
- preventing use of the Bank's infrastructure for money laundering and financial support of terrorism;
- preventing a long-term pressure of excessive risks on a particular business activity area of the Bank;
- non-acceptance of a long-term disbalance of assets and liabilities of the Bank;
- control over adequacy of banking risks (financial risks) management with regard to current circumstances and the Bank's development strategy;
- winding-up (or significant downsizing of activity and functions) of banking subdivisions with inherent excessive banking risks.

Level 4 (extraordinary), Board of Directors of the Bank

- unacceptability of a simultaneous long-term negative pressure of several excessive risks on the Bank as a whole;
- unacceptability of disproportionate increase (simultaneous) of risk size and higher return of the respective business activity of the Bank;
- general control over risk management system of the Bank.

Decisions made at one of the control levels of the risk management system (within its scope of authority) are obligatory for all lower control levels.

Internal Audit of the Bank performs periodic checks of the control system and organization of functioning of certain business activity areas of the Bank.

The Bank regularly monitors liquidity risk. The Risk Committee members receive reports on liquidity risk at least quarterly.

During the reporting period there were no changes in the Bank's methodology of liquidity risk assessment and control.

Operating risk

Operating risk shall mean a risk of losses which may arise due to incompliance with the nature and scope of activity of a credit institution and (or) requirements of applicable legislation, internal rules and procedures regulating bank operations and other transactions, violation thereof by personnel of the credit institution and (or) by any other persons whatsoever (as a result of either intentional or unintentional actions or omissions), inadequacy (or insufficiency) of functional capabilities (or characteristics) of the information, engineering or of any other systems employed by the credit institution and (or) any failure (or malfunction) thereof or any other external event whatsoever.

Information on the operating risk size as of January 01, 2017 is presented below:

	2013	*2014*	*2015*
Net interest income	371 966	635 986	1 052 552
Net non-interest income	106 988	235 879	1 224 957
Income	*478 954*	*871 865*	*2 277 509*
Operating risk	**181 416**		

Information on the operating risk size as of January 01, 2016 is presented below:

	2012	*2013*	*2014*
Net interest income	254 089	371 966	635 986
Net non-interest income	78 334	106 988	235 879
Income	*332 423*	*478 954*	*871 865*
Operating risk	**84 162**		

The Bank exercises control over operating risks using its operating risk accounting system. The operating risk control is ensured by establishing an optimal structure of the Bank's business processes.

The Bank's operating risk management process comprises the following stages: identification, assessment, monitoring, control and/or mitigation of the operating risk.

For the operating risk mitigation purposes, the Bank performs regular audits in terms of compliance with information security requirements. Besides, the Bank's by-laws regulating bank operations are continuously adjusted, and the Bank continues working on optimization of information flows and internal document management system.

The Bank seeks to identify the operating risk on a regular basis. A dedicated analytic database is kept for this purpose specifying data on types and scope of losses by the Bank's business areas, as well as circumstances attached to such losses. The Bank also maintains an external operating risk data base that registers realised operating risks in the Bank's external environment.

For the purpose of operating risk measurement the Bank also applies the basic method for calculation of operating risk recommended by the Central Bank of Russia. Operating risk assessment presupposes calculation of the value of possible losses in case operating risk is realised.

The Bank regularly monitors operating risk. The Risk Committee members receive reports on operating risk at least quarterly.

During the reporting period there were no changes in the Bank's methodology of operating risk assessment and control.

Legal risk

Legal risk occurrence can be caused by both internal (non-compliance with legislation by the Bank, non-compliance of the Bank's internal documents with legislation of the Russian Federation, inefficient organization of legal work, violation of contractual terms by the Bank) and external factors (imperfection of the legal system, violation of contractual terms by customers and counterparties of the Bank).

The level of legal risk is identified and measured by the Bank on a regular basis.

In order to measure level of legal risk the Bank uses such parameters as the number of complaints and claims to the Bank, the number of cases of violation of legislation of the Russian Federation, the number and size of cash paid by the Bank following court rulings (decisions), decisions of the authorised bodies, and enforcement actions taken against the Bank.

Legal risk is minimised by monitoring, analyzing and forecasting all changes (including possible ones) in factors of external and internal legal environment, and also by constant improvement of the internal methodological base of the Bank. The Bank approved the system of threshold values (limits) for this risk. The subdivision of the Bank in charge regularly exercises on-going control over changes in the Russian and international legislation and timely adjustments of internal regulatory documents of the Bank, which enables to decrease this type of risk.

The Bank regularly monitors legal risk. The Risk Committee members receive reports on legal risk at least quarterly.

During the reporting period there were no changes in the Bank's methodology of legal risk assessment and control.

Strategic risk

The purpose of strategic risk management is non-acceptance of occurrence of losses as a result of errors made in taking decisions regarding the strategy of activities and development of the Bank.

Strategic risk management includes identification, measurement, monitoring, control and minimization of risk.

In order to identify and measure the level of strategic risk the Bank uses such parameters as the number of identified cases of errors in decision making, facts of absence of the respective management decisions, the number of incorrect determination of prospective business areas, and the number of identified cases of absence of adequate financial resources.

Identification and measurement of strategic risk level is carried out on a regular basis.

For each set of indicators applied by the Bank to measure strategic risk level the system of threshold values is determined (a limit is set), with exceeding the thresholds meaning a higher effect of the said risk type on the Bank on the whole and approximation of its critical status and size for the current environment.

The Bank regularly monitors strategic risk. The Risk Committee members receive reports on strategic risk at least quarterly.

During the reporting period there were no changes in the Bank's methodology of strategic risk assessment and control.

The Reputation Risk shall mean a risk of decrease of the number of the Bank's customers due to a negative view of the public as to the Bank's soundness, quality of services rendered by the Bank and the nature of its business, riskiness of the Bank's credit, investment or market policy, or a conflict of interest with the Bank's founders, customers, counterparties and other interested persons. To prevent the reputation risk, the Bank shall use the following principal methods:

- compliance with the applicable legislation and regulations of the Central Bank of Russia;
- timely settlement of accounts by orders of the Bank's customers and counterparties, as well as return of deposits, payment of interest and making of other payments related to other operations;
- analysis of changes in the financial market conditions and business environment;
- hiring qualified personnel;
- segregation of responsibilities of the Bank's personnel.

The Bank regularly monitors strategic risk. The Risk Committee members receive reports on reputation risk at least quarterly.

During the reporting period there were no changes in the Bank's methodology of reputation risk assessment and control.

Country risk

The purpose of country risk management is non-acceptability of occurrence of losses as a result of non-observance by foreign counterparties (legal entities and individuals) of their obligations due to economic, political and legal changes in the markets.

Country risk management consists of identification, measurement, monitoring and control of country risk.

The purpose of country risk management in the Bank is achieved by systematic and comprehensive approach, which presupposes meeting the following objectives: obtaining timely and adequate information of the status and size of country risk; identifying and analyzing country risk relevant for the Bank in the course of its activities; and qualitative and quantitative evaluation (measurement) of country risk.

For the purpose of identification and measurement of signs of country risk the Bank applies Moody's index (the rating agency "Moody's Investors Service"), where a change of risk status and size in each separate case means a change in country risk level.

The primary purpose of application of Moody's index is to ensure that an appropriate management decision is taken in respect of a certain counterparty of the Bank to decrease country risk level in the Bank.

According to the indicators applied in the Bank for country risk level measurement the system of threshold values is determined (a limit is set), with an excess of them meaning higher effect of country risk on the Bank on the whole.

For the purpose of mitigation of the country risk, the Bank shall act as follows:

- standardise principal banking operations and transactions;
- approve by-laws regulating amendments to internal documents and procedures related to foreign counterparties;
- analyze the impact which country risk factors have on the Bank's performance in general;
- monitor amendments made in the applicable legislation of the Russian Federation and existing regulations for the purpose of identification and prevention of country risk;

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- ensure an ongoing training of the Bank's personnel in order to identify and prevent country risk;
- provide for ready access of the maximum number of the Bank's officers to the current information related to applicable legislation data and internal documents of the Bank.

The Bank regularly monitors country risk. The Risk Committee members receive reports on country risk at least quarterly.

During the reporting period there were no changes in the Bank's methodology of country risk assessment and control.

10. Information on operations with related parties of the Bank

Related Party Transactions

In course of its usual business activities the Bank performs operations with its principal shareholder. Such operations include making of settlements, granting of loans, raising of deposits, provision of guarantees, trade financing operations and operations with foreign currencies. In general, all operations of the Bank with the related parties are performed on the same terms and conditions that are applicable to operations with third parties and do not substantially affect financial stability of the Bank.

In the reporting period the Bank actively worked with its parent company, ICBC Ltd., including its branches and subsidiaries (hereinafter, the "related parties") on the interbank lending, trade finance and foreign currency markets.

The balances of operations with related parties as of the end of the reporting period are presented below:

	as of January 01, 2017, thous. roubles	as of January 01, 2016, thous. roubles
ASSETS		
Funds due from credit institutions (NOSTRO) as of the beginning of the reporting period	*19 494 676*	*21 107 240*
Loans issued to related parties as of the beginning of the reporting year	-	*362 590*
Loans issued during 2016/2015	*1 589 727*	*305 712*
Loans repaid during 2016/2015	*674 337*	*668 302*
Loans issued to related parties as of the end of the reporting year	*915 390*	-
Funds due from credit institutions (NOSTRO) as of the end of the reporting period	*6 731 532*	*19 494 676*
LIABILITIES		
Funds due to credit institutions (VOSTRO) as of the beginning of the reporting period	*10 350 667*	*1 872 910*
Funds raised as of the beginning of the reporting year, total:	*9 259 035*	*14 570 866*
including, subordinated loans	*3 644 135*	*4 500 672*
Funds raised during 2016/2015	*28 846 102*	*34 184 706*
Funds repaid duing 2016/2015	*32 113 506*	*39 496 537*
Funds raised as of the end of the reporting year	*5 991 631*	*9 259 035*
including, subordinated loans	*3 032 845*	*3 644 135*
Funds due to credit institutions (VOSTRO) as of the end of the reporting period	*8 951 261*	*10 350 667*
OFF-BALANCE SHEET LIABILITIES AND COMMITMENTS		
Guarantees received	*2 358 671*	*2 398 742*
Guarantees issued	*804 761*	*840 388*

The table below presents income and expenses on operations with related parties:

	2016 thous. roubles	2015 thous. roubles
Interest income	26 576	28 723
Interest expense	259 750	241 220
Net interest income (expense)	(233 174)	(212 497)
Net income from foreign exchange operations	82 690	901 128
Fees and commissions income	2 065	294
Fees and commissions expenses	813	599
Net income (expense) from related party operations	**(149 232)**	**688 326**

11. Information on the employee remuneration system of the Bank

The Bank has set up a Remuneration Committee that is a special body subordinate to the Bank's Board of Directors with a competency in organization, monitoring and control of the employee remuneration system.

The members of the Remuneration Committee are:

- Cui Liang, the Chairman of the Remuneration Committee,

- Hong Guilu, a member of the Remuneration Committee,

- Wang Ying, a member of the Remuneration Committee

The Committee members are not entitled to particular remunerations.

The Bank's remuneration system applies to all the Bank's structural subdivisions, including an Additional office "GREENWOOD" and the Bank's branch in St.Petersburg.

As at the end of 2016 the following personnel numbers were involved in assuming risks of the Bank:

- members of collective executive body of the Bank – 3 persons;
- other employees – 1 person

Therefore, as at the end of 2016 there were 4 persons in total responsible for assuming the Bank's risks.

Principal indicators and objectives of the employee remuneration system of the Bank

- ensure financial stability of the Bank;
- make the employee remuneration system compatible with the Bank's scope and type of activities, as well as with the Bank's performance results and composition of assumed risks;
- strengthen employee motivation in meeting strategic and operating objectives of the Bank;
- ensure financial motivation of the Bank's employees in creative and responsible approach to the assigned tasks and duties;
- streamlining the employee remuneration approach in the Bank;
- optimization of planning and management of personnel expenses.

The employee remuneration system is subject to an annual review by the Board of Directors of the Bank.

In 2016- beginning of 2017 the employee remuneration system of the Bank was reviewed by the Remuneration Committee (as per the Minutes No.01-16 dated 30.10.2016 and the Minutes No.01-17 dated 20.01.2017) and the Board of Directors (as per the Minutes No.09-16 dated 31.10.2016). Appropriate amendments to the internal documents regulating the remuneration system of the Bank were approved. In particular, "Regulation on employee remunerations and bonuses" was amended in accordance with the requirements of Instruction No.154-И dated 17.06.2014 of the Central Bank of Russia. The amendments referred to components of the management personnel remuneration and annual bonuses, also the Bank changed employee salary review time from December to the first quarter of the next reporting period. With regard to invited foreign specialists, the Bank changed the number of visits to the home country reimbursed by the Bank. Additionally, the Bank included reimbursement of medical examination expenses and expenses on education for children.

The Regulation on the Remuneration Committee was amended to include the Committee secretary's responsibilities.

The Bank's Board of Directors has received for approval Instruction on changes to "Regulation on determination of employee categories in charge of risk assumption and risk management and control". Having analyzed business processes in the Bank, the number of positions of that category was expanded.

Structural subdivisions of the Bank in charge of risk management

Payroll size for the Bank's subdivisions in charge of risk management is independent from financial results of those subdivisions (bodies) that decide about conducting banking operations and other deals.

In calculating variable part of the remuneration the Bank considers quality indicators met for objectives set for the subdivisions by the Bank's Regulations on respective subdivisions of the Bank, as well as by other internal documents of the Bank. The quality indicators include the following:

1) meeting target indicators:
   - timeliness of reporting.
2) Compliance with standards for completion of documentation;
3) Work quality evaluation of the Bank by external auditors and internal evaluation by the Board of Directors:
   - no negative comments;
   - minor negative comments that can be cleared in course of the work;
   - significant shortcomings.

In the total volume of remunerations paid to employees the variable part shall not exceed 50%.

Risk management subdivisions of the Bank are not entitled to deferred remuneration types.

Variable part of the remuneration for the employees in charge of risk assumption is set in roubles. There are no other forms of payment of the variable remuneration part.

In the reporting period all employees falling into this category in 2016 received their variable part of remuneration.

There were no guaranteed bonus payments in 2016.

The management personnel on payroll as of 01.01.2017 comprised 5 people. In 2016 payments to the key management personnel amounted to 66 994 thous. roubles, which equals to 17.2% in the total volume of emoluments paid to the Bank's employees.

The payments – short-term compensations – include salaries, annual paid leaves, bonuses and other remunerations as per labor agreements. No pension or other retirement payments, long service bonuses, long-term disability payments or other long-term payments were paid.

President Li Wencong

Chief accountant Kuzmina N.V.

Stamp

31 March 2017

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President of FBK Grant Tornton
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Head of audit
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